2023 Annual Report

Syft™


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Chairman's Report

The 2023 Financial Year was a very challenging one for the company. Having received the new investment from Ampersand into the business at the start of the year, executive management set about executing the strategy articulated in last year's Annual Report – fully productising the instrument platform to meet the requirements of the semiconductor customers and preparing the prerequisite product development and compliance requirements to enter the Life Sciences market.

While internally the strategy has been progressing well, the key risk that we have articulated many times in the past, that of revenue concentration in two key customers has manifested itself, and this against a backdrop of a slowdown in the semiconductor industry, and a general slowdown in the instrument marketplace.

As CEO Alex Fala stated in the February 9 update, *"relationships with our major semiconductor customers remain strong, and we've had a favourable response to our latest advances in technology. We also have a large volume of well-advanced opportunities in the pipeline that diversify our risk."* However, while we did not lose any business in our major customers last year, neither did we gain any orders.

Financials

From a business perspective, we saw a significant drop in revenue from $33.8m to $17.3m, due to the lack of expected orders from our two largest customers.

Gross margin declined to 34% in the current period from 50%. This was due to product mix and a larger proportion of support revenue which has continued to steadily grow over time.

As we signalled in last year's annual report, we had begun increasing investment into product development to meet the demands of both our major markets. However, in January of this year, we took the decision to downsize the business. Full year operating loss excluding significant impairment was -$15.2m (-$17.7m including impairment), with EBITDA excluding impairment of -$10.5m.

Our focus on annuity revenues continues to bear fruit with service/rental revenue increasing from $5.1m to $8.6m. (Service revenue is captured in both revenue over time and at a point in time in the consolidated financial statements).

Customers and Products

Product development has continued strongly at a good cadence, and we have a clearly defined roadmap for future product development.

While the semi-conductor industry has not generated the returns expected, our ability to service that market has increased significantly with improvements in not only product stability and reliability, but equally as importantly in our sensitivity, enabling our instruments to measure inorganic compounds to a much higher degree. This has been critical in unlocking the pipeline in our semiconductor customers.

With respect to the Life Sciences market, our product development has remained on track and in the second quarter of FY2024, we expect to have the requisite compliances to fully enter that market. Early customer and prospect feedback has been very positive.

Governance

The Board make-up has remained stable throughout the year.

In the last year we have continued to review our policies, including our risk management framework, cyber risk, delegated authorities, securities trading policy, anti-bribery and corruption policy, foreign exchange management policy, and conducted an independent health and safety review to ensure we maintain a strong focus on health and safety and quality management.

I would like to sincerely thank the Board, Jeff McDowall, Michael Bushell, Kate McGrath, Desh Edirisuriya, and Dave Patteson for their support throughout the past year. I would also like to thank Alex and the senior team, the scientists and all of sales, production, product development, and finance and administration staff.

As we go into the 2024 Financial Year, our pipeline is the strongest it has been and our major customers in semiconductor have once again started to place orders. In Life Sciences, we have begun to demonstrate our capabilities to prospective customers, and we are excited about the prospect of addressing their needs later in the coming financial year.

Alan Monro
Chairman

CEO's Report

The Syft team entered FY2023 with a sense of optimism. We had momentum in our operations, our strategy and operating plan was clear, and we were about to close a $23m investment from Ampersand Capital - experienced investors in our space.

At the same time, we were acutely aware of the risk inherent in our revenue being concentrated in two large semiconductor customers. This was reflected in our plan to diversify our customer base (in the semiconductor market and beyond), enter the life sciences market, and build a more predictable sales and marketing machine.

Ultimately, our financial results were disappointing. Revenue of $17.3m was down 49% on FY2022 – as the revenue concentration risk almost fully materialised and, with long sales and product development cycles, the actions we'd taken to mitigate that risk hadn't yet borne fruit. This was exacerbated by general macro conditions, and a cyclical downturn in the semiconductor industry, which lengthened sales cycles.

Management took action to initially moderate cost increases and then reduce costs - including reducing the size of the team by ~20% in February 2023. With such a large and unexpected revenue decline, however, the business delivered a $17.7m operating loss (-$10.5m EBITDA excl. impairment). This challenged our balance sheet but, at the time of writing, we had agreed terms on a $5.5m offer of convertible notes and warrants to fund ongoing operations. Further information on this and the Directors' assessment of Going Concern including material uncertainties identified can be found in note 1 to the consolidated financial statements. The independent auditor, PricewaterhouseCoopers, has issued a disclaimer of opinion. Refer to page 54 for details.

Looking beneath the headline numbers, the company made significant progress in many areas that will lead to more positive and predictable results in future.

At the heart of this is our product. Syft had built up considerable technical debt over the years, so consolidating around one stable, flexible platform was an explicit aim of our strategy. Over a one-year period, we improved more than 40% of our top-level systems and increased sensitivity by 50-100% (depending on the compound). We also launched our core Tracer product at Pittcon (one of the industry's major events) and our innovation was recognised with one of only three Excellence Awards for companies with annual sales over $10m. Our customers have also responded favourably with, for example, a reconfirmed acceptance of our technology at our two major customers. The other major product focus for the year was our compliant solution for life sciences. This will replace 3-5 GC/GC-MS systems and analyse 200+ samples per day vs 15. We've validated our designs and are months away from release to beta customers (general availability in early 2024).

We have also made major strides in building our sales and marketing capability. It was acknowledged in our strategy that Syft's brand and messaging weren't doing justice to the value of our product, and we needed to be more proactive about acquiring customers. Addressing this began with the relaunch of our brand, built around the idea that we are "Simply. Faster." On this foundation, we built: a clearer website to attract and capture prospects; online campaigns and direct prospecting activities to drive leads to our website and sales team; nurture sequences to keep prospects engaged; and in-person event presence to add to lead generation and demonstrate our capabilities. As a result, we more than doubled the size of our sales pipeline in a year, which has begun to convert into revenue in the early months of FY2024.

We have also made a deliberate effort to attach service agreements to both existing and new customers. This led to an 87% increase in service revenue to $8.5m, which provides a good ongoing stream of revenue.

None of this would be possible without our amazing Syft team. It hasn't been the easiest year for our people, with disappointing results and the impacts of losing a number of colleagues. We also saw the departure over the year of Rose Smith, Aaron Latimer and Sharonn Zimmermann from our executive team. In that context, the response of our people has been nothing short of amazing. Bill Walsh, the great coach of the San Francisco 49ers, lived by the philosophy that 'if you do the right things, the score will take care of itself'. We often talk about this at Syft and the team have lived it, staying focused on the task even as results didn't go our way. Many of our young talents have matured over recent years and are now stepping up to leadership, best exemplified by Jozef Knottenbelt joining the executive team to lead operations. We didn't get the results we wanted in FY2023, but the team have stayed focussed on taking the right underlying actions. That has begun to show on the scoreboard at the beginning of FY2024 and will continue to stand us in good stead.

Looking forward, the team at Syft remains confident in our technology and the value that it delivers in the semiconductor and life science industries. We have a strong product, our sales pipeline (and capability to get more) is stronger than it has ever been, and are months away from the launch of our life sciences solution.

I would like to sincerely thank the employees, Board and shareholders for your support and resilience over the past year. FY23 was tough and we do not take that, or the challenge ahead, lightly but are capable and determined to bounce back strong.

Alex Fala
Chief Executive Officer

Directors' Report

The Directors are responsible for ensuring that the financial statements present fairly the consolidated balance sheet of the Group as at 31 March 2023 and its consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date.

The Directors consider that the consolidated financial statements of the Group have been prepared using the appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act.

The Directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors present the financial statements set out in pages 10-52 of Syft Technologies Limited and subsidiaries for the year 1 April 2022 to 31 March 2023.

The Board of Directors of Syft Technologies Limited authorised these financial statements for issue on 18 July 2023.

Donations

No donations were made in the current year.

Auditor

It is proposed that the auditor, PricewaterhouseCoopers, is appointed in accordance with section 196(1) of the Companies Act 1993.

Other statutory information

Additional information required by the Companies Act 1993 is set out in Shareholder information.

On behalf of the Directors

Alan Monro
Chairman

Michael Bushell
Non Executive Director

Financial Statements Contents

Consolidated Income Statement

For the year ended 31 March 2023

	Note	2023 ($000)	2022 ($000)
Operating revenue			
Revenue from contracts with customers for sales at a point in time		14,455	31,654
Revenue from contracts with customers for services over time		2,693	1,497
Instrument rental revenue		125	604
Total operating revenue		**17,273**	**33,755**
Cost of sales		11,461	17,024
Gross profit		**5,812**	**16,731**
Other income			
Other income	3	525	462
Total other income		**525**	**462**
Administration expenses		4,036	4,314
Other operating expenses	4	7,431	4,366
Sales & marketing costs	4	5,927	4,689
Research costs	4	3,429	2,605
Finance costs		689	774
Impairment of intangible assets	11	2,530	-
Total expenses		**24,042**	**16,748**
(Loss)/Profit before income tax		**(17,705)**	**445**
Income tax (credit)/expense	6	(4,305)	491
(Loss)/Profit after income tax attributable to equity holders of the Group		**(13,400)**	**(46)**
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Group			
Basic earnings per share (cents)	21	(15.12)	(0.06)
Diluted earnings per share (cents)	21	(15.12)	(0.06)

The above consolidated statements should be read in conjunction with the accompanying notes on pages 17 to 52.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	2023 ($000)	2022 ($000)
(Loss)/Profit for the year	**(13,400)**	**(46)**
Other comprehensive income/(expense)		
Gains/(losses) on translation of foreign operations	761	500
Effective portion of changes in fair value of cash flow hedges	(1,252)	–
Income tax benefit on other comprehensive income/ (expense)	350	–
Other comprehensive (expense)/income, net of tax	**(141)**	**500**
Total comprehensive (expense)/income for the year	**(13,541)**	**454**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 17 to 52.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Note	Share Capital ($000)	Employee Equity Benefit Reserve ($000)	Foreign Currency Translation Reserve ($000)	Cashflow Hedge Reserve ($000)	Accumulated Losses ($000)	Total Equity ($000)
Balance at 31 March 2021		**37,176**	**708**	**293**	**-**	**(17,001)**	**21,176**
(Loss) for the year		–	–	–	–	(46)	(46)
Other comprehensive income	19	–	–	500	–	–	500
Total comprehensive income for the year		**-**	**-**	**500**	**-**	**(46)**	**454**
Shares issued	18,19	1,867	151	–	–	–	2,018
Share based payments	19	–	79	–	–	–	79
Forfeited restricted shares	19	–	(27)	–	–	–	(27)
Cost of share issue	18	(33)	–	–	–	–	(33)
Balance at 31 March 2022		**39,010**	**911**	**793**	**-**	**(17,047)**	**23,667**
(Loss) for the year		–	–	–	–	(13,400)	(13,400)
Other comprehensive income	19	–	–	761	–	–	761
Effective portion of changes in fair value of cash flow hedges		–	–	–	(1,252)	–	(1,252)
Income tax impact on other comprehensive income		–	–	–	350	–	350
Total comprehensive income for the year		**-**	**-**	**761**	**(902)**	**(13,400)**	**(13,541)**
Shares issued	18, 19	22,809	843	–	–	–	23,652
Share based payments	19, 20	11	10	–	–	–	21
Forfeited restricted shares	19	–	–	–	–	–	–
Cost of share issue	18	(102)	–	–	–	–	(102)
Balance at 31 March 2023		**61,728**	**1,764**	**1,554**	**(902)**	**(30,447)**	**33,697**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 17 to 52.

Consolidated Balance Sheet

As at 31 March 2023

	Note	2023 ($000)	2022 ($000)
Current assets			
Cash and cash equivalents	7, 17	1,315	408
Trade and other receivables	8	4,003	6,296
Inventories	9	9,348	5,598
GST receivable		327	–
Current tax asset		122	–
Current derivative asset	17	–	51
Total current assets		**15,115**	**12,353**
Non current assets			
Property, plant and equipment	10	12,664	11,523
Intangible assets	11	10,106	8,006
Right of use assets	12	6,022	13,613
Deferred tax asset	6	6,141	1,412
Non current derivative asset	17	–	44
Total non current assets		**34,933**	**34,598**
Total assets		**50,048**	**46,951**
Current liabilities			
Trade and other payables	13	4,432	4,287
Current lease liabilities	12	661	618
GST payable		–	14
Current tax liabilities		–	62
Provisions	14	384	703
Short term borrowings	15	1,080	975
Current derivative liabilities	17	1,322	–
Total current liabilities		**7,879**	**6,659**
Non current liabilities			
Non current lease liabilities	12	6,106	13,474
Long term borrowings	15	2,071	3,151
Non current derivative liabilities	17	295	–
Total non current liabilities		**8,472**	**16,625**
Total liabilities		**16,351**	**23,284**
Total net assets		**33,697**	**23,667**

Consolidated Balance Sheet continued

As at 31 March 2023

	Note	2023 ($000)	2022 ($000)
Equity			
Share capital	18	61,728	39,010
Accumulated losses		(30,447)	(17,047)
Reserves	19	2,416	1,704
Total equity attributable to equity holders of the Group		**33,697**	**23,667**

On behalf of the Board

Alan Monro - Chairman
18 July 2023

Michael Bushell - Non Executive Director
18 July 2023

The above consolidated statements should be read in conjunction with the accompanying notes on pages 17 to 52.

Consolidated Cash Flow Statement

For the year ended 31 March 2023

	Note	2023 ($000)	2022 ($000)
Cash flows from/(used in) operating activities			
Receipts from customers		20,017	29,899
Interest received/(paid)		(11)	(206)
Grants received		159	136
Tax refunds/(payments)		(568)	2
Payments to suppliers and employees		(30,451)	(27,250)
Net cash flows (used in)/from operating activities	**22**	**(10,854)**	**2,581**
Cash flows from/(used in) investing activities			
Payment of security deposit		–	(13)
Sale of fixed assets		–	187
Purchase of fixed assets		(2,399)	(3,773)
Purchase of intangible assets		(6,448)	(5,018)
Net cash flows used in investing activities		**(8,847)**	**(8,617)**
Cash flows from/(used in) financing activities			
Net proceeds from shares issued		22,716	1,835
Proceeds from borrowings		–	5,000
Repayment of borrowings		(975)	(874)
Lease payment		(1,173)	(1,048)
Net cash flows provided by/(used in) financing activities		**20,568**	**4,913**
Net increase/(decrease) in cash and cash equivalents		**867**	**(1,123)**
Cash and cash equivalents at the beginning of the year		408	1,573
Effects of exchange rates on cash and cash equivalents		40	(42)
Cash and cash equivalents at the end of the year	**7**	**1,315**	**408**

Lease payments relate to $676k of principle and $497k of interest (2022: $547k of principle and $501k of interest).

The above consolidated statements should be read in conjunction with the accompanying notes on pages 17 to 52.

Notes to the Consolidated Financial Statements

1. GOING CONCERN

Material uncertainty related to going concern

Certain events and conditions exist which may cast doubt over the Group's ability to continue as a going concern are outlined in this note to the accounts.

The Directors of the Group have prepared the financial statements on a going concern basis, and expect the Group to be able to realise its assets and meet its financial obligations in the normal course of business.

However, in FY2023, a significant reduction in revenue from one of the Group's major customers has resulted in a loss before tax for the year ended 31 March 2023 of $17.7 million (2022 $0.4 million profit), and operating cash outflows of $10.9 million (2022: cash inflow of $2.6 million).

As at 31 March 2023, the Group held Cash and Cash Equivalents of $1.3 million (2022 $0.4 million). The Group successfully raised capital of $22.7 million (net of capital raise expenses) in April 2022. This capital raise has supported the business through the long lead sales cycles as the Group diversifies its current customer/revenue concentration in semiconductor. Post year end, while customers have placed a number of orders, with the current cost levels, it has become necessary for the Group to raise additional funding to meet its upcoming working capital requirements and undertake a strategic review of all options for the business, and as a result be able to continue as a going concern for the foreseeable future.

Recognising the current financial position, the Directors having considered a range of funding options, including a rights issue, share placement and further debt funding, and concluded that a convertible note would provide funding in the time frame required.

On 25 June 2023, final terms were agreed with Ampersand 2020 Limited Partnership (Ampersand) to effectively underwrite a funding round of $5.5 million in the form of a convertible note. Accident Compensation Corporation (ACC) also signed an agreement on 25 June 2023 to participate in the funding round up to $2.03 million of the $5.5 million. The $5.5 million convertible notes have warrants stapled to them. Warrants provide the holder the option to purchase additional ordinary shares at a conversion of 4.5 warrants to one ordinary share, at an exercise price of $0.01 per share. The convertible notes receive interest at 12% compounding daily which is added to the amount owing under the note. The convertible notes and compounding interest are repayable on 31 December 2023, or may be extended until 30 June 2024, or the Convertible Notes (and any interest accrued) may be converted into Second Ranking Preference Shares at a rate of $0.30 per share.

The agreement has the following conditions attached:

- Syft obtaining the required approvals of its shareholders (including approval of the Ampersand / ACC Allotment under the Takeovers Code)
- Syft appointing an investment bank/ adviser by 10 July 2023 to consider strategic options (including the potential sale of the Syft business or all of the Company's shares). This condition was met on 10 July 2023.

If shareholder approval and cash from the convertible note is not obtained on 21 July 2023, this will have severe adverse effects on the Group, including the potential for the Group to remain solvent.

The money raised from this convertible note will be used to fund the operations of the business in the foreseeable future. It is expected to provide sufficient cash until the business has returned to delivering positive net operating cash flows. However, operating cash flows are unlikely to be sufficient to repay the note in full on its repayment date of 31 December 2023 (if not extended). Therefore, prior to the repayment date, one or more of the following events will need to occur: (a) Ampersand and ACC agree to extend the repayment date until such time as it can be repaid through operating cash flows (which is forecast to be achievable within the 6 month extension permitted); (b) Ampersand and ACC agree to convert the Note into Second Ranking Preference Shares, as permitted under the terms; or (c) the Company enters into a subsequent transaction to secure permanent funding and repay the Convertible Note (plus interest), potentially including the sale of the business.

Assuming the repayment of the convertible note is extended to 30 June 2024, the Directors believe that this convertible note, combined with the approved FY24 Annual Budget (factoring in an extension of the financial forecast to July 2024), results in sufficient funds to be able to satisfy all forecast financial obligations which arise in the 16 months following balance date. However, these projections are subject to a number of uncertainties as outlined below:

a) Completion of Convertible Note and receipt of funds

The Directors' financial forecast assumes the successful completion of the convertible notes funding on 28 July 2023. A Special Meeting of shareholders to obtain approval for the transaction is scheduled for 21 July 2023. This requires a majority vote by shareholders to pass (greater than 50% of those who vote on the day).

b) Level and timing of instrument sales and achievement of FY24 targeted revenue growth.

FY24 sales are forecast to increase from FY23, returning to trading levels of previous years. Existing key customers account for approximately 40% of the targeted FY24 instrument sales, of which the Company has already received a number of orders. Forecast service revenue is largely expected to come from renewal of contracts from existing customers and therefore is predictable.

However, while the Directors are confident with the strength of the forecast sales pipeline, uncertainty remains around the timing of conversion of future sales.

c) Banking covenants

The Group has EBIT and Equity covenants associated with the current debt and working capital financing. In an instance where the results for FY24 breach these covenants, the bank can recall the debt. The Directors' cash flow forecast does not assume repayment of existing borrowings. While the Group has consistently had sufficient headroom to meet the Equity covenant, the EBIT covenant has required a waiver for the prior two periods, to which the Directors would need to seek again. The need for this is dependent on trading results and the success of other key assumptions noted above.

d) Repayment of the convertible note

As per the terms of the convertible note, this debt is to be repaid prior to 31 December 2023. Operating cash flows are unlikely to be sufficient to repay the note in full on its repayment date (if not extended). As outlined above, the Directors have identified several possible alternatives available to the Group. These alternatives are not entirely under the Group's control. However, the Directors consider that the Group has reasonable prospects of achieving one of these outcomes and have appointed an independent advisor to carry out a strategic review.

The assumptions above have also been stress tested against a range of scenarios including a reduction in revenue, without commensurate cost savings, and the inability to extend the convertible note to 30 June 2024. This demonstrates that the financial and cash flow forecasts are sensitive to changes as outlined in the material uncertainties above in points a – d and could result in the Group being unable to continue as a going concern.

These events and conditions identified indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have concluded that, whilst material uncertainties exist, it remains appropriate to continue to prepare the financial statements on a going concern basis as:

- The first quarter of FY24 has seen a recovery with several customers having placed orders;
- Large and growing semiconductor and life sciences markets and, whilst purchasing cycles were delayed, the Group has strengthened products, sales pipeline, and brand awareness in those markets;

- There are mitigating strategies under a downside revenue scenario that the Group could implement to reduce costs;
- the Directors expect to be able to extend the convertible note to 30 June 2024 if required; and
- Appropriate steps have been taken to ensure the necessary investment, including the appointment of a strategic advisor to assess the best strategic outcome for the business.

These financial statements do not include any adjustments that may be necessary should the Company and Group not be able to continue as a going concern and realise the value of their assets and discharge their liabilities in the ordinary course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e) Statement of compliance

The 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, refining and producing the Selected Ion-Flow Tube technology, and the marketing and sale of the applications and solutions associated with using the technology.

The Company is an issuer on the unlisted stock exchange (USX), and the Group financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013.

The financial statements were authorised for issue by the Directors on 18 July 2023.

f) Basis of preparation

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS). The financial statements have been prepared on a historical cost basis, except for the fair value of certain balances.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

g) New and amended standards adopted by the Group

There are no new or amended standards that are applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result.

h) New standards and interpretations not yet adopted

A number of amendments to standards have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group's current or future reporting periods.

i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Syft Technologies Limited and its subsidiaries (refer to note 16) as at 31 March each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity. All entities in the Group are wholly owned by the Company and therefore fully controlled by the Company.

All intercompany transactions are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

j) Borrowings

Borrowings are recognised at fair value, net of transaction costs. Any fees paid on the establishment of loan facilities are expensed in the period in which they are incurred.

Interest payable as per the loan agreement is recognised in the income statement as finance costs on a monthly basis.

Borrowings repayable in the next 12 months are classified as current liabilities, with the remaining balance classified as non-current liabilities.

k) Foreign currency translation

Functional and presentation currency

Transactions included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, being the functional currency. The consolidated financial statements are presented in New Zealand Dollars ($), being the Company's functional and presentation currency. All foreign transactions are translated to the presentation currency (see below).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities held in a foreign currency at year end exchange rates, are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation of the Group companies' functional currency to presentation currency

The results of the foreign subsidiaries are translated into New Zealand Dollars using the average exchange rate for the year. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of the net investment in the foreign subsidiaries are taken to the foreign currency translation reserve. If the foreign subsidiaries were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

l) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other various factors management believe to be reasonable under the circumstances. As judgement is applied, actual results may differ from these estimates. Estimates and assumptions are reviewed periodically, and the effects of any changes are reflected in the financial statements.

The following provides an overview of the areas that involved a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in the policies below and in further notes.

The areas involving significant estimates or judgements are:

- Leases (refer to note 12)
- Warranty, extended warranty and dilapidation provisions (refer to note 14)
- Employee share scheme (refer to note 20)
- Research and Development expenses (refer to notes 4 and 11)
- Impairment (refer to note 11)
- Deferred tax assets recognition on tax losses (refer to note 6)

m) 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 CEO.

The Group currently operates as one reportable segment and discrete financial information is not provided on a geographical or product basis. The operating results are reviewed at a Group level.

n) Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a business comprises the fair value of the assets and liabilities transferred.

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, and the fair value of the net identifiable assets acquired is recorded as goodwill.

o) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue for the sale of goods is recognised at a point in time when a commercial invoice is issued in accordance with the shipment terms as per the customer contract.

No element of financing is deemed present as sales are made with a credit term of 30 days, which is consistent with market practice. The Group's obligation to repair or replace faulty or defect products under standard warranty terms is recognised under the warranty provision, refer to note 14. A receivable is recognised in line with the shipping terms, as this is the point in time that control is transferred to the customer.

Some contracts include multiple deliverables, such as the sale of goods and related site performance testing. However, the customer still obtains benefit from the sale of the goods and the performance testing is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the residual approach. If contracts include performance criteria, revenue for the goods are recognised at a point in time when they are delivered, the legal title has passed in accordance with shipping terms as outlined above.

Rendering of services

Revenue from services is derived through installation, support, maintenance and training under both fixed and variable contracts and is recognised in the period in which the services are rendered. For fixed-price contracts, revenue is recognised on a straight-line basis over the period of the contract.

Rental revenue

Rental revenue is accounted for on a straight-line basis over the term of the agreement.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Principal arrangements

The Group holds arrangements in which it acts as the principal. The following factors have been used by the Group in distinguishing whether it acts as the principal in specific arrangements:

- Primary responsibility for fulfilling the promise to provide the goods or services to the end customer.

- Inventory risk before goods are transferred to the end customer.
- The discretion to establish the price of goods and services above.

p) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which it becomes receivable.

q) Income tax

Current tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the consolidated income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity.

r) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand and bank overdrafts.

s) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets, see note 16 for further details. Related party receivables are mainly trade in nature and are on terms consistent with external customers.

t) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and manufactured parts – cost of purchase comprises the purchase price of raw materials and manufactured parts on a First In First Out ("FIFO") method, and appropriate proportion of the variable and fixed overhead expenditure, which are assigned on a standard cost basis. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work in progress – costs comprise of direct materials, direct labour and appropriate proportion of the variable and fixed overhead expenditure, which are assigned on a standard cost basis. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

v) Property, plant and equipment

All items of property, plant and equipment are stated at historical cost, including costs directly attributable to bringing the asset to its working condition, less accumulated depreciation and impairment of the asset.

Any expenditure that increases the economic benefits derived from an asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefit is expensed in the period it occurs.

Depreciation

Depreciation for the Group is calculated on a Diminishing Value (DV) or Straight-Line (SL) basis at the following rates:

· Plant and equipment	3 – 20 years
· Office equipment	3 – 20 years
· Furniture and fittings	4 – 20 years
· Leasehold improvements	3 – 20 years
· Motor vehicles	5 – 8 years
· Demo units	7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

Disposal

An item of property, plant and equipment is disposed of when no further future economic benefits are expected from its use.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period the asset is derecognised.

w) Intangible assets

Research and development costs

Research expenditure is recognised in the period in which it is incurred. Development costs relate to the design, construction and testing of a selected alternative for new or improved materials, devices, processes and services which have been deemed saleable to the customer. Development costs are capitalised as internally generated intangible assets if all of the following are demonstrated:

i. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii. The intention to complete the intangible asset and use or sell it;
iii. The ability to use or sell the intangible asset;
iv. The ability to demonstrate how the intangible asset will generate probable future economic benefits;
v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
vi. The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Directly attributable costs that are capitalised as part of the development include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development expenditure that do not meet the criteria (i-vi) above are recognised as an expense as incurred. Costs associated with research have been expensed as they relate to activities to obtain new knowledge and find new applications and solutions for our customers. These costs have been capitalised when the technical feasibility and functionality as a complete solution is evidently known.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software costs

All externally purchased software is recorded at cost less accumulated amortisation and impairment. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the criteria i) – vi) outlined in research and development costs above, are met.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. It is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Other intangible assets

Externally purchased intangible assets are recorded at cost less accumulated amortisation and impairment.

Amortisation

Amortisation for the Group is calculated on a diminishing value basis, apart from development costs which are on a straight-line basis over the estimated useful life of the asset as follows:

Software costs	3-4 years
Development costs	7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

x) Leases

Group as a lessee

The Group calculates their right of use asset as the present value of all lease payments, plus any restoration costs, deposits, and other direct costs, discounted to their present value using the lessee's incremental borrowing rate at the date of lease inception. The associated lease liability is calculated as the present value of all lease payments yet to be made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease life so as to produce a constant periodic rate of interest on the remaining balance of the liability each period. The asset is depreciated on a straight-line basis over the life of the lease.

Payments relating to short term leases of equipment and office locations, and all low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are those with a lease term of less than 12 months. Low value assets comprise of office equipment.

The lease liability is reassessed when there are changes to the lease circumstances and adjusted against the right of use asset.

Group as a lessor

A lease is classified as a Finance lease when substantially all of the risks and rewards pass to the lessee. To determine this the following conditions are met, either individually or in combination:

a. Transfers ownership
b. There is an option to purchase the asset at the end of the lease, and it is probable the option will be exercised
c. The lease term is for a major part of the economic life of the asset
d. At inception date, the present value of the lease payments amounts to substantially all of the fair value
e. The asset is of a specialized nature, that only the lessee can use it
f. The lessee has the ability to continue the lease for a secondary period, at a rate substantially lower than market rent

For those leases which are classified as a Finance lease, a lease receivable is recognised for the present value of all lease payments expected to be received over the life of the lease. Leases that do not meet any of the above conditions are classified as an operating lease and income is recognised on a straight line over the life of the lease.

y) Impairment of assets

The Group is required to review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are subject to impairment.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The Group operates as one operating segment and therefore is considered as one Cash Generating Unit (CGU), which includes goodwill and intangible assets with an indefinite life in the carrying value.

Cash-generating units to which goodwill has been allocated, any other intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any such impairment indicator exists, the recoverable amount of the asset (or CGU) is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less costs to sell and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount factor (reflecting management's assessment of respective risk profiles) in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

To determine the fair value less costs to sell, management follows a similar approach to estimate future cash flows and apply a suitable discount rate (applying an after-tax cost of debt). The impact of any future planned reorganisations and asset enhancements may be included in the calculations. External evidence of the market value of the CGU can also be considered under this methodology.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

z) Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Company has provided the key employees with a non-recourse, interest free loan to assist them in participating in the employee share scheme (see note 20).

aa) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is due greater than 12 months from reporting date.

ab) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at balance date. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

ac) Employee benefits

A provision is recognised for benefits accruing to employees in respect of annual leave and short term incentives when it is probable that settlement will be required, and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within twelve months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Pension obligations

The Group operates a defined contribution plan in South Korea. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due, and any prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments in available.

ad) Share-based payment transactions

Equity settled transaction:

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

i. the grant date fair value of the award;

ii. the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

iii. the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

ae) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Bank overdrafts are repayable on demand and are included in current liabilities in the balance sheet and as a function of financial liabilities are measured at cost and included as a component of cash and cash equivalents in the statement of cash flows. At balance date the overdraft facility was drawn on, see note 17.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

af) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

ag) Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

ii. Diluted earnings per share

Diluted earnings per share takes in to consideration the issuance of restricted shares under the employee share scheme. There are no changes in income or expense that would result from the conversion of diluted ordinary shares and therefore the profit used under this calculation in consistent with basic earnings per share.

ah) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of any outstanding bank overdrafts. The following terms are used in the statement of cash flows;

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

3. OTHER INCOME

	2023 ($000)	2022 ($000)
(Loss)/gain on disposal of assets	(58)	226
RDTI tax credit	192	151
Government grant interest	50	57
Government wage subsidies	40	14
Other income	133	10
Interest income	131	4
NZTE funding	37	–
	525	**462**

Government wage subsidies received relates to the Singapore Job Support Scheme paid under their government COVID-19 response.

4. EXPENSES

	Note	2023 ($000)	2022 ($000)
Other operating expenses include:			
Amortisation	11	1,817	927
Depreciation	10,12	2,196	1,856
Repairs & Maintenance		64	48
Impairment of assets		–	25
Employee share scheme	20	858	235
Occupancy costs		264	191
Professional service fees		1,084	739
Net foreign exchange losses		978	264
Other expenses		169	81
		7,430	**4,366**
Sales & marketing costs			
Sales salaries		3,506	3,586
Marketing costs		1,563	671
Other sales & marketing expenses		858	432
		5,927	**4,689**
Research costs			
Research salaries		2,248	2,041
Research parts		596	260
Other research expenses		585	304
		3,429	**2,605**

During the year, $5,590k (2022: $4,173k) of development costs and $745k (2022: $568k) depreciation charges were capitalised. Therefore the above cost represents only the Group's research expense for the year.

	Note	2023 ($000)	2022 ($000)
Employee benefits expense			
Salaries and wages		11,769	11,627
Employee share scheme	20	858	235
Employment benefit obligations		156	88
		12,783	**11,950**

The above salaries and wages balance includes $4.4m (2022: $4.8m) of expense relating to production and support staff which are included in Cost of Sales, and $1.6m of administration salaries (2022: $1.2m) reported in Administration expenses.

5. AUDITORS REMUNERATION

The auditor of Syft Technologies Limited is *PricewaterhouseCoopers* (PwC NZ) (2022: PwC NZ).

	2023 ($000)	2022 ($000)
Amounts paid or due to PwC NZ for:		
Audit of financial statements of the Group	194	152
Prior year under accrual of audit fees	–	5
	194	**157**
Non audit related services:		
Tax compliance	30	41
Tax advice	16	12
Scrutineer fees	–	13
	46	**66**

Current year audit fees above include disbursements of $9k (2022: $7k).

The above tax advice includes fees for group transfer pricing agreement reviews, and employee share scheme tax advice.

In addition to the above, $11k (2022: $5k) of audit fees were incurred from Bestar Singapore for the audit of the financial statements of Syft Technologies Singapore Pte Ltd.

6. TAXATION

a) Income Tax (Credit)/Expense

	2023 ($000)	2022 ($000)
Accounting (loss)/profit before tax from continuing operations	(17,705)	445
At the Group's statutory income tax rate of 28%	(4,957)	125
Expenses not deductible for tax purposes	283	189
Adjustments due to different rate in different jurisdictions	175	96
Prior period adjustment	194	81
Aggregate income tax (credit)/expense	**(4,305)**	**491**

Made up of:	2023 ($000)	2022 ($000)
Current tax expense	3	380
Deferred tax (credit)/expense	(4,308)	111
Tax losses available to carry forward	**16,757**	**2,124**
Opening balance on carried forward losses	540	1,010
Prior period adjustment	19	(165)
Tax losses recognised	3,724	216
Tax losses utilised	–	(521)
Closing balance of carried forward losses	**4,283**	**540**
Deferred tax asset recognised	(4,283)	(540)
Unrecognised losses carried forward	**–**	**–**

b) Deferred tax asset

Deferred tax asset	2023 ($000)	2022 ($000)
Intangible assets	697	–
Provisions	452	499
Deferred research and development expenditure	–	181
Right of use asset	(1,666)	(3,765)
Lease liability	1,873	3,899
Tax losses	4,283	540
Employee share scheme	152	58
Cashflow hedge reserve	350	–
Total deferred tax asset	**6,141**	**1,412**

7. CASH AND CASH EQUIVALENTS

	2023 ($000)	2022 ($000)
Cash in hand	2,177	2,503
Drawn overdraft	(862)	(2,095)
	1,315	**408**

Cash at bank and in hand includes overdraft facilities, see note 17 for details.

8. TRADE AND OTHER RECEIVABLES

	2023 ($000)	2022 ($000)
Trade receivables	2,493	5,369
Expected credit loss allowance	–	–
Prepaid expenses	673	517
Other receivables	837	410
	4,003	**6,296**

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 - 60 days and therefore are all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Fair values of trade receivables

Due to the short term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

During the year there were no trade receivables provided for or written down as uncollectable (2022: nil).

The maximum exposure to credit risk is the fair value of receivables, less those covered by credit insurance. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

For further information on the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk refer to note 17.

Aging

The aging of trade receivables at balance date are as follows:

	2023 ($000)	2022 ($000)
0–30 days	2,383	4,602
31-60 days	22	518
61-90 days	–	22
91 days +	88	227
	2,493	**5,369**

Past due and impaired

As at balance date, $88k of receivables were considered past due and none impaired (2022: $nil).

9. INVENTORIES

	2023 ($000)	2022 ($000)
Raw materials	3,763	1,050
Work in progress	2,213	2,435
Finished goods	3,419	2,147
Inventory Provision	(47)	(34)
	9,348	**5,598**

During the year the Group wrote off $134k of damaged or obsolete stock (2022: $64k).

10. PROPERTY, PLANT AND EQUIPMENT

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

	Plant and equipment ($000)	Office equipment ($000)	Furniture and fittings ($000)	Leasehold improve-ments ($000)	Motor vehicles ($000)	Demo units ($000)	Total ($000)
Gross carrying amount							
Balance at 31 March 2021	**2,367**	**690**	**341**	**3,890**	**285**	**4,181**	**11,754**
Additions	1,007	216	64	1,207	272	2,024	4,790
Disposals	(88)	(102)	(4)	(208)	–	(476)	(878)
Impairment	–	–	–	–	–	–	–
Effects of movements in exchange rates	(2)	(1)	–	(6)	(8)	(23)	(40)
Balance at 31 March 2022	**3,284**	**803**	**401**	**4,883**	**549**	**5,706**	**15,626**
Additions	532	69	26	183	–	2,939	3,749
Disposals	(9)	(3)	–	–	–	(675)	(687)
Impairment	–	–	–	–	–	–	–
Effects of movements in exchange rates	155	3	2	17	32	44	253
Balance at 31 March 2023	**3,962**	**872**	**429**	**5,083**	**581**	**8,014**	**18,941**
Accumulated depreciation							
Balance at 31 March 2021	**(621)**	**(463)**	**(84)**	**(280)**	**(119)**	**(1,298)**	**(2,865)**
Depreciation charge	(465)	(161)	(58)	(383)	(104)	(720)	(1,891)
Disposals	88	99	4	208	–	254	653
Balance at 31 March 2022	**(998)**	**(525)**	**(138)**	**(455)**	**(223)**	**(1,764)**	**(4,103)**
Depreciation charge	(549)	(154)	(55)	(448)	(104)	(970)	(2,280)
Disposals	11	3	–	–	–	92	106
Balance at 31 March 2023	**(1,536)**	**(676)**	**(193)**	**(903)**	**(327)**	**(2,642)**	**(6,277)**
Net book value							
As at 31 March 2022	**2,286**	**278**	**263**	**4,428**	**326**	**3,942**	**11,523**
As at 31 March 2023	**2,426**	**196**	**236**	**4,180**	**254**	**5,372**	**12,664**

11. INTANGIBLE ASSETS

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

	Software ($000)	Patents ($000)	Trade-marks ($000)	Develop-ment Costs ($000)	Other Intangible Assets ($000)	Goodwill ($000)	Total ($000)
Gross carrying amount							
Balance at 31 March 2021	**581**	**400**	**73**	**4,223**	**107**	**119**	**5,503**
Additions	3	–	15	4,945	12	–	4,975
Disposals	(11)	–	–	–	–	–	(11)
Impairment	(34)	–	–	(25)	–	–	(59)
Effects of movements in exchange rates	–	–	–	–	–	–	–
Balance at 31 March 2022	**539**	**400**	**88**	**9,143**	**119**	**119**	**10,408**
Additions	200	–	30	6,335	–	–	6,565
Disposals	(19)	–	–	(71)	(50)	–	(140)
Impairment	–	–	–	(2,530)	–	–	(2,530)
Effects of movements in exchange rates	–	–	–	–	–	–	–
Balance at 31 March 2023	**720**	**400**	**118**	**12,877**	**69**	**119**	**14,303**
Accumulated amortisation							
Balance at 31 March 2021	**(500)**	**(400)**	**(73)**	**(557)**	**(33)**	**-**	**(1,563)**
Amortisation charge	(57)	–	–	(847)	(22)	–	(926)
Disposals	62	–	–	25	–	–	87
Balance at 31 March 2022	**(495)**	**(400)**	**(73)**	**(1,379)**	**(55)**	**-**	**(2,402)**
Amortisation charge	(84)	–	–	(1,784)	(16)	–	(1,884)
Disposals	18	–	–	40	31	–	89
Balance at 31 March 2023	**(561)**	**(400)**	**(73)**	**(3,123)**	**(40)**	**-**	**(4,197)**
Net book value							
As at 31 March 2022	**44**	**-**	**15**	**7,764**	**64**	**119**	**8,006**
As at 31 March 2023	**159**	**-**	**45**	**9,754**	**29**	**119**	**10,106**

Other intangible assets relate to externally purchased intellectual property.

Impairment of Intangible Assets excluding Goodwill

Intangibles assets are tested annually for impairment. As a result, $2.5m of development costs were impaired during the period (2022: nil), due to the future uncertainty around timing of completion of paused projects that are incomplete and where there are no immediate plans to recommence works.

Indicator of impairment at Cash Generating Unit level (including Goodwill)

Due to the delay in trading, which has resulted in a material loss, Management has noted that there are indicators of impairment present at Group level. As the Group operates within a single operating segment and therefore is considered as one Cash Generating Unit (CGU), the recoverable amount of the CGU, including Goodwill, Intangibles and Property, Plant and Equipment, has been determined based on higher of the value in use and fair value less costs to sell, both requiring the use of assumptions.

These calculations use cash flow projections based on an approved financial budget extrapolated out over a five-year period, based on historical trends and available market information. The present value of the expected cash flows from the CGU is determined by applying a suitable discount rate. The pre-tax discount rate of 12.17% was derived based on the weighted average cost of capital (WACC) for the Group taking into consideration comparable entities in the Semiconductor and Life Sciences categories, based on publicly available information. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors from each revenue source (incorporating adjustments for geographic location and currency risk) as well as risk factors pertaining to the Group itself.

The following paragraphs describe the key assumptions on which management has based its cash flow projections for the period covered by the value-in-use (VIU) and fair-value-less-costs-to-sell (FVLCD) models, and a description of management's approach to determining the value(s) assigned to each key assumption:

- The compound average annual growth rate of 18% from FY24-28 is less than the both the historical trend from FY16-22 (33%), and management's expectation of market development in line with the strategic focus of the business and with reference to the size of the addressable markets for the Group. The sales growth rates in both the VIU and FVLCD models excludes any growth related to asset enhancements or new products. A terminal growth rate has been applied beyond the five year forecast period. This reflects the long-term expected growth rate, and is less than the rate over the five-year forecast period. Gross Margin remains consistent overtime, although the Directors expect this to improve due to product efficiencies and economies of scale in operations. There are no sales price increases or cost saving measures factored in which would positively impact gross margin.
- Fixed operating costs of the CGU, which do not vary significantly with sales volumes, are forecast based on the current structure of the business, adjusting for inflationary increases and industry benchmarks out over the five year period. The VIU calculation does not reflect the impact of any future cost saving measures, whilst the FVLCD calculation does.
- Net working capital is driven by standard customer and supplier payment terms, and inventory levels which are calculated by the number of inventory turns which improves overtime.

The models are sensitive to changes in the key assumptions noted above, and Management has stress tested this primarily under different revenue scenarios. Under each of these scenarios, the FVLCD is greater than the carrying amount of the CGU. This is consistent with other market indicators and therefore no further impairment is required for the period.

12. LEASES

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

i) The Group's leasing activities

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Significant estimates and judgements were made in calculating the right of use asset and the related lease liability, specifically relating to determining the incremental borrowing rate (IBR) of all leases and the lease term of the New Zealand lease. In order to calculate the IBR, the Group has used third-party country specific finance interest rates adjusted for the lease term, currency and security.

The Group is exposed to potential future increases in lease payments based on market rates, which are not included in the lease liability until they take effect. When adjustments to the lease payments take effect, the lease liability will be reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs; and
- any initial direct costs.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Payments associated with short term leases of equipment and all leases of low-value assets are recognised on a straight line basis as an expense in the profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise office printers and water coolers.

Significant estimates and judgements were made in calculating the right of use asset and the related lease liability. The IBR is considered to be a high risk estimate, in which a movement +/- 0.5% can have a material impact on the value of the lease. Management have taken appropriate measures to ensure that the IBR used in all lease calculations is appropriate.

Estimates have also been made in determining the lease term of the New Zealand lease. As at 31 March 2023, Management reassessed the New Zealand office lease term due to negotiations on a convertible note that was accompanied with a strategic review of the business. The New Zealand office lease commenced on 12 August 2020 with an initial lease term of 10 years ending on 11 August 2030 and two renewal rights of five years at the end of the initial lease term. Given the range of potential outcomes of the review, it is reasonable to take the position that the exercise of renewal rights beyond the initial lease of 10 years could be uncertain. As a result of the reassessment, the New Zealand lease is remeasured on a 10 year lease term as at 31 March 2023, and the financial effect of revising the lease term is a decrease of both the right of use assets and lease liabilities by $6.8m. No change is applied to the discount rate in the lease remeasurement as the current rate is the interest rate implicit in the lease.

ii) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Mar 2023 ($000)	Mar 2022 ($000)
Right of use assets		
Buildings	6,022	13,613
	6,022	**13,613**
Lease liabilities		
Current	661	618
Non current	6,106	13,474
	6,767	**14,092**

Additions to the right of use assets during the year ended 31 March 2023 are $129k (2022: $471k).

iii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Mar 2023 ($000)	Mar 2022 ($000)
Depreciation charge of right of use assets	950	893
Interest expense	496	507
Expense relating to short term leases	76	72

13. TRADE AND OTHER PAYABLES

	2023 ($000)	2022 ($000)
Trade and other payables	1,928	2,042
Employee entitlements	1,089	1,070
Contract liabilities	1,415	1,175
	4,432	**4,287**

	Contract liabilities ($000)
Opening balance	1,175
Effects of foreign exchange	2
Revenue recognised during the period	(765)
Additional liabilities incurred	1,003
Closing balance	**1,415**

Due to the short term nature of the payables above, the carrying value is determined to be representative of the fair value of the liabilities.

14. PROVISIONS

	General Provisions ($000)	Warranty Provision ($000)	Total ($000)
Balance at beginning of year	434	268	702
Amounts used during the period	(394)	(246)	(640)
Current year provision recognised	49	273	322
Balance at end of year	**89**	**295**	**384**

General provisions

General provisions are made for present obligations with expected future outflows. The majority of the balance as at 31 March 2022 is made up of employee short-term incentive payment which was paid during FY23. There was no short-term incentive provision at 31 March 2023.

Warranty provision

A provision is made for estimated future warranty costs in respect of instruments sold which are still within their warranty period, or have been purchased as an extended warranty option. Significant estimates and judgements were used when determining these future costs which are based on historical claims, adjusted for outliers and one-off occurrences.

15. BORROWINGS

In April 2021, Syft Technologies Limited drew down on a $5m loan with BNZ under the Business Finance Guarantee Scheme.

This five year loan has a fixed interest rate, with interest and principal payable monthly over the term of the loan with no penalty for early repayment. The difference between the competitive interest rate offered under the Government Business Finance Guarantee Scheme, and the comparable rate at inception of the loan has been recognised as a government grant in the income statement.

	2023			2022		
	Drawn amount	Fees	Carrying amount	Drawn amount	Fees	Carrying amount
Term loan	1,080	–	1,080	975	–	975
Current liabilities	**1,080**	**-**	**1,080**	**975**	**-**	**975**
Term loan	2,071	–	2,071	3,151	–	3,151
Non current liabilities	**2,071**	**-**	**2,071**	**3,151**	**-**	**3,151**

The Group is subject to certain banking covenants agreed as part of the facility arrangements. As at 31 March 2023, all covenants and capital requirements were met.

The covenant effective for the year ended 31 March 2023 is total shareholder funds no less than 30% of total assets. The contractual obligation to test EBIT covenant was formally waived by the lender as at 31 March 2023.

16. RELATED PARTY DISCLOSURES

Ultimate parent

The ultimate parent company is Syft Technologies Limited.

Subsidiaries

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

		% Equity Interest		Advances to / (from)	
Name	**Country of Incorporation**	**2023 ($000)**	**2022 ($000)**	**2023 ($000)**	**2022 ($000)**
Syft Technologies Inc (STI)	USA	100%	100%	3,585	2,432
Syft Technologies GmbH (STG)	Germany	100%	100%	1,475	1,189
Syft Technologies Korea Ltd (STK)	South Korea	100%	100%	(2,235)	(2,050)
Syft Technologies Singapore Pte. Ltd (STS)	Singapore	100%	100%	630	399
Syft Technology (Shanghai) COI	China	100%	100%	–	–
Syft Technologies Taiwan Limited (STW)	Taiwan	100%	100%	1,381	624
				4,836	**2,594**

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 year.

Key management personnel

Key management personnel includes the Board of Directors and all employees that report directly to the CEO. Details relating to key management personnel, including remuneration paid, are included below:

	2023 ($000)	**2022 ($000)**
Directors fees	255	255
Short term employee costs	3,365	2,938
Share based payment	853	266
Total compensation	**4,473**	**3,459**

17. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

31 March 2023	**FVTPL ($000)**	**Amortised cost ($000)**	**Total ($000)**
Assets per balance sheet			
Cash and cash equivalents	–	1,315	1,315
Trade and other receivables	–	4,003	4,003
Total	**-**	**5,318**	**5,318**

Liabilities per balance sheet	FVTPL ($000)	Amortised cost ($000)	Total ($000)
Trade and other payables	–	4,432	4,432
Borrowings	–	3,151	3,151
Lease liabilities	–	6,767	6,767
Derivative liabilities	1,617	–	1,617
Total	**1,617**	**14,350**	**15,967**

31 March 2022	FVTPL ($000)	Amortised cost ($000)	Total ($000)
Assets per balance sheet			
Cash and cash equivalents	–	408	408
Trade and other receivables	–	6,295	6,295
Derivative assets	95	–	95
Total	**95**	**6,703**	**6,798**

Liabilities per balance sheet	FVTPL ($000)	Amortised cost ($000)	Total ($000)
Trade and other payables	–	4,287	4,287
Borrowings	–	4,126	4,126
Lease liabilities	–	14,092	14,092
Total	**-**	**22,505**	**22,505**

Financial risk management objectives and policies

The Group is exposed to a number of financial risks that arise as a result of its operational activities. These risks are managed in accordance with the Group's Financial Management Risk policy which aims to support the delivery of the Group's financial targets whilst protecting future financial security.

The primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board of Directors. The Board reviews and agrees policies for managing each of these risks as summarised below.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to United States Dollars, Korean Won, Euro, Great Britain Pound, Singapore Dollars, Australian Dollars and New Taiwan Dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the Company.

The carrying amounts of the foreign currency denominated assets and liabilities at balance date, all expressed in New Zealand Dollars, are as follows;

	2023 ($000)	2022 ($000)
Assets		
Australian Dollars	139	106
Euro	1,257	436
Great Britain Pound	112	43
Korean Won	2,153	3,208
US Dollars	1,660	3,955
Singapore Dollars	563	87
New Taiwan Dollar	20	187
Liabilities		
Australian Dollars	32	25
Canadian Dollars	13	4
Euro	465	346
Great Britain Pound	35	239
Korean Won	273	492
US Dollars	1,899	1,366
Singapore Dollars	203	299

The following table details the Group's profit and loss sensitivity to an increase or decrease in the NZD against the main currencies that the Group was exposed to at the end of each balance date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end rate for an increase or decrease in the currency rates relative to the fluctuation observed throughout the period.

The Group has assessed the recent foreign currency trends and have adjusted the sensitivity rates used to reflect the current economic climate and volatility.

	2023		2022	
Increase/(decrease) in profit or loss and equity	**($000) 10% increase**	**($000) 10% decrease**	**($000) 10% increase**	**($000) 10% decrease**
NZD:AUD	(10)	12	(7)	9
NZD:EUR	(72)	88	(8)	10
NZD:GBP	(7)	9	18	(22)
NZD:KRW	(171)	209	(247)	302
NZD:USD	22	(27)	(235)	288
NZD:CAD	–	–	–	–
NZD:SGD	(33)	40	19	(24)
NZD:NTD	62	(76)	35	(43)

Derivatives

As per the Group treasury policy, derivatives are only used for economic hedging purposes and not as speculative investments. Where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes and are presented as assets or liabilities on the balance sheet. Those derivatives expected to be settled within 12 months of the reporting date are classified as current assets or liabilities, and those expected to be settled greater than 12 months are classified as non current.

The group has the following derivative financial instruments:

	2023 ($000)	2022 ($000)
Current Assets		
Forward foreign exchange contracts	–	51
Non-current Assets		
Forward foreign exchange contracts	–	44

	2023 ($000)	2022 ($000)
Current Liabilities		
Forward foreign exchange contracts	1,322	–
Non-current Liabilities		
Forward foreign exchange contracts	295	–

Fair value measurements recognised in the balance sheet

Financial instruments that are measured subsequent to initial recognition at fair value use the following classification based on the degree to which the inputs to the fair value are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's derivative liabilities are classified under level 2 fair value measurements.

Price risk

The Group purchases raw materials and manufactured parts as part of the production of finished goods. As a result of these transactions the Group is exposed to fluctuations in commodity prices.

The portion of the raw materials and manufactured parts that are affected by commodity prices is small, as a result the Group's exposure to commodity price risk is minimal.

Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables, including outstanding receivables. Exposure comes from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments and the value at balance date is addressed in each applicable note.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Credit risk is managed on a Group basis. The Group has a trade credit insurance policy with QBE to offset majority of the credit exposure and only trades with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The measurement of expected credit losses is a function of the probability of default, loss given default and the estimated exposure at default. When assessing the Group's exposure to credit risk the following considerations have been taken into account:

- Credit checks and third party debtor insurance coverage on a customer by customer basis
- Historical customer payment trends
- Operating cashflow and earnings forecast for current customers
- Forecast market trends and industry information currently available

After taking the above characteristics into consideration, no loss allowance has been provided for (2022: $nil).

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9, the identified impairment loss is immaterial.

Cash and cash equivalents are held with reputable institutions:

Institution	Country	Moody's Rating
Bank of New Zealand	NZ	A1
DBS Bank (Singapore)	Singapore	Aa1
DBS Bank (Taiwan)	Taiwan	A2
Deutsche Bank	Germany	A1
KEB Hana	South Korea	A1
Shinhan Bank	South Korea	Aa3
Silicon Valley Bank	USA	NA*
US Bank	USA	Aa3

*Syft Technologies Inc. banked with Silicon Valley Bank which collapsed in March 2023. All funds were recovered and there was no impact to vendor receipts or payments. The Company has subsequently set up bank accounts with U.S Bank.

Interest rate risk

The Group is exposed to interest rate risk which is managed by the Group through maintaining an appropriate mix between fixed and variable rates.

At balance date the Group's interest-bearing financial instruments were:

	2023 ($000)	2022 ($000)
Financial assets:		
Interest earning cash deposits	16	7
Financial liabilities:		
Overdraft facility	(862)	(2,095)
Term Loan	(3,151)	(4,126)

Interest rate sensitivity analysis

Interest rates on term debt are fixed and therefore the Group is not subject to any interest rate risk exposure relating to these balances.

Financial assets are subject to variable interest rates, and the sensitivity analysis below has been determined based on this exposure. The analysis is prepared assuming the exposure at 31 March 2023 was outstanding for the whole year.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company and Group's profit for the year ended 31 March 2023 would increase/decrease by $nil (2022: increase/decrease by $nil).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial commitments as they fall due. The Group actively manages liquidity risk through monitoring rolling forecasts of the Group's liquidity reserves, comprising of a $4m overdraft facility and actual cash flows. As at March 2023, $862k of funds had been drawn from the facility.

The Group has drawn on the following borrowing facilities at the end of the year:

	2023 ($000)	2022 ($000)
Drawn BNZ overdraft facility	862	2,095
Business Finance Government Scheme Loan	3,151	4,126

The overdraft facility has a prevailing interest rate of 8.37% and may be drawn at any time. The bank has the ability to demand repayment at any time.

The terms of the Loan are described in note 15.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

a. all non-derivative financial liabilities; and

b. net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

	0-30 days ($000)	31-60 days ($000)	61-90 days ($000)	91-365 days ($000)	365 days+ ($000)	Total contractual cash flows ($000)	Carrying amount ($000)
31 March 2023							
Non-derivatives							
Trade and other payables	4,432	–	–	–	–	4,432	4,432
Borrowings	82	82	83	750	2,153	3,151	3,151
Interest on borrowings	6	6	5	44	54	116	116
Total non-derivatives	**4,520**	**88**	**88**	**794**	**2,207**	**7,698**	**7,698**

	0-30 days ($000)	31-60 days ($000)	61-90 days ($000)	91-365 days ($000)	Total contractual cash flows ($000)	Carrying amount ($000)
31 March 2022						
Non-derivatives						
Trade and other payables	4,271	16	–	–	4,287	4,287
Borrowings	80	81	81	3,884	4,126	4,126
Total non-derivatives	**4,351**	**97**	**81**	**3,884**	**8,413**	**8,413**

18. SHARE CAPITAL

	2023 ($000)	2022 ($000)
Fully paid ordinary shares	61,728	39,010
	61,728	**39,010**

At balance date, all ordinary shares carry equal rights in respect of voting and dividend payments. Ampersand Capital Partners (Ampersand), who hold 17,545,000 shares, have preferential rights in a liquidation event relating to the Company (after all other liabilities have been settled). All subsidiaries outlined in note 16 are 100% owned by Syft Technologies Limited.

Ordinary Shares

Movement in ordinary shares	2023 ($000)	2022 ($000)
Balance at beginning of year	39,010	37,176
Issue of shares	22,820	1,867
Cost of share issue	(102)	(33)
Balance at end of year	**61,728**	**39,010**

Number of ordinary shares on issue	2023	2022
Balance at beginning of year	72,111,692	72,309,192
Issue of ordinary shares	17,545,000	–
Cancelled allotment of restricted share	–	(197,500)
Balance at end of year	**89,656,692**	**72,111,692**

On 29 March 2022, Syft announced that it has reached an agreement with Ampersand to invest $22.8m in the Group, subject to shareholder approval, which was obtained at the Special meeting of shareholders on 13 April 2022. Ampersand has been issued 17,545,000 convertible preference shares, equivalent to 19.6% of the total shares post-investment, at a price of $1.30 per share.

Capital management

When managing capital, the Group's objective is to ensure the entity continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group is not subject to any externally imposed capital requirements.

19. RESERVES

	2023 ($000)	2022 ($000)
Foreign currency translation reserve	1,554	793
Employee equity benefit reserve	1,764	911
Cashflow hedge reserve	(902)	–
	2,416	**1,704**

Foreign currency translation reserve

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

Movements in translation reserve	2023 ($000)	2022 ($000)
Balance at beginning of year	793	293
Translation of foreign operations	761	500
Balance at end of year	**1,554**	**793**

Employee equity benefit reserve

Movement in employee benefit reserve	2023 ($000)	2022 ($000)
Balance at beginning of year	911	708
Repaid shares	–	(90)
Issued shares	843	241
Recognition of share based payments	10	79
Forfeited restricted shares	–	(27)
Balance at end of year	**1,764**	**911**

The employee equity benefit reserve arises on the grant of share options to employees under the Employee Share Option Scheme. Amounts are transferred into issued capital when the options are exercised.

Forfeited restricted shares relate to those shares previously recognised as an expense, however have not met the performance criteria when the employee ceases employment. This results in the reversal of the share based expense during the period the shares were forfeited. During the period no shares of previously recognised under the Employee Share Scheme were forfeited.

20. EMPLOYEE SHARE EQUITY SCHEME

a) Employee Share Option Scheme (ESOS)

The original share scheme was approved by the Board in June 2014 giving key employees 0.30% ownership in the Company. The scheme was set up to align the key employees' incentives with that of the Company and shareholders and also serves as a reward and retention scheme.

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; and
- If the key employees sell any of the shares, then the cash received must first be put towards repayment of the loan; and
- 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; and
- 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 FY21 to FY23).

Since 2014, the Board and shareholders have approved seven additional share schemes, rewarding key employee's with ownership of the Company and with the terms stated above. One in May 2015 (0.20% ownership), April 2016 (0.61% ownership), June 2016 (0.01% ownership), June 2017 (0.26% ownership), August 2018 (1.59% ownership), August 2019 (2.2% ownership), and June 2020 (0.24% ownership). The total number of shares issued and unpaid under the above schemes is 1,653,972.

Summary of restricted employee shares

Grant date	Restricted shares at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Restricted shares at end of the year	Exercise price $
Aug-19	58,112	–	58,112	–	–	1.15
Jun-20	70,833	–	56,667	–	14,166	1.15
Total	**128,945**	**-**	**114,779**	**-**	**14,166**	

Summary of vested employee shares

Grant date	Vested shares at start of the year	Vested during the year	Forfeited during the year	Vested shares at end of the year	Exercise price $
May-15	145,000	–	–	145,000	0.60
Apr-16	371,250	–	–	371,250	0.50
Jun-16	3,400	–	–	3,400	0.60
Jun-17	62,499	–	–	62,499	1.08
Aug-18	271,299	–	–	271,299	0.76
Aug-19	464,888	58,112	–	523,000	1.15
Jun-20	99,167	56,667	–	155,834	1.15
Total	**1,417,503**	**114,779**	**-**	**1,532,282**	

The following table illustrates the number and fair value of the shares vested relating to the Employee Share Option Scheme during the year. The fair value has been recognised as an expense in the income statement during the year:

	2023			2022		
Grant date	**Vested during the year**	**Fair Value per share $**	**Fair Value ($000)**	**Vested during the year**	**Fair Value per share $**	**Fair Value ($000)**
Aug-19	58,112	0.10	6	58,112	0.10	6
Jun-20	56,667	0.06	4	56,667	0.06	4
Total	**114,779**		**10**	**114,779**		**10**

Pricing Model

There is significant estimates and judgements used in determining the fair value of the employee share scheme. The scheme is consistent with that of a call option and has been valued according to the Black-Scholes option pricing model. Inputs are consistent with current market data and independent professional advice.

b) Long Term Incentive Scheme - Restricted Share Units (RSU)

On 1 April 2021, a long term incentive scheme began for the CEO. In addition to this, a similar scheme was introduced for members of the Senior Leadership Team on 21 September 2022. The purpose of the schemes is to support significant long term reward for increasing shareholder value. Both schemes are equity settled through Restricted Share Units (RSU).

The table below sets out the movements of the number of shares issued in the LTI Share Scheme RSU's during the year:

	Mar 2023	**Mar 2022**
Opening 1 April	920,914	-
Initial awards granted during the period	580,000	500,000
Annual awards granted during the period	585,000	420,914
Total	**2,085,914**	**920,914**

During the period, no RSU's were forfeited, or exercised.

The above RSU's relate to participants located in New Zealand, Korea and USA.

Long Term Incentive Scheme - CEO

The scheme consists of:

- an initial award of 500,000 RSU's that vest over a four year service requirement, issued at $0.81 amounting to an estimated fair value of $405,000, and;
- an annual award based on 50% of base salary, is allocated at the beginning of each financial year calculated using 90 day VWAP. However the award for FY22 was set at $0.81. The RSU's vest in equal tranches over years two and three, and;
- additional special performance rights linked to market conditions, with the minimum share price of $3.00 required for RSU's to be issued.

Long Term Incentive Scheme - Non-CEO

The scheme consists of:

- an initial award of 580,000 RSU's vest over a four year service requirement as a percentage of each participant's remuneration, issued at a price ranging between $0.76-$1.15 depending on the grant date. Certain participants' initial awards have been backdated as agreed in individual employment agreements. The total estimated fair value of the joining RSU's amount to $472,084;
- an annual award calculated on base salary, is allocated at the beginning of each financial year using the 90 day VWAP at grant date. The RSU's vest in equal tranches over years two and three.

During the period, $849k was recognised through the profit and loss in relation to the above mentioned schemes. This reflects both RSU's for the initial award and RSU's for the annual award. No RSU's have been issued in relation to the special performance rights.

A $153k deferred tax impact has also been recognised in relation to the expected future tax benefits of the scheme.

21. 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 20). Diluted earnings per share assumes conversion of all dilutive potential ordinary in determining the denominator.

	Mar 2023	Mar 2022 (restated)
(Loss)/Profit attributable to the ordinary shareholders of the Company ($000)	(13,400)	(46)
Weighted average number of shares		
Ordinary shares	88,642,571	71,305,859
Effect of dilutive ordinary shares (non-vested Employee Share Scheme)	389,230	822,292
Weighted average number of ordinary hares for diluted earnings per share	**89,031,801**	**72,128,151**
Earnings per share (cents)		
Basic earnings per share	(15.12)	(0.06)
Diluted earnings per share	(15.12)	(0.06)

Since the Group has made a loss in financial year 2023, the diluted EPS is the same as the basic EPS as at 31 March 2023.

22. RECONCILIATION OF LOSS AFTER TAXATION WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2023 ($000)	2022 ($000) (restated)
Net loss		(13,400)	(46)
Adjustments for:			
Depreciation and amortisation	4	4,013	2,783
Loss/(Gain) on sale of non current assets		58	(25)
Impairment of assets		2,530	–
Unrealised foreign exchange (gain)/loss		1,031	718
Share based payment expense	19	853	202
Decrease/(increase) in deferred tax asset		(4,305)	356
Ineffective portion of changes in fair value of cash flow hedges		365	(95)
Provisions		88	347
Bad debt write off / (release of provision)		–	1
Interest portion of lease payment		496	–
Government Grants - non cash		(192)	(151)
Adjusted (loss)/ profit		**(8,463)**	**4,090**
Changes in working capital items			
(Increase)/decrease in trade and other receivables		2,072	(4,149)
(Increase)/decrease in inventories		(3,688)	2,179
Increase/(decrease) in GST		(338)	393
Increase/(decrease) in provisions		(418)	10
Increase/(decrease) in trade and other payables		(19)	58
		(2,391)	**(1,509)**
Net cash flows (used)/from operating activities		**(10,854)**	**2,581**

23. COMMITMENTS

Capital Commitments

Syft Technologies Limited have no capital commitments as at balance date (2022: $nil).

24. CONTINGENCIES

The Group has no contingencies at balance date (2022: nil).

25. SUBSEQUENT EVENTS

On 26 June 2023, the Group announced it had reached an agreement with Ampersand Capital Partners (Ampersand) to underwrite a convertible note of $5.5m to which wholesale shareholders could also participate on a pro-rata basis. The takeovers panel has subsequently approved the transaction, which is subject to shareholder approval on 21 July 2023.

Auditor's Report

Independent auditor's report

To the shareholders of Syft Technologies Limited

Disclaimer of opinion

We were engaged to audit the consolidated financial statements of Syft Technologies Limited (the Company), including its subsidiaries (the Group) which comprise:

- the consolidated balance sheet as at 31 March 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for disclaimer of opinion

Note 1 to the consolidated financial statements discloses the Director's assessment of the Group's ability to continue as a going concern which depends on a number of assumptions. The assumptions, which are outlined in Note 2, include:

- shareholder approval of the convertible note transaction and receipt of the $5.5m funding by 21 July 2023;
- achievement of revenue targets and the timing of revenue cash inflows in line with forecast cash flows;
- continued support from the Group's lenders, including the waiver of forecast covenant breaches as at 31 March 2024;
- either obtaining agreement from Ampersand and Accident Compensation Corporation to extend the repayment date of the convertible note, or converting it to preference shares as permitted under the terms, or entering into a subsequent transaction to secure permanent funding and repay the convertible note (plus interest), potentially including the sale of the business; and
- completion of a strategic review of the business, and the successful execution of the recommendations of the review, which may include the sale of the business.

As these assumptions give rise to multiple uncertainties for which the outcomes, their possible interaction and cumulative effect on the consolidated financial statements are unknown, we have been unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the application of the going concern assumption is appropriate. As a result of this matter, we were unable to determine whether any adjustments would be required to the amounts recorded in the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of changes in equity.

The Group uses Board approved cash flow forecasts in determining the recoverable amount of the Group's assets, excluding cash and cash equivalents and trade and other receivables (including GST

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and tax receivables). Due to the level of uncertainty associated with forecasting the Group's future cash flows and the uncertainty with respect to the outcomes of the strategic review which could include the sale of the business, we have been unable to obtain sufficient appropriate audit evidence to support the assumptions made by the Directors regarding the recoverable amount of the assets.

As a result, we were unable to determine whether any adjustments might have been necessary to the value of the Group's assets, as recorded in the consolidated balance sheet, the impairment charge and loss after tax in the consolidated income statement and the consolidated statement of comprehensive income and the related movements through the consolidated statement of changes in equity.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance and tax advice in relation to transfer pricing and the employee share scheme.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants

18 July 2023

Christchurch

Corporate Governance

This Corporate Governance Statement provides an overview of Syft Technologies Limited's (Syft, the Company) governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code) and discloses the practices relating to the NZX Code's recommendations. Syft is not listed on NZX however the Board regards it as being in the Company's and investors' best interests that Syft should meet the NZX Code's standards.

The Board's view is that Syft complies with the majority of the NZX Code's principles and recommendations. The Board continues to remain focused on the alignment of Syft's governance structures with the NZX code.

This Corporate Governance Statement was approved by the Board on 18 July 2023.

Principle 1 – Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Share trading by Company Directors and Employees

Formal procedures regarding trading in Syft's securities by Directors, employees and advisors of the Company are in place. A securities trading application form is available on the Syft intranet. Approval is required to be obtained from the CFO or Chairman. A blackout window is imposed for all Directors and employees between the end of the half year and full year and the release to USX of the result for that period. This ensures that shares may not be traded at any time by any individual holding material information.

Principle 2 – Board Composition & Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The role of the Board

The Board has ultimate responsibility for the strategic direction of Syft and oversight of the Company's management for the benefit of shareholders. Specifically, the responsibilities of the Board broadly include:

- working with management to establish the strategic direction of Syft;
- monitoring management and financial performance;
- monitoring compliance and risk management;
- establishing and monitoring the health and safety policies of Syft;
- establishing and ensuring implementation of succession plans for senior management; and
- ensuring effective disclosure policies and procedures.

The Board monitors these matters by meeting regularly, having committees address certain matters and receiving reports and plans from management. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

In discharging their duties, Directors have direct access to and may rely upon Syft's management and external advisers. Directors have the right, with the approval of the Chairman or by resolution of the Board, to seek independent legal or financial advice at the expense of Syft for the proper performance of their duties.

The Board regularly reviews its performance to assess its effectiveness in carrying out its functions and responsibilities and to ensure that the Board's skill set is robust and appropriate for the business.

At balance date, the Board comprised of six Directors including a non executive Chairman. Board members have an appropriate range of proficiencies, experience and skills to ensure that the Board's responsibilities are met.

Directors meetings

The Board met formally 14 times during the year including sessions to consider Syft's strategy and business plans.

Board Committees

The Board has two formal committees of Directors; the Audit and Risk Management Committee and the Remuneration Committee.

The Audit and Risk Management Committee is responsible for:

- overseeing the Company's risk management, treasury, insurance, accounting and audit activities;
- reviewing the adequacy and effectiveness of internal controls;
- meeting with and reviewing the performance of external auditors;
- reviewing the consolidated financial statements and making recommendations on financial and accounting policies.

The members of the Committee are Michael Bushell (Chair), Al Monro and Jeff McDowall. All Directors are independent.

The Remuneration Committee is responsible for setting the salary and performance reward structures for the Company, recognising that attracting and retaining key talent is at the core of the Company's success. The Committee works with the CEO to build the culture that is so critical to Syft's ability to produce and sell in a technically demanding market.

The members of the Committee are Jeff McDowall (Chair), Al Monro and Michael Bushell.

Director nomination and appointment

Nominations are handled by the Board as a whole.

Each year as part of the Board's annual review process the capability mix is assessed to evolve in line with the Company's strategy and business plans. The Board has recently undergone a review to ensure its future development and international growth plans are matched by Director experience.

Board of Directors

A profile of each of the Director's including information on the year of appointment, skills, experience and background is included in this report.

Al Monro (Board Chairman), Michael Bushell, Desh Edirisuriya, Jeff McDowall and Kate McGrath are all independent directors.

The roles of Board Chair, Audit and Risk Management Committee Chair, Remuneration Committee Chair and CEO are not held by the same person.

A majority of the Board are Independent Directors based on the guidelines set out in the NZX Code. The Board determines annually on a case-by-case basis who, in its view, are Independent Directors.

Interests Register

The Board maintains an Interests Register. Any Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Particulars of entries made in the Interests Register for the year ended 31 March 2023 are included in the Director Disclosures section.

Diversity

Syft recognises the value in diversity of thinking and skills, and seeks to ensure that both its Board and its workforce reflect diversity. Our recruitment philosophy is to only employ people who are smart, curious and motivated. As a result, our hiring reflects the whole market and has provided us with a very diverse group of staff.

The gender composition of Syft's Directors and senior management team was as follows:

	As at 31 March 2023		As at 31 March 2022	
Position	**Female**	**Male**	**Female**	**Male**
Director	1 (17%)	5 (83%)	1 (20%)	4 (80%)
Senior management team	3 (38%)	5 (62%)	2 (22%)	7 (78%)

Director Training

Directors are encouraged to undertake continuing professional development to maintain their skills and knowledge.

Principle 3 – Board Committees

The Board use's Committees where it will enhance its effectiveness in key areas, while still retaining Board responsibility. The Board has two standing committees – an Audit and Risk Committee and a Remuneration Committee. Committees do not have delegated authority to make decisions but make recommendations to the Board.

Attendance at Meetings

The full Board met 14 times between 1 April 2022 and 31 March 2023.

	Full Board	
	Eligible to attend	Attended
Al Monro	14	14
Michael Bushell	14	13
Desh Edirisuriya	14	12
Jeff McDowall	14	14
Kate McGrath	14	14
David Patteson	13	12

Audit and Risk Management Committee

This Committee assists the Board with overseeing all matters relating to risk and financial management, accounting, audit and reporting. The Committee met on two occasions during the year.

Members of the Committee are appointed by the Board and must comprise solely non-executive Directors, a majority of which must be Independent Directors.

As at 31 March 2023 the Committee comprised of three Directors: Michael Bushell (Chair), Al Monro and Jeff McDowall. All members are independent directors with Jeff McDowall being a member of Chartered Accountants Australia and New Zealand.

The Chair of the Audit and Risk Committee is neither the Board Chair nor the Company's CEO. The Chair of the Audit and Risk Committee has had no association with PwC, the external auditor.

Meeting Attendance

The CEO and Chief Financial Officer (CFO) are regularly invited to attend Audit and Risk Committee meetings.

Remuneration Committee

The Committee has responsibility for considering matters related to remuneration and human resources. It undertakes an annual review of management's performance and remuneration levels. The Committee also develops the Company's remuneration policy and recommends to the Board the annual director fees. The Committee met on one occasion during the year.

As at 31 March 2023 the Committee comprised of Jeff McDowall (Chair), Al Monro and Michael Bushell.

Nomination Committee

Director nominations are handled by the Board as a whole.

Principle 4 – Reporting and Disclosure

The Board demand's integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Shareholder Communications and Market Disclosure

Syft's Board is committed to the principle that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders.

Market announcements and shareholder communications are approved by the Board before being released.

Financial and Non-Financial Reporting

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company. The Board takes an active role in overseeing financial reporting. Half year and full-year financial statements are prepared in accordance with relevant reporting standards and are subject to Board review.

The Annual Report is an important channel for reporting on Syft's strategy, its financial and operational performance. Reporting of non-financial matters including environmental, social, and governance (ESG) factors has been included in this report and will continue to be focus for the business in to the 2024 financial year, as we look to build out our sustainability framework which includes climate related disclosures.

Principle 5 - Remuneration

The remuneration of Directors and senior management should be transparent, fair and reasonable.

Remuneration Report

Syft's approach to remuneration aims to attract, motivate and retain talented employees at all levels of the Company and seeks to align the interests of its shareholders and employees, whilst driving performance and growth in shareholder value and return.

Director Remuneration

Non-Executive Directors receive fees determined by the Board and approved by shareholders plus reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as Directors.

The Board reviews its fees periodically to ensure the Company's non-executive directors are fairly remunerated for their services, recognising the time commitment together with the level of skill and experience required to fulfil the role, and to enable the Company to attract and retain talented non-executive directors. The last review was undertaken in 28 March 2023 and it was noted that the annual fees approved by shareholders on 29 August 2019 of $75k for the Chairman and $45k for all other Directors remained appropriate.

Non-executive directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. No retirement entitlements are payable.

The following people held office or ceased to hold office as a Director during the year and received the following remuneration including benefits and fees for work performed:

Director	Category	Directors Fees
Michael Bushell	Non-Executive	45,000
Desh Edirisuriya	Non-Executive	45,000
Jeff McDowall	Non-Executive	45,000
Kate McGrath	Non-Executive	45,000
Alan Monro	Chairman	75,000
David Patteson	Non-Executive	-

Remuneration of the CEO and Employees

Alex Fala joined the Company as CEO on 1 March 2021. For the financial year ended 31 March 2023, he received $400,000 (2022: $400,000) in fixed annual remuneration, with no (2022: $60k) short term incentives (STI) and $251k (2021: $251k) in long term incentives (LTI).

The CEO's short term incentives are linked to company performance and further details on the long term incentives can be found in note 20 to the annual accounts.

During the year the number of employees or former employees not being Directors of Syft Technologies Limited received remuneration including the value of other benefits in excess of $100,000 in the following bands:

Category	Count
100,001-110,000	12
110,001-120,000	3
120,001-130,000	3
130,001-140,000	4
140,001-150,000	2
150,001-160,000	1
170,001-180,000	1
180,001-190,000	2
220,001-230,000	1
230,001-240,000	1
250,001-260,000	1
260,001-270,000	1
320,001-330,000	1
360,001-370,000	1
420,001-430,000	1
450,001-460,000	1
460,001-470,000	1
700,001-710,000	1

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk Management Framework

The Company's risk management framework integrates risk management across the Company's operations, formalising risk management as a key feature of the Company's operating and governance practices.

The Board is responsible for ensuring that key business and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks. The Board has overall responsibility for ensuring that Syft's risk management framework is appropriate and that it appropriately identifies, considers and manages risks. The Company's senior management are required to regularly identify the major risks affecting the business, record them in a risk management register, develop strategies to mitigate these risks and advise the Board of any emerging risks.

The Board regularly reviews the Company's risk profile and risk management register. It receives reports on the operation of risk management policies and procedures. Significant risks are discussed at each Board meeting, or as required.

Health and Safety

The Company considers the health and safety of its employees, contractors, clients and authorised visitors to its premises to be of utmost importance. The key principle applied is that "everyone who works at or visits the premises can expect to leave uninjured". The Board oversees the implementation of a Health and Safety Management System that is subject to an annual audit by appropriately qualified independent auditors.

The Board closely monitors a series of key lag and lead indicators including hazard reporting, incidents/ near misses, safety briefings held, training sessions, contractor inductions and audits undertaken.

Principle 7 – Auditors

The Board ensures the quality and independence of the external audit process.

External Auditor

Oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit and Risk Management Committee. The areas of responsibility include:

- Appointment of the external auditor.
- Provision of other assurance services by the external auditor.
- Pre-approval process for the provision of the other assurance services.
- External auditor lead and engagement partner rotation.
- Hiring of staff from the external auditor.
- Relationships between the external auditor and the Company.
- Reporting on fees and non-audit work.

The role of the external auditor is to audit the financial statements of the Group in accordance with applicable auditing standards in New Zealand and to report on its findings to the Board and shareholders of the Company.

PricewaterhouseCooper (PwC) has been the Company's external auditor since February 2014. All services provided by the Company's external auditor are considered on a case by case basis by the Audit and Risk Management Committee to ensure there is no actual or perceived threat to independence in accordance with the policy. The external auditor has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

Fees paid to the external auditors are included in note 5 of the notes to the financial statements. A total of $194k was paid for assurance-related services. All non-assurance services provided must have the prior approval of the Audit and Risk Management Committee. There was $46k of non-assurance services performed by PwC during the year.

The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Risk Management Committee. The auditor met with the Committee two times during the year.

ASM attendance

The auditor has been invited to attend the Annual Shareholder's Meeting and will be available to answer questions about the audit process and PwC's independence.

Internal Audit

The Company has internal processes and controls that are considered to be appropriate for the size and complexity of the organisation. The Audit and Risk Committee carefully considers the auditor's management report which lists its key findings and recommendations about significant matters arising from the audit.

Principle 8 – Shareholder Relations

The Board respect's the rights of shareholders and foster constructive relationship with shareholders that encourage them to engage with the issuer.

Shareholder communications

Syft seeks to ensure that investors understand the Company's activities by communicating effectively with them and giving them access to clear and balanced information. The key information channels used by the Company are periodic corporate announcements released first to USX and then to shareholders, the annual and half year results announcements, annual reports, the Company's website and the Annual Meeting of shareholders.

Website

Annual reports, corporate releases and a variety of corporate information is posted onto the Company's website. The Company's and management contact details are provided on the website.

Electronic Communications

Extensive use is made of electronic communications with each shareholder being emailed a link to the Company's annual report, investor updates and other documents. Computershare's contact details are provided on the website and in the annual report.

Major Decisions

Where voting on a matter is required the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual General Meeting or Special Meeting, either in person or by emailing the Company with a question to be asked.

Equity raising

The Board will take this recommendation into account when considering any future capital raise.

Notice of Meeting

The Notice of Meeting will be available at least 10 working days prior to the meeting on the Investors section of the website.

Shareholder Information

DIRECTOR DISCLOSURES

Directors

The following persons were Directors of Syft during the year ended 31 March 2023:

Michael Bushell
Deshitha Edirisuriya
Jeffrey McDowall
Kathryn McGrath
Alan Monro
David Patteson

Directors' Interests

In accordance with Section 140(2) of the Companies Act 1993 and Section 19(U) of the Securities Markets Act 1988, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interests register. General notices were given by these Directors which remain current at 31 March 2023.

Michael Bushell	SVO Consulting Limited	Director
	TMB Management Limited	Director
	SF Holdings (2014) Limited	Director
	PFNZ Limited	Director
	Southern Financial Services Limited	Director
	DOT 6 Limited	Director
	Pacific Invoice Finance PTY Limited	Director
	Pacific Invoice Finance Limited	Director
Desh Edirisuriya	Made Consulting Limited	Director
	Edirisuriya & Walsh Properties Trustee Limited	Director
Jeff McDowall	Hekerua Advisory Ltd	Director
Kate McGrath	Council of SPHERE	Director
	Cicada Innovations - UTS	Director
Alan Monro	Tarras Cherry Corp Limited	Director
	Broadfield Advisory Limited	Director
	Estaronline Limited	Director
David Patteson	Gene Solutions, LLC	Chairman
	Resolian	Chairman
	Biosynth Carbosynth AG	Board Observer

There were no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

DIRECTORS' SHAREHOLDINGS

Directors' shareholdings as at balance date are shown below:

Name	Beneficial ownership at 31 March 2023
Michael Bushell	1,167,651
Deshitha Edirisuriya	–
Jeffrey McDowall	92,034
Kathryn McGrath	–
Alan Monro	200,000
David Patteson	–

TOP 20 REGISTERED SHAREHOLDERS AS AT 31 MARCH 2023

Holder Name	Total Holding	% Total Holding
AMPERSAND 2020 LIMITED PARTNERSHIP	17,545,000	19.57%
ACCIDENT COMPENSATION CORPORATION – NZCSD	14,170,738	15.81%
WHALE WATCH HOLDINGS LIMITED	8,612,260	9.61%
STEPHEN JOHN COLLINS & WILLIAM JOHN DWYER & BILL PARSONS TRUSTEE LIMITED	3,000,000	3.35%
DOUGLAS ZIFFEL & SMOOT (NEW YORK) LIMITED	3,000,000	3.35%
WING KAI LEUNG	2,168,783	2.42%
LEVERAGED EQUITIES FINANCE LIMITED	2,166,450	2.42%
ICONIC INVESTMENTS LIMITED	2,108,706	2.35%
OPIHI INVESTMENTS LIMITED	2,062,447	2.30%
MAARTEN ARNOLD JANSSEN	1,881,780	2.10%
FORSYTH BARR CUSTODIANS LIMITED	1,781,210	1.99%
CUSTODIAL SERVICES LIMITED	1,462,690	1.63%
SF HOLDINGS (2014) LIMITED	1,167,651	1.30%
NIGEL ROY GOLDTHORPE	1,145,000	1.28%
PAUL BERNARD MCCORMACK	1,092,900	1.22%
PUBLIC TRUST – NZCSD	950,381	1.06%
SIMON JOHN NICHOLS	723,278	0.81%
LOUISE ANNE PATERSON	695,000	0.78%
STROWAN INVESTMENTS LIMITED	685,000	0.76%
FORSYTH BARR CUSTODIANS LIMITED	664,700	0.74%

SPREAD OF SHAREHOLDERS AS AT 31 MARCH 2023

Size of shareholding	Number of holders	%	Total number held	%
1 – 49,999	437	77.8%	5,308,641	5.9%
50,000 – 99,999	45	8.0%	2,860,652	3.2%
100,000 – 499,999	54	9.6%	11,126,769	12.4%
500,000 – 999,999	11	2.0%	6,995,015	7.8%
1,000,000 +	15	2.7%	63,365,615	70.7%
Total	**562**	**100%**	**89,656,692**	**100%**

Included above are 1,653,972 unpaid shares issued under the Employee Share Option Scheme.

Board of Directors

ALAN MONRO LLB
Chairman, Non-Executive Director

Appointed: 20 August 2019
Committees: Audit and Risk Committee, Remuneration Committee

Al's extensive governance and business experience includes 18 years at IBM and taking optical touch screen company NextWindow from start-up in 2002 to acquisition by NASDAQ-listed Smart Technologies in 2011. He works with expansion-stage technology companies as an advisor and/or director helping them put strategies in place to grow globally. Al is currently Chair of eStar and the Tarras Cherry Corp. He is a past Director of Callaghan Innovation and a past Trustee of the New Zealand Hi-Tech Trust.

MICHAEL BUSHELL
Non-Executive Director

Appointed: 17 June 2013
Committees: Audit and Risk Committee, Remuneration Committee

Michael has worked in Corporate and Commercial banking and finance for 43 years, the last 18 as a partner in a private finance company specialising in funding working capital for manufacturing, export, Import Companies in New Zealand and Australia. Michael was part of an independent advisory board to Syft set up in April 2011 and has been involved regularly with Syft and its board on an on-going basis.

DESHITHA EDIRISURIYA BE
Non-Executive Director

Appointed: 8 May 2019

Desh has a high level of expertise in R&D, manufacturing operations, quality management systems and business improvement methodologies, a skill set very relevant to Syft's specialist manufacturing demands. He knows the company well having acted as a consultant in recent times. Desh currently serves as the General Manager NZ Operations and Business Excellence for Fisher and Paykel Healthcare.

JEFFREY MCDOWALL BCA, CA

Non-Executive Director

Appointed: 1 March 2020
Committees: Remuneration Committee, Audit and Risk Committee

Jeff has worked in a variety of businesses during his career, including six years as a management consultant with PricewaterhouseCoopers and three years with Mobil Oil in New Zealand and the UK.

He joined Air New Zealand in 2000 and was appointed Chief Financial Officer in January 2018. He served as Acting Chief Executive Officer of Air New Zealand for four months from September 2019 to February 2020. Jeff resigned from Air New Zealand on 30 April 2021.

Jeff is a fellow of Chartered Accountants Australia and New Zealand and a certified member of the Institute of Finance Professionals NZ.

KATHRYN MCGRATH BSC (HONS) (CHEMISTRY), PHD, PGDIPCOM (FINANCE)

Non-Executive Director

Appointed: 1 January 2020

Professor McGrath is Deputy Vice-Chancellor and Vice-President (Research) at the University of Technology Sydney, providing the vision and leadership to build UTS's national and international profile in research training, external research engagement and innovation. She was previously Vice-Provost (Research) at Victoria University of Wellington and led the MacDiarmid Institute for Advanced Materials and Nanotechnology, a New Zealand Centre of Research Excellence.

DAVID PATTESON

Non-Executive Director

Appointed: 13 April 2022

David, who joined Ampersand as an Operating Partner in 2015, leads Ampersand's Portfolio Acceleration Team™, serves as Chairman of Resolian and is on the Board of Syft Technologies. Previously, David was Chairman/CEO of Advion Interchim Scientific, and CEO of Advion, sold to Bohui Innovation Technology in 2015. He served as a Board member of Gyros Protein Technologies, sold to Mesa Labs in 2019. David also served as CEO of Advion BioSciences, a bioanalytical CRO business acquired by Quintiles Transnational in 2011, and CEO of Biotage, which was acquired by Pyrosequencing AB in 2003. David holds two separate B.S. degrees from The University of Richmond and Virginia Polytechnic Institute, and completed an International Management program through IMD in Lausanne, Switzerland.

Company Directory

DIRECTORS
Michael Bushell
Deshitha Edirisuriya
Jeffrey McDowall
Kathryn McGrath
Alan Monro (Chairman)
David Patteson

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