

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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Interim Financial Statements - Unaudited

Income Statement

For the six months ended 30 September 2014

<i>Note</i>	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
	(\$000)	(\$000)	(\$000)
Sale of Goods	1,912	1,783	3,637
Rendering of Services	767	508	1,179
Rental Revenue	2	-	95
Other Revenue	60	209	69
Total Revenue	2,741	2,500	4,980
Cost of Sales	1,442	744	2,959
Gross Profit	1,299	1,756	2,021
Administration	206	545	584
Professional Services	19	-	155
Finance Costs	5	21	25
Sales & Development	756	545	884
Occupancy Costs	92	90	178
CEO Share Scheme	96	-	191
Other Expenses	46	292	343
Total Expenses	1,220	1,266	2,360
Profit/(Loss) before Income Tax	79	490	(339)
Income Tax Expense	-	-	-
Profit/(Loss) after Income Tax attributable to Equity holders of the parent	79	490	(339)

Statement of Comprehensive Income

For the six months ended 30 September 2014

<i>Note</i>	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
	(\$000)	(\$000)	(\$000)
Profit/(Loss) for the period	79	490	(339)
Other comprehensive income that may subsequently be recycled to the Income Statement			
<i>Translation of foreign operations</i>			
Gains/(Losses) arising during the period	(6)	(124)	17
Other comprehensive income, net of tax	(6)	(124)	17
Total comprehensive Profit/(Loss) for the period, net of tax attributable to Equity of the parent	73	366	(322)

These statements should be read in conjunction with the attached notes to the Interim Financial Statements.

Statement of Changes in Equity

For the six months ended 30 September 2014

Group	Note	Share Capital	Employee Equity Benefit Reserve	Foreign Currency Translation Reserve	Shares Not Yet Issued Reserve	Retained Earnings	Total
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Six Months ended 30 September 2013 (Unaudited)							
Opening Balance at 1 April 2013		26,289	228	588	700	(28,122)	(317)
Profit for the period		-	-	-	-	490	490
Other comprehensive income	2	-	-	(124)	-	-	(124)
Total comprehensive income for the period		-	-	(124)	-	490	366
Issue of Shares		2,848	-	-	-	-	2,848
Share Based Payments	5	-	-	-	-	-	-
Private Placement of Share Capital	2	700	-	-	(700)	-	-
Balance at 30 September 2013		29,837	228	464	-	(27,632)	2,897
Year ended 31 March 2014 (Audited)							
Opening Balance at 1 April 2013		26,289	228	588	700	(28,122)	(317)
(Loss) for the year		-	-	-	-	(339)	(339)
Other comprehensive income	2	-	-	17	-	-	17
Total comprehensive income for the year		-	-	17	-	(339)	(322)
Issue of Shares		2,848	-	-	-	-	2,848
Share Based Payments	5	-	191	-	-	-	191
Private Placement of Share Capital	2	700	-	-	(700)	-	-
Balance at 31 March 2014 (Audited)		29,837	419	605	-	(28,461)	2,400
Six Months ended 30 September 2014 (Unaudited)							
Opening Balance 1 April 2014		29,837	419	605	-	(28,461)	2,400
Profit for the period		-	-	-	-	79	79
Other comprehensive income	2	-	-	(6)	-	-	(6)
Total comprehensive income for the period		-	-	(6)	-	79	73
Issue of Shares		-	-	-	-	-	-
Share Based Payments	5	-	96	-	-	-	96
Private Placement of Share Capital	2	-	-	-	-	-	-
Balance at 30 September 2014		29,837	515	599	-	(28,382)	2,569

This statement should be read in conjunction with the attached notes to the Interim Financial Statements.

Balance Sheet

As at 30 September 2014

	Note	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
		(\$000)	(\$000)	(\$000)
Current Assets				
Cash and Cash Equivalents		458	1,150	1,376
Trade and Other Receivables		1,390	1,460	1,555
Inventory		1,557	1,121	904
GST Receivable		18	-	54
Current Tax Assets		11	6	9
Total Current Assets		3,434	3,737	3,898
Non Current Assets				
Property, Plant and Equipment		153	235	160
Intangible Assets		11	18	14
Total Non Current Assets		164	253	174
Total Assets		3,598	3,990	4,072
Current Liabilities				
Trade and Other Payables		537	469	1,033
Borrowings – Trade Finance Facility	3	288	623	435
GST Payable		-	1	-
Total Current Liabilities		825	1,093	1,468
Non Current Liabilities				
Borrowings – Trade Finance Facility	3	204	-	204
Total Current Liabilities		204	-	204
Total Liabilities		1,029	1,093	1,672
Total Net Assets		2,569	2,897	2,400
Equity				
Capital and Other Equity Instruments		29,837	29,837	29,837
Retained (Deficits)		(28,382)	(27,632)	(28,461)
Reserves	2	1,114	692	1,024
Total Equity attributable to Equity holders of the parent		2,569	2,897	2,400

This statement should be read in conjunction with the attached notes to the Interim Financial Statements.

Cash Flow Statement

For the six months ended 30 September 2014

	<i>Note</i>	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
		(\$000)	(\$000)	(\$000)
Cash flows from Operating Activities				
Receipts from Customers		2,811	1,798	4,330
Interest Received		8	17	27
Tax (Payments)/Receipts		(2)	(4)	(7)
Payments to Suppliers and Employees		(3,554)	(2,815)	(5,111)
Interest Paid		-	(17)	(17)
Net Cash flows used in Operating Activities	7	(737)	(1,021)	(778)
Cash flows from Investing Activities				
Purchase of Fixed Assets		(31)	(28)	(45)
Purchase of Intangible Assets		-	(18)	(18)
Net Cash flows from/(used in) Investing Activities		(31)	(46)	(63)
Cash flows from Financing Activities				
(Payments of)/Proceeds from borrowings		(150)	(899)	(899)
Proceeds from issue of shares		-	2,848	2,848
Net Cash flows from Financing Activities		(150)	1,947	1,947
Net Increase/(Decrease) in Cash and Cash Equivalents		(918)	880	1,107
Cash and Cash Equivalents at Beginning of period		1,376	270	270
Cash and Cash Equivalents/(Bank Overdraft) at End of period		458	1,150	1,376

This statement should be read in conjunction with the attached notes to the Interim Financial Statements.

Notes to the Interim Financial Statements - Unaudited

For the six month period ended 30 September 2014

1. Basis of Presentation and Accounting Policies

These unaudited consolidated interim financial statements of Syft Technologies Limited (the Company) and its subsidiaries (together "the Group") have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with New Zealand Equivalent to International Accounting Standard (NZ IAS) 34 Interim Financial Reporting. The Company is a profit oriented entity and is an unlisted issuer for the purposes of the New Zealand Financial Reporting Act 1993. The unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2014 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's Annual Report for the year ended 31 March 2014. The same significant judgements, estimates and assumptions included in the notes to the financial statements in the Group's Annual Report for the year ended 31 March 2014 have been applied to these consolidated interim financial statements.

The unaudited interim financial statements are presented in New Zealand dollars and all values rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

2. Reserves

	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
	(\$000)	(\$000)	(\$000)
Foreign Currency Translation Reserve	599	464	605
Employee Equity Benefit Reserve	515	228	419
Shares Not Yet Issued Reserve	-	-	-
	1,114	692	1,024

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
	(\$000)	(\$000)	(\$000)
Movements in Translation Reserve			
Balance at beginning of period	605	588	588
Translation of Foreign Operations	(6)	(124)	17
Balance at end of period	599	464	605

2. Reserves (continued)

Employee Equity Benefit Reserve

Employee Share Options (ceased) carry no rights to dividends and no voting rights. Further details of the Employee Share Option Scheme and Chief Executive Share Scheme are contained in note 5 to the interim financial statements.

	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
	(\$000)	(\$000)	(\$000)
Movement in Employee Benefit Reserve			
Balance at beginning of period	419	228	228
Recognition of Share Based Payments	96	-	191
Balance at end of period	515	228	419

The Employee Equity Benefit Reserve arises on the grant of share options to employees under the Employee Share option Scheme (ceased) and the shares issued under the Chief Executive Share Scheme. Amounts are transferred into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 5 to the interim financial statements.

Shares Not Yet Issued Reserve

During the 2013 year, the Company raised \$700,000 which was converted into ordinary shares after balance date and was therefore treated as "Shares Not Yet Issued" under reserves for the 2013 financial year. On 2 April 2013 these funds were converted to shares.

3. Current Liabilities – Borrowings

Trade Finance Facilities

On shipment of an instrument the Company is able to finance 90% of the invoice value by a bank sourced trade finance facility. The Company ensures that credit insurance is in place for all export customers and the bank has approved finance by way of trade finance facilities. The facility reduced from 31 March 2014 to 30 September 2014 as repayments fell due. The next payment was made 1 October 2014, as the trade receivable also matured.

4. Related Party Disclosure

Subsidiaries

The consolidated interim financial statements include the financial statements of Syft Technologies Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	%Equity Interest		
		Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
Syft Analytics Limited	New Zealand	100%	100%	100%
Syft Technologies Inc	United States	100%	100%	100%
Syft Technologies (UK) Limited	United Kingdom	100%	100%	100%

Ultimate Parent

The ultimate parent company is Syft Technologies Limited.

4. Related Party Disclosure (continued)

Impairment

In the financial year ending 31 March 2014 part of the impairment of the loan to Syft Technologies Inc (STI) was reversed (\$545k). The balance of the loan (\$516k) remains impaired. In addition there was \$80k receivable by the parent for transactions that have occurred with STI during the year. Sales and a service contract through STI meant it was able to fund partial repayment of the loan. The loan to Syft Technologies (UK) Limited stands at \$959k (2013: \$899k) and is 100% impaired. There has been no further reversal of or increase in impairments in the six months to 30 September 2014.

Transactions with Related Parties

Trade amounts owing between related parties are payable under normal commercial terms. No related party debts have been written off or forgiven during the period.

Directors have been paid director fees totalling \$33k for the six months to 30 September 2014. No other related party transactions have taken place since balance date. Refer to the 31 March 2014 Annual Report for details of related party transactions in the other periods.

5. Employee Share Equity Schemes

Chief Executive Share Scheme (CESS)

In 2012 the Board approved a share scheme for the Chief Executive Officer (CEO) of the Company. The scheme has been set up to align the CEO's incentives with that of the Company and Shareholders, and will serve as a reward and retention scheme for the CEO meeting performance milestones for the Company. The scheme aims to reward the CEO with 15% ownership of the Company.

The Company has provided the CEO with a non-recourse loan to assist the CEO to participate in the share scheme. The principal terms of the scheme are noted below.

- Loan is non-recourse, interest free and does not have a fixed repayment date.
- If the CEO sells any of the shares then the cash received must be first put towards repaying the loan.
- If the CEO sells shares at a current market price that is below the issue price, the relevant part of the loan relating to the difference between the issue price and the price achieved will effectively be forgiven.

The shares held by the CEO are restricted, and cannot be sold until the Board determines that the CEO has met certain KPIs and milestones for relevant financial years (with the parcels of shares having restrictions relating to FY13 to FY15). Total shares issued and unpaid under the scheme is 191,271,616.

Pricing Model

The Scheme is consistent with that of a call option and has been valued according to the Black-Scholes option pricing model, using the following assumptions:

20 November 2012 granted shares

- The Share price as at 20 November was \$0.02.
- Total shares granted was 56,149,500.
- The level of volatility was 40% based on historical volatility and estimated future volatility of Syft share price.
- The risk free discount rate of 2.82% based on the NZ Government five year bond rate as the Grant Date.

15 March 2013 granted shares (issued 6 June 2013)

- The Share price as at 6 June was \$0.005.
- Total shares granted was 135,122,116.
- The level of volatility was 40% based on historical volatility and estimated future volatility of Syft share price.
- The risk free discount rate of 3.11% based on the NZ Government five year bond rate as the Grant Date.

The first tranche of the 13 March 2013 granted shares was accrued into the FY2013 accounts although the shares had not been issued, the criteria for issue had been met. There is one final tranche of shares to be vested in the year ending 31 March 2015 should all KPIs be met. This tranche is for the remaining restricted shares. The expense in the Income Statement at 30 September 2014 (\$96k) is for 50% of tranche four.

6. Contingencies

The Company and Group have no contingencies at report date or the last balance date. (2013: Nil)

7. Reconciliation of Profit/(Loss) after taxation with net cash flows from operating activities:

	Six Months Unaudited Group 2014	Six Months Unaudited Group 2013	Year Ended Audited Group March 2014
	(\$000)	(\$000)	(\$000)
Net Profit/(Loss)	79	490	(339)
<i>Adjustments for:</i>			
Depreciation and Amortisation	42	31	107
Unrealised Foreign Exchange Loss – non group	-	-	7
Movement in the Foreign Currency Translation Reserve	(6)	(124)	17
Loss on Disposal of Fixed Assets	-	-	29
Share Based Payment Expense	96	-	191
Adjusted Profit	211	397	12
<i>Changes In Working Capital Items</i>			
(Increase)/Decrease in Trade and Other Receivables	165	(702)	(797)
(Increase)/Decrease in Inventory	(653)	(197)	20
(Increase)/Decrease in GST	38	(1)	(56)
(Increase)/Decrease in Current Tax Asset	(2)	(4)	(7)
(Decrease)/Increase in Trade and Other Payables	(496)	(351)	213
	(948)	(1,255)	(627)
Item Reclassified to Investing Activities (Demo units from Inventory)	-	(163)	(163)
Net Cash Flow (to) Operating Activities	(737)	(1,021)	(778)

8. Subsequent Events

The following event has occurred subsequent to balance date;

Share Issue

In June 2014, 3,970,000 shares were awarded to staff under the staff share scheme. The terms of the scheme is an interest free non-recourse loan to purchase shares at market price (3c), and the participants are required to remain at Syft Technologies Limited for three years for the shares to vest. The cost will be recognised over the life of the option using the Black-Scholes option pricing model.