

INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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# Interim Financial Statements - Unaudited

## Income Statement

For the six months ended 30 September 2016

<i>Note</i>	<b>Six Months Unaudited Group 2016</b>	<b>Six Months Unaudited Group 2015</b>	<b>Year Ended Audited Group March 2016</b>
	(\$000)	(\$000)	(\$000)
	<b>Operating Revenue</b>		
	3,245	1,385	4,323
	1,069	688	1,688
	<b>4,314</b>	<b>2,073</b>	<b>6,011</b>
	<b>Cost of Sales</b>		
	1,878	914	2,417
	<b>2,436</b>	<b>1,159</b>	<b>3,594</b>
	<b>Other Income</b>		
	64	12	50
	149	340	573
	<b>213</b>	<b>352</b>	<b>623</b>
	<b>Expenses</b>		
	282	218	432
	39	38	64
	5	8	14
	1,348	1,014	2,018
	99	99	193
5	23	10	20
	61	44	114
	<b>1,857</b>	<b>1,431</b>	<b>2,855</b>
	<b>Profit before Income Tax</b>		
	<b>792</b>	<b>80</b>	<b>1,362</b>
	13	-	-
	<b>Profit after Income Tax attributable to Equity Holders of the parent</b>		
	<b>779</b>	<b>80</b>	<b>1,362</b>

## Statement of Comprehensive Income

For the six months ended 30 September 2016

<i>Note</i>	<b>Six Months Unaudited Group 2016</b>	<b>Six Months Unaudited Group 2015</b>	<b>Year Ended Audited Group March 2016</b>
	(\$000)	(\$000)	(\$000)
	<b>779</b>	<b>80</b>	<b>1,362</b>
	<b>Other comprehensive income that may subsequently be recycled to the Income Statement</b>		
	<i>Translation of foreign operations</i>		
	5	(61)	(41)
2	<b>5</b>	<b>(61)</b>	<b>(41)</b>
	<b>Total comprehensive Profit for the period, net of tax attributable to Equity of the parent</b>		
	<b>784</b>	<b>19</b>	<b>1,321</b>

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 2016

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)
<b>Six Months ended 30 September 2015 (Unaudited)</b>							
Opening Balance 1 April 2015		29,837	623	506	-	(27,985)	2,981
Profit for the period		-	-	-	-	80	80
Other comprehensive income	2	-	-	(61)	-	-	(61)
Total comprehensive income for the period		-	-	(61)	-	80	19
Share Based Payments	5	-	10	-	-	-	10
<b>Balance at 30 September 2015</b>		<b>29,837</b>	<b>633</b>	<b>445</b>	<b>-</b>	<b>(27,905)</b>	<b>3,010</b>
<b>Year ended 31 March 2016 (Audited)</b>							
Opening Balance at 1 April 2015		29,837	623	506	-	(27,985)	2,981
Profit for the year		-	-	-	-	1,362	1,362
Other comprehensive income	2	-	-	(41)	-	-	(41)
Total comprehensive income for the year		-	-	(41)	-	1,362	1,321
Share Based Payments	5	-	20	-	-	-	20
<b>Balance at 31 March 2016 (Audited)</b>		<b>29,837</b>	<b>643</b>	<b>465</b>	<b>-</b>	<b>(26,623)</b>	<b>4,322</b>
<b>Six Months ended 30 September 2016 (Unaudited)</b>							
Opening Balance 1 April 2016		29,837	643	465	-	(26,623)	4,322
Profit for the period		-	-	-	-	779	779
Other comprehensive income	2	-	-	5	-	-	5
Total comprehensive income for the period		-	-	5	-	779	784
Share Based Payments	5	-	23	-	15	-	38
<b>Balance at 30 September 2016</b>		<b>29,837</b>	<b>666</b>	<b>470</b>	<b>15</b>	<b>(25,844)</b>	<b>5,144</b>

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

# Balance Sheet

As at 30 September 2016

<i>Note</i>	<b>Six Months Unaudited Group 2016</b>	<b>Six Months Unaudited Group 2015</b>	<b>Year Ended Audited Group March 2016</b>
	(\$000)	(\$000)	(\$000)
<b>Current Assets</b>			
	1,823	1,530	284
	57	0	154
	2,389	611	3,276
	1,857	1,485	1,585
	44	31	40
	7	19	6
	<b>6,177</b>	<b>3,676</b>	<b>5,345</b>
<b>Non Current Assets</b>			
	376	185	318
	75	24	32
	<b>451</b>	<b>209</b>	<b>350</b>
	<b>6,628</b>	<b>3,885</b>	<b>5,695</b>
<b>Current Liabilities</b>			
	1,484	705	1,295
3	0	170	78
	<b>1,484</b>	<b>875</b>	<b>1,373</b>
	<b>1,484</b>	<b>875</b>	<b>1,373</b>
	<b>5,144</b>	<b>3,010</b>	<b>4,322</b>
<b>Equity</b>			
	29,837	29,837	29,837
	(25,844)	(27,905)	(26,623)
	15	0	0
2	1,136	1,078	1,108
	<b>5,144</b>	<b>3,010</b>	<b>4,322</b>

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 2016

<i>Note</i>	<b>Six Months Unaudited Group 2016</b>	<b>Six Months Unaudited Group 2015</b>	<b>Year Ended Audited Group March 2016</b>
	(\$000)	(\$000)	(\$000)
	<b>Cash flows from Operating Activities</b>		
	5,538	3,065	4,864
	10	23	32
	79	0	202
	(13)	(5)	7
	(3,862)	(2,861)	(5,832)
	0	(3)	(3)
7	<b>1,752</b>	<b>220</b>	<b>(730)</b>
	<b>Cash flows from Investing Activities</b>		
	(106)	(107)	(290)
	(44)	(12)	(34)
	<b>(150)</b>	<b>(119)</b>	<b>(324)</b>
	<b>Cash flows from Financing Activities</b>		
	(78)	(151)	(242)
	15	-	-
	<b>(63)</b>	<b>(151)</b>	<b>(242)</b>
	<b>1,539</b>	<b>(50)</b>	<b>(1,296)</b>
	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		
	<b>284</b>	<b>1,580</b>	<b>1580</b>
	<b>1,823</b>	<b>1,530</b>	<b>284</b>
	Cash and Cash Equivalents at Beginning of period		
	Cash and Cash Equivalents/(Bank Overdraft) at End of period		

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 2016

## 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 2016 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 2016. 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 2016 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 2016	Six Months Unaudited Group 2015	Year Ended Audited Group March 2016
	(\$'000)	(\$'000)	(\$'000)
Foreign Currency Translation Reserve	470	445	465
Employee Equity Benefit Reserve	666	633	643
	<b>1,136</b>	<b>1,078</b>	<b>1,108</b>

### 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 2016	Six Months Unaudited Group 2015	Year Ended Audited Group March 2016
	(\$'000)	(\$'000)	(\$'000)
<b>Movements in Translation Reserve</b>			
Balance at beginning of period	465	506	506
Translation of Foreign Operations	5	(61)	(41)
<b>Balance at end of period</b>	<b>470</b>	<b>445</b>	<b>465</b>

### Employee Equity Benefit Reserve

Employee Share Options carry rights to dividends and voting rights.

Further details of the Employee Share Option is contained in note 5 to the interim financial statements.

	Six Months Unaudited Group 2016	Six Months Unaudited Group 2015	Year Ended Audited Group March 2016
	(\$'000)	(\$'000)	(\$'000)
<b>Movement in Employee Benefit Reserve</b>			
Balance at beginning of period	643	623	623
Recognition of Share Based Payments	23	10	20
<b>Balance at end of period</b>	<b>666</b>	<b>633</b>	<b>643</b>

### 3. Current Liabilities – Borrowings

#### Trade Finance Facilities

The Trade Finance facility was fully repaid on 1 April 2016.

### 4. Related Party Disclosure

#### Subsidiaries

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

Name	Country of Incorporation	%Equity Interest		
		Six Months Unaudited Group 2016	Six Months Unaudited Group 2015	Year Ended Audited Group March 2016
Syft Technologies Inc	United States	100%	100%	100%

#### Ultimate Parent

The ultimate parent company is Syft Technologies Limited.

#### Impairment

There was no impairment of the loan to Syft Technologies Inc (STI) in the six months to 30 September 2016.

#### 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 \$42.5k for the six months to 30 September 2016. No other related party transactions have taken place since balance date. Refer to the 31 March 2016 Annual Report for details of related party transactions in the other periods.

### 5. Employee Share Option Scheme (ESOS)

In April 2016, the Board approved a share scheme for the key employees of the Company. The scheme has been set up to align the key employees' incentives with that of the Company and Shareholders, and will serve as a reward and retention scheme for the key employees. The scheme aims to reward the key employees with 0.68% ownership of the Company.

The Company has provided the key employees with a non-recourse loan to assist the key employees 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 Key employees sells any of the shares then the cash received must be first put towards repaying the loan.
- If the key employees 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 key employees are restricted, and cannot be sold until the employee remain with Syft for a minimum of three years (with the parcels of shares having restrictions relating to FY17 to FY20). Total number of shares issued and unpaid under the scheme is 8,625,000.

In June 2016, the Board approved another share scheme for the key employees of the Company. The scheme has been set up to align the key employees' incentives with that of the Company and Shareholders, and will serve as a reward and retention scheme for the key employees. The scheme aims to reward the key employees with 0.02% ownership of the Company. Total number of shares issued and unpaid under the scheme is 200,000.

This scheme is on the same term as the one above.



## 5. Employee Share Option Scheme (ESOS) (Continued)

### 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:

#### 1 April 2016 granted shares

- The Share price as at 1 April was \$0.03.
- Total shares granted was 8,625,000
- The level of volatility was 40% based on historical volatility and estimated future volatility of Syft share price.
- The risk free discount rate of 2.21% based on the NZ Government five year bond rate as the Grant Date

#### 1 July 2016 granted shares

- The Share price as at 1 July was \$0.03.
- Total shares granted was 200,000
- The level of volatility was 40% based on historical volatility and estimated future volatility of Syft share price.
- The risk free discount rate of 2.02% based on the NZ Government five year bond rate as the Grant Date

## 6. Contingencies

The Company and Group have no contingencies at report date or the last balance date. (2015: Nil)

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

	Six Months Unaudited Group 2016	Six Months Unaudited Group 2015	Year Ended Audited Group March 2016
	(\$000)	(\$000)	(\$000)
Net Profit/(Loss)	779	80	1,362
<i>Adjustments for:</i>			
Depreciation and Amortisation	49	36	100
Unrealised Foreign Exchange Loss – non group	5	(61)	(41)
Share Based Payment Expense	23	10	20
Derivative Asset	97	-	(154)
Adjusted Profit	953	65	1,287
<i>Changes In Working Capital Items</i>			
(Increase)/Decrease in Trade and Other Receivables	887	649	(2,017)
(Increase)/Decrease in Inventory	(272)	(464)	(564)
(Increase)/Decrease in GST	(4)	(16)	(25)
(Increase)/Decrease in Current Tax Asset	-	(6)	7
(Decrease)/Increase in Trade and Other Payables	188	(8)	582
	799	155	(2,017)
Net Cash Flow (to) Operating Activities	<b>1,752</b>	<b>220</b>	<b>(730)</b>