Synertec Corporation Limited

ARBN 161 803 032

ASX Listing Rule 4.2A.3
Appendix 4D Statement

Preliminary Final Report

For the Half-Year Ended
31 December 2020

Current Reporting Period: Half Year Ended 31 December 2020
Previous Corresponding Period: Half Year Ended 31 December 2019

Synertec Corporation Limited
Appendix 4D Statement
Half-Year Ended 31 December 2020

1. Company details

Name of entity:	Synertec Corporation Limited
ARBN:	161 803 032
Reporting period:	For the half-year ended 31 December 2020
Previous period (prior comparative period (pcp)):	For the half-year ended 31 December 2019

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2. Results for announcement to the market

	HY 31 Dec 2020	HY 31 Dec 2019	Up/Down	Change	Change
	$	$		$	%
Revenues from ordinary activities	3,517,392	7,278,232	Down	-3,760,840	-52%
Loss from ordinary activities after tax attributable to the owners of Synertec Corporation Limited	-$1,915,954	-$676,788	Down	-1,239,166	-183%
Loss for the period attributable to the owners of Synertec Corporation Limited	-$1,915,954	-$676,788	Down	-1,239,166	-183%

Dividends

No dividends were declared, paid or recommended in respect of the current period (pcp: nil).

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the half-year ended 31 December 2020	-	-

Comments – Review of operations

Throughout the 1H FY21 Synertec's priority has remained the health, well-being and safety of its people and continuing to provide a safe and inclusive work environment for all.

The impacts of the ongoing COVID-19 pandemic and its restrictions during 1H FY21 in Australia, and in particular the State of Victoria where Synertec and many of its key clients are based, continued to provide operating challenges and impact demand in some of the Group's end markets. The short term focus during this period has been getting through the crisis with an eye to the future, continuing to execute and invest for the benefit of our customers, people and ultimately our shareholders – and a return to profitability.

Despite the challenging conditions, we have continued to generate positive net cash flow of $0.3 million and positive net operating cash flow of $0.4 million, strengthening the Group's liquidity position. This momentum carries forward from the 2H FY20 performance which generated positive net cash flow of $1.7 million, including positive net operating cash flow of $0.7 million in the final quarter. As a result, the Group's cash balance has improved by $2.0 million since 31 December 2019.

The Group continued to experience some project deferrals from existing clients, but negligible project cancellations. As a result, a significant portion of revenue expected in 1H FY21, has moved into CY21 and we are beginning to see signs of some delayed or halted projects resuming and deferred project awards returning over the next year, as well as consulting assignments growing as economic certainty improves and the nature of the solutions being such that these projects and services are necessary for key infrastructure development and/or asset maintenance and optimisation.

The revenue of the Group for the period was $3.5 million (31 December 2019; $7.3 million), which constitutes revenue produced from both ongoing and new projects commencing during the period. It is important to note that the prior comparative period includes revenue of $2.9 million from the final stage of one of the Company's largest pharmaceutical vaccine facility construction projects which was largely delivered across FY19 and completed by mid-FY20. Therefore, the balance of revenue from all other projects and services in 1H FY19 was $4.4 million.

Synertec is pleased to report that a significant revenue contribution continued from its highly regarded core expertise in the water, rail, energy and pharmaceutical sectors, demonstrating the importance and value of well diversified revenue channels and long-term customer relationships. Each of these sectors has been specifically identified by the Australian Government as industries which will lead Australia's economic recovery from the impacts of the COVID-19 pandemic. Government has these and other industries targeted for significant funding stimulus in the short-term to accelerate public and private investment and in-turn, large-scale projects and employment.

During the period, the Company publicly announced;

- service contract extensions into FY21 with key water infrastructure customers, Melbourne Water and Central Highlands Water
- continued expansion of services into rail infrastructure with existing customers Metro Trains Melbourne and the Rail Systems Alliance
- new contract awards in energy with INPEX Corp and Lochard Energy
- completion of another critical technology project for Jemena; and
- renewal of engineering and construction panel inclusions with CSIRO and Australian Defence

As noted in our FY20 reporting, gross margin performance in 2H FY20 was strong and as expected, this performance carried into FY21 as the Group continued to pivot towards new higher-value consultancy work. The Group's gross margin across calendar 2020 was double the rate achieved in 2019.

Engineering Consultancy Services revenue grew by 26% to $2.2 million (31 December 2019; $1.7 million). This continues from Engineering Consultancy Services revenue of $2.3 million in 2H FY20, representing the strongest 12 month period (calendar 2020) of Engineering Consultancy Services revenue the Group has delivered. This is expected to continue to build through calendar 2021 as services revenue, work in hand and the near-term pipeline of opportunities continues to build.

Summary of Operating Result		
In Australian dollars ($'000's)	**31 Dec 2020**	**31 Dec 2019**
Earnings before interest, income tax, depreciation and amortisation (EBITDA) and corporate development costs	**(435)**	**(673)**
Corporate development costs	(151)	(126)
EBITDA	**(586)**	**(799)**
Loss from operations before tax	**(853)**	**(968)**
Income tax (expense) / benefit	(1,063)	291
Loss from operations after tax	**(1,916)**	**(677)**

Earnings before income tax, depreciation and amortisation (EBITDA) was a loss of $0.6 million (31 December 2019; $0.8 million loss). This result includes corporate development costs of $0.2 million (31 December 2019; $0.1 million) associated with exploring high growth strategic business opportunities such as Greentech. Refer further comments following in this report regarding corporate development activities during the period.

The result from operations before tax was $0.9 million loss (31 December 2019; $1.0 million loss) and the result after tax was a net loss of $1.9 million (31 December 2019: net loss of $0.7 million). This result after tax included a write down of the deferred tax asset by $1.1 million, resulting in an income tax expense for the period of this amount.

The global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour, including a third wave of the COVID-19 pandemic which has occurred within Victoria and other isolated outbreaks have occurred in other parts of Australia subsequent to balance date resulting in prompt implementation by Australian Governments of 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. Since the current global COVID-19 pandemic and the resulting short, medium and long term social and economic impacts on global economies and their recovery remains highly uncertain, the impact on future operations and financial results of the Group also remains uncertain and cannot be quantified reliably at this time.

While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset. Accordingly, the deferred tax asset of $1,062,631 carried forward from 30 June 2020 has been reviewed considering the current and potential pandemic and economic environment (including the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates) and written down to nil as at 31 December 2020, with the write down being recognised as a reduction of $1,062,631 in the deferred tax asset balance in the statement of financial position and a corresponding income tax expense recognised in the consolidated statement of profit and loss and other comprehensive income for the period ended 31 December 2020.

The deferred tax asset is not subject to any expiry date or limited to a certain type of taxable income and remain available to be deducted from any future taxable profits of the Company. This includes unused carry forward tax losses not brought to account as at 31 December 2020 amounting to $1,000,716. At the current Australian corporate income tax rate applicable to the Company of 27.5%, this equates to approximately $3.6 million in taxable profits that potentially could be earned by the Company before an income tax expense is incurred, subject to applicable laws and regulations.

As noted above, the Group can identify almost $2.0 million in revenue relating to project deferrals or delays with existing projects and customers which were expected to be delivered across 1H FY21. This has naturally impacted on operating profitability of the Company for the period.

The operating result also reflects several significant strategic investments across the Company's target sectors which are expected to deliver sustainable long-term profitable growth. These investments are yet to be endorsed by revenue as some large-scale bids for which Synertec is well-positioned are taking longer than expected to reach final decision. However, some of these projects are beginning early-works discussions and nearing final investment decision which is now more positively supported by improving economic conditions from the situation faced in mid-calendar 2020 when many of these project decisions and/or awards were deferred until the COVID-19 pandemic and its economic impacts on major long term asset investments were better understood.

An example of this and our increasing focus on sustainability projects across most of our target sectors, is the recently announced award of a substantial contract with Beon Energy Solutions in our target markets of water and renewable energy, relating to specialist engineering support of a major energy upgrade project for Synertec's long-standing client and one of Australia's major bulk water suppliers, Melbourne Water. Beon is a leader in the deployment of large-scale energy and infrastructure projects and is backed by global infrastructure leader CK Infrastructure with over $100 billion market capitalisation. Such a strategic award builds upon Synertec's long-standing experience providing critical solutions to key Australian water infrastructure sites and provides for the opportunity to diligently grow its exposure to sustainability projects through major experienced partners such as Beon.

In addition to revenue impacts, Synertec experienced a natural increase in the cost (both direct and indirect) of doing business remotely through the pandemic as a result of the heavy community restrictions imposed by Australian Governments on the public and industry. These restrictions significantly impacted the efficiency of project and service delivery for Synertec and its customers alike, presented various workforce, procurement and delivery challenges (particularly in the State of Victoria). While most of these have been overcome, this was reflected in the results across calendar 2020 (2H FY20 and 1H FY21).

The cost of delivering engineering projects which involved significant team collaboration in order to design complex products and solutions for our customers was overall higher than normal as some basic activities sometimes took longer than usual to execute while working remotely. This situation contributed to underperformance on one particular project in a non-core industry segment which negatively impacted revenue and profit for the period by approximately $0.3 million.

During the period, the cost of the premium for the Group's professional indemnity insurance increased substantially as a result of global conditions in related insurance markets which was outside the control of Synertec. This resulted in an increase on the prior comparative period to the Group's operating costs of approximately $0.2 million, reflected in Other expenses.

Synertec's philosophy continues to be to align all our activities to our Purpose and to make long term decisions for superior profitability, rates of growth and shareholder returns. During the COVID-19 global pandemic, we adopted this same philosophy towards key decisions regarding our people, our customers and our capital structure. These key decisions considered;

(1) Our people underpin our long-term growth and profitability and we have protected all of our employees during the period, maintaining Synertec's strong capability and pursuit of innovation in our chosen markets.

(2) To support our customers and ensure we continue to provide seamless service, we invested in numerous relief measures and benefited from past investments in our systems and infrastructure to gradually improve the remote delivery of services and products and capture all revenue opportunities during the period as best we could under COVID-19 Government-imposed restrictions; and

(3) To ensure we have funding flexibility, we managed discretionary costs and benefited from having successfully renegotiated our banking arrangements to free-up substantial cash reserves previously required for security and ensure Synertec remains free of working capital debt and covenants from its bank.

Our team has remained heavily focused on deploying our strategy over the course of FY21. As a result, our ability to replicate, expand and commercialise our high-value proprietary intellectual property in target growth markets such as water, rail, LNG and other critical infrastructure, our expertise, knowledge of, and value to, our customers is compounding with every engagement and we are continuing to experience unprecedented levels of revenue recurring from our existing customer base – an important and pleasing development through such an economic environment.

Synertec continued to heavily explore strategic inorganic growth opportunities in its target markets. In particular, the opportunity with Greentech continues to develop positively, with Synertec providing critical funding to Greentech to complete important technology pilot programs with major Chinese State Owned Enterprise customers responsible for most of China's oil and gas production. These pilot programs have been specifically designed to evaluate the technology with regard to cost competitiveness and environmental benefits. Preliminary evaluation trials and most of the pilot program testing has already been conducted (including customer invoicing and payment), returning encouraging results.

In July 2020, the Company provided Greentech with a loan facility of AUD $1.0 million to complete the pilot programs with the two major SOEs. The loan facility, to be repaid with interest by 31 May 2021, is secured and subject to customary terms and conditions. As at 31 December 2020, Greentech had drawn down $0.8 million of the facility.

In continuing to develop this potentially transformational opportunity, the Company incurred external costs during the period of approximately $0.2 million for legal, advisory and other services which enabled the granting of an exclusive worldwide technology license to Synertec and contributed to the Company's ongoing assessment of the market opportunities both in China and other major global markets, such as Australia and North America.

Focusing on our target growth market of LNG — we continue to see a sizeable opportunity in the strategic niche of LNG Custody Transfer Systems (CTS) and related products and services. We expect planned industry spend in the hundreds of billions of dollars on new and existing facilities over the next decade will continue to create a large addressable market, which we are now well-placed to serve having delivered several highly successful LNG CTS projects across Australia's world-class LNG facilities.

In November 2020, Synertec executed a Memorandum of Understanding (MOU) with a major global independent owner of LNG carriers and floating vessels to collaborate on design and deployment of Synertec's patent-pending low pressure LNG sampling system for marine application. The project will expedite commercialisation of Synertec's patent-pending CTS, which based on modelling is shaping as a world-leading technology in marine LNG metering and sampling systems.

Work and collaboration on the design commenced immediately in November 2020 and in designing the system, the parties will leverage Synertec's experience in developing the CTS specifically to address sampling inaccuracy in low pressure LNG process line applications, which is typical in ship-to-ship LNG transfer scenarios. The project will yield an LNG sampling system fit for purpose on marinised applications.

Synertec and our partner have continued to dedicate engineering resources and provide inputs into the project design and technical information pertaining to a candidate vessel. Synertec is estimating the major scope of the design will be complete during 2H FY21.

Synertec will then, with its partner's assistance, have responsibility for the design and coordination of class approval of the LNG Sampling System with the world's major maritime standards bodies. These bodies regulate the rules and regulations and set appropriate standards for the design, construction and lifetime maintenance of ships, offshore units and land-based installations - providing all the information required for appropriate maritime product classification purposes.

Synertec's anticipates substantial revenue opportunities from this development given the strong pipeline of floating LNG vessels to be built over the next 5 years. With strong foundational relationships now in place with large global LNG and marine-related partners including Trelleborg Group and EffecTech, Synertec is building the CTS to ensure it can provide best-in-class results in all conditions, across a wide range of vessel types, while complying to all shipping class requirements. The Synertec CTS is shaping to become the world-leading technology in marine LNG Custody Transfer Systems.

To deliver the growth targeted in Synertec's strategic plan, the Company will continue working through these (and other) current technology opportunities which have diverse global applications and fit within the strategy to commercialise replicable and scalable solutions which enhance industrial clients' profitability, efficiency and safety, while reducing their environmental footprint.

Capital management

The Group's balance sheet remains strong and it has continued to diligently manage working capital and focus on maintaining liquidity through a challenging economic period.

Net assets of $3.3 million (30 June 2020; $3.9 million) includes cash of $3.4 million (30 June 2020; $3.0 million). This position was improved during the period by positive net operating cash flow of $0.4 million (31 December 2019; negative net operating cash used of $2.8 million) and positive net cash from financing activities following a fully subscribed share placement raising net proceeds of $1.3 million in July 2020.

To secure technology-led growth opportunities and maintain our strong capital structure, the share placement provided important capital funding for further investment in key growth initiatives (outlined above). This included the provision of a loan facility of up to $1.0 million to Greentech, drawn to $0.8 million as at 31 December 2020.

This activity attracted many new investors for Synertec, and its success has substantially raised the profile of the Company and stock on the Australian Securities Exchange (ASX) and other trader platforms and generated significantly more interest from investors and positively reshaped the share register.

The new shareholders attracted to the Company since the share placement represent fresh support for Synertec's strategic focus on technology-led high growth engineering-based initiatives with scalable global application in the large and growing energy market, with a focus on efficiency and environmental impact. This supports the long term strategy of the business which is designed to deliver profitable and sustainable growth under normal economic conditions. With a solid framework now established to commercialise exciting technology both in-house and through strategic partners, we expect that the investments the Company has made will deliver scalable growth in revenue and profitability in the medium-term.

On 1 July 2020, Synertec entered into a lease agreement for its new head office. The lease is for a period of five (5) years with the option to renew for a further five (5) years. The Group recognised a right-of-use asset and related lease liability of $1.5 million each in connection with the new lease in the statement of financial position in accordance with IFRS 16.

The Group continued to operate with no working capital debt or covenants from its bank.

Outlook

The theme of the Group continues to be a heavy focus on delivery of existing projects and services in a safe, timely, and efficient manner, with the aim to exceed customer expectations. The growth strategy is progressing well, with significant project and collaboration opportunities materialising both domestically and internationally. The strategic international partnerships secured over the past year have bolstered Synertec's access to;

- bid and serve large international projects more efficiently;
- scalable technology with a commercial application globally; and
- target growth markets overseas, such as China and the broader Asia Pacific region.

Although the impacts of COVID-19 have resulted in the deferral of some of our existing projects, we are beginning to see signs of them restarting over the next year, and we expect larger project awards will begin to flow in our target markets (many of which are with our existing clients) as economic conditions improve through calendar 2021 and 2022. The Group is still winning new work and is actively engaged in supporting its customers through delivery of key asset development and improvements during this challenging period. Nevertheless, the longer term impacts on the operations of the Group remain uncertain and cannot be reliably quantified at this time.

The cash position of the Company has strengthened, and this is a product of cash continuing to flow from our customers on previously agreed, favourable short-cycle terms, which should enable the Group to continue to maintain its solid working capital position.

The business has continued to adapt and improve efficiency of delivery under remote working conditions, focusing on highly effective management of what is in our control, remaining agile and continuing to respond and deliver to our customers to our typical high standards. We believe this will provide the Company with a strong platform to grow as the impacts of COVID-19 slowly decline and markets and economies begin to respond more positively.

We believe that with;

- our strong financial position;
- a continuing program of careful resource allocation and intensive sales-driven initiatives;
- our established direction as a technology-led high growth business with scalable global IP application in the large and growing energy market focused on efficiency and environmental impact; and
- an innovative and highly regarded multi-disciplined engineering team of industry and technology experts in our chosen target markets

the Company remains on a firm and deliberate path to delivering the long term strategy and profitable and sustainable growth for its shareholders.

***COVID*-19 stimulus and support measures availed by the Group for the period to 31 December 2020**

(1) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the JobKeeper subsidy. During the half year, the Group was entitled to $1,500 per employee per fortnight from 1 July 2020 to 30 September 2020 and $1,200 per employee per fortnight for the period 1 October 2020 to 31 December 2020.

(2) Under the Commercial Tenancies Code released and effective from 3 April 2020, Synertec received a rental abatement of 50% related to the tenancy of its former head office, consisting of a 25% waiver and 25% deferral, for the period 1 July 2020 to 30 September 2020.

(3) In response to the COVID-19 relief measures announced by the Victorian State Government, deferral of payroll tax liabilities for eligible employers was announced by the Victorian State Revenue Office in August 2020 and updated in February 2021. As a result, Synertec's payroll tax liabilities for FY21 have been deferred until FY22 (payable quarterly across the financial year). Synertec has set aside the cash for this obligation.

(4) In response to the COVID-19 relief measures announced by the Federal Government, the Australian Taxation Office has offered to Synertec the ability to defer and spread its Pay-As-You-Go (PAYG) and Business Activity Statement (BAS) payments related to the period April 2020 to September 2020 across 36 months commencing from October 2020, with no interest or penalties. Synertec has accepted this offer and has set aside the cash for this obligation.

For further information, please refer to the Directors Report within the Interim Financial Report for the Half Year Ended 31 December 2020.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.01	0.02

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4. Control gained over entities

The was no control/further control gained over any entities during the period.

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5. Loss of control over entities

The was no control/further control lost over any entities during the period.

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6. Details of associates and joint venture entities

Not applicable.

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
There are no associates or joint venture entities.	-	-	-	-

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7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

This Statement is based on the consolidated financial statements which were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

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8. Attachments

Details of attachments (if any):

The Interim Financial Report of Synertec Corporation Limited for the half-year ended 31 December 2020 is attached.

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9. Signed

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Mr. Michael Carroll

Managing Director

Melbourne

Dated: 25 February 2021

Synertec Corporation Limited

ARBN 161 803 032

Interim Financial Report

For the Half-Year Ended
31 December 2020

Synertec Corporation Limited

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For the period ended 31 December 2020

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Corporate Directory

Directors	Ms. Leeanne Bond (Chairperson) Mr. Michael Carroll (Managing Director) Mr. Kiat Poh (Non-executive Director) Mr. Dennis Lin (Non-executive Director)
Company Secretary	Mr. David Harris Ground Floor 2-6 Railway Parade Camberwell, Victoria 3124 Australia
Principal registered office in Bermuda	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registered agent office in Australia	Ground Floor 2-6 Railway Parade Camberwell, Victoria 3124 Australia Telephone: +(61 3) 9274 3000
Share registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, NSW 2000 Australia Telephone: 1300 737 760 (within Australia) +(61 2) 9290 9600 (outside Australia) Facsimile: +(61 2) 9290 9655
Auditor	Grant Thornton Audit Pty Ltd Collins Square Tower 5 727 Collins Street Melbourne, Victoria 3008 Australia
Stock exchange listing	Synertec Corporation Limited shares and options are listed on the Australian Securities Exchange (ASX) ASX Code: SOP (fully paid ordinary shares)
Website address	www.synertec.com.au

The Directors present their report together with the financial statements of the consolidated entity for the half-year ended 31 December 2020.

1. Directors

The following persons were directors of Synertec Corporation Limited during the whole of the financial half-year and up to the date of this report:

Ms. Leeanne Bond
Mr. Michael Carroll
Mr. Kiat Poh
Mr. Dennis Lin

2. Significant changes in the state of affairs

No significant changes noted in the half year ended 31 December 2020.

3. Review of operations

Results from operations

Throughout the 1H FY21 Synertec's priority has remained the health, well-being and safety of its people and continuing to provide a safe and inclusive work environment for all.

The impacts of the ongoing COVID-19 pandemic and its restrictions during 1H FY21 in Australia, and in particular the State of Victoria where Synertec and many of its key clients are based, continued to provide operating challenges and impact demand in some of the Group's end markets. The short term focus during this period has been getting through the crisis with an eye to the future, continuing to execute and invest for the benefit of our customers, people and ultimately our shareholders – and a return to profitability.

Despite the challenging conditions, we have continued to generate positive net cash flow of $0.3 million and positive net operating cash flow of $0.4 million, strengthening the Group's liquidity position. This momentum carries forward from the 2H FY20 performance which generated positive net cash flow of $1.7 million, including positive net operating cash flow of $0.7 million in the final quarter. As a result, the Group's cash balance has improved by $2.0 million since 31 December 2019.

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3. Review of operations (continued)

Results from operations (continued)

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3. Review of operations (continued)

Results from operations (continued)

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3. Review of operations (continued)

Results from operations (continued)

In addition to revenue impacts, Synertec experienced a natural increase in the cost (both direct and indirect) of doing business remotely through the pandemic as a result of the heavy community restrictions imposed by Australian Governments on the public and industry. These restrictions significantly impacted the efficiency of project and service delivery for Synertec and its customers alike, presented various workforce, procurement and delivery challenges (particularly in the State of Victoria). While most of these have been overcome, this was reflected in the results across calendar 2020 (2H FY20 and 1H FY21).

The cost of delivering engineering projects which involved significant team collaboration in order to design complex products and solutions for our customers was overall higher than normal as some basic activities sometimes took longer than usual to execute while working remotely. This situation contributed to underperformance on one particular project in a non-core industry segment which negatively impacted revenue and profit for the period by approximately $0.3 million.

During the period, the cost of the premium for the Group's professional indemnity insurance increased substantially as a result of global conditions in related insurance markets which was outside the control of Synertec. This resulted in an increase on the prior comparative period to the Group's operating costs of approximately $0.2 million, reflected in Other expenses.

Synertec's philosophy continues to be to align all our activities to our Purpose and to make long term decisions for superior profitability, rates of growth and shareholder returns. During the COVID-19 global pandemic, we adopted this same philosophy towards key decisions regarding our people, our customers and our capital structure. These key decisions considered;

1. Our people underpin our long-term growth and profitability and we have protected all of our employees during the period, maintaining Synertec's strong capability and pursuit of innovation in our chosen markets.

2. To support our customers and ensure we continue to provide seamless service, we invested in numerous relief measures and benefited from past investments in our systems and infrastructure to gradually improve the remote delivery of services and products and capture all revenue opportunities during the period as best we could under COVID-19 Government-imposed restrictions; and

3. To ensure we have funding flexibility, we managed discretionary costs and benefited from having successfully renegotiated our banking arrangements to free-up substantial cash reserves previously required for security and ensure Synertec remains free of working capital debt and covenants from its bank.

Our team has remained heavily focused on deploying our strategy over the course of FY21. As a result, our ability to replicate, expand and commercialise our high-value proprietary intellectual property in target growth markets such as water, rail, LNG and other critical infrastructure, our expertise, knowledge of, and value to, our customers is compounding with every engagement and we are continuing to experience unprecedented levels of revenue recurring from our existing customer base – an important and pleasing development through such an economic environment.

Synertec continued to heavily explore strategic inorganic growth opportunities in its target markets. In particular, the opportunity with Greentech continues to develop positively, with Synertec providing critical funding to Greentech to complete important technology pilot programs with major Chinese State Owned Enterprise customers responsible for most of China's oil and gas production. These pilot programs have been specifically designed to evaluate the technology with regard to cost competitiveness and environmental benefits. Preliminary evaluation trials and most of the pilot program testing has already been conducted (including customer invoicing and payment), returning encouraging results.

In July 2020, the Company provided Greentech with a loan facility of AUD $1.0 million to complete the pilot programs with the two major SOEs. The loan facility, to be repaid with interest by 31 May 2021, is secured and subject to customary terms and conditions. As at 31 December 2020, Greentech had drawn down $0.8 million of the facility.

3. Review of operations (continued)

Results from operations (continued)

In continuing to develop this potentially transformational opportunity, the Company incurred external costs during the period of approximately $0.2 million for legal, advisory and other services which enabled the granting of an exclusive worldwide technology license to Synertec and contributed to the Company's ongoing assessment of the market opportunities both in China and other major global markets, such as Australia and North America.

Focusing on our target growth market of LNG — we continue to see a sizeable opportunity in the strategic niche of LNG Custody Transfer Systems (CTS) and related products and services. We expect planned industry spend in the hundreds of billions of dollars on new and existing facilities over the next decade will continue to create a large addressable market, which we are now well-placed to serve having delivered several highly successful LNG CTS projects across Australia's world-class LNG facilities.

In November 2020, Synertec executed a Memorandum of Understanding (MOU) with a major global independent owner of LNG carriers and floating vessels to collaborate on design and deployment of Synertec's patent-pending low pressure LNG sampling system for marine application. The project will expedite commercialisation of Synertec's patent-pending CTS, which based on modelling is shaping as a world-leading technology in marine LNG metering and sampling systems.

Work and collaboration on the design commenced immediately in November 2020 and in designing the system, the parties will leverage Synertec's experience in developing the CTS specifically to address sampling inaccuracy in low pressure LNG process line applications, which is typical in ship-to-ship LNG transfer scenarios. The project will yield an LNG sampling system fit for purpose on marinised applications.

Synertec and our partner have continued to dedicate engineering resources and provide inputs into the project design and technical information pertaining to a candidate vessel. Synertec is estimating the major scope of the design will be complete during 2H FY21.

Synertec will then, with its partner's assistance, have responsibility for the design and coordination of class approval of the LNG Sampling System with the world's major maritime standards bodies. These bodies regulate the rules and regulations and set appropriate standards for the design, construction and lifetime maintenance of ships, offshore units and land-based installations - providing all the information required for appropriate maritime product classification purposes.

Synertec's anticipates substantial revenue opportunities from this development given the strong pipeline of floating LNG vessels to be built over the next 5 years. With strong foundational relationships now in place with large global LNG and marine-related partners including Trelleborg Group and EffecTech, Synertec is building the CTS to ensure it can provide best-in-class results in all conditions, across a wide range of vessel types, while complying to all shipping class requirements. The Synertec CTS is shaping to become the world-leading technology in marine LNG Custody Transfer Systems.

To deliver the growth targeted in Synertec's strategic plan, the Company will continue working through these (and other) current technology opportunities which have diverse global applications and fit within the strategy to commercialise replicable and scalable solutions which enhance industrial clients' profitability, efficiency and safety, while reducing their environmental footprint.

3. Review of operations (continued)

Capital management

The Group's balance sheet remains strong and it has continued to diligently manage working capital and focus on maintaining liquidity through a challenging economic period.

Net assets of $3.3 million (30 June 2020; $3.9 million) includes cash of $3.4 million (30 June 2020; $3.0 million). This position was improved during the period by positive net operating cash flow of $0.4 million (31 December 2019; negative net operating cash used of $2.8 million) and positive net cash from financing activities following a fully subscribed share placement raising net proceeds of $1.3 million in July 2020.

To secure technology-led growth opportunities and maintain our strong capital structure, the share placement provided important capital funding for further investment in key growth initiatives (outlined above). This included the provision of a loan facility of up to $1.0 million to Greentech, drawn to $0.8 million as at 31 December 2020.

This activity attracted many new investors for Synertec, and its success has substantially raised the profile of the Company and stock on the Australian Securities Exchange (ASX) and other trader platforms and generated significantly more interest from investors and positively reshaped the share register.

The new shareholders attracted to the Company since the share placement represent fresh support for Synertec's strategic focus on technology-led high growth engineering-based initiatives with scalable global application in the large and growing energy market, with a focus on efficiency and environmental impact. This supports the long term strategy of the business which is designed to deliver profitable and sustainable growth under normal economic conditions. With a solid framework now established to commercialise exciting technology both in-house and through strategic partners, we expect that the investments the Company has made will deliver scalable growth in revenue and profitability in the medium-term.

On 1 July 2020, Synertec entered into a lease agreement for its new head office. The lease is for a period of five (5) years with the option to renew for a further five (5) years. The Group recognised a right-of-use asset and related lease liability of $1.5 million each in connection with the new lease in the statement of financial position in accordance with IFRS 16.

The Group continued to operate with no working capital debt or covenants from its bank.

Outlook

The theme of the Group continues to be a heavy focus on delivery of existing projects and services in a safe, timely, and efficient manner, with the aim to exceed customer expectations. The growth strategy is progressing well, with significant project and collaboration opportunities materialising both domestically and internationally. The strategic international partnerships secured over the past year have bolstered Synertec's access to;

- bid and serve large international projects more efficiently;
- scalable technology with a commercial application globally; and
- target growth markets overseas, such as China and the broader Asia Pacific region.

Although the impacts of COVID-19 have resulted in the deferral of some of our existing projects, we are beginning to see signs of them restarting over the next year, and we expect larger project awards will begin to flow in our target markets (many of which are with our existing clients) as economic conditions improve through calendar 2021 and 2022. The Group is still winning new work and is actively engaged in supporting its customers through delivery of key asset development and improvements during this challenging period. Nevertheless, the longer term impacts on the operations of the Group remain uncertain and cannot be reliably quantified at this time.

The cash position of the Company has strengthened, and this is a product of cash continuing to flow from our customers on previously agreed, favourable short-cycle terms, which should enable the Group to continue to maintain its solid working capital position.

3. Review of operations (continued)

Outlook (continued)

The business has continued to adapt and improve efficiency of delivery under remote working conditions, focusing on highly effective management of what is in our control, remaining agile and continuing to respond and deliver to our customers to our typical high standards. We believe this will provide the Company with a strong platform to grow as the impacts of COVID-19 slowly decline and markets and economies begin to respond more positively.

We believe that with;

- our strong financial position;
- a continuing program of careful resource allocation and intensive sales-driven initiatives;
- our established direction as a technology-led high growth business with scalable global IP application in the large and growing energy market focused on efficiency and environmental impact; and
- an innovative and highly regarded multi-disciplined engineering team of industry and technology experts in our chosen target markets

the Company remains on a firm and deliberate path to delivering the long term strategy and profitable and sustainable growth for its shareholders.

COVID-19 stimulus and support measures availed by the Group for the period to 31 December 2020

(1) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the JobKeeper subsidy. During the half year, the Group was entitled to $1,500 per employee per fortnight from 1 July 2020 to 30 September 2020 and $1,200 per employee per fortnight for the period 1 October 2020 to 31 December 2020.

(2) Under the Commercial Tenancies Code released and effective from 3 April 2020, Synertec received a rental abatement of 50% related to the tenancy of its former head office, consisting of a 25% waiver and 25% deferral, for the period 1 July 2020 to 30 September 2020.

(3) In response to the COVID-19 relief measures announced by the Victorian State Government, deferral of payroll tax liabilities for eligible employers was announced by the Victorian State Revenue Office in August 2020 and updated in February 2021. As a result, Synertec's payroll tax liabilities for FY21 have been deferred until FY22 (payable quarterly across the financial year). Synertec has set aside the cash for this obligation.

(4) In response to the COVID-19 relief measures announced by the Federal Government, the Australian Taxation Office has offered to Synertec the ability to defer and spread its Pay-As-You-Go (PAYG) and Business Activity Statement (BAS) payments related to the period April 2020 to September 2020 across 36 months commencing from October 2020, with no interest or penalties. Synertec has accepted this offer and has set aside the cash for this obligation.

4. Litigation

There has been no litigation in the half-year period and to the best of the Directors' knowledge there are no circumstances that would give rise to any potential litigation relating to this same period.

5. Dividends

There were no dividends paid, declared or recommended during the current or previous financial period.

6. Subsequent events

During the half year period to 31 December 2020, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour and as a result, has impacted the operations and financial results of the Company. Subsequent to balance date, a third wave of the COVID-19 pandemic has occurred within Victoria and other isolated outbreaks in other parts of Australia resulting in prompt implementation by Governments of 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. While additional costs in relation to COVID-19 have been incurred by the Company since 31 December 2020, the longer term impacts on the operations of the Group remain uncertain and cannot be reliably quantified at this time. The Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders.

7. Officers of the Company who are former audit partners of auditor

There are no officers of the Company who are former audit partners of Grant Thornton Audit Pty Ltd.

8. Auditor

Grant Thornton Audit Pty Ltd continues in office.

This report is made in accordance with a resolution of directors.

On behalf of the Directors,

Mr. Michael Carroll

Managing Director

Melbourne
25 February 2021

Synertec Corporation Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 2020	31 Dec 2019
Revenue			
Revenue	*6*	3,517,392	7,278,232
Other income		18,747	3,910
Expenses			
Materials and service expense		(593,282)	(3,933,672)
Employee benefits expense	*7*	(2,210,529)	(2,960,764)
Superannuation expense		(255,205)	(270,872)
Depreciation and amortisation expense		(198,212)	(144,915)
Occupancy expense		(41,224)	(9,822)
Business development expense		(108,624)	(247,089)
IT and telecommunication costs		(138,227)	(149,650)
Legal and professional fees		(57,304)	(60,602)
Other expenses		(475,521)	(218,828)
Directors fees		(74,000)	(103,956)
Loss on disposal of fixed assets		(16,758)	-
Corporate development costs		(151,049)	(125,657)
Results from operating activities		**(783,796)**	**(943,685)**
Finance income		659	12,151
Finance costs		(70,186)	(36,509)
Net finance costs		**(69,527)**	**(24,358)**
Loss from operations before tax		**(853,323)**	**(968,043)**
Income tax (expense) / benefit	*11*	(1,062,631)	291,255
Loss from operations after tax		**(1,915,954)**	**(676,788)**
Other comprehensive income for the half-year, net of tax		**-**	**-**
Total comprehensive loss for the half-year		**(1,915,954)**	**(676,788)**
Earnings per share			
Basic loss per share - from continuing operations	*16*	(0.68)	(0.31)
Diluted loss per share - from continuing operations	*16*	(0.68)	(0.31)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Synertec Corporation Limited

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020	30 Jun 2020
Assets			
Cash and cash equivalents	8	3,382,408	3,039,998
Trade and other receivables	9	434,849	670,178
Other assets	10	1,611,346	484,392
Contract assets		1,096,803	1,386,911
Total current assets		**6,525,406**	**5,581,479**
Non-current assets			
Net deferred tax assets	11	-	1,062,631
Property, plant and equipment	12	1,984,989	307,520
Total non-current assets		**1,984,989**	**1,370,151**
Total assets		**8,510,395**	**6,951,630**
Liabilities			
Trade and other payables	13	2,216,922	2,278,995
Warranty provision		18,987	18,989
Employee benefits		568,117	495,890
Lease liabilities	14	94,900	87,497
Contract liabilities		23,658	15,133
Total current liabilities		**2,922,584**	**2,896,504**
Non-current liabilities			
Lease liabilities	14	1,494,897	12,813
Trade and other payables	13	708,088	-
Employee benefits		125,675	96,247
Total non-current liabilities		**2,328,660**	**109,060**
Total liabilities		**5,251,244**	**3,005,564**
Net assets		**3,259,151**	**3,946,066**
Equity			
Issued capital	15	1,825,178	596,139
Retained earnings		1,433,973	3,349,927
		3,259,151	**3,946,066**
Total equity		**3,259,151**	**3,946,066**

The above statement of financial position should be read in conjunction with the accompanying notes

Synertec Corporation Limited

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Note	Issued capital	Retained earnings	Total
		$	$	$
Balance at 1 July 2019		641,113	4,607,415	5,248,528
Adjustment on transition to IFRS 16 - DTA on initial recognition of leases		-	2,228	2,228
Loss for the half-year		-	(676,788)	(676,788)
Total comprehensive loss		**-**	**(676,788)**	**(676,788)**
Balance at 31 December 2019		**641,113**	**3,932,855**	**4,573,968**
Balance at 1 July 2020		596,139	3,349,927	3,946,066
Issue of shares	*15*	1,396,215	-	1,396,215
Capital raising costs	*15*	(103,493)	-	(103,493)
Unmarketed parcel offset	*15*	(63,683)	-	(63,683)
Loss for the half-year		-	(1,915,954)	(1,915,954)
Total comprehensive loss		**-**	**(1,915,954)**	**(1,915,954)**
Balance at 31 December 2020		**1,825,178**	**1,433,973**	**3,259,151**

The above statement of changes in equity should be read in conjunction with the accompanying notes

Synertec Corporation Limited

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Note	31 Dec 2020	31 Dec 2019
Cash flows from operating activities			
Cash receipts from customers		4,392,303	6,845,712
Cash paid to suppliers and employees		(3,944,244)	(9,620,200)
Cash generated from/(used in) operations		448,060	(2,774,487)
Interest received		-	12,152
Net cash from/(used in) operating activities	*8A(i)*	**448,060**	**(2,762,335)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		18,182	-
Payments for corporate development activities		(96,555)	(67,475)
Loan to Greentech	*10*	(800,000)	-
Costs associated with loan provided to Greentech		(33,519)	-
Payment for property, plant and equipment		(387,586)	(14,279)
Net cash used in investing activities		**(1,299,478)**	**(81,753)**
Cash flows used in financing activities			
Repayment of finance lease liabilities		(81,321)	(92,436)
Payments for capital raising costs		(14,917)	-
Proceeds from issue of shares		1,290,066	-
Interest paid		-	(6,999)
Net cash from/(used in) financing activities		**1,193,828**	**(99,435)**
Net increase/(decrease) in cash and cash equivalents		**342,409**	**(2,943,524)**
Cash and cash equivalents at beginning of the half-year		3,039,999	4,336,501
Cash and cash equivalents at end of the half-year		**3,382,408**	**1,392,977**

The above statement of cash flows should be read in conjunction with the accompanying notes

1. General information

The financial statements cover Synertec Corporation Limited as a consolidated entity consisting of Synertec Corporation Limited (referred as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020 (together referred to as the 'Group').

Synertec Corporation Limited is the Group's Ultimate Parent Company. It is a public company (limited by shares) incorporated in Bermuda, and listed on the Australian Securities Exchange (ASX:SOP).

Its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Its registered office in Australia is Ground Floor, 2-6 Railway Parade, Victoria 3124, Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021.

2. Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2020. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' (IAS 34). They do not include all of the information required in annual financial statements in accordance with IFRSs. Accordingly, these financial statements are to be read in conjunction with the annual reports of Synertec Corporation Limited for the year ended 30 June 2020 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules.

The consolidated general purpose financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC Interpretations, and other authoritative pronouncements of the International Accounting Standards Board (IASB). These financial statements have been prepared on an accrual basis and are based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets. These financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

3. Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2020, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2020 are the relevant policies for the purposes of comparatives.

4. Significant accounting policies

Financial instruments

The Group does not hold derivative financial assets. Where required the Group classifies non-derivative financial assets into the following categories:
a) financial assets at fair value through profit or loss; and
b) loans and receivables.
The Group classifies non-derivative financial liabilities into the other financial liabilities category.

4. Significant accounting policies (continued)

Financial instruments (continued)

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets - measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Share capital

Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security.

4. Significant accounting policies (continued)

Impairment (continued)

(ii) Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Revenue and other income

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Engineering Services

The Group provides engineering services relating to the design and engineering of customised Process, Chemical, Mechanical Design, Automation, Safety, Electrical and Software Engineering solutions. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced monthly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as Contract assets as only the passage of time is required before payment of these amounts will be due.

Fixed Price Solutions

The Group enters into contracts for the design, engineering and construction or construction management of customised engineering solutions in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes a warranty period, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual costs (hours and purchases) spent to date with the total estimated costs required to design, engineer, and construct each solution. The percentage complete basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total number of costs required to complete the Project, arising from its significant historical experience constructing similar solutions.

4. Significant accounting policies (continued)

Revenue and other income (continued)

Transfer of Goods

Revenue from the sale of custom products engineered by the Group for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods transferred are due after receipt of the invoice by the customer.

For sales of engineered products that are not subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

Advanced Receipt

When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position as contract liabilities.

Warranty Period

The Group sometimes provides warranty on its engineering solutions. Under the terms of this warranty customers can request rectification or replacement works if the solution provided by the Group fails to perform in accordance with the agreed contract and specifications. These warranties are accounted for under IFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Leased assets

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

1. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
2. the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
3. The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

4. Significant accounting policies (continued)

Leased assets (continued)

Measurement and recognition of leases as a lessee (continued)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in lease liabilities.

Going concern

In preparing the financial statements, the Directors have made an assessment of the ability of the Group to continue as a going concern. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure and the likelihood of being able to raise funds in future, should the need arise. The Directors have concluded there are reasonable grounds to believe the Company is a going concern and will be able to continue pay its debts as and when they become due and payable.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts 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 prospectively.

Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 6 – Revenue.

Judgement is required to determine whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in the future periods in order to recognise and utilise those deferred tax assets. Judgement is also required in respect of the expected manner of recovery of the value of an asset or liability (which will then impact the quantum of the deferred tax assets or deferred tax liabilities recognised) and the application of existing laws.

Estimates of future taxable income are based on forecast cash flows from operations and existing tax laws in each jurisdiction. These assessments require the use of estimates and assumptions such as exchange rates, commodity prices and operating performance over the life of the assets. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets reported at the reporting date could be impacted.

Additionally, future changes in tax laws in which the Group operates could limit the ability of the Group to obtain tax deductions and recover/utilise deferred tax assets in future periods.

While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset. Accordingly, the deferred tax asset of $1,062,631 carried forward from 30 June 2020 has been reviewed considering the current and potential pandemic and economic environment (including the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates) and written down to nil as at 31 December 2020.

4. Significant accounting policies (continued)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the half year ended 31 December 2020 are included:

Contract assets - recognition of project revenue

Recognising project revenue requires judgement in determining milestones, actual work performed and/or the estimated costs to complete the work.

Property, Plant and Equipment - useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of assets. Uncertainties in these estimates relate to potential obsolescence that may change the utility of certain equipment.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

5. Operating segments

The Group has a single reportable segment in which it operates, being engineering services, and this is based on information that is internally provided to the Chief Operating Decision Makers ('CODM') for assessing performance and making operating decisions. Therefore, no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. The operating entity is based in Australia.

The demand for engineering products and solutions services is not subject to seasonal fluctuations.

6. Revenue

	31 Dec 2020	31 Dec 2019
Revenue streams		
Fixed price solutions	1,329,865	5,541,747
Engineering services	2,184,572	1,736,485
Transfer of goods	2,955	-
	3,517,392	**7,278,232**

7. Employee benefits expense

In response to the COVID-19 relief measures announced by the Australian Federal Government in April 2020, the Group received the JobKeeper subsidy. During the half year, the Group was entitled to $1,500 per employee per fortnight from July to September and $1,200 per employee per fortnight for the period October to December 2020. Below is a reconciliation of the employee benefits expense recognised in the statement of profit or loss and other comprehensive income which includes the JobKeeper subsidy.

Recognised in profit or loss		
Gross employee benefits expense	2,947,029	2,960,764
JobKeeper benefit	(736,500)	-
Employee benefits expense in the statement of profit or loss and other comprehensive income	**2,210,529**	**2,960,764**

8. Cash and cash equivalents

	31 Dec 2020	30 Jun 2020
Bank balances	3,381,077	3,038,651
Cash on hand	1,331	1,347
Cash and cash equivalents	**3,382,408**	**3,039,998**

8A. Cash flow information

(i) Reconciliation of cash flows from operating activities

Cash flows from operating activities		31 Dec 2020	31 Dec 2019
Loss for the half-year		(1,915,954)	(676,788)
Adjustments:			
Depreciation and amortisation	*11*	198,212	144,915
Net interest costs		69,527	24,358
Impairment of receivables		-	6,336
Loss on disposal of fixed assets		16,758	-
Tax expense/(benefit)		1,062,631	(291,255)
		(568,826)	(792,434)
Decrease/(increase) in contract assets		565,363	(289,117)
Increase in other assets		(1,558,186)	(12,275)
Decrease/(increase) in trade and other receivables		1,838,447	(655,776)
(Decrease)/increase in trade and other payables		148,393	(651,885)
(Decrease)/increase in employee benefits		115,527	(32,400)
Decrease in finance liabilities		(82,388)	(92,436)
Decrease in contract liabilities		(31,254)	(290,565)
Cash generated from/(used in) operating activities		427,076	(2,816,888)
Interest paid net of interest received		18,752	19,150
Realised foreign currency gains		2,232	35,403
Net cash from/(used in) operating activities		**448,060**	**(2,762,335)**

9. Trade and other receivables

	31 Dec 2020	30 Jun 2020
Trade receivables	289,233	509,178
Other receivables	145,616	161,000
	434,849	**670,178**

10. Other assets

	31 Dec 2020	30 Jun 2020
Prepayments and other debtors	727,967	428,485
Loan receivable[(a)]	818,747	-
Deposits	25,275	43,645
Stock on hand	12,262	12,262
Other assets	27,095	-
	1,611,346	**484,392**

Note: (a)
On 26 June 2020, the Group formalised a collaboration in a Memorandum of Understanding with Chinese company, Sichuan GreenTech Environmental Co. Ltd ("Greentech"), which will see the parties work together to commercialise Greentech's environmentally focused and globally scalable hydrocarbons and waste water treatment technology. Greentech is piloting innovative, environmentally friendly chemical technologies that provide the potential of a cost-effective solution for the treatment and recycling of hydrocarbon drilling mud, applicable to both oil and gas operations as well as municipal waste water from sewage.

Working closely with two major Chinese State Owned Enterprises (SOEs) responsible for oil and gas production in China, Greentech is completing pilot programs which will evaluate the technology with regard to cost competitiveness and environmental benefits. Preliminary evaluation trials and most of the pilot program testing has already been conducted returning encouraging results.

In July 2020, the Company provided Greentech with a loan facility of AUD $1.0 million to complete the pilot programs with the two major SOEs. The loan facility is to be repaid with interest by 31 May 2021, is fully secured and subject to customary terms and conditions. As at 31 December 2020, Greentech had drawn down $0.8 million of the facility.

11. Net deferred tax assets

Movement in deferred tax assets

	31 Dec 2020	30 Jun 2020
Opening balance	1,062,631	1,062,631
Debited to profit and loss	(1,062,631)	-
Closing balance	**-**	**1,062,631**

Deferred tax assets not brought to account at reporting date

Temporary differences	332,927	-
Unused carry forward tax losses	1,000,716	-
	1,333,643	**-**

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date.

11. Net deferred tax assets (continued)

During the half year period to 31 December 2020, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour and as a result, has impacted the operations and financial results of the Company. Subsequent to balance date of 31 December 2020, a third wave of the COVID-19 pandemic has occurred within Victoria and other isolated outbreaks have occurred in other parts of Australia, resulting in prompt implementation by Australian Governments of 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. Since the current global COVID-19 pandemic and the resulting short, medium and long term social and economic impacts on global economies and their recovery remains highly uncertain, the impact on future operations and financial results of the Company also remains uncertain and cannot be quantified reliably at this time.

While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset. Accordingly, the deferred tax asset of $1,062,631 carried forward from 30 June 2020 has been reviewed considering the current and potential pandemic and economic environment (including the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates) and written down to nil as at 31 December 2020, with the write down being recognised as a reduction of $1,062,631 in the deferred tax asset balance in the statement of financial position and a corresponding income tax expense recognised in the consolidated statement of profit and loss and other comprehensive income for the period ended 31 December 2020.

The deferred tax asset is not subject to any expiry date or limited to a certain type of taxable income and remain available to be deducted from any future taxable profits of the Company. This includes unused carry forward tax losses not brought to account as at 31 December 2020 amounting to $1,000,716. At the current Australian corporate income tax rate applicable to the Company of 27.5%, this equates to approximately $3.6 million in taxable profits that potentially could be earned by the Company before an income tax expense is incurred, subject to applicable laws and regulations.

12. Property, plant and equipment

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	TOTAL
Cost					
Balance at 1 Jul 2019	559,000	156,081	21,157	201,096	937,334
Adjustment on transition to IFRS16	-	16,975	263,541	-	280,516
Lease modifications	-	-	(2,609)	-	(2,609)
Additions	41,949	-	5,250	-	47,199
Disposals	-	-	-	-	-
Balance at 30 Jun 2020	**600,950**	**173,056**	**287,339**	**201,096**	**1,262,439**
Balance at 1 Jul 2020	600,950	173,056	287,339	201,096	1,262,439
IFRS16 Lease additions	-	-	1,525,305	-	1,525,305
Additons	83,554	4,525	299,507	-	387,586
Disposals	(312,827)	(130,566)	(21,157)	(38,000)	(502,550)
Balance at 31 Dec 2020	**371,677**	**47,016**	**2,090,994**	**163,096**	**2,672,780**
Accumulated depreciation					
Balance at 1 July 2019	456,743	108,923	19,534	89,785	674,985
Disposals	-	-	-	-	-
Depreciation/amortisation expense	64,473	15,821	175,312	24,327	279,934
Balance at 30 Jun 2020	**521,216**	**124,744**	**194,846**	**114,113**	**954,918**
Balance at 1 Jul 2020	521,216	124,744	194,846	114,113	954,918
Disposals	(311,061)	(103,736)	(19,924)	(30,616)	(465,337)
Depreciation/amortisation expense	27,740	5,028	157,047	8,397	198,212
Balance at 31 Dec 2020	**237,894**	**26,037**	**331,969**	**91,894**	**687,793**
Carrying amounts					
at 1 Jul 2019	**102,257**	**47,159**	**1,623**	**111,310**	**262,349**
at 30 Jun 2020	**79,733**	**48,312**	**92,493**	**86,983**	**307,520**
at 1 Jul 2020	**79,733**	**48,312**	**92,493**	**86,983**	**307,520**
at 31 Dec 2020	**133,782**	**20,979**	**1,759,025**	**71,202**	**1,984,989**

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	31 Dec 2020	30 Jun 2020
Furniture and equipment	10,333	16,975
Leasehold improvements	1,467,921	266,182
Total right-of-use assets	**1,478,253**	**283,157**

The amount of depreciation that has been recognised on the right-of-use assets at 31 December 2020 is $148,846 (31 December 2019: $96,101).

13. Trade and other payables

	31 Dec 2020	30 Jun 2020
Current		
Trade payables	1,529,556	1,272,544
Other payables	465,800	647,939
Fixed price project accruals	221,566	358,512
Current	**2,216,922**	**2,278,995**
Non-Current		
Other payables	708,088	-
	708,088	**-**

14. Leasing

Lease liabilities are presented in the statement of financial position as follows:

	31 Dec 2020	30 Jun 2020
Lease liabilities (current)	94,900	87,497
Lease liabilities (non-current)	1,494,897	12,813
	1,589,797	**100,310**

The Group has leases for offices, a warehouse and a photocopier. The lease liabilities are secured by the related underlying assets.

On 1 July 2020, the Group entered into a lease for a new head office in Camberwell, Victoria. The Group received attractive lease incentives from the lessor which have been applied across the first 5-year term of the lease. The Group has the option to renew the lease for a further 5-year term.

With the Commercial Tenancies Code released and effective from 3 April 2020, Synertec received rental abatement for its Richmond Office, constituting of 25% waiver and 25% deferral, for the July to September 2020 rents. All outgoings per the lease agreement remained payable by the due date. All other terms and conditions remained per the existing lease, which expired in December 2020.

Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payment due						
	Within one year	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**After five years**	**Total**
Lease payments	188,034	197,223	230,871	236,091	226,222	1,028,241	2,106,681
Finance charges	(92,284)	(86,870)	(78,625)	(69,124)	(58,843)	(131,138)	(516,884)
Net present values	**95,750**	**110,353**	**152,246**	**166,967**	**167,379**	**897,102**	**1,589,797**

Out of the total finance costs of $70,186, an amount of $47,774 is attributable to the lease liabilities during the half year ending 31 December 2020.

15. Issued capital

	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $	30 Jun 2020 $
Ordinary shares - fully paid	280,888,337	220,701,277	1,992,354	641,113
Capital raising costs	-	-	(103,493)	(55,480)
Deferred tax on capital raising costs booked through equity	-	-	-	10,506
Unmarketed parcel offset	-	-	(63,683)	-
	280,888,337	**220,701,277**	**1,825,178**	**596,139**

On 9 July 2020, the Group issued 55,175,346 fully paid ordinary shares ("Shares") at an issue price of $0.023 per share to various professional and sophisticated investors in a share placement ("Placement").

On 12 August 2020, the Group issued 396,846 fully ordinary shares upon conversion of listed options (ASX: SOPOA) at an issue price of $0.053 per share. The securities are part of a class of securities which were quoted on the Australian Securities Exchange (ASX: SOPOA). The balance (15,779,012) of the listed options expired on 7 August 2020.

In December 2020, following the Annual General Meeting held on 25 November 2020, the Group issued:

- 2,690,521 fully paid ordinary shares at an issue price of $0.023 per share to TayCol Nominees Pty Ltd and 620,000 fully paid ordinary shares at an issue price of $0.023 per share to Indian Ocean Corporate Pty Ltd in lieu of cash payable for services provided by the parties in relation to the Placement.

- 1,304,347 fully paid ordinary shares at an issue price of $0.023 per share to TayCol Nominees Pty Ltd in lieu of cash payable in relation to a monthly retainer fee.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

16. Earnings per share

In accordance with IAS 33 'Earnings Per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account for the half-year ended 31 December 2020.

Earnings per share from continuing operations	**31 Dec 2020**	**31 Dec 2019**
Loss after tax	(1,915,954)	(676,788)
Weighted average number of ordinary shares used in calculating basic earnings per share	279,784,564	220,701,277
Basic loss per share (cents per share)	(0.68)	(0.31)
Diluted loss per share (cents per share)	(0.68)	(0.31)

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

17. Contingent liabilities

The consolidated entity does not have any contingent liabilities at reporting date.

18. Subsequent events

During the half year period to 31 December 2020, the global Coronavirus (COVID-19) pandemic and the associated community restrictions imposed by Governments has continued to significantly influence market behaviour and as a result, has impacted the operations and financial results of the Company. Subsequent to balance date, a third wave of the COVID-19 pandemic has occurred within Victoria and other isolated outbreaks in other parts of Australia resulting in prompt implementation by Governments of 'Stage 4' public lockdown restrictions or the like across most of these jurisdictions for varying periods of time, as determined by Government. While additional costs in relation to COVID-19 have been incurred by the Company since 31 December 2020, the longer term impacts on the operations of the Group remain uncertain and cannot be reliably quantified at this time. The Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders.

In the Directors' opinion:

1. The attached financial statements and notes comply with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting'; as appropriate for for-profit oriented entities;

2. The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Mr. Michael Carroll
Managing Director

25 February 2021

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Independent Auditor's Review Report

To the Members of Synertec Corporation Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Synertec Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Synertec Corporation Limited does not give a true and fair view of the financial position of the Group as at 31 December 2020 and of its performance for the half-year ended on that date in accordance with IAS 34 *Interim Financial Reporting.*

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with International Accounting Standards and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report does not give a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and comply with International Accounting Standard IAS 34 *Interim Financial Reporting*. As the auditor of Synertec Corporation Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 25 February 2021