



**4RF Limited**

**Annual report**

**For the year ended 31 March 2021**

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For the year ended 31 March 2021

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## Company directory

<b>Registered office</b>	85 The Esplanade Petone, Wellington New Zealand Phone: +64-4-499-6000 Fax: +64-4-473-4447
<b>Company number</b>	WN 3768298
<b>Auditors</b>	Grant Thornton New Zealand Audit Limited P.O. Box 10-712 Wellington 6143 Phone: +64-4-474 8500
<b>Bankers</b>	Kiwibank Limited Level 9 JacksonStone House 11 Hunter Street Wellington 6146 Phone: +64-4-471-7473  HSBC Bank 10 Market Place Hinckley, Leicestershire England LE10 1NU  Citibank N.A. 640 5 <sup>th</sup> Avenue New York, NY 10019  Bank of America, N.A. P.O. Box 15284 Wilmington, DE 19850
<b>Solicitors</b>	Minter Ellison Rudd Watts P.O. Box 2793 Wellington Phone: +64-4-4985000

## Chief Executive's Report

4RF had another good year in the year ending 31 March 2021 despite the backdrop of a global pandemic. In product development, enhancements were achieved in all four Aprisa product families. While at the same time our supply chain, logistics and sales engineering were able to maintain the customer service for which 4RF is known in the nearly 160 countries where our products are deployed.

Our newest product – the Aprisa LTE cellular router – is now licensed for use in most of the major jurisdictions around the world and is now well established in several major critical infrastructure operators. We have been heartened that the choices that we made in the design both in hardware and software have been so appreciated by our customers relatively early in its product life, with one industry veteran remarking *“Your product received high marks by our evaluation team, they were really impressed.”* We are very excited about the prospects for Aprisa LTE in the years ahead.

Investment across the entire portfolio is also important both to continually upgrade performance and to maintain continuity of supply in the face of increasing lead times and component obsolescence. Of note is the recent completion in the Aprisa SR point-to-multipoint family of the Release 2 modem development. Accessible through a software upgrade over-the-air, Release 2 delivers higher headline performance with 256 QAM modulation while also enhancing data throughput across the board.

4RF has worked very hard to successfully maintain its supply chain throughout the difficult operating environment of the COVID-19 pandemic and this work continues. Our staff are acutely aware of our responsibilities to the critical infrastructure organizations we serve. These public safety organizations, energy and utility companies, transport operators are essential services and their role has become even more important during the pandemic. Fortunately now 4RF is in the position to help these critical infrastructure organizations more than ever. With point-to-point, licensed point-to-multipoint, unlicensed point-to-multipoint and now cellular, we see the clear importance of complimentary families of Aprisa products addressing a comprehensive range of our customers' communications needs.

At 4RF we are enjoying starting to meet with customers again in person and look forward to learning how the pandemic has impacted their priorities and operational processes. As ever these interactions will provide crucial input to our product development and optimization.

Increasingly we are finding customers appreciating our deep and wide-ranging expertise in large network deployment. They are finding there are big differences between a vendor with a credible product on paper and one able to deliver with confidence modern IP networks at scale. We continue to invest in and grow this network knowledge so we can efficiently assist our customers deploy. This is part of our continued strategic investment in growing our capabilities, in R&D and in the sales and support infrastructure required to service our customers. In this we're aided by our status as a private company – backed by Fortissimo Capital, a leading global technology and industrial investor with over \$1.5 billion in funds under management, and 4RF staff.



Just as 4RF passed the 20<sup>th</sup> anniversary of our first product shipments we took the opportunity to move our New Zealand base in Wellington. Now situated in the heart of Wellington's Infrastructure Precinct in Petone (see inset picture), our neighbours include Wellington Water – the regional authority responsible for water and wastewater – and Wellington Electricity – the regional electricity distribution company. The new location provides an excellent work environment for staff and much improved access to transport and local amenities.

On behalf of all 4RF staff we're thankful that our customers continue to appreciate our products and the service we provide. We look forward to growing with them in the years ahead.



Ian Troughton

Director

12 December 2021



Note: LTE™ is a trademark of ETSI, used with permission for Aprisa products containing LTE functionality.

## Directors' Report

For the year ended 31 March 2021

The Directors submit the report for the year ended 31 March 2021.

### Financial statements

The financial statements for the year ended 31 March 2021 follow this report.

### Financial result

The Net profit for the year for the Group was \$1,755,000

### Directors

The following is a list of the Directors holding office at the balance date.

Eli Blatt  
Yoav Hineman  
Ian Troughton

### Corporate governance statement

The Board is responsible for the proper direction and control of the Group's activities. This responsibility includes such areas of stewardship as the identification and control of the Group's business risks and the integrity of management information systems and reporting.

### Dividend

No dividend has been proposed for the year ended 31 March 2021.

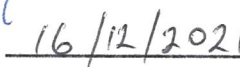
### General

There has been no change in the main activities of the Company in the year under review.

### For and on behalf of the board

 Director

 Director

 Date

## Independent Auditor's Report

To the Shareholders of 4RF Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of 4RF Limited (the "Company" or "Group") on pages 7 to 29 which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. 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)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Information Other than the Consolidated Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises of the Chief Executive's Report and the Directors' Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Directors' responsibilities for the Consolidated Financial Statements**

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as the Directors determines 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 on behalf of the Group 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 objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/>

### **Restriction on use of our report**

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body, 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 its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

### **Grant Thornton New Zealand Audit Limited**



**B Smith**

**Partner**

**Wellington**

**16 December 2021**

## Consolidated Statement of comprehensive income

For the year ended 31 March 2021

	Note	Group 2021 \$000	Group 2020 \$000
Revenue from contracts with customers	2	26,062	35,953
Operating expenses	3	<u>(23,815)</u>	<u>(31,848)</u>
<b>Operating profit / (loss) before interest and income tax</b>		<b>2,247</b>	<b>4,105</b>
Interest expense		(302)	(633)
Interest received		<u>10</u>	<u>6</u>
<b>Operating profit / (loss) before tax expense</b>		<b>1,955</b>	<b>3,478</b>
Income tax benefit/(expense)	4	<u>(549)</u>	<u>692</u>
<b>Net profit / (loss) for the period</b>		<b>1,406</b>	<b>4,170</b>
<b>Other comprehensive income</b>			
Translation of foreign operations		349	(204)
<b>Total comprehensive income / (loss)</b>		<b><u>1,755</u></b>	<b><u>3,966</u></b>

The notes on pages 11 to 29 are an integral part of these financial statements

## Consolidated Statement of changes in equity

For the year ended 31 March 2021

	Share Capital \$000	Retained Earnings / Losses \$000	FX Trans Reserve \$000	Total Equity \$000
<b>Current year</b>				
<b>Balance 1 April 2020</b>	<b>25,586</b>	<b>(21,832)</b>	<b>(318)</b>	<b>3,436</b>
Net profit for period		1,406		1,406
Translation of Foreign operations			349	349
<b>Balance at 31 March 2021</b>	<b>25,586</b>	<b>(20,427)</b>	<b>31</b>	<b>5,190</b>
<b>Balance 1 April 2019</b>	<b>25,586</b>	<b>(26,002)</b>	<b>(114)</b>	<b>(531)</b>
Net profit for period		4,170		4,170
Translation of Foreign operations			(204)	(204)
<b>Balance at 31 March 2020</b>	<b>25,586</b>	<b>(21,832)</b>	<b>(318)</b>	<b>3,436</b>

The notes on pages 11 to 29 are an integral part of these financial statements

**Consolidated Statement of financial position**

As at 31 March 2021

	Note	Group 2021 \$000	Group 2020 \$000
<b>Current assets</b>			
Cash and cash equivalents	6	1,202	1,355
Trade and other receivables	7	3,411	5,275
Prepayments		237	476
Inventory	8	7,181	7,812
GST/VAT receivable		45	136
		<b>12,076</b>	<b>15,054</b>
<b>Non current assets</b>			
Related party receivables	9	121	116
Property Plant and Equipment	10	678	989
Intangible assets	16	2,884	1,654
Deferred tax asset	4	585	1,043
Right of use asset	18	131	574
		<b>4,399</b>	<b>4,376</b>
<b>Total assets</b>		<b>16,475</b>	<b>19,430</b>
<b>Current liabilities</b>			
Trade and Other payables		3,192	5,855
Income tax payable		160	326
Contract liability		152	191
Provisions	11	179	165
Bank overdraft		5,836	6,324
Borrowings	12	1,608	1,556
Derivatives		19	96
Intercompany payables	9	0	889
Lease liability	18	139	452
		<b>11,285</b>	<b>15,855</b>
<b>Non current liabilities</b>			
Lease liability		0	139
		<b>0</b>	<b>139</b>
<b>Total liabilities</b>		<b>11,285</b>	<b>15,994</b>
<b>Total net assets</b>		<b>5,190</b>	<b>3,436</b>
<b>Equity</b>			
Share capital	5	25,586	25,586
Foreign currency translation reserve		31	(318)
Retained earnings / (losses)		(20,426)	(21,832)
<b>Total equity</b>		<b>5,190</b>	<b>3,436</b>

The notes on pages 11 to 29 are an integral part of these financial statements

## Consolidated Statement of cash flows

For the twelve months ended 31 March 2021

Note	Group 2021 \$000	Group 2020 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers	28,369	35,207
Other Income	-	-
Payments to suppliers and employees	(24,749)	(31,768)
Income Tax paid	(270)	(281)
	<b>3,350</b>	<b>3,158</b>
<b>Cash flows from investing activities</b>		
(Purchase) / Disposal of fixed assets	(200)	(322)
Intangible asset additions	(1,334)	(1,623)
	<b>(1,534)</b>	<b>(1,945)</b>
<b>Cash flows from financing activities</b>		
Net receipt/(repayment) of borrowings	(1,677)	161
Interest income	9	1
Interest paid	(302)	(586)
	<b>(1,970)</b>	<b>(424)</b>
<b>Net increase / (decrease) in cash held</b>	<b>(153)</b>	<b>789</b>
Add: Opening cash balance	<b>1,355</b>	<b>566</b>
<b>Closing cash carried forward</b>	<b>1,202</b>	<b>1,355</b>
<b>Closing cash comprises:</b>		
Bank accounts	<b>1,202</b>	<b>1,355</b>

The notes on pages 11 to 29 are an integral part of these financial statements

## Notes to the financial statements

For the year ended 31 March 2021

### 1. Statement of accounting policies

#### Reporting entity

4RF Limited (“the Company”) is engaged in the business of developing and selling communication equipment and is registered under the Companies Act 1993. The Company is domiciled in New Zealand and the financial statements have been prepared in accordance with the Financial Reporting Act 2013. The Company was incorporated on 2 April 2012.

The consolidated financial statements of 4RF Limited as at and for the year ended 31 March 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Consolidated financial statements have been prepared incorporating 4RF Communications (Europe) Limited, 4RF USA, Inc., 4RF Australia Pty Limited and 4RF Trustee Limited which are all wholly owned subsidiaries of 4RF Limited.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

#### Basis of preparation and functional and presentation currency

The 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 – Reduced Disclosure Regime (“NZ IFRS RDR”) and other applicable Financial Reporting Standards, as appropriate for “Tier 2” profit-oriented entities. 4RF can apply the NZ IFRS RDR regime as they are not publicly accountable. The Group has adopted the Reduced Disclosure Regime framework for the financial year end 31 March 2021.

These financial statements are presented in New Zealand dollars (\$), which is the Company’s functional and presentational currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

#### Measurement base

The financial statements are prepared on the basis of historical cost except for the following:

- (i) derivative financial instruments which are measured at fair value

#### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas where significant estimates and assumptions are applied are estimation of stock obsolescence and provision for warranty repairs.

## Notes to the financial statements

For the year ended 31 March 2021

There has been no change in accounting policies in the period and there were no new standards adopted with a material impact on the financial statements in the period.

### Specific accounting policies

The following are the particular accounting policies which have a material effect on the measurement of results and financial position:

#### Inventory

Inventory is valued at the lower of cost or net realisable value. The cost is based on the first-in, first-out principle.

### REVENUE RECOGNITION

#### Overview

Revenue arises mainly from sale of critical infrastructure communication equipment and after sales service.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into customer contracts to supply a bundle of products and services, for example hardware (the associated internal software) and related after-sales service. The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### **Product revenue**

The Group develops and sells critical infrastructure communication equipment. Revenue is primarily recognised from the sale of hardware. Revenue from product sales is recognised when the products is made available to the customer for freight collection, this is the point that control passes to the customer.

### **Service and freight revenue**

The Group provides limited pre and post-sales support / training and out of warranty repairs. Prices are agreed prior to service delivery and revenue is recognised as the service is provided to the customer, based on output of services provided to the customer. The services are generally short term in nature.

Shipping and freight services are also provided to customers for delivery of products. When this is the case the services are a separate performance obligation and the revenue is recognised when the freight service is complete (i.e. when the product reaches its destination).

The transaction price for freight revenue is fixed and there are no variable components.

### **Warranty arrangements**

The Group provides a basic product warranty, the duration of which is dependent upon the region of sale and offers extended-period warranty options (for purchase by customers). Under either option, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. For warranties that form part of the product sale price (basic warranties) no revenue is allocated as they are not considered to be performance obligations. For extended warranties (i.e. that are purchased at additional cost to the product) revenue is recognised over time, as the performance obligation is met (i.e. the warranty term passes). The estimated costs of serving these warranties are recognised as provisions under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

## Notes to the financial statements

For the year ended 31 March 2021

### Trademarks

Trademarks are stated at cost and considered for impairment annually. No impairment event has occurred during the year. Trademarks are considered to have infinite life and so have not been amortised in the year ended 31 March 2021.

### Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

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

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated intangible assets have a useful life of 5 to 15 years and are amortised on a straight-line basis. The useful life is reviewed annually.

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

### Depreciation

Depreciation is provided on a Straight-Line Basis using the following rates:

	2021	2020
Computer Equipment	40.0% SL	16 - 67% DV
Furniture & Fittings	10.5% SL	8 - 67% DV
Production Equipment	17.5% SL	10 - 67% DV
Test Equipment	17.5% SL	16 - 67% DV

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

During the year management revised depreciation rates and concluded that these should be updated to reflect their differing view of the useful lives going forward. The adjustment to depreciation rates was made prospectively.

## Notes to the financial statements

For the year ended 31 March 2021

### Impairment

Non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- (i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- (ii) temporary differences related to investments in subsidiaries entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

## Notes to the financial statements

For the year ended 31 March 2021

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **Goods and services tax**

The consolidated financial statements have been prepared on a Goods and Services Tax exclusive basis, except for accounts receivable and accounts payable which are stated inclusive of GST where applicable.

The GST Refunds due at the end of the reporting period are included in current assets.

### **Foreign currency**

#### ***(i) Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

#### ***(ii) Foreign operations***

The assets and liabilities of foreign operations are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

## Notes to the financial statements

For the year ended 31 March 2021

### Financial instruments

#### ***(i) Non-derivative financial instruments***

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash comprises cash balances and highly liquid call deposits. Bank overdrafts that are repayable on demand and form an integral part of 4RF's cash management are included as a component of cash for the purpose of the statement of cash flows.

#### Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for expected credit losses.

#### Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments and are measured at amortised cost using the effective interest method.

#### Trade and other payables

Trade and other payables are stated at cost. This cost approximates their fair value due to the short-term nature.

#### ***(ii) Derivative financial instruments***

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

## Notes to the financial statements

For the year ended 31 March 2021

### ***(iii) Impairment of financial assets***

Recognition of credit losses uses the 'expected credit loss (ECL) model'. The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of future cash flows of the instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

### **Government grants**

Government grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised, where there is reasonable assurance that they will be received. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### **Leases**

The Group rents property and equipment. Rental contracts are typically for a period of 3-12 years but may have extension options as described below.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

## Notes to the financial statements

For the year ended 31 March 2021

Lease payments are allocated between principal and finance cost. 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
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use assets are not revalued.

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

### Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Group pays contributions to superannuation plans, such as Kiwisaver.

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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### Going Concern

The Group made a profit for the year of \$1,755,000. The financial statements have been prepared on a going concern basis, which reflects the continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business. The directors believe it is appropriate for the following reasons:

- A cash flow forecast has been prepared for the next 12 months which demonstrates the ability of the Company to meet its debts as and when they become due;
- 4RF has funding facilities in place with Kiwibank that are renewed on an annual basis. The current lending arrangements are due to expire on 30 November 2021, and management are engaging with its bankers to ensure lending arrangements are renewed (expected to occur by February 2022). Given management expects that its lending facilities will be renewed, the financial statements have been prepared on a going concern basis.
- The directors have received a letter of support from Fortissimo Capital advising that they will continue to provide support to the company to ensure they are in a position to meet their obligations as they fall due.

## Notes to the financial statements

For the year ended 31 March 2021

**2. Revenue from contracts with customers**

	<b>Group</b>	<b>Group</b>
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>At point of time</b>		
Aprisa	24,944	34,442
Third party equipment	380	483
Freight and Service	550	794
<b>Total at point of time</b>	<b>25,874</b>	<b>35,719</b>
<b>Over time</b>		
Warranty revenue	188	234
	<b>26,062</b>	<b>35,953</b>

**3. Operating expenses**

	<b>Group</b>	<b>Group</b>
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Auditor remuneration:		
Audit fees	63	40
Other services	0	0
Cost of goods sold - materials	12,118	18,449
Cost of sales - services	472	644
Employee benefits expense	6,192	6,431
Depreciation	895	707
Foreign exchange (gain) / loss	(617)	619
Rental expenses	21	15
Bad / Doubtful debts	0	162
Research and development expenses	2,856	2,167
Other	1,815	2,614
	<b>23,815</b>	<b>31,848</b>

Research & Development Expenses were reduced by the effect of government grants to the value of \$330,800 (2020: \$478,000).

## Notes to the financial statements

For the year ended 31 March 2021

### 4. Taxation

#### Income tax expense in the Income Statement

Reconciliation of tax expense:

	<b>Group 2021 \$000</b>	<b>Group 2020 \$000</b>
Operating profits before tax	1,955	3,478
Income tax using the parents domestic tax rate (28%)	(547)	(974)
Deferred tax on temporary differences	0	954
Effect of changes in recognised tax losses	0	728
Expenses non-deductible for tax purposes	(2)	115
Foreign tax cr's and prior period adjs	0	(132)
Total income tax expense / (income)	<b>(549)</b>	<b>692</b>
<i>Recognised in profit or loss:</i>		
Current Income Tax Expense	(91)	(351)
Deferred Tax	(458)	1,043
	<b>(549)</b>	<b>692</b>
<i>Recognised in Other Comprehensive Income</i>		
Deferred Tax	<b>0</b>	<b>0</b>
Current tax		
On Profits for the year	(12)	(351)
Adjustments for Prior periods	0	0
	<b>(12)</b>	<b>(351)</b>
<i>Deferred tax balance comprises</i>		
Tax losses	0	0
Provisions and accruals	583	1,039
Leases	2	4
Total	<b>585</b>	<b>1,043</b>
<b>Movements</b>		
Opening balance	1,043	0
(Charged)/Credited to profit or loss	(458)	1,043
(Charged)/Credited to other Comprehensive income	0	0
Closing balance	<b>585</b>	<b>1,043</b>

At 31 March 2021 the Parent had \$17,170,000 of tax losses available to carry forward (2020: \$19,516,000)  
The tax losses and timing differences do not expire under current tax legislation. A deferred tax asset has not been recognised for these losses.

## Notes to the financial statements

For the year ended 31 March 2021

### 5. Share capital

The share capital of the Group consists of 30,369,505 shares which have been issued for a total consideration of \$25,585,895.

25,648,129 shares are fully paid, and 4,721,376 shares are partially paid. All shares have equal voting rights. The Group has not paid out dividends on its shares.

	Group 2021	Group 2020
Number of shares brought forward	30,369,505	30,369,505
Number of shares issued	0	0
	<hr/>	<hr/>
Number of shares to carry forward	<b>30,369,505</b>	<b>30,369,505</b>

### 6. Cash and cash equivalents

Cash flows from certain items are disclosed net due to the short-term maturities and volume of transactions involved.

At balance date the Group had a net total of \$1,202,000 held in Bank Accounts (2020: \$1,355,000) which comprised the following:

	Group 2021 \$000	Group 2020 \$000
<b>Bank Accounts</b>		
NZD	-	-
AUD	308	219
EUR	117	87
GBP	2	2
USD	775	1,046
<b>Total</b>	<b>1,202</b>	<b>1,355</b>

## Notes to the financial statements

For the year ended 31 March 2021

### 7. Accounts receivable

The Group has a Credit Insurance Policy in place for Accounts Receivable. For the majority of customers, if credit insurance is not obtainable, then either prepayment or a Letter of Credit is required. The provision for expected credit losses at 31 March 2021 is Nil (2020: Nil).

### 8. Inventory

At balance date the Group had Inventory of \$7,181,000 which comprised of the following:

	<b>Group</b>	<b>Group</b>
	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Raw materials and set up costs	3,133	4,099
Third party inventory	132	164
Work in Progress	1,243	907
Finished goods	2,673	2,642
	<b>7,181</b>	<b>7,812</b>

The obsolescence provision as at 31 March 2021 is \$747,000 (2020: \$1,470,000), representing a net change for the period ending 31 March 2021 of \$723,000 (2020: increase of \$235,000).

### 9. Related parties

#### Parent and Ultimate Parent Company

The Parent company of 4RF Limited is 4RF Holdings Limited. The ultimate parent company is Fortissimo Capital 2 Management (GP) Limited. At 31 March 2021, the balance of loans from the ultimate parent company was Nil (2020: \$889,000)

#### Transactions with key management personnel

##### Loans to Directors / Key personnel

No unsecured loans were issued to Directors or key personnel for the year ended 31 March 2021.

At 31 March 2021, the balance of loans to key personnel outstanding was \$121,000 (2020: \$116,000) and is included in Other Receivables in the Statement of Financial Position.

Interest on the loans is payable at the NZ Inland Revenue FBT prescribed rate of interest. The loans do not have a fixed maturity date.

## Notes to the financial statements

For the year ended 31 March 2021

### Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
	\$000	\$000
Short term employee benefits	1,298	1,236
	<b>1,298</b>	<b>1,236</b>

## 10. Fixed asset schedule

	Test equipment	WP	Computer equipment	Furniture and fitting	Customer Service equipment	R&D Equipment	Production equipment	Plant	Total
<b>At 1 April 2020</b>									
Cost	2,192	196	1,767	369	261	597	3,064	53	8,498
Accumulated Depreciation	(2,066)	-	(1,712)	(268)	(253)	(583)	(2,580)	(47)	(7,510)
Net book value	126	196	55	100	8	14	484	5	989
<b>At 31 March 2020</b>									
Cost	1,638	200	233	279	207	269	2,468	21	5,315
Accumulate Depreciation	(1,628)	-	(169)	(204)	(162)	(208)	(2,246)	(18)	(4,636)
<b>Net book value year ended 31 March 2021</b>	<b>11</b>	<b>200</b>	<b>64</b>	<b>75</b>	<b>44</b>	<b>61</b>	<b>222</b>	<b>2</b>	<b>678</b>
<b>Year ended 31 March 2021</b>									
Opening net book value	126	196	55	100	8	14	484	5	989
Additions	5	3	65	6	49	60	11	-	200
Disposals	(558)	-	(1,599)	(95)	(104)	(388)	(608)	(32)	(3,384)
Depreciation	438	-	1,542	64	91	375	334	29	2,874
Impairment	-	-	-	-	-	-	-	-	-
<b>Closing net book value 31 March 2021</b>	<b>11</b>	<b>200</b>	<b>64</b>	<b>75</b>	<b>44</b>	<b>61</b>	<b>222</b>	<b>2</b>	<b>678</b>

## Notes to the financial statements

For the year ended 31 March 2021

### 11. Provisions

Included in provisions at balance date is \$179,000 for warranty repairs which can be carried forward to off-set future costs (2020: \$165,000).

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
Provision brought forward	165	188
Plus: current year provision	113	163
	<b>278</b>	<b>351</b>
Less: Provision costs incurred	(99)	(186)
Provision available to carry forward	<b>179</b>	<b>165</b>

### 12. Borrowings

Kiwibank Ltd provides facilities to the Company which total \$8.1m.

The table below reflects the position of all Kiwibank facilities at 31 March 2021.

	<b>2021</b>	<b>2020</b>
	<b>\$000</b>	<b>\$000</b>
<b>Facility</b>		
Post shipment export facility	1,608	1,556

The Groups banking facilities were renewed in January 2021

## Notes to the financial statements

For the year ended 31 March 2021

### 13. Financial instruments

The group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

	2021	2020
	\$000	\$000
<b>Financial instruments by category</b>		
<b>Assets</b>		
<b>At amortised cost</b>		
Cash and cash equivalents	1,202	1,355
Loans	121	116
Trade receivables	3,413	5,276
<b>Total Amortised cost</b>	<b>4,736</b>	<b>6,747</b>
<b>At fair value through profit and loss</b>		
Derivatives		
<b>Total fair value through profit and loss</b>		
<b>At amortised cost</b>		
Trade payables	3,192	5,318
Loans and borrowings	7,444	8,770
Contract liabilities	152	191
Lease liabilities	139	591
<b>Total Amortised cost</b>	<b>10,927</b>	<b>14,870</b>
<b>At fair value through profit and loss</b>		
Derivatives	19	96
<b>Total fair value through profit and loss</b>	<b>19</b>	<b>96</b>

## Notes to the financial statements

For the year ended 31 March 2021

### 14. Commitments and contingent liabilities

At balance date the Group had no commitments or contingent liabilities.

### 15. Share Purchase Plan

On 31 January 2013 the Group established a key employee share purchase scheme. The scheme offered a number of its senior employees the opportunity to participate in an employee share purchase plan. Under the terms of the plan participants are able to purchase shares at an agreed price up an agreed date or upon a specified equity event.

The terms and conditions relating to the allocation of the shares are shown below.

Grant Date	Number of Shares ('000)	Price per share	Completion Date
Share purchase offer to key management prior to 31 March 2017	4,465	\$ 1.00	August 2023
Share purchase offer to key management after 31 March 2017	234	\$ 1.00	August 2023
<b>Total Share Purchases</b>	<b>4,699</b>	<b>\$ 1.00</b>	

## Notes to the financial statements

For the year ended 31 March 2021

### 16. Intangible Assets

	2021 \$000	2020 \$000
Opening net book value	1,654	0
Additions	1,334	1,654
Disposals	0	0
Amortisation	(104)	0
Impairment	0	0
Closing net book value 31 March	<u>2,884</u>	<u>1,654</u>

The Group is developing software for use in various products. The Group has capitalised costs associated with the internal creation of software \$2,882k (2020: \$1,653k).

### 17. Covid-19

The global Covid-19 pandemic continues to evolve, simultaneously suppressing demand and adding supply-chain complexity to the Groups products. As at the date of this report the impact of the pandemic is ongoing and is expected to have a significant long-lasting economic impact on New Zealand, with likely flow through to most businesses. Due to the inherent uncertainty of the duration and impact of the pandemic it is not practicable to determine the full impact that the virus will have on the Group going forward, however Management assessment is that it is unlikely to be significant to its operations and therefore the Board continue to consider it appropriate to apply the going concern basis of accounting to the financial statements.

## Notes to the financial statements

For the year ended 31 March 2021

**18. Leases**

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021 \$000	2020 \$000
<b>Right-of-use assets</b>		
Properties	130	568
Equipment	1	5
	131	574
<b>Lease liabilities</b>		
Current	139	452
Non-current	0	139
	139	591

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 \$000	2020 \$000
<b>Depreciation charge of right-of-use asset</b>		
Properties	431	438
Equipment	5	5
	436	443
Interest expense (included in finance cost)		48
Expense relating to short-term leases (included in other expenses)		
Expense relating to low-value assets that are not shown above as short-term leases (included in other expenses)		

The total cash outflow for leases in 2021 was \$428,889 (2020: \$474,333).

The Group received concessions related to impact from the COVID-19 global pandemic. This included reduced rental payments for several months.

The Group applied amendments to NZ IFRS 16 (COVID-19 rent concessions) allowing for the reduction in payments to be treated as variable consideration in the period, rather than a modification to the lease.

Variable consideration of \$35,278 has been recognised in the period.

For and on behalf of the Board:

Eli Blum Director 16/12/21 Date

JK Director 16/2/21 Date