



BRAINZ INSTRUMENTS LIMITED
2010
Interim Report

BrainZ Instruments Limited

Appendix 4D Half-Year Financial Report 30 September 2009

Name of entity

BrainZ Instruments Limited

Half-year ended

ARBN 116 829 675

30 September 2009

- BrainZ Instruments Limited ("BrainZ") presents this financial report, including the interim financial statements, for the six months ended 30 September 2009.

All amount are rounded to NZ\$000s unless otherwise stated.

2. Results for announcement to the market

	For the six months ended NZ\$000	30 September 2009	30 September 2008	% Change
2.1	Operating revenue	2	847	-99.70%
2.2	Loss after tax from ordinary activities	(314)	(1,634)	80.70%
2.3	Net loss from ordinary activities	(314)	(1634)	80.70%
2.4	Dividends and franked amount per security	nil	nil	N/A
2.5	Dividend record date	N/A	N/A	
2.6	Explanation of result			

Commercial activities during the six months to 30 September 2009 have focused on collecting outstanding receivables and generally winding down the business operations following the sale of the business in late 2008.
Surplus funds have in the period under review being held in US, New Zealand and Australian denominated interest bearing deposit accounts.

3. Net Tangible Assets per security

	Current period	Comparative period
Net tangible assets per share	4.2cps	4.8cps

4. Entities over which control has been gained or lost during the period;

Name of entity	Date control gained	Profit contribution
None		

5. Details of dividends;

Not Applicable

6. Details of dividend reinvestment plans;

Not Applicable

7. Details of associates and joint venture entities;

None

8. Accounting standards

The interim financial statements have been prepared by BrainZ in accordance with NZ IAS 34 Interim Financial Statements.

9. Audit dispute or qualification

The 2009 interim financial statements have been subject to independent review by the Company's auditors. The unqualified review report is included in the Interim Report.

Directors' Report

The Directors submit the interim financial report of BrainZ Instruments Limited for the six months ended 30 September 2009.

Directors' details

The names of Directors who held office during or since the end of the half-year are:

Dr D Pethica (Chairman) - (resigned 4 November 2009)
Mr K J Aitchison - (resigned 8 October 2009)
Dr J Brown - (resigned 4 November 2009)
Keith N Goodall (Chairman) - (appointed 28 October 2009)
Mathew Walker - (appointed 7 October 2009)
Garry Ralston - (appointed 4 November 2009)

Review of operations

Under previous management the Company advised that it was considering winding up the Company and returning capital to shareholders. During the period the Company continued with this strategy including the group companies in the United States of America and United Kingdom and did not enter into any material transactions.

Corporations Act, Australia - Directors' declaration

The Directors of BrainZ Instruments Limited ("BrainZ") declare that:

1. The accompanying unaudited financial statements of BrainZ and its subsidiaries for the six months ended 30 September 2009 and the notes to those financial statements:
 - (a) comply with the accounting standards approved by the New Zealand Accounting Standards Review Board; and
 - (b) give a true and fair view of the financial position as at 30 September 2009 and of the performance for the six months ended on that date of BrainZ and its subsidiaries.
2. In the Directors' opinion there are reasonable grounds to believe that BrainZ will be able to pay its debts as and when they become due and payable.

This report is signed and declaration made in accordance with a resolution of the Board of Directors dated 26 November 2009.

On behalf of the Board



Keith N Goodall
Chairman

BrainZ Instruments Limited
Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 30 September 2009 (unaudited)

	Note	6 months to 30 Sep 2009 NZ\$000	6 months to 30 Sep 2008 NZ\$000
Revenue - sales		2	847
Cost of sales		(2)	(367)
Gross profit		-	480
Other income	1	16	101
Sales and marketing expenses		-	(1,005)
Research and development expenses		-	(668)
Administrative expenses		(113)	(484)
Discontinuation expenses	1	-	(390)
Foreign exchange gain (loss)	6	(253)	345
		(350)	(2,101)
Deficit before income tax		(350)	(1,621)
Income tax expense		-	(13)
Deficit after income tax for the period		(350)	(1,634)
Other comprehensive income (expense), net of tax			
Exchange differences on translation of foreign operations		36	28
Total comprehensive deficit for the period		(314)	(1,606)
Deficit after tax attributable to:			
Equity holders of the company		(350)	(1,634)
		(350)	(1,634)
Total comprehensive deficit attributable to:			
Equity holders of the company		(314)	(1,606)
		(314)	(1,606)
Basic and diluted deficit per share based on 60,000,000 shares		\$(0.01)	\$(0.03)

These financial statements should be read in conjunction with the accompanying notes and statement of accounting policies.

BrainZ Instruments Limited
Condensed Consolidated Interim Statement of Changes in Equity
For the six months ended 30 September 2009 (unaudited)

	Paid-in Capital NZ\$000	Capital Reserve NZ\$000	Share Option Compensation Reserve NZ\$000	Foreign Currency Translation Reserve NZ\$000	Accumulated Deficit NZ\$000	Total Equity NZ\$000	Income (Expenses) NZ\$2000
Shareholder's equity at 1 April 2008	25,623	(1,325)	326	(19)	(20,124)	4,481	
Deficit for six months ended 30 September 2008					(1,634)	(1,634)	(1,606)
Net income recognised directly in equity:							
Translation of foreign subsidiaries	-	-	-	28	-	28	28
Total income and expenses							(1,606)
Share option compensation expense	-	-	12	-	-	12	
Shareholder's equity at 30 September 2008	25,623	(1,325)	338	9	(21,758)	2,887	
Deficit for six months ended 31 March 2009					(100)	(100)	(100)
Net income recognised directly in equity:							
Translation of foreign subsidiaries	-	-	-	15	-	15	15
Total income and expenses							(85)
Transferred to accumulated deficit			(354)		354		
Share option compensation expense	-	-	16	-	-	16	
Shareholder's equity at 31 March 2009	25,623	(1,325)	-	24	(21,504)	2,818	
Deficit for six months ended 30 September 2009					(350)	(350)	(350)
Net income recognised directly in equity:							
Translation of foreign subsidiaries	-	-	-	36	-	36	36
Total income and expenses							(314)
Share option compensation expense	-	-	-	-	-	-	
Shareholder's equity at 30 September 2009	25,623	(1,325)	-	-	(21,794)	2,504	

These financial statements should be read in conjunction with the accompanying notes and statement of accounting policies.

BrainZ Instruments Limited
Condensed Consolidated Interim Statement of Financial Position
As at 30 September 2009 (unaudited)

	Note	As at 30 Sep 2009 NZ\$000	As at 31 Mar 2009 NZ\$000	As at 30 Sep 2008 NZ\$000
Current Assets				
Cash and cash equivalents	9	2,514	2,631	2,727
Trade and other receivables		3	412	392
Inventories		-	-	332
Taxation receivable		-	26	67
		2,517	3,069	3,518
Non-Current Assets				
Property, plant and equipment		-	-	113
Intangible assets	4	-	-	3
		-	-	116
Total Assets		2,517	3,069	3,634
Current Liabilities				
Trade and other payables		13	251	375
Provisions	5	-	-	369
		13	251	744
Non-Current Liabilities				
Deferred taxation		-	-	3
		-	-	3
Equity				
Share capital		25,623	25,623	25,623
Other reserves		(1,325)	(1,325)	(978)
Accumulated deficit		(21,794)	(21,480)	(21,758)
		2,504	2,818	2,887
Total Equity and Liabilities		2,517	3,069	3,634
Net tangible assets		2,504	2,818	2,884
Net tangible assets per share based on 60,000,000 shares		\$0.04	\$0.05	\$0.05

These financial statements should be read in conjunction with the accompanying notes and statement of accounting policies.

BrainZ Instruments Limited
Condensed Consolidated Interim Cash Flow Statement
For the six months ended 30 September 2009 (unaudited)

	Note	6 months to 30 Sep 2009 NZ\$000	6 months to 30 Sep 2008 NZ\$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		2	1,319
Receipts from grants		-	34
Interest received		16	50
Receipts from other receivables		410	-
Income tax received		25	-
		453	1,403
Cash was applied to:			
Payments to suppliers and employees		(115)	(2,393)
Income tax paid		-	(25)
Payments to other payables		(238)	-
		(353)	(2,418)
Net cash inflow (outflow) from operating activities	3	100	(1,015)
Cash flows from investing activities			
Cash was provided from:			
Sale of plant and equipment		-	10
Cash was applied to:			
Purchase of plant and equipment		-	(15)
Purchase of computer software		-	(2)
Net cash outflow from investing activities		-	(7)
Net increase/(decrease) in cash held		100	(1,022)
Cash and cash equivalents at beginning of period		2,631	3,462
Effect of exchange rate fluctuations on cash held		(217)	287
Cash and cash equivalents at end of period		2,514	2,727

These financial statements should be read in conjunction with the accompanying notes and statement of accounting policies.

BrainZ Instruments Limited
Statement of Accounting Policies
For the six months ended 30 September 2009 (unaudited)

A. REPORTING ENTITY

BrainZ Instruments Limited is a limited liability company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the Australian Stock Exchange (ASX code: BZI).

The condensed consolidated interim financial statements of the BrainZ Instruments Group as at and for the six months ended 30 September 2009 comprise the company and its subsidiaries, BrainZ Instruments USA Inc and BrainZ Instruments UK Limited, which are all designated as profit-orientated entities for financial reporting purposes.

BrainZ Instruments Limited was primarily involved in the design and manufacture of medical brain monitoring equipment until the business assets were sold to Natus Medical Incorporated on 27 November 2008. BrainZ Instruments Limited is currently non trading.

B. BASIS OF PREPARATION

These general-purpose condensed consolidated interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand, International Financial Reporting and NZ IAS 34 *Interim Financial Reporting*. These financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information has been rounded to the nearest thousand.

Sale of Business and Going concern

BrainZ Instruments Limited sold its business assets to Natus Medical Incorporated on 27 November 2008 and effectively ceased trading from that date. The prior year interim report for the period ended 30 September 2008 was prepared on the realisation basis rather than a going concern basis which included, where appropriate, writing down the Group's assets to net realisable value. The Group has had minimal activity during the current period; however, is considering options other than realisation and has adopted the going concern basis of preparation.

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that materially affect the measurement of the Statement of Comprehensive Income, Statement of Financial Position and the Cash Flow Statements have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 March 2009 and the unaudited financial statements for the six months ended 30 September 2008 other than as outlined below.

The following new standards and amendments are mandatory for the first time in the period beginning 1 January 2009:

NZ IAS 1 (Revised) *Presentation of financial statements*. The revised standard requires non-owner changes to be presented separately from owner changes in equity within non-owner changes in equity shown on a performance statement. The interim financial statements have been prepared under the revised disclosure requirements and a Statement of Comprehensive Income is presented.

BrainZ Instruments Limited
Statement of Accounting Policies
For the six months ended 30 September 2009 (unaudited)

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NZ IFRS 8 *Operating Segments*. The revised standard requires a "management approach" under which operating segment information is presented on the same basis as that used for internal reporting to the chief decision maker, in the Company's case, the board of directors. This presentation is consistent with prior year reporting by the Company.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2009.

Changes in accounting policies

Other than the required adoption of NZ IAS 1 (Revised) and NZ IFRS 8 as described above, there have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with the comparative interim period and the annual financial statements.

BrainZ Instruments Limited
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended 30 September 2009 (unaudited)

1. OPERATING EXPENSES AND OTHER INCOME

	6 months to 30 Sep 2009 NZ\$000	6 months to 30 Sep 2008 NZ\$000
The net deficit for the period is after charging the following expenses:		
Directors fees	43	60
Auditor's remuneration for auditing financial statements:		
Deloitte	4	30
Other Auditors	-	7
	4	37
Auditor's remuneration for other services:		
Deloitte - tax services	2	15
Other auditors - tax services	-	5
	2	20
Amortisation of intangible assets:		
Intellectual property	-	-
Computer software	-	13
	-	13
Depreciation:		
Plant and equipment	-	74
Loss on disposal of plant and equipment	-	-
Personnel expenses:		
Wages and salaries	-	999
Redundancy and termination expenses on discontinuation	-	272
Share option compensation expense	-	12
	-	1,283
Discontinuation expenses:		
Staff redundancy and termination expenses	-	272
Future office rental	-	7
Plant and equipment impairment charge	-	88
Software impairment charge	-	23
	-	390
The net deficit for the period is after receiving the following income:		
Other income:		
Grants	-	51
Interest received	16	50
	16	101

BrainZ Instruments Limited
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended 30 September 2009 (unaudited)

2. SEGMENT RESULTS

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	US NZ\$000	Sth Africa NZ\$000	Australasia NZ\$000	Other NZ\$000	Consolidated NZ\$000
6 months to September 2009					
Revenue	-	-	2	-	2
Segment result	-	-	-	-	-
Unallocated expenses					(68)
Foreign exchange gain (losses)					(68)
Income tax					(282)
Net deficit for the period					-
					(350)

	US NZ\$000	Sth Africa NZ\$000	Australasia NZ\$000	Other NZ\$000	Unallocated NZ\$000
Segment assets September 2009	16	-	-	-	2,501

	US NZ\$000	Sth Africa NZ\$000	Australasia NZ\$000	Other NZ\$000	Consolidated NZ\$000
6 months to September 2008					
Revenue	587	75	178	7	847
Segment result	(27)	(23)	118	5	73
Unallocated expenses					(2,039)
Foreign exchange gain (losses)					(1,966)
Income tax					345
Net deficit for the period					(13)
					(1,634)

	US NZ\$000	Sth Africa NZ\$000	Australasia NZ\$000	Other NZ\$000	Unallocated NZ\$000
Segment assets September 2008	161	72	67	-	3,334

BrainZ Instruments Limited
Notes to the Condensed Consolidated Interim Financial Statements
For the six months ended 30 September 2008 (unaudited)

3. NET CASH FROM OPERATING ACTIVITIES

The following is a reconciliation between the net deficit after income tax shown in the income statement and the net cash flow from operating activities.

	6 months to 30 Sep 2009 NZ\$000	6 months to 30 Sep 2008 NZ\$000
Net deficit for the period	(350)	(1,634)
Add non-cash items:		
Amortisation of intangible assets	-	13
Depreciation	-	74
Impairment of plant and equipment	-	88
Impairment of software	-	23
Movement in deferred taxation	-	(1)
Share option compensation expense	-	12
Unrealised foreign exchange (gains)/losses	253	(262)
	253	(53)
Plus items classified as investing activities		
Loss on disposal of plant and equipment	-	-
Movement in working capital:		
Increase/(Decrease) in trade and other payables	(238)	17
Increase/(Decrease) in provisions	-	290
Decrease in taxation payable	-	(9)
Increase in taxation receivable	26	-
Decrease in trade and other receivables	409	485
(Decrease) in inventories	-	(111)
	197	672
Net cash outflow from operating activities	100	(1,015)

4. INTANGIBLE ASSETS

	As at 30 Sep 2009 NZ\$000	As at 31 Mar 2009 NZ\$000	As at 30 Sep 2008 NZ\$000
Intellectual property	-	-	-
Computer software	-	-	3
	-	-	3

5. PROVISIONS

	As at 30 Sep 2009 NZ\$000	As at 31 Mar 2009 NZ\$000	As at 30 Sep 2008 NZ\$000
Holiday pay	-	-	90
Staff redundancy and termination expenses	-	-	272
Future rental costs	-	-	7
	-	-	369

Provision was made in the prior year for the extra contractual costs of staff redundancy, terminations and ongoing rental costs once the sale of the assets to Natus Medical Inc was completed.

6. FOREIGN EXCHANGE GAIN (LOSS)

	As at 30 Sep 2009 NZ\$000	As at 30 Sep 2008 NZ\$000
Foreign exchange gain/(loss)	(253)	345
	(253)	345

The foreign exchange gain/(loss) is a result of the exchange rate differences when dealing in Australian dollars and United States dollars on transactions throughout the period and converting all balances into New Zealand dollars at the 30 September 2009

7. RELATED PARTY TRANSACTIONS

The Company up to 25 September 2009 was 56.67% owned by Tru-Test Limited and such the transactions with Tru-Test Group of companies are related party transactions. There were no related party transactions with Tru-Test Limited for the period ended 30 September 2009. Tru-Test Limited sold its 56.67% shareholding in the Company on 25 September 2009

	30 Sep 2009 NZ\$000	31 Mar 2009 NZ\$000	30 Sep 2008 NZ\$000
Expenses paid	-	-	-
Lease costs	-	47	26
Management services	-	6	3
Manufacturing and design services	-	1	-
Director's fees	-	-	-
	-	54	29

There were no related party payables at 30 September 2009

8. CHANGE OF SUBSTANTIAL SHAREHOLDER

The Company up to 25 September 2009 was 56.67% owned by Tru-Test Limited. Tru-Test Limited sold its 56.67% shareholding in the Company on 25 September 2009. As of 25 September 2009 there are four new substantial shareholders of the Company:

Mafe Holdings Pty Limited (related to Mathew Walker a director of the Company) 11,750,000 fully paid ordinary shares

Mr Stephen Charles & Mrs Dawn Rohde Jointly 6,000,000 fully paid ordinary shares

Mr Garry Ralston (also a director of the Company) 6,000,000 fully paid ordinary shares

Mr Mark Sayle 5,000,000 fully paid ordinary shares

9. CASH AND CASH EQUIVALENTS

	As at 30 Sep 2009 NZ\$000	As at 31 Mar 2009 NZ\$000	As at 30 Sep 2008 NZ\$000
Cash and cash equivalents	2,514	2,631	2,727
	2,514	2,631	2,727

The Company is exposed to foreign currency risk on deposits that are held in a currency other than the Company's functional currency, New Zealand dollars. The currencies in which transactions are primarily denominated are Australian dollars (AUD) and US dollars.

10. SUBSEQUENT EVENTS

Post 30 September 2009 there was a change in the entire board of directors of the Company.

The following directors resigned from the board:

Dr D Pethica (Chairman) - (resigned 4 November 2009)

Mr K J Aitchison - (resigned 8 October 2009)

Dr J Brown - (resigned 4 November 2009)

The following directors were appointed to the board:

Keith N Goodall (Chairman) - (appointed 28 October 2009)

Mathew Walker - (appointed 7 October 2009)

Garry Ralston - (appointed 4 November 2009)

The Board of Directors has resolved to implement a change to the Company strategy. Under previous management, the Company had advised that it was considering winding up the Company and returning capital to shareholders. Under the revised strategy, the Board has resolved to explore new business opportunities and seek to remain as an ASX listed entity

In line with this revised strategy, the Board has decided to undertake a placement of 15 million shares at 4 cents per share to sophisticated clients of Alto Capital. The \$600,000 raised (before costs of the issue) will be used to review new business opportunities and for general working capital. It is planned that 9 million of these will be issued in the near future pursuant to the Company's 15% capacity, with a further 4 million shares to be placed to the Company's Chairman, Keith Goodall and 2 million to Director Mathew Walker, subject to shareholder approval, on the same terms. It is envisaged that a Meeting of Shareholders will be convened shortly to consider this issue and a Notice of Meeting will be dispatched to shareholders in due course.



**REVIEW REPORT
TO THE SHAREHOLDERS OF
BRAINZ INSTRUMENTS LIMITED**

We have reviewed the condensed consolidated interim financial statements on pages 3 to 13. The condensed consolidated interim financial statements provide information about the past financial performance of BrainZ Instruments Limited and its subsidiaries ("the Group") and its financial position as at 30 September 2009. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the condensed consolidated interim financial statements which present fairly the financial position of the Group as at 30 September 2009 and the results of operations and cash flows for the six months ended on that date.

Independent Accountant's Responsibilities

We are responsible for reviewing the condensed consolidated interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed consolidated interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the condensed consolidated interim financial statements of the Group for the six months ended 30 September 2009 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

Other than in our capacity as auditors under the Companies Act 1993 and the provision of taxation advice, we have no relationship with or interests in BrainZ Instruments Limited or its subsidiaries.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements on pages 3 to 13 do not present fairly the financial position of the Group as at 30 September 2009 and the results of its operations and cash flows for the six months ended on that date in accordance with *NZ IAS 34: Interim Financial Reporting, IAS 34*.

Our review was completed on 26 November 2009 and our review opinion is expressed as at that date.

Chartered Accountants
Auckland, New Zealand

Directory

DIRECTORS

Dr D Pethica (Chairman) - (resigned 4 November 2009)
K J Aitchison - (resigned 8 October 2009)
Dr J Brown - (resigned 4 November 2009)
Keith N Goodall (Chairman) - (appointed 28 October 2009)
Matthew Walker - (appointed 7 October 2009)
Garry Ralston - (appointed 4 November 2009)

COMPANY SECRETARY

James Robinson

AUDITOR

Deloitte
8 Nelson Street
Auckland
New Zealand

SOLICITORS

Minter Ellison Rudd Watts
88 Shortland Street
Auckland
New Zealand

Minter Ellison
525 Collins Street
Melbourne
Australia

Russell McVeagh
48 Shortland Street
Auckland
New Zealand

BANKER

ASB Bank Limited
135 Albert Street
Auckland
New Zealand

COMPANY

BrainZ Instruments Limited
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REGISTERED OFFICE

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SHARE REGISTRY

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PRINCIPAL OFFICE IN AUSTRALIA

Suite 9, 1200 Hay Street
West Perth WA 6005
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LOCAL AGENT OF THE COMPANY IN AUSTRALIA

Oakhill Hamilton Pty Limited
35 Hamilton Street
Riverview, New South Wales 2066
Australia

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited
ASX Code: BZI

