



SYFT TECHNOLOGIES LIMITED  
INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2018

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## Consolidated income statement

For the six months ended 30 September 2018 (unaudited)

<i>Note</i>	<b>Six months Sep 2018</b>	<b>Six months Sep 2017</b>
	(\$000)	(\$000)
<b>Operating revenue</b>		
Sale of goods	6,305	3,920
Rendering of services	657	724
Rental revenue	165	143
<b>Total operating revenue</b>	<b>7,127</b>	<b>4,787</b>
Cost of sales	2,704	1,974
<b>Gross profit</b>	<b>4,423</b>	<b>2,813</b>
<b>Other income</b>		
Other revenue	581	281
<b>Total other income</b>	<b>581</b>	<b>281</b>
<b>Expenses</b>		
Administration expenses	749	383
Other operating expenses	831	341
Sales & marketing costs	1,618	862
Research costs	1,248	1,273
<b>Total expenses</b>	<b>4,446</b>	<b>2,859</b>
<b>Profit before income tax</b>	<b>558</b>	<b>235</b>
Income tax expense	1	3
<b>Profit after income tax attributable to equity holders of the Group</b>	<b>557</b>	<b>232</b>

## Consolidated statement of comprehensive income

For the six months ended 30 September 2018 (unaudited)

<i>Note</i>	<b>Six months Sep 2018</b>	<b>Six months Sep 2017</b>
	(\$000)	(\$000)
<b>Profit for the period</b>	<b>557</b>	<b>232</b>
<b>Other comprehensive income that may subsequently be recycled to the income statement</b>		
<i>Translation of foreign operations</i>		
Gains/ (loss) arising during the period	7 (18)	4
<b>Other comprehensive income, net of tax</b>	<b>(18)</b>	<b>4</b>
<b>Total comprehensive income for the period</b>	<b>539</b>	<b>236</b>

The above consolidated statements should be read in conjunction with the accompanying notes on pages 6 to 11.

# Consolidated statement of changes in equity

For the six months ended 30 September 2018 (unaudited)

	Note	Share Capital	Employee equity benefit reserve	Foreign currency translation reserve	Retained earnings	Total equity
		(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Six months ended 30 September 2017</b>						
Opening balance at 1 April 2017		29,851	685	466	(25,470)	5,532
Profit for the period		-	-	-	232	232
Other comprehensive income	7	-	-	4	-	4
Total comprehensive income for the period		-	-	4	232	236
Shares issued		7,502	-	-	-	7,502
Costs associated with raising capital		(271)	-	-	-	(271)
Share based payments	7	-	26	-	-	26
<b>Balance at 30 September 2017</b>		<b>37,082</b>	<b>711</b>	<b>470</b>	<b>(25,238)</b>	<b>13,025</b>
<b>Year ended 31 March 2018</b>						
Opening balance at 1 April 2017		29,851	685	466	(25,470)	5,532
Profit for the year		-	-	-	3,576	3,576
Other comprehensive income	7	-	-	-	-	-
Total comprehensive income for the year		-	-	-	3,576	3,576
Shares issued		7,502	-	-	-	7,502
Costs associated with raising capital		(271)	-	-	-	(271)
Share based payments	7	-	50	-	-	50
<b>Balance at 31 March 2018</b>		<b>37,082</b>	<b>735</b>	<b>466</b>	<b>(21,894)</b>	<b>16,389</b>
<b>Six months ended 30 September 2018</b>						
Opening balance at 1 April 2018		37,082	735	466	(21,894)	16,389
Profit for the period		-	-	-	557	557
Other comprehensive income	7	-	-	(18)	-	(18)
Total comprehensive income for the period		-	-	(18)	557	539
Share based payments	7	-	29	-	-	29
<b>Balance at 30 September 2018</b>		<b>37,082</b>	<b>764</b>	<b>448</b>	<b>(21,337)</b>	<b>16,957</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 6 to 11.

# Consolidated balance sheet

As at 30 September 2018 (unaudited)

	<i>Note</i>	<b>Sep 2018</b>	<b>Mar 2018</b>
		(\$000)	(\$000)
<b>Current assets</b>			
Cash and cash equivalents		5,984	3,997
Term deposits		-	1,500
Trade and other receivables		2,109	4,405
Inventories		4,731	3,136
GST receivable		112	129
<b>Total current assets</b>		<b>12,936</b>	<b>13,167</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	2,342	1,833
Intangible assets	6	310	329
Deferred tax asset		2,922	2,922
Security deposits		136	-
<b>Total non-current assets</b>		<b>5,710</b>	<b>5,084</b>
<b>Total assets</b>		<b>18,646</b>	<b>18,251</b>
<b>Current liabilities</b>			
Trade and other payables		1,593	1,710
Provisions		76	127
Derivative liabilities		20	25
<b>Total current liabilities</b>		<b>1,689</b>	<b>1,862</b>
<b>Total liabilities</b>		<b>1,689</b>	<b>1,862</b>
<b>Total net assets</b>		<b>16,957</b>	<b>16,389</b>
<b>Equity</b>			
Share capital and other equity instruments		37,082	37,082
Accumulated losses		(21,337)	(21,894)
Reserves		1,212	1,201
<b>Total equity attributable to equity holders of the Group</b>		<b>16,957</b>	<b>16,389</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 6 to 11.

## Consolidated cash flow statement

For the six months ended 30 September 2018 (unaudited)

	<i>Note</i>	<b>Six months Sep 2018</b>	<b>Year ended Mar 2018</b>
		(\$000)	(\$000)
<b>Cash flows from operating activities</b>			
Receipts from customers		9,502	10,602
Interest received		56	105
Grants received		409	468
Tax receipts /(payments)		18	(3)
Payments to suppliers and employees		(8,584)	(12,847)
<b>Net cash flows from operating activities</b>		<b>1,401</b>	<b>(1,675)</b>
<b>Cash flows from investing activities</b>			
Term deposits		1,500	(1,500)
Security deposit		(136)	-
Purchase of fixed assets	5	(713)	(993)
Purchase of intangible assets	6	(65)	(259)
<b>Net cash flows used in investing activities</b>		<b>586</b>	<b>(2,752)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued		-	7,231
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>7,231</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,987</b>	<b>2,804</b>
Cash and cash equivalents at beginning of period		<b>3,997</b>	<b>1,193</b>
Cash and cash equivalents at end of period		<b>5,984</b>	<b>3,997</b>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes on pages 6 to 11.

# Notes to the consolidated interim financial statements (unaudited)

For the six months ended 30 September 2018

## 1. General Information

The unaudited consolidated interim financial statements presented are those of Syft Technologies Limited (the "Company") and its subsidiaries (the "Group"). The Company is domiciled in New Zealand and is a profit orientated entity registered under the Companies Act 1993. The Group's principal activities include researching, developing and refining the Selected Ion-Flow Tubes technology, and the marketing and sale of the applications and solutions associated with using the technology.

## 2. Basis of presentation

These consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and comply with *NZ IAS 34 Interim Financial Reporting*. The interim financial statements do not include all notes of the type normally included in an annual report. Accordingly, they 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 2018.

Other than those stated below, the accounting policies, significant judgements, estimates, assumptions and methods of computation used in the preparation of these consolidated interim financial statements of the Group for the six months ended 30 September 2018 and consistent with those used in the audited consolidated annual report for 31 March 2018. However, certain comparatives have been re-presented to conform with the current period's presentation.

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

## 3. New accounting standards and interpretations

The Group adopted *NZ IFRS 15 Revenue from Contracts with Customer* for the first time on 1 April 2018 and applied the standard retrospectively. Management performed an assessment and did not identify any significant changes in the timing of revenue recognition due to the adoption of *NZ IFRS 15*, as a result no comparative restatement for the period ending 30 September 2017 was required.

*NZ IFRS 16 Leases* replaces NZ IAS 17 and is effective for the period commencing 1 January 2019. It requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets for lessees. Although the full impact of this standards has not yet been determined by management, it will result in additional assets and liabilities when the current operating leases are brought on to the balance sheet; with interest and depreciation replacing the current operating lease expense when the standard is adopted.

All other standards, interpretations and amendments issued but not yet effective are either not applicable to the Group or not material.

## 4. Significant Changes

On 29 August 2018, Syft Technologies Korea Limited became a registered company in the Republic of South Korea, 100% wholly owned by Syft Technologies Limited.

The financial effects of the above transaction are reflected in the operating results and assets and liabilities of the Group accounts from the date of registration.

## Notes to the consolidated interim financial statements (unaudited)

For the six months ended 30 September 2018

### 5. Non-current assets – property, plant and equipment

Reconciliation of carrying amounts at the beginning and end of the period:

	<b>Plant and equipment</b> (\$000)	<b>Office equipment</b> (\$000)	<b>Furniture and fittings</b> (\$000)	<b>Leasehold improve- ments</b> (\$000)	<b>Motor Vehicles</b> (\$000)	<b>Demo units</b> (\$000)	<b>Total</b> <b>(\$000)</b>
<b>At 31 March 2018</b>							
Gross carrying amount	368	307	128	189	91	1,659	<b>2,742</b>
Accumulated depreciation	(194)	(181)	(30)	(61)	(8)	(435)	<b>(909)</b>
<b>Closing net book value</b>	<b>174</b>	<b>126</b>	<b>98</b>	<b>128</b>	<b>83</b>	<b>1,224</b>	<b>1,833</b>
<b>Half-year ended 30 September 2018</b>							
Opening net book value	174	126	98	128	83	1,224	<b>1,833</b>
Additions	59	49	12	40	53	689	<b>902</b>
Disposals	-	-	-	-	-	(189)	<b>(189)</b>
Depreciation charge	(24)	(38)	(8)	(18)	(9)	(107)	<b>(204)</b>
<b>Closing net book value</b>	<b>209</b>	<b>137</b>	<b>102</b>	<b>150</b>	<b>127</b>	<b>1,617</b>	<b>2,342</b>
<b>At 30 September 2018</b>							
Gross carrying amount	427	356	140	229	144	2,159	<b>3,455</b>
Accumulated depreciation	(218)	(219)	(38)	(79)	(17)	(542)	<b>(1,113)</b>
<b>Closing net book value</b>	<b>209</b>	<b>137</b>	<b>102</b>	<b>150</b>	<b>127</b>	<b>1,617</b>	<b>2,342</b>



# Notes to the consolidated interim financial statements (unaudited)

For the six months ended 30 September 2018

## 6. Non-current assets – intangible assets

Reconciliation of carrying amounts at the beginning and end of the period:

	<b>Software</b> (\$000)	<b>Patents</b> (\$000)	<b>Trademarks</b> (\$000)	<b>Total</b> (\$000)
<b>At 31 March 2018</b>				
Gross carrying amount	476	400	73	<b>949</b>
Accumulated amortisation	(147)	(400)	(73)	<b>(620)</b>
<b>Closing net book value</b>	<b>329</b>	-	-	<b>329</b>
<b>Half-year ended 30 September 2018</b>				
Opening net book value	329	-	-	<b>329</b>
Additions	65	-	-	<b>65</b>
Amortisation charge	(84)	-	-	<b>(84)</b>
<b>Closing net book value</b>	<b>310</b>	-	-	<b>310</b>
<b>At 30 September 2018</b>				
Gross carrying amount	540	400	73	<b>1,013</b>
Accumulated amortisation	(230)	(400)	(73)	<b>(703)</b>
<b>Closing net book value</b>	<b>310</b>	-	-	<b>310</b>

# Notes to the consolidated interim financial statements (unaudited)

For the six months ended 30 September 2018

## 7. Reserves

	Six months Sep 2018	Six months Sep 2017	Year ended Mar 2018
	(\$000)	(\$000)	(\$000)
Foreign currency translation reserve	448	470	466
Employee equity benefit reserve	764	711	735
	<b>1,212</b>	<b>1,181</b>	<b>1,201</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 Sep 2018	Six months Sep 2017	Year ended Mar 2018
	(\$000)	(\$000)	(\$000)
<b>Movements in translation reserve</b>			
Balance at beginning of period	466	466	466
Translation of foreign operations	(18)	4	-
<b>Balance at end of period</b>	<b>448</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 are contained in note 9 to the interim financial statements.

	Six months Sep 2018	Six months Sep 2017	Year ended Mar 2018
	(\$000)	(\$000)	(\$000)
<b>Movement in employee benefit reserve</b>			
Balance at beginning of period	735	685	685
Recognition of share based payments	29	26	50
<b>Balance at end of period</b>	<b>764</b>	<b>711</b>	<b>735</b>

## 8. 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 Sep 2018	Six months Sep 2017	Year ended Mar 2018
Syft Technologies Inc	United States	100%	100%	100%
Syft Technologies GmbH	Germany	100%	-	100%
Syft Technologies Korea Ltd	South Korea	100%	-	-

### Ultimate parent

The ultimate parent company is Syft Technologies Limited.

# Notes to the consolidated interim financial statements (unaudited)

For the six months ended 30 September 2018

## 8. Related party disclosure (continued)

### Impairment

There was no impairment of the loans to Syft Technologies Inc (STI) and Syft Technologies GmbH (STG) during the six months to 30 September 2018.

### 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 \$68k for the six months to 30 September 2018. No other related party transactions have taken place since balance date. Refer to the 31 March 2018 annual report for details of related party transactions during other periods.

## 9. Employee Share Scheme (ESS)

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 2017, refer to the annual report. In August 2018, 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 1.61% 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 FY19 to FY21). The total number of shares issued and unpaid under the scheme is 1,896,750.

### 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:

21 August 2018 granted shares:

- The share price as at 21 August 2018 was \$1.15 for the Managing Director and \$0.76 for all other participating employees
- Total number of shares granted was 1,148,000
- The level of volatility was 40% based on historical and estimated future volatility of Syft's share price
- The risk-free discount rate of 1.95% is based on the NZ Government five-year bond rate as at the grant date

## 10. Contingencies

The Company and Group have no contingencies at report date or the last balance date (2018: Nil).

# Notes to the consolidated interim financial statements (unaudited)

For the six months ended 30 September 2018

## 11. Reconciliation of profit after taxation with net cash flows from operating activities:

	Six months Sep 2018	Year ended Mar 2018
	(\$000)	(\$000)
<b>Net profit</b>	<b>557</b>	<b>3,576</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	288	350
Share based payment expense	29	50
Unrealised foreign exchange (gain)/ loss	(18)	-
(Increase)/decrease in deferred tax asset	-	(2,502)
(Increase)/decrease in derivative assets	-	1
(Increase)/decrease in derivative liabilities	(5)	25
<b>Adjusted profit</b>	<b>851</b>	<b>1,500</b>
<i>Changes in working capital items</i>		
(Increase)/decrease in trade and other receivables	2,296	(2,147)
(Increase)/decrease in inventory	(1,595)	(1,404)
(Increase)/decrease in GST	17	(106)
(Decrease)/increase in trade and other payables	(168)	482
	<b>550</b>	<b>(3,175)</b>
<b>Net cash flow from operating activities</b>	<b>1,401</b>	<b>(1,675)</b>