



**SYNERTEC**

**Synertec Corporation Limited**

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28 September 2017

The Manager  
Market Announcements Office  
Australian Securities Exchange

(ASX: SOP)

**Synertec Pty Ltd**  
**Financial Statements for year ended 30 June 2017**

The Board of Synertec Corporation Limited are pleased to present the audited financial statements for Synertec Pty Ltd (the Company) for the year ended 30 June 2017

The Company's ongoing projects & operations continued to produce profits and revenue as planned for the FY17 financial year, which allowed the Company to remain profitable despite the significant costs associated with the Share Sale Agreement (SSA) with SML Corporation Limited (now known as Synertec Corporation Limited).

The Company has met all conditions precedent under the SSA.

Yours sincerely,

**Andrew Metcalfe**  
Company Secretary  
Synertec Corporation Limited

Annual Report  
Synertec Pty Ltd  
30 June 2017  
ABN 91 114 707 050

**Synertec Pty Ltd**  
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**For the year ended 30 June 2017**

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**Synertec Pty Ltd**  
**Directors' Report**  
**For the year ended 30 June 2017**

The Directors present their report together with the financial report of Synertec Pty Ltd ("the Company") for the year ended 30 June 2017 and the auditor's report thereon.

**1. Directors**

The Directors were in office for this entire period unless otherwise stated.

Michael Carroll	(Managing Director and Company Secretary)
Gassan Abdallah (resigned on 08.08.2017)	(Director)

The Directors' interests and share options as at 30 June 2017 were as follows:

Michael Carroll	(Managing Director)	376 shares
Gassan Abdallah	(Director)	376 shares

There are a total of 950 shares on issue.

There are no share options on offer.

**2. Principal activities**

The principal activities of the Company during the course of the year ended were:

The engineering consultancy, design and construction of complex automated and highly instrumented systems including LNG online analyser systems, custody transfer systems and associated equipment and the provision, operation, commissioning and maintenance support activities to utility and LNG facilities.

There have been no significant changes in the nature of these activities during the year.

**3. Review of operations and results of those operations**

**Commentary on operating results**

The Revenue of the Company for the FY17 year period was \$14,682,303 (FY16: \$17,021,437).

The Net Profit of the Company (after tax) for the FY17 year period was \$938,895 (FY16: \$834,223).

The Company's ongoing projects & operations continued to produce profits and revenue as planned for the financial year, which allowed the Company to remain profitable despite the significant costs associated with the Share Sale Agreement (SSA) with SML Corporation Limited (SOP). As announced on 10 March 2017, the shareholders of Synertec Pty Ltd entered into a SSA with SOP for SOP to conditionally acquire 100% of the issued shares of Synertec Pty Ltd. The transaction was successfully completed on 8 August 2017. Costs associated with the transaction were \$534,340.

**4. Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

**5. Litigation**

There has been no litigation in the FY17 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.

**6. Dividends**

No dividends were declared or paid by the Company to the shareholders.

**7. Indemnification and insurance offices and auditors**

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been made an officer or auditor of the Company.

**Insurance premiums**

During the year, the Company has not paid insurance premiums in respect of liabilities of directors and officers of the Company.

**8. Subsequent events**

**Sale agreement signed with the ASX listed entity**

On 10 March 2017 the shareholders of Synertec Pty Ltd entered into a Share Sale Agreement (SSA) with SML Corporation Limited (SOP) for SOP to conditionally acquire 100% of the issued shares of Synertec Pty Ltd. The transaction was successfully completed on 8 August 2017. Following the announcement, Synertec and SOP underwent a Capital Raising through a Public Share Offer. As a condition of the SSA, Michael Carroll was appointed as a Director of SOP.

Other than the above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

**9. Environmental regulation**

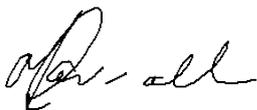
The Company's operations are not subject to significant environmental regulations under both Commonwealth and State legislation.

**10. Likely developments**

Aside from the subsequent events noted above, it is not foreseen that the Company will undertake any change in its general operations during the coming financial period.

**11. Lead auditor's independence declaration**

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the year ended 30 June 2017.



Michael Carroll  
Managing Director

Melbourne  
28 September 2017

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## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SYNERTEC PTY LTD

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 28 September 2017

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**Synertec Pty Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**

<i>In Australian dollars</i>	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Revenue</b>			
Revenue	6	14,682,303	17,021,437
Other income	7	-	1,180,786
Profit on disposal of motor vehicles		2,024	5,978
<b>Expenses</b>			
Materials and service expense		(6,548,342)	(9,367,898)
Employee benefits expense		(4,867,410)	(3,963,856)
Superannuation expense		(387,767)	(337,276)
Depreciation and amortisation expense	15	(98,720)	(71,568)
Occupancy expenses		(155,668)	(172,655)
Business development expense		(151,227)	(41,820)
Telecommunication costs		(139,871)	(117,307)
Legal and professional fees		(100,806)	(257,212)
Other expenses		(302,151)	(324,559)
Corporate transaction costs	22	(534,340)	-
<b>Results from operating activities</b>		<b>1,398,025</b>	<b>3,554,050</b>
Finance income	8	59,940	37,251
Finance costs	8	(110,075)	(76,260)
<b>Net finance income</b>		<b>(50,135)</b>	<b>(39,009)</b>
<b>Profit before tax</b>		<b>1,347,890</b>	<b>3,515,041</b>
Income tax expense	9	(408,995)	(2,680,818)
<b>Profit from operations</b>		<b>938,895</b>	<b>834,223</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>938,895</b>	<b>834,223</b>
<b>Earnings per share</b>			
Basic earnings per share - from continuing operations	21	988	878
Diluted earnings per share - from continuing operations	21	988	878

*The Notes on pages 10 to 32 are an integral part of these financial statements.*

**Synertec Pty Ltd**  
**Statement of financial position**  
**As at 30 June 2017**

*In Australian dollars*

	Note	30 June 2017	30 June 2016
<b>Assets</b>			
Cash and cash equivalents	10	2,956,694	5,028,289
Trade and other receivables	11	2,661,953	1,689,804
Other assets	12	1,443,971	756,326
Work in progress	13	967,448	2,504,559
<b>Total current assets</b>		<b>8,030,066</b>	<b>9,978,978</b>
<b>Non-current assets</b>			
Net deferred tax assets	9	330,228	157,781
Other assets	12	674,576	781,477
Property, plant and equipment	15	369,249	352,572
<b>Total non-current assets</b>		<b>1,374,053</b>	<b>1,291,830</b>
<b>Total assets</b>		<b>9,404,119</b>	<b>11,270,808</b>
<b>Liabilities</b>			
Trade and other payables	16	1,373,002	3,173,819
Current tax liability	9	402,932	1,300,386
Loans and borrowings	17	17,569	30,014
Employee benefits	14	476,360	377,185
Deferred income	18	290,413	474,021
<b>Total current liabilities</b>		<b>2,560,276</b>	<b>5,355,425</b>
<b>Non-current liabilities</b>			
Loans and borrowings	17	-	17,515
Employee benefits	14	61,080	54,000
<b>Total non-current liabilities</b>		<b>61,080</b>	<b>71,515</b>
<b>Total liabilities</b>		<b>2,621,356</b>	<b>5,426,940</b>
<b>Net assets</b>		<b>6,782,763</b>	<b>5,843,868</b>
<b>Equity</b>			
Share capital	20	950	950
Other equity contribution	20	132,904	132,904
Retained earnings		6,648,909	5,710,014
<b>Total equity attributable to equity holders of the Company</b>		<b>6,782,763</b>	<b>5,843,868</b>
<b>Total equity</b>		<b>6,782,763</b>	<b>5,843,868</b>

*The Notes on pages 10 to 32 are an integral part of these financial statements.*

**Synertec Pty Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2017**

*In Australian dollars*

	<b>Note</b>	<b>Share capital</b>	<b>Other contributed equity</b>	<b>Retained earnings</b>	<b>Total</b>
		\$	\$	\$	\$
<b>Balance at 1 Jul 2015</b>		950	132,904	4,875,791	5,009,645
Other comprehensive income		-	-	-	-
Profit for the year		-	-	834,223	834,223
<b>Total comprehensive income</b>		-	-	<b>834,223</b>	<b>834,223</b>
<b>Total transactions with owners of the Company</b>		-	-	-	-
<b>Balance at 30 June 2016</b>		<b>950</b>	<b>132,904</b>	<b>5,710,014</b>	<b>5,843,868</b>
Balance at 1 Jul 2016		950	132,904	5,710,014	5,843,868
Other comprehensive income		-	-	-	-
Profit for the year		-	-	938,895	938,895
<b>Total comprehensive income</b>		-	-	<b>938,895</b>	<b>938,895</b>
<b>Total transactions with owners of the Company</b>		-	-	-	-
<b>Balance at 30 June 2017</b>		<b>950</b>	<b>132,904</b>	<b>6,648,909</b>	<b>6,782,763</b>

*The Notes on pages 10 to 32 are an integral part of these financial statements.*

**Synertec Pty Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2017**

*In Australian dollars*

	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		16,595,836	19,515,584
Cash paid to suppliers and employees		(16,399,860)	(15,210,517)
Cash generated from operations		195,976	4,305,067
Interest paid		(60,155)	(76,260)
Interest received		47,506	5,858
Income taxes (paid)/refunded		(1,478,898)	700,994
<b>Net cash (used in)/from operating activities</b>	<b>10A(i)</b>	<b>(1,295,571)</b>	<b>4,935,659</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		25,910	14,818
Proceeds from financial assets		199,677	431,476
Allocation of funds to term deposit		(59,777)	(321,408)
Proceeds from disposal of investment		-	485,978
Acquisition of property, plant and equipment		(139,282)	(222,386)
<b>Net cash from investing activities</b>		<b>26,528</b>	<b>388,478</b>
<b>Cash flows (used in)/from financing activities</b>			
Loans provided to directors/related parties		(966,431)	(195,949)
Repayment of loan to/from related parties		193,839	(200,000)
Payment of finance lease liabilities		(29,960)	(18,274)
<b>Net cash used in financing activities</b>		<b>(802,552)</b>	<b>(414,223)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,071,595)</b>	<b>4,909,914</b>
Cash and cash equivalent at beginning of the year		5,028,289	118,375
<b>Cash and cash equivalents at end of the year</b>	<b>10</b>	<b>2,956,694</b>	<b>5,028,289</b>

*The Notes on pages 10 to 32 are an integral part of these financial statements.*

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**1. Reporting Entity**

Synertec Pty Ltd (the 'Company') is a Company domiciled in Australia. The Company's registered office is at Level 1, 57 Stewart Street Richmond VIC 3121.

The Company specialises in engineering consulting and technology for industries with high technical complexity and regulation such as pharmaceutical and oil and gas.

**2. Summary of Significant Accounting policies**

**(a) Basis of accounting**

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with the Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Synertec Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

These financial statements were approved and authorised for issue by the Directors on 28 September 2017.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis unless otherwise stated.

**(c) Functional and Presentational Currency**

These financial statements are presented in Australian dollars, which is the Company's functional currency.

**3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company'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.

**(a) 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 [4H] – Revenue and other income.

**(b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2017 are included in note [13] – Work in Progress.

### **3. Use of judgements and estimates (continued)**

#### **(b) Assumptions and estimation uncertainties (continued)**

##### *Measurement of fair values*

A number of the Company'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 Company 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.

Further information about the assumptions made in measuring fair values is included in note [26] - financial instruments.

### **4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **A. Income taxes**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates items recognised directly in equity or in other comprehensive income (OCI).

##### *(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

##### *(ii) Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

#### **4. Significant accounting policies (continued)**

##### **A. Income taxes (continued)**

###### *(ii) Deferred tax(continued)*

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Company has a right and intention to set-off current tax assets and liabilities from the same taxation authority.

##### **B. Property, plant and equipment**

###### *(i) Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

###### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

###### *(iii) Depreciation*

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment are as follows:

• motor vehicles	10 years
• furniture and equipment	16 years
• computers	3 years

In the case of leasehold improvements, expected useful lives are determined by reference to comparable owned assets or over the term of the lease if shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

##### **C. Leases**

###### *Determining whether an arrangement is a lease*

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

#### **4. Significant accounting policies (continued)**

##### **C. Leases (continued)**

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

##### *Leased assets*

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

##### *Lease payments*

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease.

##### **D. Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

##### **E. Financial instruments**

The Company does not hold derivative financial assets. The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**4. Significant accounting policies (continued)**

**E. Financial instruments (continued)**

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

The Company 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 Company 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 Company is recognised as a separate asset or liability.

The Company 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 Company 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 Company'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.

#### **4. Significant accounting policies (continued)**

##### **F. 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 Company on terms that the Company 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 Company 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 Company 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 Company 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.

###### *(iii) Non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than stock on hand and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

#### **4. Significant accounting policies (continued)**

##### **F. Impairment (continued)**

###### *(iii) Non-financial assets (continued)*

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **G. Employee benefits**

###### *(i) Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

###### *(ii) Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### *(iii) Other long-term employee benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value using corporate bond rates. Remeasurements are recognised in profit or loss in the period in which they arise.

##### **H. Revenue and other income**

The Company 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 Company 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 in note [13].

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.

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. Advances received from customers are presented as deferred income/revenue in the statement of financial position.

##### **I. Finance income and finance costs**

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

#### **4. Significant accounting policies (continued)**

##### **J. Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions (spot exchange rate).

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

##### **K. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the unwinding of the discount is recognised as finance cost.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow is remote in which case, no liability is recognised.

##### **L. New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for periods beginning 1 July 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company except for AASB 9 Financial instruments and AASB 15 Revenue from contracts with customers, which becomes mandatory for the Company's 2019 annual financial statements and AASB 16 Leases which becomes mandatory for the Company's 2020 annual financial statements. The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

#### **5. Operating Segments**

The Company 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 Company is domiciled in Australia.

Individually, revenue from three customers of the Company is greater than 10% of the Company's total revenues for the year ended 30 June 2017. Revenue from customer one amounted to \$4,565,985 (2016: \$6,181,216), customer two: \$3,003,223 (2016: \$635,624) and customer three \$2,795,806 (2016: \$1,273,605). The Company's most significant balance outstanding to a single customer, accounts for \$1,404,037 of the trade and receivables carrying amount at 30 June 2017 (30 June 2016: \$390,425). The amount was paid subsequent to year end.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**6. Revenue**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Rendering of services		2,096,134	3,646,248
Fixed price projects		12,586,169	13,375,189
		<b>14,682,303</b>	<b>17,021,437</b>

**7. Other income**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Government benefits - research and development credits		-	1,180,786
		<b>-</b>	<b>1,180,786</b>

There was no research and development credits received during the year ended 30 June 2017.

**8. Finance income and finance costs**

**Recognised in profit or loss**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Interest income		47,506	22,379
Realised foreign currency gains		12,434	-
Unrealised foreign currency gains		-	14,872
<b>Finance income</b>		<b>59,940</b>	<b>37,251</b>
Facility interest		(55,812)	(49,563)
Unrealised foreign currency losses		(49,920)	(8,056)
Hire purchase charges		(2,661)	(3,968)
Interest expense		(1,682)	(14,673)
<b>Finance costs</b>		<b>(110,075)</b>	<b>(76,260)</b>
<b>Net finance costs recognised in profit or loss</b>		<b>(50,135)</b>	<b>(39,009)</b>

The interest income comprised of interest receivable for overpayment of income tax for the year ended 30 June 2013, interest earned on deposits held as security by ANZ and interest on the loans provided to the Directors.

The Company incurred finance costs during the year related to finance guarantees provided by the Export Finance Insurance Commission (EFIC). The financial security provided by EFIC is detailed in note 23.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**9. Taxes**

**(i) Tax recognised in profit or loss**

<i>In Australian dollars</i>	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Current tax expense</b>			
Current year		(581,442)	(2,481,172)
		<b>(581,442)</b>	<b>(2,481,172)</b>
<b>Deferred tax benefit</b>			
Origination and reversal of temporary differences		172,447	(199,646)
		<b>172,447</b>	<b>(199,646)</b>
Tax expense from continuing operations		<b>(408,995)</b>	<b>(2,680,818)</b>

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. The current tax asset is \$Nil (2016: \$Nil). The current tax liability is \$402,932 (2016: \$1,300,386).

**(ii) Reconciliation of effective tax rate**

<i>In Australian dollars</i>	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Profit before tax from continuing operations		1,347,890	3,515,041
Tax using the Company's domestic tax rate	30%	404,367	1,054,512
Non-deductible expenses		4,628	5,520
Tax exempt income relating to sale of foreign entity		-	(11,505)
Non-deductible research and development expenditure		-	787,190
Non-assessable grant income		-	(354,236)
Assessable feedstock adjustment on research and development		-	1,199,337
Income tax expense		<b>408,995</b>	<b>2,680,818</b>

**(iii) Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<i>In Australian dollars</i>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>30-Jun-2017</b>	<b>30-Jun-2016</b>	<b>30-Jun-2017</b>	<b>30-Jun-2016</b>	<b>30-Jun-2017</b>	<b>30-Jun-2016</b>
Employee benefits	161,232	129,355	-	-	161,232	129,355
Corporate transaction costs	128,241	-	-	-	128,241	-
Deferred income	11,076	-	-	-	11,076	-
Other payables	29,679	28,426	-	-	29,679	28,426
Tax (assets) liabilities	<b>330,228</b>	<b>157,781</b>	<b>-</b>	<b>-</b>	<b>330,228</b>	<b>157,781</b>

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**9. Taxes (continued)**

**(iv) Movement in deferred tax balances during the year**

*In Australian dollars*

	Balance 01-Jul-2015	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30-Jun-2016	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30-Jun-2017
Work in progress	482,020	(482,020)	-	-	-	-	-
Other assets	(36,234)	36,234	-	-	-	-	-
Employee benefits	99,968	29,387	-	129,355	31,877	-	161,232
Deferred income	6,302	(6,302)	-	-	11,076	-	11,076
Corporate transaction costs	-	-	-	-	128,241	-	128,241
Other payables	(194,629)	223,055	-	28,426	1,253	-	29,679
	<b>357,427</b>	<b>(199,646)</b>	-	<b>157,781</b>	<b>172,447</b>	-	<b>330,228</b>

**10. Cash and cash equivalents**

*In Australian dollars*

	Note	30 June 2017	30 June 2016
Bank balances		2,955,379	5,026,358
Cash on hand		1,315	1,931
<b>Cash and cash equivalents</b>		<b>2,956,694</b>	<b>5,028,289</b>

**10A. Cash flow information**

**(i) Reconciliation of cash flows from operating activities**

*In Australian dollars*

	Note	30 June 2017	30 June 2016
<b>Cash flows from operating activities</b>			
Profit for the year		938,895	834,223
Adjustments for:			
Depreciation	15	98,720	71,568
Net interest costs	8	50,135	53,881
Gain on sale of property, plant and equipment		(2,024)	(5,978)
Research and development tax credits		-	(1,180,786)
Tax expense	9	408,996	2,680,818
		1,494,722	2,453,726
Change in work in progress		1,537,111	889,345
Change in other assets		(16,234)	73,685
Change in trade and other receivables		(903,967)	(228,589)
Change in trade and other payables		(1,800,817)	909,528
Change in employee benefits		106,255	97,959
Change in deferred income/revenue		(183,608)	131,242
Cash generated from operating activities		233,462	4,326,896
Interest paid net of interest received		(12,649)	(70,402)
Realised foreign currency (gains)/losses recognised as investing activities		(37,486)	(21,829)
Income taxes (paid)/refunded		(1,478,898)	700,994
<b>Net cash from operating activities</b>		<b>(1,295,571)</b>	<b>4,935,659</b>

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**10. Cash and cash equivalents (continued)**

**10A. Cash flow information (continued)**

**(ii) Credit standby arrangement and loan facilities**

The Company has the following credit standby facilities which are subject to bank review annually:

<i>In Australian dollars</i>	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Financial guarantee		400,000	400,000
Credit Card		155,000	155,000
<b>Total</b>		<b>555,000</b>	<b>555,000</b>
<b>Utilised</b>			
Financial guarantee		313,862	296,239
Credit Card		44,273	74,516
<b>Total</b>		<b>358,135</b>	<b>370,755</b>

**11. Trade and other receivables**

**Current**

<i>In Australian dollars</i>	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Sundry debtors		-	1,176
Trade receivables		2,661,953	1,688,628
<b>Current</b>		<b>2,661,953</b>	<b>1,689,804</b>

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables, are disclosed in Note 26.

**12. Other assets**

**Current**

<i>In Australian dollars</i>	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Amounts due from related parties		30,021	272,144
Amounts due from directors		1,288,778	343,421
Prepayments		71,168	59,167
Deposits		24,242	57,242
Stock on hand		12,262	12,262
Other receivables		17,500	12,090
<b>Current</b>		<b>1,443,971</b>	<b>756,326</b>

**Non-Current**

<i>In Australian dollars</i>	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
ANZ term deposits		409,777	350,000
EFIC deposits		264,799	431,477
<b>Non-current</b>		<b>674,576</b>	<b>781,477</b>

During the year, the non-interest bearing loan of \$96,688 receivable from Synertec Malaysia and the \$166,509 non-interest bearing loan receivable from Synertec Asia were assigned to Gassan Abdallah. In 2013, Synertec Pty Ltd sold its interests in Synertec Asia (which owns 100% of the issued shares in Synertec Malaysia). However, Gassan Abdallah remained the Managing Director of those entities.

As part of the conditions in the SSA with SOP, all loans owed by the Directors were settled on the 8 August 2017, being the date of completion of the transaction.

The Company has \$264,799 in deposits with the Australian Export and Finance Insurance Commission (EFIC) as per note 23.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**13. Work in progress**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Work in progress		967,448	2,504,559
		<b>967,448</b>	<b>2,504,559</b>

Determining when to recognize contract revenue requires a degree of judgement. Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. The percentage of completion is estimated by assessing milestones, actual work performed and the estimated costs to complete the work.

At 30 June 2017, aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to \$967,448 (2016: \$2,504,559).

**14. Employee benefits**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Annual leave		218,886	153,978
Long service leave		257,474	223,207
<b>Current</b>		<b>476,360</b>	<b>377,185</b>
Long service leave		61,080	54,000
<b>Non-Current</b>		<b>61,080</b>	<b>54,000</b>

**15. Property, plant and equipment**

*In Australian dollars*

	<b>Computers</b>	<b>Furniture and equipment</b>	<b>Leashold improvements</b>	<b>Motor vehicles</b>	<b>TOTAL</b>
<b>Cost</b>					
<b>Balance at 1 July 2015</b>	319,597	103,113	21,157	236,160	680,027
Additons	78,153	13,134	-	131,099	222,386
Disposals	-	-	-	(34,250)	(34,250)
<b>Balance at 30 June 2016</b>	<b>397,750</b>	<b>116,247</b>	<b>21,157</b>	<b>333,009</b>	<b>868,163</b>
<b>Balance at 1 July 2016</b>	397,750	116,247	21,157	333,009	868,163
Additons	27,549	686	-	111,047	139,282
Disposals	-	-	-	(67,095)	(67,095)
<b>Balance at 30 June 2017</b>	<b>425,299</b>	<b>116,933</b>	<b>21,157</b>	<b>376,961</b>	<b>940,350</b>
	<b>Computers</b>	<b>Furniture and equipment</b>	<b>Leashold improvements</b>	<b>Motor vehicles</b>	<b>TOTAL</b>
<b>Accumulated depreciation</b>					
<b>Balance at 1 July 2015</b>	282,029	72,753	17,194	97,457	469,433
Disposals	-	-	-	(25,410)	(25,410)
Depreciation expense	33,931	5,564	793	31,280	71,568
<b>Balance at 30 June 2016</b>	<b>315,960</b>	<b>78,317</b>	<b>17,897</b>	<b>103,327</b>	<b>515,591</b>
<b>Balance at 1 July 2016</b>	315,960	78,317	17,987	103,327	515,591
Disposals	-	-	-	(43,210)	(43,210)
Depreciation expense	43,249	6,872	634	47,965	98,720
<b>Balance at 30 June 2017</b>	<b>359,209</b>	<b>85,189</b>	<b>18,621</b>	<b>108,082</b>	<b>571,101</b>
<b>Carrying amounts</b>					
<b>at 1 July 2015</b>	<b>37,568</b>	<b>30,360</b>	<b>3,963</b>	<b>138,703</b>	<b>210,594</b>
<b>at 30 June 2016</b>	<b>81,790</b>	<b>37,930</b>	<b>3,170</b>	<b>229,682</b>	<b>352,572</b>
<b>at 1 July 2016</b>	81,790	37,930	3,170	229,682	352,572
<b>at 30 June 2017</b>	<b>66,090</b>	<b>31,744</b>	<b>2,536</b>	<b>268,879</b>	<b>369,249</b>

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**15. Property, plant and equipment (continued)**

**Leased plant and machinery**

The Company leases motor vehicles under several finance lease agreements. The leased equipment secures lease obligations (see Note 17). Some leases provide the Company with the option to purchase the vehicles at an agreed price. At 30 June 2017 the net carrying amount of leased motor vehicles was \$42,886 (2016: \$51,863). Non cash acquisitions of motor vehicles amount to \$Nil (2016: \$Nil).

**16. Trade and other payables**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Trade payables		118,937	763,468
Other payables		527,419	345,185
Fixed price project accruals		726,646	2,065,166
<b>Current</b>		<b>1,373,002</b>	<b>3,173,819</b>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 26.

**17. Loans and borrowings**

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

*In Australian dollars*

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	30-Jun-2017	30-Jun-2016	30-Jun-2017	30-Jun-2016	30-Jun-2017	30-Jun-2016
Less than one year	17,569	30,014	1,205	2,605	18,774	32,619
Between one and five years	-	17,515	-	102	-	17,617
	<b>17,569</b>	<b>47,529</b>	<b>1,205</b>	<b>2,707</b>	<b>18,774</b>	<b>50,236</b>

The items currently under finance leases are all motor vehicles.

**18. Deferred income**

*In Australian dollars*

	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Billing in advance of work completed		290,413	474,021
		<b>290,413</b>	<b>474,021</b>

Where progress billings and recognised losses exceed costs incurred plus recognised profits earned, the Company recognises these amounts as billing in advance of work completed.

**Synertec Pty Ltd**  
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**19. Operating leases**

**Leases as the lessee**

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows.

<i>In Australian dollars</i>	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Less than one year		141,816	223,091
Between one and five years		200,585	93,571
		<b>342,401</b>	<b>316,662</b>

The Company leases the head office and leased a factory facility under operating leases during the year. The factory facility expired in December 2016. The head office lease has been extended for another two years to December 2019. Lease payments are increased every year as indexed to CPI.

During the year \$160,728 was recognised as an expense in profit or loss in respect of operating leases (2016: \$172,665).

The factory lease was entered into as combined leases of land and buildings. The Company determined that the land and building elements of factory leases are operating leases. The rent paid to the landlord is increased to market rent at regular intervals, and the Company does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

**20. Capital and reserves**

**(a) Share capital**

	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
In issue at 1 July		950	950
Movement		-	-
In issue at 30 June		<b>950</b>	<b>950</b>

During the year there has been a change in the ownership of the issued share capital of the Company resulting in 92.2% of the issued share capital being held by New Concept Corporation Limited (NCCL).

*Ordinary shares*

The Company's share capital is \$950 (2016: \$950).

**(b) Other equity contribution**

	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Other contributed equity		132,904	132,904
		<b>132,904</b>	<b>132,904</b>

Other contributed equity represents additional capital contributed by the shareholders on rollover from a Unit Trust to a Company.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
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**20. Capital and reserves (continued)**

**(c) Dividends**

There was no dividend paid for the year ended 30 June 2017 (30 June 2016: Nil).

After 30 June 2017 no dividends were proposed by the Directors.

Due to the use of the Research and Development tax incentive the company has a negative franking account balance. The nature of the debits to the franking account do not attract Franking Deficit Tax. The franking account has been calculated on a cash basis.

<i>Dividend franking account</i>	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Amount of franking credits available to shareholders of Synertec Pty Ltd for subsequent financial years		(1,985,454)	(2,208,351)

**21. Earnings per share**

Both the basic and diluted earnings per share at 30 June 2017 was based on the profit attributable to ordinary shareholders of \$938,895 (2016: \$834,223) and a weighted average number of ordinary shares of 950 (2016: 950).

**22. Subsequent events**

*Sale agreement signed with ASX listed entity*

On 10 March 2017 the shareholders of Synertec Pty Ltd entered into a Share Sale Agreement with SML Corporation Limited (SOP) for SOP to conditionally acquire 100% of the issued shares of Synertec Pty Ltd. The transaction was successfully completed on 8 August 2017. Costs associated with the transaction were \$534,340. Following the announcement, SOP underwent a Capital Raising through a Public Share Offer. Michael Carroll was appointed as Director of SOP.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

**23. Contingencies and capital commitments**

The Company had contingent liabilities to Bechtel which was covered by two bonds provided by the Australian Export and Finance Insurance Commission (EFIC). The Company as part of the terms for two separate contracts were required to provide bonds to Bechtel, initially as performance guarantees, and on delivery of the equipment the bonds converted to warranty bonds, for the warranty period of the contracts. Should there be defects in the work or the contracts not completed Bechtel had recourse to;

- the APLNG bond on issue for \$1,125,906 (expired on 31/07/2017); and
- the QCLNG bond on issue for \$600,000 (expired on 31/03/2017).

During the year, the QCLNG bond expired and the remaining balance of the cash deposit held by EFIC of amount \$166,678 was returned to the Company. As at 30 June 2017, the APLNG bond was secured by cash deposits with EFIC of \$264,799. This was repaid to the Company on 02/08/2017, when the bond expired. Refer to note 12.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
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**24. Related parties**

**Key management personnel compensation**

The key management personnel compensation comprised:

*In Australian dollars*

	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Short-term employee benefits		521,688	445,000
Post-employment benefits		44,414	34,374
Other long-term employment benefits		109,756	82,248
		<b>675,858</b>	<b>561,622</b>

Compensation of the Company's key management personnel includes salaries, accrued leave balances, non-cash benefits and contributions to an employee defined contribution plan.

Details regarding loans receivable / (payable) outstanding at the end of the reporting period to key management personnel and their related parties, are as follows:

*In Australian dollars*

	<b>Note</b>	<b>Balance 01-Jul-2016</b>	<b>Balance 30-Jun-2017</b>
<b>Directors</b>			
Michael Carroll		195,588	372,208
Gassan Abdallah		147,833	916,570
<b>Entities under the control of Gassan Abdallah</b>			
Synertec Asia		166,509	-
Synertec Malaysia		96,688	-
<b>Management personnel</b>			
Ted Perkins		8,947	30,021

Loans to the Directors were unsecured and provided to their respective Family Trusts as disclosed above.

During the year, the non-interest bearing loan of \$96,688 receivable from Synertec Malaysia and the \$166,509 non-interest bearing loan receivable from Synertec Asia were assigned to Gassan Abdallah. In 2013, Synertec Pty Ltd sold its interests in Synertec Asia (which owns 100% of the issued shares in Synertec Malaysia). However, Gassan Abdallah remained the Managing Director of those entities.

As a condition of the SSA, all Directors loans were settled on 8 August 2017, being the date of completion of the sale transaction with SOP.

**25. Auditor's remuneration**

*In Australian dollars*

	<b>Note</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
<b>Audit and review services</b>			
Auditors of the Company - KPMG			
Audit and review of financial statements		40,000	45,000
Auditors of the Company - Grant Thornton Audit Pty Ltd			
Audit and review of financial statements		35,000	-
		<b>75,000</b>	<b>45,000</b>
<b>Other services</b>			
Auditors of the Company - KPMG			
In relation to other assurance, taxation and due diligence services		13,500	17,600
In relation to taxation		85,984	140,060
Auditors of the Company - Grant Thornton Australia Limited			
In relation to taxation		10,000	-
		<b>184,484</b>	<b>202,660</b>

## 26. Financial instruments

### Financial risk management

#### Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### Risk management framework

The Company's Directors have overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

<i>In Australian dollars</i>	Note	Carrying amount	
		30 June 2017	30 June 2016
Trade and other receivables	11	2,661,953	1,689,804
Cash and cash equivalents	10	2,956,694	5,028,289
ANZ deposit	12	409,777	350,000
EFIC deposits	12	264,799	431,477
Amount due from directors	12	1,288,778	343,421
Deposits	12	24,242	57,242
Amounts due from related parties	12	30,021	272,144
		<b>7,636,264</b>	<b>8,172,377</b>

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. As the Company provides services under contract, each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The Company historically has had very few bad debts, and as such does not establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**26. Financial instruments (continued)**

**(i) Credit risk (continued)**

The Company does not require collateral in respect of trade and other receivables. The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was as follows.

<i>In Australian dollars</i>	<i>Note</i>	<b>Carrying amount</b>	
		<b>30 June 2017</b>	<b>30 June 2016</b>
Australia		2,661,953	1,689,804
		<b>2,661,953</b>	<b>1,689,804</b>

The Company's most significant balance outstanding to a single customer, accounts for \$1,404,037 of the trade and receivables carrying amount at 30 June 2017 (2016: \$390,425). The amount was received subsequent to year end.

**Impairment losses**

The aging of the trade and other receivables at the end of the reporting period that were not impaired was as follows.

<i>In Australian dollars</i>	<i>Note</i>	<b>30 June 2017</b>	<b>30 June 2016</b>
Neither past due nor impaired		2,627,721	1,627,288
Past due 1 - 30 days		5,500	57,499
Past due 31 - 90 days		28,632	-
Past due 91 - 120 days		100	5,017
		<b>2,661,953</b>	<b>1,689,804</b>

**Cash and cash equivalents (including deposits)**

The Company held cash and cash equivalents of \$2,956,694 at 30 June 2017 (2016: \$5,028,289) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a reputable bank and financial institution counterparties. The Company has \$264,799 (2016: \$431,477) on deposit with EFIC being held as security for the performance guarantee bonds held by Bechtel as detailed in Note 23.

The Directors are also majority shareholders of the Company and the credit risk attached to director related receivables is considered low due to the ability of the Company to recover the receivable by short paying dividends in the future if required.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses detailed project plans, which assists it in monitoring cash flow requirements and optimising its cash return on projects delivered. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 30 June 2017, the expected cash flows from trade and other receivables maturing within two months were \$2,661,853 (2016: \$1,689,804). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**26. Financial instruments (continued)**

**(ii) Liquidity risk (continued)**

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**30 June 2017**

*In Australian dollars*

Non-derivative financial liabilities	Contractual cashflows				
	Carrying amount	Total	0-1 years	1-2 years	2-5 years
Finance lease liabilities	17,569	18,774	18,774	-	-
Trade payables	1,373,002	1,373,002	1,373,002	-	-
	<b>1,390,571</b>	<b>1,391,776</b>	<b>1,391,776</b>	-	-

**30 June 2016**

*In Australian dollars*

Non-derivative financial liabilities	Contractual cashflows				
	Carrying amount	Total	0-1 years	1-2 years	2-5 years
Finance lease liabilities	47,529	50,236	32,619	17,617	-
Trade payables	3,173,819	3,173,819	3,173,819	-	-
	<b>3,221,348</b>	<b>3,224,055</b>	<b>3,206,438</b>	<b>17,617</b>	-

**(iii) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases and cash and cash equivalents are denominated. The currencies in which these transactions are primarily denominated are AUD, EUR and USD.

At any point in time, the Company holds EUR and USD in anticipation of future purchase orders. The Company reviews the market regularly to evaluate if the cost of obtaining derivatives outweighs the risk of currency movement. They have not invested in any derivative financial assets. The Company has reviewed contract terms with customers where significant currency risk on purchase orders may occur, and have enforceable provisions protecting them from adverse currency movements.

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**26. Financial instruments (continued)**

**(iii) Market risk (continued)**

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**Exposure to currency risk**

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows.

	30 June 2017		30 June 2016	
	USD	EURO	USD	EURO
Trade and other receivables	-	-	-	5,730
Cash and cash equivalents	268,086	152,783	378,364	1,379,744
<b>Financial assets</b>	<b>268,086</b>	<b>152,783</b>	<b>378,364</b>	<b>1,385,474</b>
Trade and other payables	-	-	(59)	(459,597)
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(59)</b>	<b>(459,597)</b>
<b>Net exposure</b>	<b>268,086</b>	<b>152,783</b>	<b>378,305</b>	<b>925,877</b>

**Currency risk sensitivity analysis for currencies in which monetary assets are held**

A reasonably possible change of 10% in exchange rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes an increase/(decrease) in the value of the Australian dollar against the currencies shown below.

	Profit or loss, net of tax		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
<b>30 June 2017</b>				
USD	(17,060)	20,851	(17,060)	20,851
Euro	(9,723)	11,883	(9,723)	11,883
<b>Currency exchange risk (net)</b>	<b>(26,783)</b>	<b>32,734</b>	<b>(26,783)</b>	<b>32,734</b>
<b>30 June 2016</b>				
USD	(24,074)	29,423	(24,074)	29,423
Euro	(58,919)	72,013	(58,919)	72,013
<b>Currency exchange risk (net)</b>	<b>(82,993)</b>	<b>101,436</b>	<b>(82,993)</b>	<b>101,436</b>

**Exposure to interest rate risk**

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

	Nominal amount	
	30 June 2017	30 June 2016
<b>Variable rate instruments</b>		
ANZ interest expense	18.99%	18.99%
Interest on ANZ deposits	2.35%	1.75%
Related party interest rates	5.40%	5.45%

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**26. Financial instruments (continued)**

**(iii) Market risk (continued)**

**Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity, net of tax	
	1% increase	1% decrease	1% increase	1% decrease
<b>30 June 2017</b>				
Variable rate instruments	11,890	(11,890)	11,890	(11,890)
<b>Cash flow sensitivity (net)</b>	<b>11,890</b>	<b>(11,890)</b>	<b>11,890</b>	<b>(11,890)</b>
<b>30 June 2016</b>				
Variable rate instruments	4,853	(4,853)	4,853	(4,853)
<b>Cash flow sensitivity (net)</b>	<b>4,853</b>	<b>(4,853)</b>	<b>4,853</b>	<b>(4,853)</b>

**Capital Management**

The board's policy is to maintain a strong capital base to sustain future development of the business. Capital consists of total equity. The Directors monitor the return on capital as well as the level of dividends to ordinary shareholders. The Directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Company's approach to capital management during the year.

**Accounting classifications and fair values**

**Fair values vs carrying amount**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows. The carrying amounts for financial assets and liabilities approximates fair value.

<i>In Australian dollars</i>	<b>Note</b>	<b>Loans and receivables</b>	<b>Other financial assets</b>	<b>Other financial liabilities</b>	<b>Total carrying amount</b>
<b>30 June 2017</b>					
Cash and cash equivalents	10	2,956,694	-	-	2,956,694
Trade and other receivables	11	2,661,953	-	-	2,661,953
Amount due from related parties	12	-	30,021	-	30,021
Amount due from directors	12	-	1,288,778	-	1,288,778
ANZ deposits	12	-	409,777	-	409,777
EFIC deposits	12	-	264,799	-	264,799
Deposits	12	-	24,242	-	24,242
		<b>5,618,647</b>	<b>2,017,617</b>	-	<b>7,636,264</b>
Finance lease liabilities	17	-	-	17,569	17,569
Trade and other payables	16	-	-	1,373,002	1,373,002
		-	-	<b>1,390,571</b>	<b>1,390,571</b>

**Synertec Pty Ltd**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**26. Financial instruments (continued)**

**(iii) Market risk (continued)**

**Accounting classifications and fair values (continued)**

*Fair values vs carrying amount (continued)*

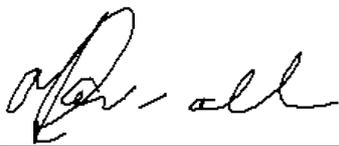
<i>In Australian dollars</i>	<b>Note</b>	<b>Loans and receivables</b>	<b>Other financial assets</b>	<b>Other financial liabilities</b>	<b>Total carrying amount</b>
<b>30 June 2016</b>					
Cash and cash equivalents	10	5,028,289	-	-	5,028,289
Trade and other receivables	11	1,689,804	-	-	1,689,804
Amount due from related parties	12	-	272,144	-	272,144
Amount due from directors	12	-	343,421	-	343,421
ANZ deposits	12	-	350,000	-	350,000
EFIC deposits	12	-	431,477	-	431,477
Deposits	12	-	57,242	-	57,242
		<b>6,718,093</b>	<b>1,454,284</b>	-	<b>8,172,377</b>
Finance lease liabilities	17	-	-	47,529	47,529
Trade and other payables	16	-	-	3,173,819	3,173,819
		-	-	<b>3,221,348</b>	<b>3,221,348</b>

## Directors' declaration

1. In the opinion of the Directors of Synertec Pty Ltd ("the Company"):
  - (a) the financial statements and notes, set out on pages 6 to 32:
    - (i) present fairly the financial position of the Company as at 30 June 2017 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes [1] to [4]; and
    - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    - (iii) as described in Note 2 the financial report also complies with International Financial Reporting Standards; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  
2. In respect of the year ended 30 June 2017, the persons performing the roles of Chief Executive Officer and Chief Financial Officer have declared that the Company has:
  - (a) kept such accounting records as correctly record and explain its transactions and financial position;
  - (b) kept its accounting records such that financial statements of the Company that are presented fairly can be prepared from time to time; and
  - (c) kept its accounting records in accordance with the Corporations Act 2001 so that the financial statements of the Company can be conveniently and properly audited.

Signed in accordance with a resolution of the Directors:

Dated at 28 September 2017



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Michael Carroll  
Director

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNERTEC PTY LTD**

### **Auditor's Opinion**

We have audited the financial report of Synertec Pty Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and comprising notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion, the accompanying financial report of Synertec Pty Ltd:

- a presents fairly, in all material respects, the Company's financial position as at 30 June 2017 and of its performance and cash flows for the year then ended in accordance with the accounting policies described in Note 4; and
- b complies with Australian Accounting Standards.

### **Basis for Auditor's Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical 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 audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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### **Emphasis of Matter – Basis of Accounting**

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared at the request of the Australian Stock Exchange (“ASX”) as a result of the acquisition of Synertec Pty Ltd by Synertec Corporation Limited (formerly SML Corporation Limited) on 8 August 2017. As a result, the financial report may not be suitable for another purpose. Our opinion has not been modified in respect of this matter.

### **Responsibility of the Directors for the Financial Report**

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

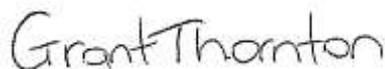
In preparing the financial report, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

### **Auditor’s Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor’s report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 28 September 2017