



SYNERTEC

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 2018**

Current Reporting Period: Half Year Ended 31 December 2018
Previous Corresponding Period: Half Year Ended 31 December 2017

Synertec Corporation Limited
Appendix 4D Statement
Half-Year Ended 31 December 2018

1. Company details

Name of entity:	Synertec Corporation Limited
ARBN:	161 803 032
Reporting period:	For the half-year ended 31 December 2018
Previous period (prior comparative period (pcp)):	For the half-year ended 31 December 2017* (<i>Refer Comments in Section 2 below</i>)

2. Results for announcement to the market

	HY 31 Dec 2018 \$	HY 31 Dec 2017* \$	Up/Down	Change \$	Change %
Revenues from ordinary activities	12,805,389	4,684,276	Up	8,121,113	173%
Profit/(Loss) from ordinary activities after tax attributable to the owners of Synertec Corporation Limited	79,407	(128,631)	Up	208,038	162%
Profit/(Loss) for the period attributable to the owners of Synertec Corporation Limited	79,407	(8,178,256)	Up	8,257,663	101%

***Comments – Control gained over entities, basis of preparation and comparative information**

During the half-year ended 31 December 2017, on 8 August 2017, Synertec Corporation Limited completed the acquisition of Synertec Pty Ltd. As a result of the acquisition, the former shareholders of Synertec Pty Ltd effectively obtained control of the combined entity. Accordingly, under the principles of the International Financial Reporting Standard IFRS 3 'Business Combinations', Synertec Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a reverse acquisition by which Synertec Pty Ltd acquired the net assets and listing status of Synertec Corporation Limited.

Accordingly, the consolidated financial statements of Synertec Corporation Limited for the half-year ended 31 December 2017 were accounted for as a continuation of the consolidated financial statements of Synertec Pty Ltd. As the deemed acquirer, Synertec Pty Ltd accounted for the acquisition of Synertec Corporation Limited from 8 August 2017.

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 2018		

Synertec Corporation Limited
Appendix 4D Statement
Half-Year Ended 31 December 2018

Comments – Review of operations

<i>In Australian dollars</i>		
	31 Dec 2018	31 Dec 2017
Profit / (Loss) before tax, corporate transaction costs & implementation of new accounting standards	282,413	(24,921)
Corporate transaction costs	-	(47,414)
Implementation of new accounting standards	(167,214)	-
Income tax expense	(35,792)	(56,296)
Profit / (Loss) from operations after tax	79,407	(128,631)
Listing expense	-	(4,722,112)
Profit / (Loss) for the period from continuing operations after tax	79,407	(4,850,743)
Loss from discontinued operations	-	(3,327,513)
Total comprehensive income / loss for the half-year	79,407	(8,178,256)

Continuing operations

The result from operations before tax and one-off listing expense, corporate transaction costs and the implementation of new accounting standards for the half year period ended 31 December 2018 was a profit of \$282,413 (31 December 2017: loss of \$24,921).

The net profit after tax of the Group from its continuing operations (before listing expense) for the period was \$79,407 (31 December 2017: net loss of \$128,631).

The revenue of the Group for the half-year period ending 31 December 2018 was \$12,805,389 (31 December 2017: \$4,684,276), which constitutes revenue produced from both ongoing and new projects commencing during the period. This is an increase on the prior comparative period of \$8,121,113 (173%). This performance includes an increase of \$6,056,995 (90%) from 2H FY18 to 1H FY19. The substantial growth in revenue was anticipated following the award and commencement timing of several large, strategically important projects which were publicly announced to the Australian Securities Exchange (ASX) during 2017 and 2018.

<i>In Australian dollars</i> Revenue (‘000’s)	6 months to 31 December 2018 (1H FY19)	Revenue growth 2H FY18 to 1H FY19		6 months to 30 June 2018 (2H FY18)	Revenue growth 1H FY18 to 2H FY18		6 months to 31 December 2017 (1H FY18)
Fixed Price Solutions	9,482	4,750	100%	4,732	2,564	118%	2,168
Engineering Services	3,065	1,604	110%	1,461	(584)	(29%)	2,045
Transfer of Goods	258	(297)	(54%)	555	84	18%	471
Total Revenue	12,805	6,057	90%	6,748	2,064	44%	4,684

The Group has also continued to work extensively with long-time clients in the pharmaceutical, water, nuclear and oil and gas industries. As a result, the business has further developed expertise in its traditional specialist areas, while also building substantial knowhow and experience in new fields such as rail infrastructure and complex and critical human safety control systems, which have application both domestically and globally.

Synertec Corporation Limited
Appendix 4D Statement
Half-Year Ended 31 December 2018

Continuing operations (continued)

Profit margins were in line with expectations given the mix of projects, services and products delivered during the period. The company has continued to control overheads and structure the business pragmatically for delivery of work in hand while considering the pipeline of opportunities and successful execution of its growth strategy.

For further commentary on the financial performance for the period, refer to the *Review of Operations* in the Directors' Report attached to the Interim Financial Report for the half-year ended 31 December 2018, which follows this Statement.

Discontinued operations

There was no profit or loss from discontinued operations for the period (31 December 2017: loss of \$3,327,513).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.03	0.03

4. Control gained over entities

There was no control/further control gained over any entities during the period. Refer Comments in Section 2 of this Statement.

5. Loss of control over entities

There was no control/further control lost over any entities during the period. Refer Comments in Section 2 of this Statement.

6. Details of associates and joint venture entities

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
Not applicable.				
There are no associates or joint venture entities.	-	-	-	-

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.

8. Attachments

Details of attachments (if any):

The Interim Financial Report of Synertec Corporation Limited for the half-year ended 31 December 2018 is attached.

9. Signed



Mr. Michael Carroll

Managing Director

Melbourne

Dated: 22 February 2019



SYNERTEC

Synertec Corporation Limited

ARBN 161 803 032

Interim Financial Report

**For the Half-Year Ended
31 December 2018**

Synertec Corporation Limited
Table of Contents
For the period ended 31 December 2018

Directors' Report	4
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	23
Independent Auditor's Review Report	24

Corporate Directory

Directors

Ms. Leeanne Bond (Chairperson)
Mr. Michael Carroll (Managing Director)
Mr. Kiat Poh (Non-executive Director)
Mr. Kim Chuan Freddie Heng (Non-executive Director)

Corporate Secretary

Mr. David Harris
Level 1, 57 Stewart Street
Richmond, VIC 3121

Principal registered office in Bermuda

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Registered agent office in Australia

Synertec Pty Ltd
Level 1, 57 Stewart Street
Richmond, VIC 3121
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 VIC 3008

Stock exchange listing

Synertec Corporation Limited shares and options are
listed on the Australian Securities Exchange (ASX)
ASX Code: SOP (fully paid ordinary shares)
 SOPOA (options)

Website address

www.synertec.com.au

Synertec Corporation Limited
Directors' Report
31 December 2018

The Directors present their report together with the financial statements of the consolidated entity for the half-year ended 31 December 2018.

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. Kim Chuan Freddie Heng

2. Significant changes in the state of affairs

No significant changes noted in the half year ended 31 December 2018.

In the half year ended 31 December 2017, Synertec Corporation Limited completed the acquisition of Synertec Pty Ltd on 8 August 2017. As a result of the acquisition, the former shareholders of Synertec Pty Ltd effectively obtained control of the combined entity. Accordingly, under the principles of the International Financial Reporting Standard (IFRS) IFRS 3 'Business Combinations', Synertec Pty Ltd was deemed to be the accounting acquirer in this transaction.

The acquisition was accounted for as a reverse acquisition by which Synertec Pty Ltd acquired the net assets and listing status of Synertec Corporation Limited. For accounting purposes, the acquisition was treated as a share-based payment using the reverse acquisition principles of the business combination accounting standard. Accordingly, the consolidated financial statements of Synertec Corporation Limited were prepared as a continuation of the consolidated financial statements of Synertec Pty Ltd.

3. Review of operations

Results from operations

The revenue of the Group for the half-year period ending 31 December 2018 was \$12,805,389 (31 December 2017: \$4,684,276), which constitutes revenue produced from both ongoing and new projects commencing during the period. This is an increase on the prior comparative period of \$8,121,113 (173%). This performance includes an increase of \$6,056,995 (90%) from 2H FY18 to 1H FY19.

<i>In Australian dollars</i> Revenue ('000's)	6 months to 31-Dec-18 (1H FY19)	Revenue growth 2H FY18 to 1H FY19		6 months to 30-Jun-18 (2H FY18)	Revenue growth 1H FY18 to 2H FY18		6 months to 31-Dec-17 (1H FY18)
Fixed Price Solutions	9,482	4,750	100%	4,732	2,564	118%	2,168
Engineering Services	3,065	1,604	110%	1,461	(584)	(29%)	2,045
Transfer of Goods	258	(297)	(54%)	555	84	18%	471
Total Revenue	12,805	6,057	90%	6,748	2,064	44%	4,684

Synertec Corporation Limited
Directors' Report
31 December 2018

3. Review of operations

Results from operations (continued)

The substantial growth in revenue was anticipated following the award and commencement timing of several large, strategically important projects which were publicly announced to the Australian Securities Exchange (ASX) during 2017 and 2018, including:

- Newcastle Shipping Terminal Expansion - berth pipeline relocation for Koppers Carbon Materials & Chemicals and Stolthaven Terminals Pty Ltd
- Metro Trains Melbourne - critical fire and life system upgrade of the Melbourne Underground Rail Loop (MURL)
- Design and build of a large pharmaceutical facility in regional Victoria for a global "household" pharma brand
- Jemena's Northern Gas Pipeline - design, supply and commissioning of the process control safety system

The Group has also continued to work extensively with long-time clients in the pharmaceutical, water, nuclear and oil and gas industries. As a result, the business has further developed expertise in its traditional specialist areas, while also building substantial knowhow and experience in new fields such as rail infrastructure and complex and critical human safety control systems, which have application both domestically and globally.

Profit margins were in line with the Group's expectations given the mix of projects, services and products delivered during the period. This is evidenced by the increase in revenue from;

- Fixed Price Solutions (up 337% on the prior comparative period) to \$9,482,048 (this incorporates a large proportion of project materials procurement at substantially lower selling margins than typical engineering services); and
- Engineering Services (up 50% on the prior comparative period) to \$3,065,499.

The Group has continued to control overheads and pragmatically structure the business for delivery of work in hand, while also ensuring the Group is well positioned and its platforms can be leveraged for the pipeline of strategic opportunities currently emerging, which will continue to demonstrate the successful execution of its growth strategy.

The result from operations before tax and one-off listing expense, corporate transaction costs and the implementation of new accounting standards was a profit of \$282,413 (31 December 2017: loss of \$24,921).

<i>In Australian dollars</i>		
	31-Dec-18	31-Dec-17
Profit/(loss) before tax, corporate transaction costs & Implementation of new accounting standards	282,413	(24,921)
Corporate transaction costs	-	(47,414)
Implementation of new accounting standards	(167,214)	-
Income tax expense	(35,792)	(56,296)
Profit/(loss) from operations after tax	79,407	(128,631)
Listing expense	-	(4,722,112)
Profit/(loss) for the period from continuing operations	79,407	(4,850,743)
Loss from discontinued operations	-	(3,327,513)
Total comprehensive income/(loss) for the half-year	79,407	(8,178,256)

3. Review of operations

Results from operations (continued)

Several new accounting standards became effective for the Group during the period, most notably the implementation of IFRS 15 *Revenue from Contracts with Customers*, which replaced IFRS 118 *Revenue*, IFRS 111 *Construction Contracts* and several revenue-related accounting Interpretations.

The impact on the result for the period which would otherwise have been reported, from implementation of IFRS 15, was a decrease in revenue of \$262,974 (2%) and decrease in profit of \$167,214 (59%). There was no impact on the Group's cash flows.

The net profit after tax of the Group from its continuing operations (before listing expense) for the period was \$79,407 (31 December 2017: net loss after tax of \$128,631).

For further commentary and explanation regarding the listing expense and loss from discontinued operations in the prior comparative period, refer to the Interim Financial Report for the half year ended 31 December 2017 and/or the Financial Report for the year ended 30 June 2018.

Capital management

The Group has continued to carefully manage its working capital and structure its commercial arrangements to ensure the cash position remains strong, with positive net cash generated from operations for the period of \$1,247,004 (31 December 2017: \$823,857), resulting in total cash as at 31 December 2018 of \$6,200,897 (30 June 2018: \$5,024,224).

Total cash includes \$4,700,897 of cash and cash equivalents (30 June 2018: 3,509,672) and \$1,500,000 (30 June 2018: \$1,500,000) on term deposit as security for the Group's bank guarantee facility, of which \$1,127,276 was utilised (30 June 2018: \$1,137,043).

The Group continues to operate with no debt or intangible assets on the balance sheet.

Outlook

The theme of the Group for FY19 continues to be a heavy focus on delivery of existing projects in a timely, safe and efficient manner, with the aim to exceed client expectations. The growth strategy is progressing well, with significant project and collaboration opportunities materialising both domestically and internationally.

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

No matter or circumstance has arisen since 31 December 2018 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

Synertec Corporation Limited
Directors' Report
31 December 2018

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.

A handwritten signature in black ink, appearing to read 'M. Carroll', is positioned above the printed name of the Managing Director.

On behalf of the Directors,
Mr. Michael Carroll
Managing Director
Melbourne
22 February 2019

Synertec Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2018

In Australian dollars

	Note	31 Dec 2018	31 Dec 2017
Continuing operations			
Revenue			
Revenue	5	12,805,389	4,684,276
Other income		-	3,872
Expenses			
Materials and service expense		(7,905,982)	(1,381,556)
Employee benefits expense		(3,711,513)	(2,566,317)
Superannuation expense		(298,323)	(207,004)
Depreciation and amortisation expense		(56,858)	(41,721)
Occupancy expense		(118,554)	(115,986)
Telecommunication costs		(87,278)	(61,358)
Legal and professional fees		(47,006)	(181,328)
Other expenses		(516,146)	(194,960)
Corporate transaction costs		-	(47,414)
Results from operating activities		63,729	(109,496)
Finance income		17,951	53,794
Finance costs		(23,445)	(13,170)
Foreign currency gains and losses		56,964	(3,463)
Net finance income		51,470	37,161
Profit/(loss) from operations before tax		115,199	(72,335)
Income tax expense		(35,792)	(56,296)
Profit/(loss) from operations after tax		79,407	(128,631)
Listing expense		-	(4,722,112)
(Profit)/loss after tax for the period from continuing operations		79,407	(4,850,743)
Discontinuing operations			
Loss from discontinued operations		-	(3,327,513)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income /(loss) for the half-year		79,407	(8,178,256)
Earnings per share			
Basic earnings/(loss) per share - from continuing operations	11	0.04	(2.53)
Diluted earnings/(loss) per share - from continuing operations	11	0.04	(2.53)

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 2018

In Australian dollars

	Note	31 Dec 2018	30 Jun 2018
Assets			
Cash and cash equivalents		4,700,897	3,509,672
Trade and other receivables	6	5,665,017	3,515,042
Other assets	7	214,248	162,553
Work in progress		2,618,002	1,949,536
Current tax asset		112,591	98,403
Total current assets		13,310,755	9,235,206
Non-current assets			
Net deferred tax assets		399,816	435,609
Other assets	7	1,500,000	1,514,552
Property, plant and equipment	8	421,476	409,071
Total non-current assets		2,321,292	2,359,232
Total assets		15,632,047	11,594,438
Liabilities			
Trade and other payables	9	4,348,731	2,929,479
Warranty provision		91,960	-
Employee benefits		529,170	513,993
Deferred income		5,151,393	2,742,698
Total current liabilities		10,121,254	6,186,170
Non-current liabilities			
Employee benefits		86,011	62,893
Total non-current liabilities		86,011	62,893
Total liabilities		10,207,265	6,249,063
Net assets		5,424,782	5,345,375
Equity			
Issued capital	10	641,113	641,113
Retained earnings		4,783,669	4,704,262
Total equity		5,424,782	5,345,375

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 2018

In Australian dollars

	Issued capital	Other contributed equity	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2017	950	132,904	6,648,909	6,782,763
Loss for the half-year	-	-	(8,178,256)	(8,178,256)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(8,178,256)	(8,178,256)
Issue of share capital to the Vendors for the acquisition of Synertec Pty Ltd	3,235,194	-	-	3,235,194
Shares issued pursuant to the Share Offer	750,000	-	-	750,000
Shares issued pursuant to Advisor for the acquisition	650,000	-	-	650,000
Capital raising costs	(413,531)	-	-	(413,531)
Net proceeds payable to Redemption Note holders from Sale of Mining Assets	(3,581,500)	-	-	(3,581,500)
Consolidation of reserves and equity	-	(132,904)	6,510,594	6,377,690
Balance at 31 December 2017	641,113	-	4,981,247	5,622,360
Balance at 1 July 2018	641,113	-	4,704,262	5,345,375
Profit for the half-year	-	-	79,407	79,407
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	79,407	79,407
Balance at 31 December 2018	641,113	-	4,783,669	5,424,782

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 2018

In Australian dollars

Cash flows from operating activities

Cash receipts from customers	15,766,255	7,117,380
Cash paid to suppliers and employees	(14,519,251)	(6,293,523)
Cash generated from operations	1,247,004	823,857
Interest received	17,951	73,367
Income taxes paid	(14,187)	(501,332)

Net cash from operating activities

Cash flows from investing activities

Proceeds from financial assets	14,552	260,024
Tenement rent refunded	-	118,379
Proceeds from disposal of discontinued operations	-	3,500,000
Acquisition of property, plant and equipment	(74,095)	(10,638)

Net cash (used in)/from investing activities

Cash flows from/(used in) financing activities

Loans provided to directors/related parties	-	(231,659)
Payment of finance lease liabilities	-	(17,569)

Net cash used in financing activities

Net increase in cash and cash equivalents

Cash and cash equivalent at beginning of the half-year	3,509,673	3,472,837
Cash and cash equivalents at end of the half-year	4,700,897	7,487,266

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

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

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 2018.

Synertec Corporation Limited is a listed public Company limited by shares, incorporated in Bermuda.

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

Its registered office in Australia is Level 1, 57 Stewart Street, Richmond, VIC 3121, 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 22 February 2019.

2. Basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2018. 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 2018 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.

IFRS 15 *Revenue from Contracts with Customers* became mandatorily effective for reporting periods beginning on or after 1 January 2018. Accordingly, this standard applies for the first time to the Group and this is reflected in this set of financial statements. The nature and effect of changes arising from this standard are summarised in the section below and in Note 4.

New standards adopted as at 1 July 2018

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 replaces IFRS 118 Revenue, IFRS 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied to the Group as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 July 2018.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

2. Basis of preparation (continued)

New standards adopted as at 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The adoption of IFRS 15 has mainly affected the following areas. The impact of changes to the revenue standard has been considered and quantified in Note 4.

- contracts with multiple performance obligations
- contracts with warranty periods
- contracts with payment upon completion/transfer of goods to client

Contracts with multiple performance obligations

Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, elements of design and customisation, installation and commissioning. Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- a) the customer benefits from the item either on its own or together with other readily available resources; and
- b) it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group during the period.

Contracts with warranty periods

In the case of projects which contain a warranty obligation (i.e. repair or replace products/services that develop faults within a specified period from the time of sale in accordance with the contract or a statutory requirements), the warranty shall be treated as a separate performance obligation and they are measured and recognised as separate liabilities in accordance with IFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Contracts with payment upon completion/transfer of goods

For revenue recognised at a point in time, IFRS 15 requires the entity to determine that point in time by reference to when control of the goods transfer to the customer, whereas IFRS 118 focuses on the transfer of risks and rewards of the goods. This change may cause the timing of some revenue items to change under the new Standard.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IFRS 139 Financial Instruments: Recognition and Measurement requirements. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

While this represents significant new guidance, the implementation of the new guidance did not have a material impact on trade receivables. As such, the Group has applied transitional relief, elected not to restate prior periods and have not recognised differences in opening retained earnings as at 1 July 2018.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

2. Basis of preparation (continued)

New standards adopted as at 1 July 2018 (continued)

Impairment of financial assets

For trade receivables and contract assets under IFRS 9 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

3. 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.

(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.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

3. Significant accounting policies (continued)

Financial instruments (continued)

(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.

(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 when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured.

The Group is involved in providing consulting engineering services on hourly rate, and also fixed rate projects where billing is made on pre-determined project milestones. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The Group recognises revenue from fixed price projects in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed. The revenue that is accrued but not yet invoiced is included as work in progress.

Contract revenue includes the initial amount agreed in the contract plus any variations, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

3. Significant accounting policies (continued)

Revenue and other income (continued)

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

Advance receipts

Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue in the statement of financial position.

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.

4. 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 2018, 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 2018 are the relevant policies for the purposes of comparatives.

IFRS 15 *Revenue from Contracts with Customers* became effective for reporting periods beginning on or after 1 January 2018. Accordingly, the Group applied IFRS 15 for the first time to the interim reporting period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

Revenue and other income

The Group's revenue arises from contracts for the design, engineering and/or construction of engineering solutions.

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

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

The Group is often engaged by customers to provide engineering solutions – known as "Projects". In all Projects, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative value.

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

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

4. Changes in significant accounting policies (continued)

Revenue and other income (continued)

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

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.

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 Work In Progress (asset) 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 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.

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 Deferred Income.

Warranty Period

The Group 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*.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

4. Changes in significant accounting policies (continued)

Revenue and other income (continued)

The tables below highlight the impact of IFRS 15 on the Group's statement of profit or loss and other comprehensive income and the statement of financial position for the interim period ending 31 December 2018. The adoption of IFRS 15 should not have an impact on the Group's cash flows.

Statement of Profit or Loss and Other Comprehensive Income (Extract)

	Amounts under IFRS 118 & 111	Adoption of IFRS 15	Amounts under IFRS 15
<i>In Australian dollars</i>			
Revenue	13,068,363	(262,974)	12,805,389
Costs of sales	11,795,671	95,760	11,891,431
Profit for the period before tax	282,413	(167,214)	115,199
Total comprehensive income for the period	246,621	(167,214)	79,407

Statement of Financial Position (Extract)

	Amounts under IFRS 118 & 111	Adoption of IFRS 15	Amounts under IFRS 15
Current Assets			
Work in progress	2,551,282	66,720	2,618,002
Total Assets	15,565,327	66,720	15,632,047
Current Liabilities			
Warranty provision	-	91,960	91,960
Total Liabilities	10,115,305	91,960	10,207,265
Equity			
Retained earnings	4,950,883	(167,214)	4,783,669

Impact of IFRS 15 on opening balance

There was no material impact on initial application of IFRS 15 as at 1 July 2018 and for the comparative period ended 31 December 2017 due to the nature, terms and timing of projects in progress at that time.

Financial instruments

Reconciliation of financial instruments on adoption of IFRS 9 - 1 July 2018

	Measurement category		Carrying Amount		
	Original IFRS 139 Classification	New IFRS 9 Classification	Closing balance 30 June 2018 (IFRS 139)	Adoption of IFRS 9	Opening balance 1 July 2018 (IFRS 9)
Financial Assets					
Trade and other receivables	Loans and receivables	Amortised cost	\$3,515,042	-	\$3,515,042

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

5. Revenue

In Australian dollars

Revenue streams

Fixed price solutions
Engineering services
Transfer of goods

31 Dec 2018	31 Dec 2017
9,482,048	2,168,458
3,065,499	2,044,841
257,842	470,977
12,805,389	4,684,276

6. Trade and other receivables

Current

In Australian dollars

Sundry debtors
Trade receivables
Other receivables

Current

31 Dec 2018	30 June 2018
-	586
5,653,267	3,499,917
11,750	14,539
5,665,017	3,515,042

7. Other assets

Current

In Australian dollars

Prepayments and other debtors
Deposits
Stock on hand

Current

31 Dec 2018	30 June 2018
168,923	118,455
33,063	31,836
12,262	12,262
214,248	162,553

Non-Current

In Australian dollars

ANZ term deposits

Non-current

31 Dec 2018	30 June 2018
1,500,000	1,514,552
1,500,000	1,514,552

ANZ term deposits are held as security for the bank guarantee facility with ANZ, of which \$1,127,276 was utilised (30 June 2018: \$1,137,043).

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

8. Property, plant and equipment

<i>In Australian dollars</i>	Computers	Furniture and equipment	Leashold improvements	Motor vehicles	TOTAL
Cost					
Balance at 1 July 2017	425,299	116,933	21,157	376,961	940,350
Additions	50,897	74,125	-	10,000	135,022
Disposals	-	-	-	-	-
Balance at 30 June 2018	476,197	191,058	21,157	386,961	1,075,372
Balance at 1 July 2018	476,197	191,058	21,157	386,961	1,075,372
Additions	31,706	12,390	-	30,000	74,095
Disposals	-	-	-	-	-
Balance at 31 December 2018	507,903	203,448	21,157	416,961	1,149,467
Accumulated depreciation					
Balance at 1 July 2017	359,209	85,189	18,621	108,082	571,101
Disposals	-	-	-	-	-
Depreciation expense	36,894	11,086	507	46,712	95,199
Balance at 30 June 2018	396,103	96,275	19,128	154,794	666,300
Balance at 1 July 2018	396,103	96,275	19,128	154,794	666,300
Disposals	-	-	-	-	-
Depreciation expense	23,882	8,062	205	29,542	61,690
Balance at 31 December 2018	419,985	104,337	19,333	184,336	727,990
Carrying amounts					
at 1 July 2017	66,090	31,744	2,536	268,879	369,249
at 30 June 2018	80,094	94,783	2,029	232,167	409,071
at 1 July 2018	80,094	94,783	2,029	232,167	409,071
at 31 December 2018	87,918	99,111	1,824	232,625	421,476

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

9. Trade and other payables

In Australian dollars

	31 Dec 2018	30 June 2018
Trade payables	2,720,321	1,500,397
Other payables	323,386	814,915
Accrued costs	284,414	614,167
Current	4,348,731	2,929,479

10. Issued capital

	31 Dec 2018	30 June 2018	31 Dec 2017	30 June 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	220,701,277	220,701,277	641,113	641,113
	220,701,277	220,701,277	641,113	641,113

Dividends

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

11. 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 2018.

In Australian dollars

Earnings per share from continuing operations

	31 Dec 2018	31 Dec 2017
Profit/(loss) after income tax	79,407	(4,850,743)
Weighted average number of ordinary shares used in calculating basic earnings per share	208,144,526	191,825,113
Weighted average number of ordinary shares used in calculating diluted earnings per share	208,144,526	191,825,113
Basic earnings/(loss) per share (cents per share)	0.04	(2.53)
Diluted earnings/(loss) per share (cents per share)	0.04	(2.53)

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.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2018

12. Contingent liabilities

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

13. Subsequent events

No matter or circumstance has arisen since 31 December 2018 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

Synertec Corporation Limited
Directors' declaration
31 December 2018

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 2018 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

22 February 2019

Independent Auditor's Review Report

To the Members of Synertec Corporation Limited and its Controlled Companies

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 2018, 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, nothing has come to our attention that causes us to believe that the 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 2018, and of its financial performance and its cash flows 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 is not presented fairly, including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner – Audit & Assurance

Melbourne, 22 February 2019