

SYFT
TECHNOLOGIES
CONSOLIDATED
INTERIM
FINANCIAL
STATEMENTS
30.09.2019



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Syft Technologies Limited

Consolidated income statement

For the six months ended 30 September 2019 (unaudited)

	Note	Six months SEP 2019 \$000	Six months SEP 2018 \$000
OPERATING REVENUE			
Revenue from contracts with customers for sales at a point in time		13,059	6,305
Revenue from contracts with customers for services over time		654	657
Instrument rental revenue		174	165
Total operating revenue		13,887	7,127
Cost of sales		8,237	2,704
Gross profit		5,650	4,423
OTHER INCOME			
Other income		418	581
Total other income		418	581
Administration expenses		1,519	749
Other operating expenses		1,980	831
Sales & marketing costs		2,323	1,618
Research costs		1,324	1,248
Total expenses		7,146	4,446
Profit/(loss) before income tax		(1,078)	558
Income tax expenses		8	1
Profit/(loss) after income tax attributable to equity holders of the Group		(1,086)	557
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	9	(1.53)	0.79
Diluted earnings per share (cents)	9	(1.47)	0.78

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 7 to 13.

Syft Technologies Limited
Consolidated statement of comprehensive income
For the six months ended 30 September 2019 (unaudited)

	Note	Six months SEP 2019 \$000	Six months SEP 2018 \$000
Profit/(loss) for the period		(1,086)	557
OTHER COMPREHENSIVE INCOME			
Gains/(losses) on translation of foreign operations		(42)	(18)
Other comprehensive income, net of tax, that may be recycled through profit or loss		(42)	(18)
Total comprehensive income/(loss) for the period		(1,128)	539

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 7 to 13.

Syft Technologies Limited
Consolidated statement of changes in equity
For the six months ended 30 September 2019 (unaudited)

	Note	Share capital \$000	Employee equity benefit reserve \$000	Foreign currency translation reserve \$000	Retained earnings/ (deficit) \$000	Total \$000
SIX MONTHS ENDED 30 SEPTEMBER 2018						
Opening balance at 1 April 2018		37,082	735	466	(21,894)	16,389
Profit for the period		-	-	-	557	557
Other comprehensive income		-	-	(18)	-	(18)
Total comprehensive income for the period		-	-	(18)	557	539
Shares issued		-	-	-	-	-
Share based payments		-	29	-	-	29
Forfeited restricted shares		-	-	-	-	-
Balance at 30 September 2018		37,082	764	448	(21,337)	16,957
YEAR ENDED 31 MARCH 2019						
Opening balance at 1 April 2018		37,082	735	466	(21,894)	16,389
Profit for the year		-	-	-	3,467	3,467
Other comprehensive income		-	-	14	-	14
Total comprehensive income for the year		-	-	14	3,467	3,481
Shares issued		9	-	-	-	9
Share based payments		-	70	-	-	70
Forfeited restricted shares		-	(20)	-	19	(1)
Balance at 31 March 2019		37,091	785	480	(18,408)	19,948
SIX MONTHS ENDED 30 SEPTEMBER 2019						
Opening balance at 1 April 2019		37,091	785	480	(18,408)	19,948
Profit for the period		-	-	-	(1,086)	(1,086)
Other comprehensive income		-	-	(42)	-	(42)
Total comprehensive income for the period		-	-	(42)	(1,086)	(1,128)
Impact of change in accounting policy		-	-	-	(128)	(128)
Shares issued		10	-	-	-	10
Share based payments		-	39	-	-	39
Forfeited restricted shares		-	(13)	-	10	(3)
Balance at 30 September 2019		37,101	811	438	(19,612)	18,738

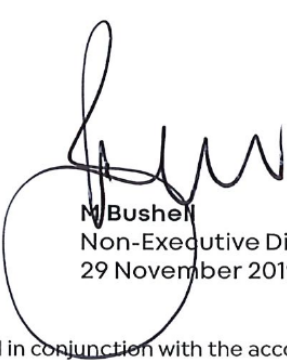
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 7 to 13.

Syft Technologies Limited
Consolidated balance sheet
As at 30 September 2019 (unaudited)

	Note	SEP 2019 \$000	MAR 2019 \$000
CURRENT ASSETS			
Cash and cash equivalents		2,602	2,381
Trade and other receivables		10,026	10,531
Inventories		8,817	4,253
GST receivable		270	-
Total current assets		21,715	17,165
NON CURRENT ASSETS			
Property, plant and equipment	3	4,222	3,011
Intangible assets	4	1,489	900
Right of use asset	6	782	-
Deferred tax asset		1,697	1,697
Total non current assets		8,190	5,608
Total assets		29,905	22,773
CURRENT LIABILITIES			
Trade and other payables		9,420	2,462
Current lease liabilities	6	220	-
Provisions	5	197	184
GST payable		-	84
Derivative liabilities		693	95
Total current liabilities		10,530	2,825
NON CURRENT LIABILITIES			
Non current lease liabilities	6	637	-
Total non current liabilities		637	-
Total liabilities		11,167	2,825
Total net assets		18,738	19,948
EQUITY			
Share capital		37,101	37,091
Retained earnings/(deficit)		(19,612)	(18,408)
Reserves		1,249	1,265
Total equity attributable to equity holders of the Group		18,738	19,948

On behalf of the Board


A Monro
Chairman
29 November 2019


M Bushell
Non-Executive Director
29 November 2019

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 7 to 13.

Syft Technologies Limited
Consolidated cash flow statement
For the six months ended 30 September 2019 (unaudited)

	Note	Six months SEP 2019 \$000	Six months SEP 2018 \$000
Cash flows from/(used in) operating activities			
Receipts from customers		14,844	9,502
Interest received/(paid)		(12)	56
Grants received		389	409
Tax receipts/(payments)		(348)	18
Payments to suppliers and employees		(12,145)	(8,584)
Net cash flows from operating activities	11	2,728	1,401
Cash flows from/(used in) investing activities			
Term deposits		-	1,500
Payment of security deposit		(20)	(136)
Purchase of fixed assets	3	(1,635)	(713)
Purchase of intangible assets	4	(640)	(65)
Net cash flows from/(used in) investing activities		(2,295)	586
Cash flows from/(used in) financing activities			
Proceeds from shares issued		8	-
Principal elements of lease payments		(220)	-
Net cash flows used in financing activities		(212)	-
Net increase in cash and cash equivalents		221	1,987
Cash and cash equivalents at the beginning of the period		2,381	3,997
Cash and cash equivalents at the end of the period		2,602	5,984

The above consolidated cash flow statement should be read in conjunction with the accompanying notes on pages 7 to 13.

NOTES TO THE
CONSOLIDATED
INTERIM
FINANCIAL
STATEMENTS

Syft Technologies Limited
Notes to the consolidated interim financial statements
For the six months ended 30 September 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a Statement of compliance

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.

These consolidated interim financial statements were approved for issue on 29 November 2019.

b Basis of preparation

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 consolidated 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 2019.

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 2019 and consistent with those used in the audited consolidated annual report for 31 March 2019.

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.

c Significant changes

On 5 April 2019, Syft Technologies Singapore Pte. Limited became a registered company in the Republic of Singapore, 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 incorporation.

d New accounting policies

Goodwill

Goodwill is recorded at cost less any accumulated impairment losses. Goodwill and any other intangible assets with indefinite useful lives are tested for impairment at each balance date.

e New and amended standards adopted by the Group

NZ IFRS 16 Leases replaces NZ IAS 17 Leases and has been adopted by the Group for the first time on 1 April 2019 using the simplified approach. On adoption of NZ IFRS 16, the Group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. An associated right of use asset is recognised, including the costs to make-good the property on the lease expiry.

The Group has exercised the optional exemption for certain short-term and low-value leases.

Adjustments recognised in adoption of NZ IFRS 16

The change in accounting policy affected the following items in the balance sheet on 1 April 2019.

	APR 2019 \$000
Right of use asset	981
Current lease liabilities	(442)
Dilapidation provision	(32)
Non current lease liabilities	(634)
Retained earnings	128

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

Syft Technologies Limited
Notes to the consolidated interim financial statements
For the six months ended 30 September 2019

2 SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the Group, has been identified as the Managing Director.

The Group currently operates in one operating segment providing sales and support services in New Zealand, United States, Germany, South Korea and Singapore. Discrete financial information is not produced on a geographical basis and the operating results are reviewed on a Group basis.

3 PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment \$000	Office equipment \$000	Furniture & fittings \$000	Leasehold improvements \$000	Motor vehicles \$000	Demo units \$000	Total \$000
AS AT 31 MARCH 2019							
Gross carrying amount	447	420	152	452	302	2,389	4,162
Accumulated depreciation	(191)	(268)	(45)	(111)	(38)	(498)	(1,151)
Net book value	256	152	107	341	264	1,891	3,011

SIX MONTHS ENDED 30 SEPTEMBER 2019

Opening net book value	256	152	107	341	264	1,891	3,011
Additions	574	101	5	73	15	890	1,658
Disposals	-	(5)	-	-	-	(106)	(111)
Depreciation	(52)	(46)	(7)	(43)	(35)	(153)	(336)
Closing net book value	778	202	105	371	244	2,522	4,222

AS AT 30 SEPTEMBER 2019

Gross carrying amount	1,021	516	157	525	317	3,173	5,709
Accumulated depreciation	(243)	(314)	(52)	(154)	(73)	(651)	(1,487)
Net book value	778	202	105	371	244	2,522	4,222

4 INTANGIBLE ASSETS

Goodwill has been obtained through the YounginAT Limited business combination. See note 10 for further details.

	Software \$000	Patents \$000	Trademarks \$000	Development costs \$000	Other tangible assets \$000	Goodwill \$000	Total \$000
AS AT 31 MARCH 2019							
Gross carrying amount	544	400	73	680	-	-	1,697
Accumulated depreciation	(324)	(400)	(73)	-	-	-	(797)
Net book value	220	-	-	680	-	-	900

SIX MONTHS ENDED 30 SEPTEMBER 2019

Opening net book value	220	-	-	680	-	-	900
Additions	29	-	-	564	107	119	819
Transfers	-	-	-	(127)	-	-	(127)
Amortisation	(56)	-	-	(45)	(2)	-	(103)
Closing net book value	193	-	-	1,072	105	119	1,489

AS AT 30 SEPTEMBER 2019

Gross carrying amount	573	400	73	1,117	107	119	2,389
Accumulated amortisation	(380)	(400)	(73)	(45)	(2)	-	(900)
Net book value	193	-	-	1,072	105	119	1,489

Syft Technologies Limited
Notes to the consolidated interim financial statements
For the six months ended 30 September 2019

5 PROVISIONS

A dilapidation provision has been provided in relation to the South Korea and Singapore leases. Both lease agreements state that the Group is required to return the properties to their original condition at the end of the lease.

	SEP 2019 \$000	MAR 2019 \$000
General provisions	59	-
Warranty provisions	106	184
Dilapidation provision	32	-
	197	184

Provisions movement schedule:

	General provisions \$000	Warranty provision \$000	Dilapidation provision \$000	Total \$000
Carrying amount at 01 April 2019	-	184	-	184
Additional provisions recognised during the period	59	30	32	121
Amounts used during the period	-	(108)	-	(108)
Carrying amount at 30 September 2019	59	106	32	197

6 LEASES

This note provides information for leases where the Group is a lessee.

i) Amounts recognised on the balance sheet

On adoption of NZ IFRS 16, the Group recognised a right of use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of NZ IAS 17 Leases. These balances were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

	SEP 2019 \$000
Right of use asset	
Buildings	782
Lease liabilities	
Current	220
Non current	637
	857

ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	SEP 2019 \$000
Depreciation charge of buildings	199
Interest expense	9
Expenses relating to lease payments not included in lease liabilities	15

Syft Technologies Limited
Notes to the consolidated interim financial statements
For the six months ended 30 September 2019

7 RELATED PARTY DISCLOSURES

Subsidiaries

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

	Country of incorporation	Six months SEP 2019	Year ended MAR 2019
Syft Technologies Inc (STI)	United States	100%	100%
Syft Technologies GmbH (STG)	Germany	100%	100%
Syft Technologies Korea Ltd (STK)	Korea	100%	100%
Syft Technologies Singapore Pte. Ltd (STS)	Singapore	100%	-

8 EMPLOYEE SHARE SCHEME

The original share scheme was approved by the Board in June 2014, for the details on this and the supplementary share offerings up to March 2019, refer to the annual report. On 20 August 2019, the Board and Shareholders 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 2.22% ownership of the Company.

The Company has provided the key employees with a non-recourse loan to assist them in participating 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 FY20 to FY22).

The total number of shares issued and unpaid under the scheme is 1,840,700.

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 August 2019 granted shares:

- The share price as at 20 August 2019 was \$1.15 for the Managing Director and all other participating employees
- Total number of shares granted was 1,592,000
- The level of volatility was 30% based on historical and estimated future volatility of Syft's share price
- The risk-free discount rate of 1.60% is based on the 20 day average of the two year bond yield at 31 March 2019.

Syft Technologies Limited
Notes to the consolidated interim financial statements
For the six months ended 30 September 2019

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year, excluding shares held in treasury stock under the Employee Share Scheme (note 8). Diluted earnings per share assumes conversion of all dilutive potential ordinary in determining the denominator.

	SEP 2019 \$000	SEP 2018 \$000
Profit/(loss) attributable to the ordinary shareholders of the Company (\$000)	(1,086)	557
Weighted average number of shares		
Ordinary shares	71,037,892	70,491,642
Effect of dilutive ordinary shares (non-vested Employee Share Scheme)	2,888,100	748,750
Weighted average number of ordinary shares for diluted earnings per share	73,925,992	71,240,392
Earnings per share (cents)		
Basic earnings per share	(1.53)	0.79
Diluted earnings per share	(1.47)	0.78

10 BUSINESS COMBINATIONS

On 28 August 2019, the Group acquired 100% of the SIFT-MS business within YounginAT Limited.

In making this purchase, the Group have paid consideration for a demo instrument and future loss of sales to YounginAT Limited, and received payment for unexpired warranties on instruments sold through YounginAT Limited.

	\$000
Purchase consideration:	
Cash paid	89
Accounts payable	261
Total purchase consideration	350

The assets and liabilities recognised as a result are as follows:

	Fair value \$000
Property, plant and equipment	261
Warranty provision	(30)
Net identifiable assets acquired	231
Goodwill	119
Fair value of net assets	350

The goodwill is attributable to the workforce and customer relationships of the acquired business. It will not be deductible for tax purposes.

Syft Technologies Limited
Notes to the consolidated interim financial statements
For the six months ended 30 September 2019

11 RECONCILIATION OF PROFIT AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Six months SEP 2019 \$000	Six months SEP 2018 \$000
Net profit/(loss)	(1,086)	557
Adjustments for:		
Depreciation and amortisation	659	288
Loss on sale of non current assets	22	-
Unrealised foreign exchange gain	(337)	(18)
Share based payment expense	39	29
(Increase)/decrease in derivative liabilities	599	(5)
Credits provided to/(from) the Group	46	-
Adjusted profit/(loss)	(58)	851
Changes in working capital items:		
Decrease in trade and other receivables	796	2,296
(Increase) in inventory	(4,564)	(1,595)
(Increase)/decrease in GST	(355)	17
(Decrease) in provisions	(50)	-
Increase in trade and other payables	6,959	168
	2,786	550
Net cash flow from operating activities	2,728	1,401

12 CONTINGENCIES

The Group has no contingencies at report date (Mar 2019: Nil, Sep 2018: Nil).

13 EVENTS AFTER REPORTING DATE

There were no significant subsequent events after balance date.