



**4RF Limited**

**Annual report**

**For the year ended 31 March 2019**

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For the year ended 31 March 2019

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## Company directory

<b>Registered office</b>	26 Glover Street Ngauranga, Wellington New Zealand Phone: +64-4-499-6000 Fax: +64-4-473-4447
<b>Company number</b>	WN 3768298
<b>Auditors</b>	KPMG P.O. Box 996 Wellington New Zealand Phone: +64-4-816 4500
<b>Bankers</b>	Kiwibank Limited Level 9, 20 Customhouse Quay Wellington 6011
<b>New Zealand</b>	Phone: +64-4-471-7473
	HSBC Bank 10 Market Place Hinckley, Leicestershire England LE10 1NU
	Citibank N.A. 640 5th Avenue New York, NY 10019 USA
	Bank of America, N.A. P.O. Box 15284 Wilmington, DE 19850 USA
<b>Solicitors</b>	Minter Ellison Rudd Watts P.O. Box 2793 Wellington New Zealand Phone: +64-4-4985000

## Chief Executive's Report

A leading technology company focusing on radio equipment for mission critical networks: from Rio to Las Vegas to Belfast, 4RF products keep the lights on, the gas flowing and the water running. Fresh from our 20th birthday, revenue reached a new record high in FY19 with group sales growing 20% over FY18. Growth has accelerated in the current year with group sales on track to grow more than 30% over last year's record.

4RF products are today deployed in over 150 countries and we are proud of our reputation as innovator and technology leader in our field. Each year 4RF discovers an ever increasing desire for the kind of solutions in which we lead the market. Portfolio breadth is a major advantage as we address a larger share of our customers' communications needs:

- point-to-point – led by the high performance, highly reliable Aprisa XE radio, delivering mission-critical communications in all the bands available worldwide in sub-3 GHz spectrum
- licensed point-to-multipoint – led by the Aprisa SR+ radio, enabling the seamless migration of legacy systems to fast, secure IP-based Field Area Networks in all sub-1 GHz frequency bands available globally
- unlicensed point-to-multipoint – launched in 2018, the Aprisa SRi radio expanded our portfolio into unlicensed frequencies and has already attracted a broad range of loyal customers
- cellular – the next major product family for 4RF, Aprisa LTE, will deliver in 2020 industrial-grade cellular technology for use in both public and private LTE networks around the world.

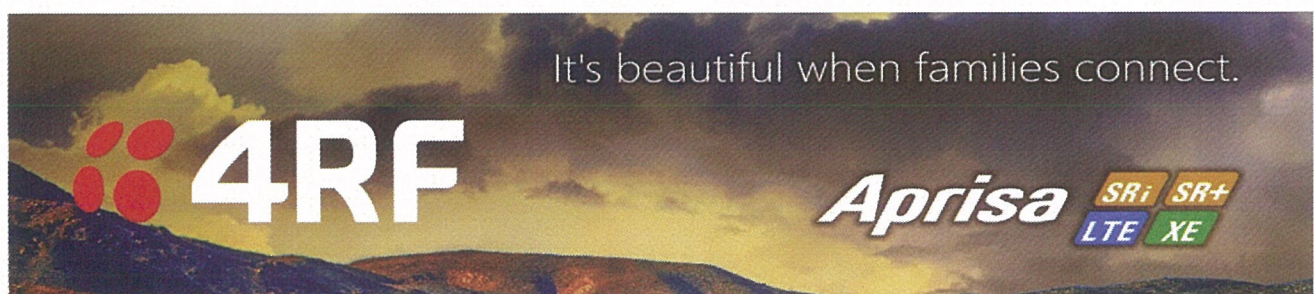
Aprisa LTE like its predecessors is a product of close and frequent engineer-to-engineer contact with our customers. Together these four product families – with wide crossover in terms of ease of use and training – give our customers increased flexibility to deploy the 4RF products they trust in the applications best suited for each.

4RF remains a private company – backed by Fortissimo Capital, a leading global technology and industrial investor with \$1 billion in funds under management, and 4RF staff. As a private company 4RF adopts a long-term, strategic perspective, making significant investments not only in R&D but also in the sales, service and support infrastructure required to meet the needs of our customers. The continued investment in R&D is the reason the company has at times produced small net losses and represents the choice by the Board to invest in long term growth. Now sales growth is driving strong profitability despite increased investment in new product development. Sales have grown 65% over the past three years to over \$36m. Aggregate R&D investment has surpassed \$60m and has been responsible for generating overall sales in excess of \$300m.

4RF has been a leader in the public safety, energy and utility communications market since the business was established in 1998. With an enlarged product portfolio meeting more of our customers' telecommunication requirements 4RF is quickly increasing its share of this fast-growing, global critical communications market.



Ian Troughton, Director  
15 February 2020



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

**Directors' report**

For the year ended 31 March 2019

The Directors submit the report for the year ended 31 March 2019.

**Financial statements**

The financial statements for the year ended 31 March 2019 follow this report.

**Financial result**

The Net Loss for the year for the Group was \$1,577,000.

**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 2019.

**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

28 February 2020  
Date



# Independent Auditor's Report

To the shareholders of 4RF Limited

## Report on the audit of the consolidated financial statements

### Opinion

In our opinion, the accompanying consolidated financial statements of 4RF Limited (the 'company') and its subsidiaries (the 'group') on pages 7 to 29:

- i. present fairly in all material respects the group's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other assurance services to the group. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



### Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of 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 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.



## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate 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 objective is:

- 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 independent 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. They 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 our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report



KPMG  
Wellington

28 February 2020

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**Statement of comprehensive income**

For the year ended 31 March 2019

	Note	Group 2019 \$000	Group 2018 \$000
Total operating revenue	2,9	26,937	22,802
Operating expenses	3	(27,795)	(24,585)
<b>Operating (loss) before interest and income tax</b>		<b>(858)</b>	<b>(1,783)</b>
Interest expense		(447)	(355)
Interest received		6	6
<b>Operating (loss) before tax expense</b>		<b>(1,299)</b>	<b>(2,133)</b>
Other Income			72
Income tax benefit/(expense)	4	(270)	(71)
<b>Net profit / (loss) for the period</b>		<b>(1,569)</b>	<b>(2,131)</b>
<b>Other comprehensive income</b>			
Translation of foreign operations		(8)	(69)
<b>Total comprehensive income / (loss)</b>		<b>(1,577)</b>	<b>(2,200)</b>

The notes on pages 12 to 29 are an integral part of these financial statements

**Statement of changes in equity**

For the year ended 31 March 2019

Group	Note	Share capital \$'000	Prepaid Capital \$'000	Retained earnings / (losses) \$'000	Foreign currency translation reserve \$'000	Total equity \$'000
<b>Balance at 1 April 2018</b>		<b>25,586</b>	<b>-</b>	<b>(24,432)</b>	<b>(106)</b>	<b>1,047</b>
Net profit / (loss) for the period				(1,569)		
Other comprehensive income:						
Translation of foreign operations					(8)	
<b>Total comprehensive income / (loss)</b>		<b>-</b>		<b>(1,569)</b>	<b>(8)</b>	<b>(1,578)</b>
Issue of Prepaid share capital	5			-	-	-
<b>Balance at 31 March 2019</b>		<b>25,586</b>	<b>-</b>	<b>(26,002)</b>	<b>(114)</b>	<b>(530)</b>
<b>Group</b>	<b>Note</b>	<b>Share capital \$'000</b>	<b>Prepaid Capital \$'000</b>	<b>Retained earnings / (losses) \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 April 2017</b>		<b>24,886</b>	<b>700</b>	<b>(22,301)</b>	<b>(37)</b>	<b>3,248</b>
Net profit / (loss) for the period		-		(2,131)	-	(2,131)
Other comprehensive income:		-				-
Translation of foreign operations		-			(69)	(69)
<b>Total comprehensive income / (loss)</b>		<b>-</b>		<b>(2,131)</b>	<b>(69)</b>	<b>(2,200)</b>
Issue of Prepaid share capital	5	700	(700)	-	-	-
<b>Balance at 31 March 2018</b>		<b>25,586</b>	<b>-</b>	<b>(24,432)</b>	<b>(106)</b>	<b>1,047</b>

The notes on pages 12 to 29 are an integral part of these financial statements

**Statement of financial position**

As at 31 March 2019

	Note	Group 2019 \$000	Group 2018 \$000
<b>Current assets</b>			
Cash and cash equivalents	6	566	410
Trade and other receivables	7	4,945	2,835
Prepayments		413	340
Inventory	8	7,548	7,745
Derivatives			1
GST/VAT receivable		140	66
Other receivables		9	9
Total current assets		<b>13,621</b>	<b>11,406</b>
<b>Non current assets</b>			
Other receivables	9	109	103
Property Plant and Equipment	10	943	1,057
Intangible assets		31	31
Total non current assets		<b>1,083</b>	<b>1,191</b>
Total assets		<b>14,704</b>	<b>12,597</b>
<b>Current liabilities</b>			
Trade and Other payables		5,267	3,618
Income tax payable		257	99
Unearned income		302	294
Provisions	11	622	646
Borrowings	12	8,032	6,892
Derivatives		15	
Intercompany payables	9	739	
Total current liabilities		<b>15,234</b>	<b>11,549</b>
Total liabilities		<b>15,234</b>	<b>11,549</b>
Total net assets/ (liabilities)		<b>(530)</b>	<b>1,047</b>
<b>Equity</b>			
Share capital	5	25,586	25,586
Foreign currency translation reserve		(114)	(106)
Retained earnings / (losses)		(26,002)	(24,433)
Total equity		<b>(530)</b>	<b>1,047</b>

The notes on pages 12 to 29 are an integral part of these financial statements

**Statement of cash flows**

For the twelve months ended 31 March 2019

	Group 2019 \$000	Group 2018 \$000
Note		
<b>Cash flows from operating activities</b>		
Receipts from customers	25,140	24,052
Interest income	-	-
Other Income	-	72
Payments to suppliers and employees	(26,165)	(24,649)
Income Tax paid	(112)	(125)
Interest paid	(477)	(355)
	<b>(1,614)</b>	<b>(1,005)</b>
<b>Cash flows from investing activities</b>		
(Purchase) / Disposal of fixed assets	(124)	(193)
	<b>(124)</b>	<b>(193)</b>
<b>Cash flows from financing activities</b>		
Net receipt/(repayment) of borrowings	1,894	1,157
Issue of prepaid share capital	-	-
	<b>1,894</b>	<b>1,157</b>
<b>Net increase / (decrease) in cash held</b>		
	<b>156</b>	<b>(40)</b>
Add: Opening cash balance	<b>410</b>	<b>450</b>
<b>Closing cash carried forward</b>	<b>566</b>	<b>410</b>
<b>Closing cash comprises:</b>		
<b>Bank accounts</b>	<b>566</b>	<b>410</b>

The notes on pages 12 to 29 are an integral part of these financial statements

**Statement of cash flows (continued)**

For the twelve months ended 31 March 2019

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
	Note	
<b>Cash flow reconciliation</b>		
Net profit/(loss)	(1,569)	(2,131)
<b>Add/(deduct) non-cash items</b>		
Depreciation	235	300
Loss/(gain) on derivatives	1	10
Interest accrued not paid - non current assets	(6)	(6)
	<b>(1,339)</b>	<b>(1,827)</b>
<b>(Increase)/decrease in current assets</b>		
Goods & services tax	(74)	48
Accounts receivable	(2,109)	1,158
Other receivables	-	-
Inventory	196	525
Prepayments	(74)	(14)
<b>Increase/(decrease) in current liabilities</b>		
Unearned income	9	46
Accounts payable & provisions	1,777	(941)
	<b>(275)</b>	<b>822</b>
<b>Net cash flow from operating activities</b>	<b>(1,614)</b>	<b>(1,005)</b>

The notes on pages 12 to 29 are an integral part of these financial statements

## Notes to the financial statements

For the year ended 31 March 2019

### 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 2019 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.

#### 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 is able to apply the NZ IFRS RDR regime as they are not considered large (as defined). The Group has adopted the Reduced Disclosure Regime framework for the financial year end 31 March 2019.

These financial statements are presented in New Zealand dollars (\$), which is the Company’s functional 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.

#### Reporting period

The reporting period is for the year from 1 April 2018 to 31 March 2019. The comparative figures are for 1 April 2017 to 31 March 2018.

#### Specific accounting policies

The group has adopted the Reduced Disclosure Regime applicable for Tier 2 entities.

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

## Notes to the financial statements

For the year ended 31 March 2019

### Inventory

Inventory is valued on an actual cost basis, adjusted for obsolescence. The cost is based on the first-in, first-out principle.

### Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

### Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from services rendered is recognised in profit or loss when the service has been fully completed or in proportion to the stage of completion of the service at the reporting date.

Unearned income typically represents the following:

- (i) that portion of revenue that has been invoiced to the customer but cannot be recognised until future periods
- (ii) net income relating to services that cannot yet be recognised.

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue.

The Group has adopted IFRS 15 from 1 April 2018. The adoption of the accounting standard has not had a material impact on the financial statements. Accordingly, the information presented for the comparative period has not been restated.

### Provision for warranty repairs

The provision is calculated on a percentage of sales basis and the total provision is expected to be expensed in the next two financial years.

### 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 2019.

### Depreciation

Depreciation is provided on a Diminishing Value Basis using the following rates:

Computer Equipment	16 – 67% DV
Furniture & Fittings	8 – 67% DV
Production Equipment	10 – 67% DV
Test Equipment	16 – 67% DV

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

## Notes to the financial statements

For the year ended 31 March 2019

### Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is 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.

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 dates. 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 2019

### 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.

From 1 April 2018, NZ IFRS 9 has been adopted. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new hedge accounting requirements. The adoption of this accounting standard has not had a material impact on the financial statements.

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 impairment 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.

#### ***(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 2019

### Research & development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

### 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.

### Going Concern

The Company made loss for the year of \$1,577,000 and has accumulated losses of \$26,002,000, ordinary equity of \$25,586,000 and net working capital (negative) of \$1,614,000. The ability to continue as a going concern is reliant upon continued support from the Parent entity. 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:

- The Company has received in writing, confirmation from its parent Company, Fortissimo Capital, that it remains its current policy to ensure the Company is in a position to meet its disclosed obligations as they fall due and future obligations in the twelve months following the date of signing the financial statements;
- 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 (with continued support of the Parent entity to ensure this can occur);
- The Company has credit facilities with Kiwibank in place of which only a portion has been drawn down as at balance date; and
- The Company has received ongoing support from Kiwibank which has been evidenced by the following events
  - (i) During the year the company breached some of its banking covenants – see note 12 for details of the banking facilities. A waiver was obtained from Kiwibank in respect of these breaches and
  - (ii) On 9 September 2019 the company had its banking facility renewed. The facility is next due for renewal on 30 September 2020.

## Notes to the financial statements

For the year ended 31 March 2019

**2. Operating revenue**

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Aprisa	25,375	21,523
Third party equipment	683	335
Freight	184	249
Service	695	695
	<b>26,937</b>	<b>22,802</b>

**3. Operating expenses**

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Auditor remuneration:		
KPMG - Audit fees	32	27
- Other services	4	4
Cost of goods sold - materials	15,622	12,030
Cost of sales - services	278	474
Employee benefits expense	5,849	5,412
Depreciation	235	300
Foreign exchange (gain) / loss	218	87
Rental expenses	437	412
Doubtful debts	137	8
Research and development expenses	2,672	3,292
Other	2,689	2,539
	<b>28,173</b>	<b>24,585</b>

Research & Development Expenses were reduced by the effect of government grants to the value of \$571,000 under a Technology Growth Grant (2018: \$691,000). Operating Expenses were also reduced by TGG grants for Depreciation to the value of \$11,950 (2018: \$18,000) and Other Expenses \$7,000 (2018: \$7,000). Included in Research & Development Expenses is \$2,508,408 of Wages and Salaries (2018: \$2,729,000).

## Notes to the financial statements

For the year ended 31 March 2019

**4. Taxation****Income tax expense in the Income Statement**

Reconciliation of tax expense:

Note	Group 2019 \$000	Group 2018 \$000
Operating losses before tax	(1,299)	(2,133)
Income tax using the parent's domestic tax rate (28%)	(364)	(597)
Permanent differences	4	4
Effect of tax rate in foreign jurisdiction	270	71
Current year losses for which no deferred tax asset was recognised	360	593
<b>Total income tax expense</b>	<b>270</b>	<b>71</b>
<i>Recognised in:</i>		
Current Income Tax Expense	270	71
Deferred Tax Expense	-	-
	<b>270</b>	<b>71</b>

**Tax Losses**

At 31 March 2019 the Parent had the following tax losses available to carry forward:

	Parent 2019 \$000	Parent 2018 \$000
Tax losses brought forward from previous years	(19,042)	(16,898)
Current year tax loss	(1,569)	(2,131)
Tax losses used to offset group tax liabilities	-	236
<b>Losses available to carry forward</b>	<b>(20,611)</b>	<b>(18,793)</b>

The tax losses and timing differences do not expire under current tax legislation. A deferred tax asset has not been recognised for tax losses because we are unsure when future taxable profits will be available to use against the taxable losses carried forward. If the deferred tax asset was recognised it would be included in the statement of financial position as a \$5,771,000 non-current asset (2018: \$5,562,000).

## Notes to the financial statements

For the year ended 31 March 2019

### 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.

	<b>Group 2019</b>	<b>Group 2018</b>
Number of shares brought forward	30,369,505	29,439,406
Number of shares issued	-	930,099
Number of shares to carry forward	<u>30,369,505</u>	<u>30,369,505</u>

### 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 \$566,000 held in Bank Accounts (2018: \$410,000) which comprised the following:

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
<b>Bank Accounts</b>		
NZD	-	0
AUD	216	63
EUR	30	82
GBP	14	2
USD	306	262
<b>Total</b>	<u>566</u>	<u>410</u>

Bank guarantees of NZ\$250,000 have been provided by the bank in respect to specific parties as at 31 March 2019 in accordance with customer and supplier contracts.

## Notes to the financial statements

For the year ended 31 March 2019

### 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 doubtful debts at 31 March 2019 is \$136,000 (2018: \$137,000).

### 8. Inventory

At balance date the Group had Inventory of \$7,548,000 which comprised of the following:

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
Raw materials and set up costs	5,185	5,518
Third party inventory	149	96
Work in Progress	1,261	1,443
Finished goods	953	689
	<b><u>7,548</u></b>	<b><u>7,745</u></b>

The obsolescence provision as at 31 March 2019 is \$1,235,000 (2017: \$996,000). The net change in the provision for the period ending 31 March 2019 was an increase of \$239,000 (2018: decrease of \$150,000).

### 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 2019, the balance of loans from the ultimate parent company was \$739,000, repayable by 31 December 2019, at an interest rate of 4% per annum.

#### 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 2019.

At 31 March 2019, the balance of loans to key personnel outstanding was \$109,000 (2018: \$103,000) 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 2019

### Key management personnel compensation

Key management personnel compensation comprised:

	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
Short term employee benefits	1,176	972
	<u>1,176</u>	<u>972</u>

### Other related party transactions

4RF Communications (Europe) Limited ("4RF UK"), 4RF USA Inc. ("4RF USA") and 4RF Australia Pty Ltd ("4RF Australia") are wholly owned subsidiaries of 4RF Limited.

Intercompany balances outstanding are repayable on demand, but may not be called upon in a given period as these are operational funding accounts. None of the balances are secured.

## Notes to the financial statements

For the year ended 31 March 2019

**10. Fixed asset schedule**

For the year ended 31 March 2019

Group	Test equipment \$000	Computer equipment \$000	Furniture and fittings \$000	Production equipment \$000	Total \$000
<b>Gross carrying amount</b>					
Balance as at 1 April 2018	2,330	2,362	357	3,218	8,268
Additions	3	31	1	110	146
Disposals	(146)	(80)		(0)	(226)
Balance as at 31 March 2019	<b>2,188</b>	<b>2,314</b>	<b>359</b>	<b>3,328</b>	<b>8,188</b>
<b>Accumulated depreciation</b>					
Balance as at 1 April 2018	2,105	2,287	247	2,572	7,212
Depreciation expense	53	46	13	134	247
Disposals	(134)	(79)		(0)	(213)
Balance as at 31 March 2019	<b>2,025</b>	<b>2,254</b>	<b>260</b>	<b>2,706</b>	<b>7,246</b>
Net book value as at 31 March 2018	226	75	110	646	1,057
Net book value as at 31 March 2019	<b>163</b>	<b>60</b>	<b>98</b>	<b>622</b>	<b>943</b>

For the year ended 31 March 2018

Group	Test equipment \$000	Computer equipment \$000	Furniture and fittings \$000	Production equipment \$000	Total \$000
<b>Gross carrying amount</b>					
Balance as at 1 April 2017	2,331	2,291	331	3,205	8,159
Additions	-	72	27	125	224
Disposals	(0)	(0)	-	(113)	(113)
Balance as at 31 March 2018	<b>2,330</b>	<b>2,362</b>	<b>358</b>	<b>3,218</b>	<b>8,269</b>
	(0)	(0)	0	0	
<b>Accumulated depreciation</b>					
Balance as at 1 April 2017	2,030	2,225	236	2,505	6,996
Depreciation expense	75	62	12	169	318
Disposals	-	-	-	(102)	(102)
Balance as at 31 March 2018	<b>2,105</b>	<b>2,287</b>	<b>247</b>	<b>2,572</b>	<b>7,212</b>
Net book value as at 31 March 2017	301	66	96	701	1,163
Net book value as at 31 March 2018	<b>226</b>	<b>75</b>	<b>111</b>	<b>646</b>	<b>1,057</b>

## Notes to the financial statements

For the year ended 31 March 2019

### 11. Provisions

Included in provisions at balance date is \$188,000 for warranty repairs which can be carried forward to off-set future costs (2018: \$195,000).

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
Provision brought forward	646	584
Plus: current year provision	131	229
	<b>777</b>	<b>813</b>
Less: Provision costs incurred	(155)	(167)
Provision available to carry forward	<b>622</b>	<b>646</b>

### 12. Borrowings

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

The table below reflects the position of all the Kiwibank facilities at 31 March 2019. The facilities are interchangeable once each month by giving notice in writing to the lender, up to the total facility limit.

<b>Facility</b>	<b>Max \$000</b>	<b>2019 \$000</b>	<b>2018 \$000</b>
Post shipment export facility	1,600	1,578	1,717
Flexi facility	6,500	6,454	5,175
	<b>8,100</b>	<b>8,032</b>	<b>6,892</b>

The Kiwibank facility was renewed on 9 September 2019. The facility is next due for renewal on 30 September 2020.

## Notes to the financial statements

For the year ended 31 March 2019

### 13. Financial instruments

Exposure to credit, interest rate, foreign currency, and liquidity risks arise in the normal course of the Group's business.

The Group manages price risks through negotiated supply contracts and foreign currency contracts.

#### Credit risk

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 100% prepayment or a Letter of Credit is required. Geographically there is no credit risk concentration.

The ageing of the Group's Accounts Receivable from their due date, as at the reporting date, was:

	<b>Gross 2019 \$000</b>	<b>Impairment 2019 \$000</b>	<b>Gross 2018 \$000</b>	<b>Impairment 2018 \$000</b>
0 - 30 days	3,142		2,861	
31 - 60 days	1,688			
61 - 90 days	28			
More than 90 days	223	136	111	137
<b>Total</b>	<b>5,081</b>	<b>136</b>	<b>2,972</b>	<b>137</b>

#### Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. It is the Group's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries.

At balance date the group had the following lines of credit with Kiwibank:

- (i) \$6,500,000 flexi-facility, with interest payable at the Bank's base rate plus 4.10%.
- (ii) \$1,600,000 short term loan facility by way of a post-shipment facility (up to a maximum of 180 day term), with interest payable at the relevant interbank rate for the currency of the loan plus 1.5% per annum

## Notes to the financial statements

For the year ended 31 March 2019

The ageing of the Group's liabilities from their due date, as at the reporting date, was:

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
<b>Trade payables</b>		
0 - 90 days	5,267	3,618
<b>Income Tax Payable</b>		
0 - 90 days		
90+ days	257	99
<b>Short term loan</b>		
On demand	6,454	5,175
0 - 90 days	1,578	1,717
	<b>8,032</b>	<b>6,892</b>

### Capital Management

The Group's capital includes share capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

### Market risk

The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. Senior management provides oversight for risk management and derivative activities. This team determines the Group's financial risk policies and objectives, and provides guidelines for derivative instrument utilisation. This team also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

### Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, bank balances and borrowings that are denominated in a currency other than the Company's functional currency, New Zealand dollars (\$), which is the presentation currency of the Group. The currencies in which transactions are primarily denominated are Australian dollars (AUD), U.S. dollars (USD), Great Britain Pounds (GBP) and Euros (EUR). The Group hedges up to 75 percent of all known trade receivables and trade payables denominated in a foreign currency (typically no more than three months forward). The Group also hedges unknown net foreign currency exposures, up to a maximum of twelve months forward. The Group uses forward exchange contracts to hedge its foreign currency risk.

## Notes to the financial statements

For the year ended 31 March 2019

The Group's exposure to foreign currency risk can be summarised as follows:

The notional value of the principal or contract amounts of derivative financial instruments outstanding at balance date was:

	<b>Group</b>	<b>Group</b>
	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>
<b>Trade receivables</b>		
US dollars (USD)	4,144	2,059
Pounds sterling (GBP)	4	21
Euros (EUR)	324	387
Australian dollars (AUD)	445	188
<b>Trade payables</b>		
US dollars (USD)	2,688	1,619
Pounds sterling (GBP)	7	3
Australian dollars (AUD)	11	17
Euro's (EUR)	-	16
Canadian dollars (CAD)	-	-
<b>Bank accounts</b>		
US dollars (USD)	306	262
Pounds sterling (GBP)	14	2
Australian dollars (AUD)	217	63
Euro's (EUR)	30	82
<b>Short term bank loan</b>		
US dollars (USD)	1,578	1,115
Pounds sterling (GBP)	-	21
Australian dollars (AUD)	-	170
EURO loans (EUR)	-	411
NZ dollars (NZD)	-	0

All forward foreign exchange contracts and currency options are to buy or sell USD. The fair value mark-to-market adjustment on these contracts is a loss of \$15,000 (2018: gain of \$1,000).

## Notes to the financial statements

For the year ended 31 March 2019

### 14. Commitments and contingent liabilities

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

### 15. Operating leases

During the year ended 31 March 2019 \$436,000 was recognised as an expense in the Income Statement in respect to operating leases (2018: \$406,000).

#### 4RF Ltd

#### Financial Statements

#### Operating Leases

Non-cancellable operating lease rentals are payable as follows

	<b>Group 2019 \$000</b>	<b>Group 2018 \$000</b>
Less than one year	465	134
Between one and five years	604	
	<b><u>1,069</u></b>	<b><u>134</u></b>

## Notes to the financial statements

For the year ended 31 March 2019

### 16. 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 a proportion of the rights to the shares vest annually between the offer date and August 2019 either on a straight-line or individual performance basis. All of the shares are held in trust by 4RF Trustee Limited, a wholly owned subsidiary of 4RF Limited.

The plan was extended in July 2014 and in December 2016.

The share price on issue is the equivalent to the current price paid of the shares on issue. Shares are allocated to the participants on a part paid basis, with the paid-up amount being due either at the end of the vesting period or following the sale of the majority shareholding or a change in control of the Group.

As an equity-settled scheme there is no current or future expense to the Group.

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

Grant Date	Number of Shares ('000)	Price per share	Vesting Conditions	Vesting Completion
Share purchase offer to key management prior to 31 March 2017	4,359	\$ 1.00	Maximum of 25% per annum	August 2021
Share purchase offer to key management prior to 31 March 2017	106	\$ 1.00	Maximum of 25% per annum	August 2019
Share purchase offer to key management after 31 March 2017	234	\$ 1.00	Maximum of 25% per annum	August 2021
<b>Total Share Purchases</b>	<b>4,699</b>	<b>\$ 1.00</b>		

## Notes to the financial statements

For the year ended 31 March 2019

### 17. Subsequent Events

On 9 September 2019 the Kiwibank facility was renewed. The facility is next due for renewal on 30 September 2020. A waiver was obtained from Kiwibank in respect of FY19 covenant breaches and revised covenants have been agreed and applied. As at signing the company is in full compliance with its banking covenants.

On 11 November 2019 the shareholder loan repayment date was extended to 31 December 2020.

For and on behalf of the Board:

 Director 28 February 2020 Date

 Director 28 February 2020 Date