

SYFT TECHNOLOGIES LIMITED  
INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
30 SEPTEMBER 2017

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## Income statement (unaudited)

For the six months ended 30 September 2017

Group	Note	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
		(\$000)	(\$000)	(\$000)
<b>Operating revenue</b>				
Sale of goods		3,920	3,245	6,309
Rendering of services		724	1,069	1,762
Rental revenue		143	64	189
<b>Total operating revenue</b>		<b>4,787</b>	<b>4,378</b>	<b>8,260</b>
Cost of sales		1,974	1,878	3,605
<b>Gross profit</b>		<b>2,813</b>	<b>2,500</b>	<b>4,655</b>
<b>Other income</b>				
Other revenue		281	149	449
<b>Total other income</b>		<b>281</b>	<b>149</b>	<b>449</b>
<b>Expenses</b>				
Administration expenses		384	282	537
Professional services		50	39	91
Finance costs		5	5	9
Sales & development		2,134	1,348	3,271
Occupancy costs		118	99	206
Employee share scheme	4	26	23	42
Other expenses		143	61	202
Capital raising costs	7	271	-	-
<b>Total expenses</b>		<b>3,131</b>	<b>1,857</b>	<b>4,358</b>
<b>Profit/(loss) before income tax</b>		<b>(37)</b>	<b>792</b>	<b>746</b>
Income tax expense		3	13	(407)
<b>Profit/(loss) after income tax attributable to equity holders of the group</b>		<b>(40)</b>	<b>779</b>	<b>1,153</b>

The above income statement should be read in conjunction with the accompanying notes on pages 7 to 9.

## Statement of comprehensive income (unaudited)

For the six months ended 30 September 2017

Group	Note	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
		(\$000)	(\$000)	(\$000)
<b>Profit/(loss) for the period</b>		<b>(40)</b>	<b>779</b>	<b>1,153</b>
<b>Other comprehensive income that may subsequently be recycled to the income statement</b>				
<i>Translation of foreign operations</i>				
Gains arising during the period	2	4	5	1
<b>Other comprehensive income, net of tax</b>		<b>4</b>	<b>5</b>	<b>1</b>
<b>Total comprehensive income for the period</b>		<b>(36)</b>	<b>784</b>	<b>1,154</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 7 to 9.

# Statement of changes in equity (unaudited)

For the six months ended 30 September 2017

Group	Note	Share Capital	Employee equity benefit reserve	Foreign currency translation reserve	Shares not yet issued reserve	Retained earnings	Total equity
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Six months ended 30 September 2016</b>							
Opening balance at 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	4	-	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>
<b>Year ended 31 March 2017</b>							
Opening balance at 1 April 2016		29,837	643	465	-	(26,623)	4,322
Profit for the year		-	-	-	-	1,153	1,153
Other comprehensive income	2	-	-	1	-	-	1
Total comprehensive income for the year		-	-	1	-	1,153	1,154
Issue of shares		14	-	-	-	-	14
Share based payments	4	-	42	-	-	-	42
<b>Balance at 31 March 2017</b>		<b>29,851</b>	<b>685</b>	<b>466</b>	<b>-</b>	<b>(25,470)</b>	<b>5,532</b>
<b>Six months ended 30 September 2017</b>							
Opening balance at 1 April 2017		29,851	685	466	-	(25,470)	5,532
Profit/(loss) for the period		-	-	-	-	(40)	(40)
Other comprehensive income	2	-	-	4	-	-	4
Total comprehensive income for the period		-	-	4	-	(40)	(36)
Issue of shares		7,502	-	-	-	-	7,502
Share based payments	4	-	26	-	-	-	26
<b>Balance at 30 September 2017</b>		<b>37,353</b>	<b>711</b>	<b>470</b>	<b>-</b>	<b>(25,510)</b>	<b>13,024</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 7 to 9.

## Balance sheet (unaudited)

As at 30 September 2017

Group	Note	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
		(\$000)	(\$000)	(\$000)
<b>Current assets</b>				
Cash and cash equivalents		7,387	1,823	1,193
Derivative assets		-	57	1
Trade and other receivables		2,627	2,389	2,258
Inventory		2,470	1,857	1,732
GST receivable		77	44	23
Current tax assets		-	7	-
<b>Total current assets</b>		<b>12,561</b>	<b>6,177</b>	<b>5,207</b>
<b>Non-current assets</b>				
Deferred tax asset		420	-	420
Property, plant and equipment		1,352	376	1,128
Intangible assets		191	75	132
<b>Total non-current assets</b>		<b>1,963</b>	<b>451</b>	<b>1,680</b>
<b>Total assets</b>		<b>14,524</b>	<b>6,628</b>	<b>6,887</b>
<b>Current liabilities</b>				
Trade and other payables		1,481	1,484	1,355
Derivative liabilities		19	-	-
<b>Total current liabilities</b>		<b>1,500</b>	<b>1,484</b>	<b>1,355</b>
<b>Total liabilities</b>		<b>1,500</b>	<b>1,484</b>	<b>1,355</b>
<b>Total net assets</b>		<b>13,024</b>	<b>5,144</b>	<b>5,532</b>
<b>Equity</b>				
Capital and other equity instruments		37,353	29,837	29,851
Accumulated losses		(25,510)	(25,844)	(25,470)
Minimum shareholding		-	15	-
Reserves	2	1,181	1,136	1,151
<b>Total equity attributable to equity holders of the group</b>		<b>13,024</b>	<b>5,144</b>	<b>5,532</b>

The above balance sheet should be read in conjunction with the accompanying notes on pages 7 to 9.

## Cash flow statement (unaudited)

For the six months ended 30 September 2017

Group	Note	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
		(\$000)	(\$000)	(\$000)
<b>Cash flows from operating activities</b>				
Receipts from customers		4,514	5,538	9,668
Interest received		1	10	27
Grants received		99	79	247
Tax (payments)/receipts		(3)	(13)	(6)
Payments to suppliers and employees		(5,408)	(3,862)	(7,871)
<b>Net cash flows from/(used in) operating activities</b>	6	<b>(797)</b>	<b>1,752</b>	<b>2,065</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets		(335)	(106)	(952)
Purchase of intangible assets		(85)	(44)	(140)
<b>Net cash flows used in investing activities</b>		<b>(420)</b>	<b>(150)</b>	<b>(1,092)</b>
<b>Cash flows from financing activities</b>				
Payments of borrowings		-	(78)	(78)
Proceeds from issue of shares	7	7,502	15	14
Capital raising cost		(91)	-	-
<b>Net cash flows from/(used in) financing activities</b>		<b>7,411</b>	<b>(63)</b>	<b>(64)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,194</b>	<b>1,539</b>	<b>909</b>
Cash and cash equivalents at beginning of period		<b>1,193</b>	<b>284</b>	<b>284</b>
Cash and cash equivalents at end of period		<b>7,387</b>	<b>1,823</b>	<b>1,193</b>

The above cash flow statement should be read in conjunction with the accompanying notes on pages 7 to 9.

# Notes to the interim financial statements

For the six month period ended 30 September 2017

## 1. Basis of presentation and accounting policies

These unaudited consolidated interim financial statements of Syft Technologies Limited (the "company") and its subsidiary (together the "group") have been prepared in accordance with New Zealand Generally Accepted Accounting Practice which is the New Zealand equivalent to International Financial Reporting Standards (NZIFRS). They comply with NZ IAS 34 *Interim Financial Reporting* 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 2017. The company is a profit oriented entity and is an unlisted issuer for the purposes of the New Zealand Financial Reporting Act 1993.

There have been no changes to the accounting policies, significant judgements, estimates, assumptions and methods of computation in the unaudited consolidated interim financial statements of the group for the six months ended 30 September 2017. However, certain comparatives have been re-presented to conform with the current periods presentation.

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

Group	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
	(\$000)	(\$000)	(\$000)
Foreign currency translation reserve	470	470	466
Employee equity benefit reserve	711	666	685
	<b>1,181</b>	<b>1,136</b>	<b>1,151</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.

Group	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
	(\$000)	(\$000)	(\$000)
<b>Movements in translation reserve</b>			
Balance at beginning of period	466	465	465
Translation of foreign operations	4	5	1
<b>Balance at end of period</b>	<b>470</b>	<b>470</b>	<b>466</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 4 to the interim financial statements.

Group	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
	(\$000)	(\$000)	(\$000)
<b>Movement in employee benefit reserve</b>			
Balance at beginning of period	685	643	643
Recognition of share based payments	26	23	42
<b>Balance at end of period</b>	<b>711</b>	<b>666</b>	<b>685</b>



### 3. 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 Sep 2017	Six months Sep 2016	Year ended Mar 2017
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 2017.

#### 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 \$43k for the six months to 30 September 2017. No other related party transactions have taken place since balance date. Refer to the 31 March 2017 annual report for details of related party transactions during other periods.

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

The original share scheme was approved by the board in June 2014, for the details on this and the supplementary share offerings up until June 2016, refer to the annual report. In June 2017, the board approved an additional 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 0.26% 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 sell any of the shares then the cash received must first be put towards repayment of the loan
- If the key employees sell 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 unless the employee remains with Syft for a minimum of three years (with the parcels of shares having restrictions relating from FY18 to FY21). The total number of shares issued and unpaid under the scheme is 182,500.

#### 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 June 2017 granted shares:

- The share price as at 1 June 2017 was \$1.08
- Total number of shares granted was 182,500
- The level of volatility was 40% based on historical and estimated future volatility of Syft's share price
- The risk free discount rate of 2.45% is based on the NZ Government five year bond rate as at the grant date

## 5. Contingencies

The company and group have no contingencies at report date or the last balance date (2016: Nil).

## 6. Reconciliation of profit/(loss) after taxation with net cash flows from operating activities:

Group	Six months Sep 2017	Six months Sep 2016	Year ended Mar 2017
	(\$000)	(\$000)	(\$000)
<b>Net profit/(loss)</b>	<b>(40)</b>	<b>779</b>	<b>1,153</b>
<i>Adjustments for:</i>			
Depreciation and amortisation	137	49	181
Foreign currency translation reserve	4	5	1
Capital raising costs	271	-	-
Share based payment expense	26	23	42
Deferred tax asset	-	-	(420)
Derivative asset	20	97	153
<b>Adjusted profit</b>	<b>418</b>	<b>953</b>	<b>1,110</b>
<i>Changes in working capital items</i>			
(Increase)/decrease in trade and other receivables	(369)	887	1,018
(Increase)/decrease in inventory	(738)	(272)	(146)
(Increase)/decrease in GST	(54)	(4)	17
(Increase)/decrease in current tax asset	-	-	6
(Decrease)/increase in trade and other payables	(54)	188	60
	<b>(1,215)</b>	<b>799</b>	<b>955</b>
<b>Net cash flow from/(to) operating activities</b>	<b>(797)</b>	<b>1,752</b>	<b>2,065</b>

## 7. Capital issue

The company successfully raised equity capital totalling \$7.5m through the issues of 6.5m shares at a price of \$1.15 per share in September 2017. In all respects, the new shares rank equal to the pre-existing ordinary shares on issue. The one-off cost incurred in raising this capital was \$271k.