SML Corporation Limited
ARBN 161 803 032

9A/ 23-25 Bunney Road, Oakleigh South, VIC 3167
PO Box 2163, Mount Waverley, VIC 3149
Telephone (03) 8555 3708
Facsimile (03) 8555 3706
smlcorp@optusnet.com.au
www.smlcorporation.com
ASX code: SOP

10 March, 2017

The Manager
Market Announcements Office
Australian Securities Exchange
Melbourne

SML Corporation Limited enters into Share Sale Agreement to acquire Synertec Pty Ltd ("Synertec") and proposed capital raising.

HIGHLIGHTS:

- SML Corporation Limited has entered into a share sale agreement pursuant to which it has conditionally agreed to acquire 100% of the issued shares of Synertec Pty Ltd.

- Synertec Pty Ltd is an Australian multi-disciplined engineering consulting firm, delivering specialist engineering and compliance services across complex and highly regulated industries.

- SML Corporation Limited to change its name to Synertec Corporation Limited upon completion of the Share Sale Agreement.

The Board of SML Corporation Limited (ARBN 161 803 032) (ASX:SOP) (the "**Company**") is pleased to announce it has entered into a share sale agreement ("**Sale Agreement**") pursuant to which it has agreed, subject to the satisfaction of certain conditions precedent, including, compliance by the Company with Listing Rule 11.1 and Chapters 1 and 2 of the Listing Rules, to acquire 100% of the issued shares in Synertec Pty Ltd (ACN 114 707 050) ("**Synertec"**) (the "**Acquisition"**).

1 INFORMATION ON SYNERTEC AND ITS OWNERSHIP

Synertec is a multi-disciplined engineering consulting firm, delivering specialist engineering and compliance services across complex and highly regulated oil and gas, biotechnology, food and dairy, hospitals, industrial automation, mining, petrochemical and fine chemicals, pharmaceuticals and water industries.

With the business of Synertec having been first established in 1996 in Australia, Synertec is active in Australia and is based in Victoria. Synertec is accredited to ISO9001 to deliver quality-assured results for its clients. Synertec personnel have a wide range of technical skills and expertise that encompass engineering, quality assurance, construction, and manufacturing to offer the broadest possible perspective on any industrial problem. Synertec has specific experience and expertise in:

- project and construction management
- process, mechanical & electrical engineering
- safety system design
- process and industrial automation systems
- process optimisation and scale-up
- hazardous area design
- compliance to Australian & international safety/environmental regulations
- project planning studies

In addition, Synertec has established leading design and build capabilities in analyser systems for liquefied natural gas custody transfer operations. These analyser systems have been implemented for Australia's largest liquefied natural gas production facilities (Gorgon and Wheatstone).

As at the date of this announcement, Synertec has two directors, namely Mr Michael Carroll as its Managing Director and Mr Gassan Abdallah. The shareholders of Synertec are:

(a) New Concept Corporation Limited (NCCL) (incorporated in Hong Kong) – 92.2%; and
(b) E.D.P Family Trust – 7.8%.

None of these parties are presently shareholders of the Company.

All the issued share capital in NCCL is held by TMF Trustees Singapore Limited as trustee of the Pinnacle (MCGA) Retirement Fund - a unit trust (MCGA Trust), in respect of which the beneficial owners are as follows:

Beneficial Owner of MCGA Trust	Percentage Beneficial Ownership in MCGA Trust
Mr Michael Carroll	41.87%
Mrs Samantha Carroll (spouse of Michael Carroll)	8.13%
Mr Gassan Abdallah	41.87%
Mrs Kerry Abdallah (spouse of Gassan Abdallah)	8.13%
Total	**100.00%**

None of these parties are presently shareholders of the Company.

In addition to the Company and Synertec, the two directors and shareholders of Synertec, and the beneficial owners of the MCGA Trust are parties to the Sale Agreement.

2 CONTROL ISSUES

Upon completion of the Acquisition, the two shareholders of Synertec will collectively hold approximately 48.6% of the issued shares of the Company.

Accordingly, NCCL's control of, and voting power in, the Company will increase from nil to 44.8%. Michael and Samantha Carroll's control of, and voting power in, the Company will, collectively, increase from nil to 22.4%. Similarly, Gassan and Kerry Abdallah's control of, and voting power in, the Company will, collectively, increase from nil to 22.4%.

Given that the Company was incorporated in Bermuda, it is not subject to the takeover provisions of the Corporations Act 2001 (Cth) (Corporations Act). The Companies Act 1981 of Bermuda (Bermuda Companies Act) does not have equivalent takeover provisions.

Accordingly, the approval of Company's shareholders will not be required under section 611 item 7 of the Corporations Act. However, the approval of the Company's shareholders' will be required under various ASX Listing Rules (Listing Rules). Further details are stated below.

Effective from completion of the Acquisition, the composition of the Board of the Company will be as follows:

(a) Mr Michael Carroll will be appointed as a director of the Company and will also be the Managing Director of the Company;

(b) A new Independent Chairman, to be nominated by the shareholders of Synertec and approved by the Company, will be appointed as a director of the Company;

(c) Mr Poh Kiat and Mr Freddie Heng will remain as directors of the Company, while Captain Sze Shaw Pao and Mr Furang Li will resign as directors effective from completion of the Acquisition.

3 CHANGE OF ACTIVITIES

The Acquisition will constitute a change in the nature and scale of the Company's activities from a gold and base metal exploration company to a multi-disciplined engineering consulting business. In this circumstance, the Company will be required, pursuant to Listing Rule 11.1.2 to obtain shareholder approval at a special general meeting. The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the Listing Rules.

4 ACQUISITION TERMS

Pursuant to the Sale Agreement, the Company has agreed to acquire 100% of the issued shares in the capital of Synertec for a total consideration of AUD$10.0 million, subject to the satisfaction or waiver of various conditions precedent. A summary of the key terms of the Sale Agreement are set out below:

4.1 Consideration

Subject to the satisfaction of various conditions precedent to the Acquisition (summarised below), the Company has agreed to acquire 100% of Synertec's shares free from all encumbrances for $10.0 million payable to the shareholders of Synertec as follows:

- $5.0 million by the issue of 107,142,857 new fully paid ordinary shares in the Company at an issue price of 4.667 cents per share post consolidation on the basis of every four (4) fully paid ordinary shares being consolidated into three (3) fully paid ordinary shares **("consolidation")** ("**Consideration Shares**") - the Company is required to consolidate its capital in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules; and
- $5.0 million in cash ("**Cash Consideration**").

4.2 Conditions Precedent

Completion of the Acquisition is subject to a number of conditions precedent including but not limited to:

(a) **Due Diligence:** Both the Company and Synertec undertaking due diligence in respect of each other and being satisfied with the results of their respective due diligence.

(b) **Shareholder and regulatory approvals:** The Company obtaining all necessary shareholder and regulatory approvals required in relation to the Acquisition, including:

(i) resolutions of the Company's shareholders in relation to certain matters, including:

(A) for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the proposed significant change to the nature or scale of the Company's activities resulting from the Acquisition;

(B) for the purposes of Companies Act 1981 of Bermuda and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis that every four (4) fully paid ordinary shares in the Company be consolidated into three (3) fully paid ordinary shares in the Company (and where the consolidation results in a fraction of a share, that fraction will be rounded down to the whole nearest share);

(C) for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the issue of the Consideration Shares to Synertec's shareholders by the Company;

(D) for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue of the new shares in the Company pursuant to the public offer (referred to below);

(E) for the purposes of Listing Rule 7.1 (and, if applicable, Listing Rule 10.11) and for all other purposes, approval is given for the allotment and issue of certain new adviser shares in the Company (referred to below);

(F) if necessary or reasonably desirable for the purposes of Listing Rule 7.1 (and, if applicable, Listing Rule 10.11) and for all other purposes, approval is given for the allotment and issue of certain redemption notes by the Company (referred to below);

(G) approval is given for the appointment of Mr Michael Carroll and an Independent Chairman as additional directors of the Company effective from completion of the Acquisition;

(H) that approval is given to the change of the name of the Company to Synertec Corporation Limited;

(I) for the purposes of Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue of new shares in the Company pursuant to the Public Offer to any of the Company's directors, the directors or shareholders of Synertec or any of their related entities to the extent that they or any of them apply for any new shares pursuant to the Public Offer.

(ii) the ASX approving the reinstatement of the Company's shares to official quotation following compliance by the Company with Listing Rule 11.1 and Chapters 1 and 2 of the Listing Rules, subject to customary conditions, including completion of the Acquisition and certain other matters contemplated by the Sale Agreement.

(iii) ASIC, the relevant Bermuda Government Authorities and ASX having issued or provided such consents, confirmations or approvals and have done such other acts which are necessary or reasonably desirable to implement the Acquisition and certain other matters contemplated by the Sale Agreement.

(iv) the ASX granting waivers in respect of certain Listing Rules which are necessary or reasonably desirable in relation to or in connection with the implementation of the Acquisition and certain other matters contemplated by the Sale Agreement (refer below).

(c) **Compliance capital raising:** The Company lodging a prospectus with the ASIC for the purpose of raising at least $750,000 pursuant to an offer of 18,750,000 new fully paid ordinary shares at an issue price of $0.040 per share (post consolidation)(**"Public Offer"**).

Proceeds from the Public Offer will be utilised to meet the Company's costs and expenses in undertaking the Acquisition and associated transactions. Surplus funds, if any, will be applied towards the Cash Consideration of the Acquisition. The Public Offer will not be underwritten.

(d) **Cash balance at Completion:** Immediately prior to completion the Company must have a cash balance of not less than $4.1 million (excluding any amount to be raised under the Public Offer and before deducting all costs and expenses incurred by the Company in carrying out the Acquisition and associated transactions).

(e) **Executive employment:** Mr Michael Carroll entering into an executive employment agreement with the Company in a form and on terms attached to the Sale Agreement - certain of the key terms of this agreement are set out below.

(f) **FIRB approval:** If necessary or reasonably desirable, in relation to the Foreign Acquisitions and Takeovers Act 1975 Act (Cth), the Treasurer (or his delegate) has provided a written no objection notification to the Acquisition either without conditions or with conditions acceptable to the Company and the shareholders of Synertec.

(g) **Material Adverse Change and Prescribed Occurrences:** No prescribed occurrences and no material adverse change occurring in respect of the Company or Synertec.

(h) **Releases:** The Company receiving Acceptable Releases in respect of all Encumbrances over the shares in Synertec.

(i) **Financial Assistance:** For the purposes of section 260B of the Corporations Act and all other applicable laws, the shareholders of Synertec approving the giving to the Company of financial assistance by way of sufficient cash in the event of the Company has insufficient cash to pay the Cash Consideration to the shareholders of Synertec.

(j) **Warranties and representations:** The warranties and representations given by the shareholders of Synertec and the beneficial owners of the MCGA Trust being true and correct in all material respects.
The conditions precedent need to be satisfied or waived by 30 June 2017 or such later date agreed in writing by the shareholders of Synertec and the Company (**End Date**).

4.3 Other key terms

(a) The parties have agreed to co-operate and assist each other in relation to the preparation and finalisation of the required notice of the Company's special general meeting for seeking the approval of the Acquisition and related matters and the prospectus for the Public Offer.

(b) The shareholders and the two directors of Synertec and the beneficial owners of the MCGA Trust have agreed to certain non-compete obligations and undertakings in relation to them and their related entities in favour of the Company.

(c) The shareholders and the two directors of Synertec and the beneficial owners of the MCGA Trust have provided numerous warranties and representations in relation to Synertec and its assets and financial position and taxation and related matters in favour of the Company and related indemnities.

(d) The Company has provided numerous warranties and representations in relation to Company and related matters in favour of the shareholders and a related indemnity.

(e) The parties are subject to the usual confidentiality obligations and usual exceptions.

(f) The parties have agreed to mutually exclusivity obligations until the End Date with certain exceptions for the Company in certain circumstances including the occurrence of a Superior Transaction for the Company.

(g) The Sale Agreement can be terminated if a condition precedent is not satisfied or waived by the End Date or a party is in material breach and such breach is not remedied.

(h) The parties have each agreed to pay a break fee of $250,000 in certain circumstances, including if certain conditions precedent are not satisfied or waived, or the other party breaches the Sale Agreement and the Sale Agreement is terminated.

4.4 Issue of Bonus Options to existing shareholders of the Company

Subject to the Completion of the Acquisition, but immediately prior to the issue of the Consideration Shares and the new Adviser Shares in the Company (referred to below), the Company will issue to its existing shareholders (ie. excluding the shareholders of Synertec, the holder of the Adviser Shares and the new holders of shares issued under the Public Offer), at no issue price, new bonus options to subscribe for new shares in the Company on the basis of one option for every 5 shares held. This will result in 16,175,970 new Bonus Options (post consolidation) being issued to the existing shareholders of the Company.

Each option will be exercisable at $0.053 and when exercised, will entitle the option holder to receive one new fully paid ordinary share in the Company. The options will have an exercise period of 3 years from the date of issue. The Company will seek to have these options quoted on the ASX. At present, the Company has no options on issue.

In addition to these terms, the bonus options will be issued on such other terms which are customary for ordinary options and necessary to comply with the Listing Rules.

4.5 Proposed divestment of the Company's existing mining and related assets

Subject to the successful completion of the Acquisition, the Company will seek to divest all of its existing mining related assets, (the "**Divestment**") which consist of:

(a) the Glen Wills-Sunnyside mining tenement (GWS Tenement) with a net book value $6.5 million (as at 31 December 2016); and

(b) plant and equipment with a book value of $0.4 million (as at 31 December 2016) ("Divestment").

Completion of the Divestment is envisaged to take place within the 6 month period following the completion of the Acquisition. Notwithstanding these book values, the Directors caution that the market realisable value of these assets which are the subject of the Divestment may be lower than these book values given the nature of these assets and current market conditions for exploration mining assets generally.

If, within 6 months from completion of the Acquisition, completion of the Divestment has not occurred, then the GWS Tenement will be relinquished.

4.6 Issue of Redemption Notes to existing shareholders of the Company on a pro-rata basis

In the event that the Divestment is successfully completed within 6 months from completion of the Acquisition, the net sale proceeds (after deducting all direct costs, expenses, fees and tax payable by the Company in relation to or in connection with the maintenance or operation of the Company's mining assets including, tenement rent, exploration expenditure and other holding costs) (Net Proceeds) will be distributed to the existing shareholders of the Company (Existing Shareholders) (ie. excluding the shareholders of Synertec, the holder of the Adviser Shares and the new holders of shares issued under the Public Offer).

In order to achieve this, prior to completion of the Acquisition and subject to shareholder approval of the Acquisition, the Company will issue Redemption Notes whereupon one Redemption Note will be issued to the Existing Shareholders for each fully paid ordinary share held by that Shareholder in the Company as at 5.00pm (Melbourne Time) on the Record Date (to be determined in accordance with the requirements of the ASX Listing Rules and ASX) and with each Note being on essentially the following key terms:

(a) the redemption of or payment under a Note is subject to completion of both the Acquisition and the Divestment (the latter needs to occur within 6 months from the date of completion of the Acquisition);

(b) a Note is unsecured;

(c) a Note has no voting rights nor any entitlement to receive any notice of meeting;

(d) a Note has no rights to any dividends or other distributions nor any right to participate in any bonus issues or other equity issues;

(e) a Note provides a holder an entitlement to the Net Proceeds proportional to one fully paid ordinary share held by a holder over the number of all the issued fully paid ordinary shares in the Company as at the Record Date;

(f) if completion of the Divestment does not occur within 6 months from completion of the Acquisition, then the Note will lapse and be invalid and of no effect;

(g) a Note is personal to each Existing Shareholder and is not transferable, except in limited circumstances, such as a deceased holder's estate, etc;

(h) a Note will not be quoted on the ASX; and

(i) a Note will not be conditional upon its holder remaining a shareholder of the Company.

4.7 Issue of new Adviser Shares to Inaya Limited

Subject to completion of the Acquisition, the Company will issue 13,928,571 new fully paid shares in the Company (post consolidation) to Inaya Limited in consideration for its advisory and facilitation services to the Company in relation to the Acquisition (Adviser Shares).

4.8 Executive Employment Agreement with Michael Carroll

As referred to earlier, the Acquisition is subject to Mr Michael Carroll entering into an executive employment agreement with the Company, which key terms include:

(a) Michael will be employed in the position of Managing Director of the Company;

(b) Michael's annual fixed remuneration will be AUD$355,000 inclusive of superannuation;

(c) Upon the Independent Chairman being appointed as a director of the Company and a member of the Remuneration Committee, a bonus incentive scheme for Michael will be established based on appropriate key performance indicators;

(d) Following a period of 2 years from completion of the Acquisition, Michael or the Company will be entitled to terminate his employment by giving 3 months' notice.

After termination of employment, and in addition to his non-compete obligations as a beneficial owner of the MCGA Trust, Michael will be subject to non-compete within China and Australia for a period of 24 months and non-solicitation of employees and customers for a period of 24 months.

5 EFFECT OF THE ACQUISITION ON THE COMPANY'S CONSOLIDATED TOTAL ASSETS AND TOTAL EQUITY INTERESTS

Had the Acquisition been completed on 31 December 2016, and based on the reviewed financial statements of Synertec and the Company as at 31 December 2016, the likely principal effects of the Acquisition on the Company's consolidated statement of financial position will be:

5.1 total current assets will:

- increase by approximately $9.63 million comprised of the current assets of Synertec;
- a decrease by approximately $5.0 million being the Cash Consideration payable to the shareholders of Synertec at completion of the Acquisition,

and likely to result in an overall increase in the total current assets of approximately $4.63 million;

5.2 total non-current assets will increase by approximately $1.39 million comprised of Synertec's total non-current assets and therefore, likely to result in an overall increase in the total non-current assets of approximately $1.39 million; and

5.3 total equity interests will change correspondingly.

6 EFFECT OF THE ACQUISITION ON THE COMPANY'S REVENUE, EXPENDITURE AND PROFIT BEFORE TAX

Had the Acquisition been completed during the 6 months ended on 31 December 2016, and based on reviewed financial statements of Synertec and the Company for the 6 months ended on the 31 December 2016, the likely principal effects of the Acquisition and related transactions on the Company's consolidated statement of financial performance will be:

6.1 revenue and other incomes will increase by approximately $9.06 million, following the consolidation of Synertec's revenue;

6.2 expenditure will likely increase by approximately $7.72 million, following the consolidation of Synertec's expenditures; and

6.3 net profit (loss) before tax is expected to increase by approximately $1.34 million.

7 PROPOSED CHANGE IN THE COMPANY'S BOARD AND MANAGEMENT AND CHANGE OF NAME

It is proposed that Mr Furang Li and Captain Sze Shaw Pao will both resign effective from Completion, while Messrs Poh Kiat and Freddie Heng will remain as directors of the Company following completion of the Acquisition.

Synertec will nominate its founder and managing director Michael Carroll to be appointed as the Company's Managing Director upon completion of the Acquisition. Synertec will also nominate a new Independent Chairman to the board that is acceptable to the Company, to be appointed effective from completion of the Acquisition.

MICHAEL CARROLL

Michael Carroll is a founding principal and managing director of Synertec. He has successfully grown the business of Synertec since the business was first established in 1996. His leadership style is "hands on" ensuring efficient and robust internal processes that directly support the strategic direction of Synertec.

As managing director of Synertec, Michael has negotiated complex agreements with a range of parties, such as large multinational energy conglomerates, water utilities, defence and pharmaceutical companies.
Michael has direct experience within the Asian market having established and sold successful companies in both Singapore and Malaysia.

Michael is a member of the Institute of Company Directors and holds a Degree in Applied Science (Applied Chemistry) and post graduate qualifications in Chemical Engineering.

8 CHANGE OF COMPANY NAME

If the Acquisition proceeds to the stage of convening the special general meeting, the Company also proposes to seek shareholders' approval at the special general meeting to change its name to "Synertec Corporation Limited" with effect from completion of the Acquisition.

9 PRO FORMA SHARE CAPITAL STRUCTURE

The Company presently has 107,839,799 fully paid ordinary shares on issue pre-consolidation and will have approximately (subject to rounding) 80,879,849 fully paid ordinary shares on issue post consolidation. The Company is required to consolidate its capital on a three (3) for four (4) basis in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Set out below is the indicative share capital structure of the Company post consolidation and following completion of the Acquisition and the associated transactions:

Issue of Shares*	Number of Shares (Post Consolidation)	% interest in issued capital
Currently issued shares (Post Consolidation)	80,879,849	36.65%
New shares to be issued to shareholders of Synertec	107,142,857	48.55%
New shares to be issued under the Public Offer	18,750,000	8.50%
New Adviser Shares to be issued to the Company's corporate adviser	13,928,571	6.31%
Total shares on issue	**220,701,278**	**100.00%**

* Excludes the 16,175,970 new Bonus Options to be issued to existing shareholders of the Company

The percentages in the table may not add to exactly 100.00% due to rounding

10 SYNERTEC'S AUDITED FINANCIAL STATEMENTS

A copy of Synertec's audited financial statements for the financial years ended 30 June 2015 and 30 June 2016 and a review for the half-year financial period ended 31 December 2016 are set out in Schedule 1.

11 ACTIVITIES AND BUSINESS MODEL OF SYNERTEC

Synertec is an Australian-based Engineering & Consulting, Engineering Procurement Construction firm delivering specialist engineering and compliance services across complex and highly regulated industries. Currently, Synertec mainly operates in Australia, it may derive an increasing proportion of its revenue from operations in foreign countries.

Unique Technology Offering: Synertec has established leading capability in analyser systems ('Analyser Systems'), which is an increasingly important field as customers drive to increase the quality of goods, reduce costs and meet regulatory requirements. An example is Synertec's LNG Custody Transfer Technology, which is world leading and can demonstrate considerable savings in LNG Custody Transfer operations. Systems have been developed for Australia's largest LNG production facilities, Gorgon and Wheatstone.

Synertec believes the accuracy and speed of the LNG Custody Transfer Technology makes it particularly applicable for the evolving LNG spot market. The potential market includes the more than 250 LNG Liquefaction & Regasification Terminals around the World that are either on-stream, under construction, planned, or proposed/ under-study.

DIVERSIFIED ENGAGEMENTS:
Synertec has positioned itself to take advantage of three broad engagement methods, which have delivered strong revenue growth:

- Consulting and Design;
- Engineer, Procure, Construct (EPC); and
- Long term Service Level Agreements (SLAs)

The benefit of the diversified engagement model is that it allows Synertec to participate in client projects from concept development through to long-term maintenance activities.

GROWTH STRATEGY:

Synertec's ongoing growth strategy involves targeting industry segments in Australia and internationally that have:

- a requirement for complex engineering services;
- large companies with complex manufacturing or production facilities;
- significant revenue opportunities in Australia, and in which the Australian market experience is equally applicable internationally;
- high barriers to entry; and
- participants who seek long-term relationships with engineering firms.

In addition, Synertec believes that there is a strong opportunity to leverage the Gorgon and Wheatstone sales of the LNG Custody Transfer Technology to market into the significant and expanding LNG sector worldwide.

MARKETS & CUSTOMERS:

Synertec's customers are typically major Australian companies and/or global service providers. A selection of markets that Synertec operates in and customers it can disclose are shown below.

Oil and Gas

- Bechtel
- Chevron Australia
- Conoco Phillips
- Emerson
- Yokogawa
- Linde/BOC
- QGC
- Kellogg Joint Venture

Petrochemical

- Caltex
- Nyrstar
- Shell
- Queensland Nitrates

Defence & Defence Prime Contractors

- Defence Science Technology Organisation (DSTO)
- Jacobs
- Kane Constructions
- Thales / Australian Munitions
- Transfield Services
- Department of Defence

Terminals

- Stolthaven Australia
- Terminals Pty Ltd
- United Group

Pharmaceutical

- CSIRO
- CSL & BioCSL
- Ego Pharmaceuticals
- Hospira (Mayne Pharma)
- Orion Laboratories
- Sigma Pharmaceuticals
- Medical Developments International
- Australian Nuclear Scientific Technology Organisation
- Sanofi-Aventis Healthcare

Water

- East Gippsland Water
- Melbourne Water
- Victorian Desalination Plant
- Central Highlands Water
- Eastern Tertiary Alliance
- GHD

Food, Beverage and Dairy

- SAB Miller/Carlton United Breweries
- Murray Goulburn Cooperative
- Cargill
- Fonterra
- Colonial Farms

CONTRACT TERMS AND PRICING

Synertec sell on a combination of fixed price/milestone and time & material basis.

ENABLED GROWTH:

Synertec has taken steps to implement systems and processes within the company enabling continued growth, including:

- the development of repeatable and documented processes and procedures;
- a project management office that offers clients a systematic approach to project management; and
- high quality accounting and management control systems.

12 SYNERTEC KEY RISKS AND DEPENDENCIES

The key risks and dependencies of Synertec's business can be summarised as follows:

RELIANCE ON KEY MANAGEMENT

The responsibility of overseeing the company's day-to-day operations and the strategic management of the company rests substantially with its senior management and its key personnel. The company's success is and will depend on the core competencies of its key management team to operate in the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries. The loss of one or more of these persons could adversely affect the company's growth prospects, operating results and financial performance.

There can be no assurance that the company will be able to attract or retain sufficiently qualified personnel on a timely basis or retain its key management personnel.

RELIANCE ON KEY CLIENT RELATIONSHIPS

Synertec has established and will continue to establish important client relationships within the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries. The loss of one or more key clients could adversely affect the growth prospects, operating results and financial performance of Synertec.

Further, any reduction in operations or contractual default by a key client could adversely affect the operating results and the financial performance of Synertec.

FAILURE TO WIN NEW PROJECTS

Synertec's performance will be influenced by its ability to win new projects and complete these projects in a timely and profitable manner. The failure to win or complete new projects may adversely impact Synertec's financial performance.

Further, where existing or new projects are delayed, the recognition of revenue for those contracts may be deferred to later periods. This deferral may impact Synertec's financial performance in particular financial periods.

LENGTHY SALES CYCLE

The lengthy sales cycle required to close larger projects makes it difficult to predict quarterly revenue levels and operating results. The sales process for larger projects and solutions can be lengthy and can exceed one year.

The sales cycle may lengthen, which could increase the likelihood of delays and the cause and effect of a delay to become more pronounced. Delays in sales could cause shortfalls in Synertec's revenues and operating results for any particular period.

COMPETITION

There is no certainty that Synertec will remain competitive. Increased competition could result in price reductions, under-utilisation of equipment and personnel, reduced operating margins and loss of market share. Despite Synertec's ability to compete effectively in the markets in which it operates, any of these occurrences may adversely affect Synertec's financial performance and/or financial position.

An increase in competition may also result in Synertec being unable to increase its prices which, combined with rising labour costs, may adversely affect Synertec's financial performance and/or financial position.

SAFETY AND INDUSTRIAL ACCIDENTS

The provision of Synertec's solutions and services will often involve some time working and commissioning systems on operational plants. This carries with it an increased safety related risk and may on occasions be considered risky activities. Synertec has policies and procedures in relation to safe work practices. Despite the relevant safeguards there is no guarantee a serious accident will not occur in the future. A serious accident may negatively impact the financial performance and/or financial position of Synertec.

SKILLED LABOUR CONSTRAINTS

The provision of engineering, construction and maintenance related services is dependent on the availability and cost of skilled and unskilled labour. There may be shortages in the availability of a robust labour pool. In addition, the labour demand may create increases for the supply of labour and management services. Shortage of labour may adversely affect Synertec's ability to adequately service or expand its operations and may limit earnings and profitability. Historically, Synertec has had a strong track record of being able to attract an adequate supply of suitably qualified personnel, thereby largely avoiding previous periods of labour shortages.

PAYMENT DELAYS AND FAILURE TO RECEIVE PAYMENT

Whilst Synertec undertakes financial reviews of contracting parties, there are risks, including credit and insolvency risks of a contracting party that can impact on Synertec's financial operations.

CONTRACTUAL ARRANGEMENTS

Synertec is party to various contracts for the provision of engineering and contracting services to parties within the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries in Australia, many of which contracts are vital for Synertec's ongoing corporate performance and growth.

These contracts contain provisions providing for early termination of the contracts upon giving varying notice periods and paying varying termination amounts. The early termination of certain of these contracts, for any reason, may mean that Synertec will not realise the full value of the contract, which could adversely affect Synertec's growth prospects, operating results and financial performance.

CONTRACTUAL DISPUTES AND LITIGATION

As Synertec contracts with, and for, third parties there is a risk that Synertec or its subsidiaries may from time to time have disputes with relevant third parties (including payment disputes) or become a party to litigation.

Whilst Synertec will seek to recover the full amount of any payment disputes, by way of alternative dispute resolution or through litigation (and with the assistance of claims consultants where deemed necessary), there can be no guarantee that Synertec will be able to recover any or all amounts disputed. The adverse outcome of a dispute in respect of a material contract or claim may have an adverse impact on Synertec's financial performance or position.

MANAGEMENT OF GROWTH

Synertec expects to continue to experience growth in the scope and scale of its operating activities and employee and/or contractor numbers. To effectively manage its growth, Synertec will need to continue to develop and maintain its operational and financial systems and continue to train, expand and manage its employee base.

PERFORMANCE OF SUBCONTRACTORS

Synertec contract alongside and/or subcontract to third parties in limited cases requiring specialist services that Synertec cannot perform in-house. Synertec may be exposed to liability where those third parties do not perform their obligations under those contracts, in which case Synertec may also have liability for that non-performance or be required to source resources from additional providers. To mitigate these risks, Synertec may seek to include provisions limiting its liability under the relevant contracts and to ensure that the third party contractors are competent, creditworthy and of sound reputation.

DISRUPTION OF BUSINESS OPERATIONS

Synertec and its clients are exposed to a range of operational risks relating to both current and future operations. Such operational risks include loss or damage to operating assets and equipment, equipment failures or breakdowns, human error, accidents, information system failures, external services failure, industrial action or disputes, inclement weather (including cyclones) and natural disasters. While Synertec endeavours to take appropriate action to mitigate these operational risks and insure against many of them, it cannot completely remove all possible risks that may have on adverse impact on the financial performance and/or financial position of Synertec.

ADDITIONAL REQUIREMENTS FOR CAPITAL

Synertec may require further financial resources in the future in addition to the amounts proposed to be raised under the Public Offer. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If Synertec is unable to obtain additional financing as needed, it may be required to reduce the growth, scale or scope of its operations.

PRICING AND CONTRACTING RISK

In relation to the business of Synertec, some contracts are priced on a lump sum basis. To the extent that there is a mispricing, for example, due to unexpected site conditions or circumstances, Synertec may be subject to material losses on individual contracts.

FOREIGN OPERATIONS

Synertec may derive an increasing proportion of its revenue from operations in foreign countries.

There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation and war. There may also be fluctuations in currency exchange rates. Foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions and delays from customers, brokers or government agencies could have an adverse impact. Synertec could also be adversely affected by seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely impact the success of Synertec's international operations.

There is also a risk that Australian government policies in relation to particular regions may change, affecting trade and investment opportunities in that region.

REMOTE LOCATIONS

Synertec frequently undertakes projects in remote locations. This may involve logistical difficulties for plant, equipment and materials, as well as skilled personnel and general labour. Some locations may involve inherent risk to personnel.

FOREIGN EXCHANGE RATES

Synertec may incur some revenue and expenditure in US dollars or other local currencies. Where Synertec is materially exposed to fluctuations in foreign exchange rates, it will attempt to offset this exposure through the use of appropriate financial products, such as hedging or forward rate contracts.

There may be circumstances where Synertec is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of financial products is not commercially viable.

CONCENTRATED SHARE OWNERSHIP

Following the completion of the Sale Agreement, the shareholders of Synertec will together hold an interest in approximately 48.6% of the Company. Following the completion of the Acquisition, Synertec's shareholders will not be subject to escrow. Michael Carroll, following the completion of completion of the Acquisition, will together with his wife Samantha Carroll hold a beneficial interest in approximately 22.4% of the Company and have indicated that they do not intend to sell any Shares prior to the Company releasing its audited financial statements for the year ending 30 June 2017.

Any future sales of Shares by any of Synertec's shareholders may have a negative impact on the Share price of the Company as traded on ASX.

PROFESSIONAL NEGLIGENCE AND INSURANCE

Claims of professional negligence or a breach of contract may be made against Synertec. Synertec maintains significant professional indemnity insurance to cover liabilities in the event of a claim of negligence or a breach of contract.

In the event of a successful claim for professional negligence or a breach of contract being made against Synertec or its subsidiaries, this may impact upon Synertec by:

- adversely affecting the reputation of Synertec;
- the payment of excesses incurred in defending claims;
- the payment of any amount of liability that exceeds available insurance coverage and increasing future insurance premiums.

Synertec may be unable to obtain appropriate professional indemnity cover for all work, particularly given the state of the international insurance industry and the fact that Synertec's work in overseas countries may be considered by insurers to present additional risk, depending upon political and litigious circumstances in the country in question.

CYCLICAL NATURE OF THE BUSINESS

The clients of Synertec are involved in the LNG, oil and gas, defence, industrial and pharmaceutical and biotechnology industries. The demand for and the prices of products in these industries can be both cyclical and very volatile and can influence the demand for the services offered by Synertec to its clients. Although Synertec has a diverse client base, the LNG industry cycles in Australia and overseas may adversely impact on Synertec's financial performance.

The loss of major clients through industry downturns for any other reason could also impact the earnings of Synertec.

Key risks and dependencies to the Company in relation to Acquisition

COMPLETION RISK

Pursuant to the Sale Agreement, the Company has agreed to acquire 100% of the issued share capital of Synertec, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Acquisition will not be fulfilled and, in turn, that completion of the Acquisition does not occur. If the Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any benefit being achieved.

QUOTATION OF SHARES ON ASX

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. It is expected that the Company's securities will be suspended from the date of the Company's special general meeting to be convened to seek shareholder approval of the Acquisition and related matters and remain suspended until the Company re-complies with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX may impose on such reinstatement.

There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities may consequently remain suspended from official quotation on ASX.

LIQUIDITY RISK

On completion of the Acquisition, the Company's issued shares will increase following the issue of the Consideration Shares, the Adviser Shares and the shares pursuant to the Public Offer. However there is no assurance that the liquidity of the shares of the Company will improve.

13 INDICATIVE TIMETABLE

An indicative timetable for completion of the Acquisition and associated transactions is set out below:

Event	Date (week ending)
Despatch notice of special general meeting of the Company's shareholders	14 April 2017
Date of special general meeting	12 May 2017
Lodge prospectus with ASIC and ASX	12 May 2017
Opening date of Public Offer	19 May 2017
Closing date of Public Offer	9 June 2017
Completion date of Acquisition and issue of new securities	16 June 2017
Date of re-quotation of the Company's shares and quotation of new securities	23 June 2017

Please note that this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

14 ASX WAIVERS REQUIRED

Waivers will be required and sought from the ASX in respect of certain Listing Rules which are necessary or reasonably desirable in relation to or in connection with the implementation of the Acquisition and certain other matters contemplated by the Sale Agreement, including:

(a) Listing Rule 2.1 Condition 2 (which requires the issue or sale price to be at least 20 cents per share) in respect of the issue price per share, post consolidation, for the new shares in the Company to be issued under the Public Offer to be issued at 4 cents per share; the new Consideration Shares in the Company to be issued to the shareholders of Synertec under the Sale Agreement to be issued at 4.667 cents per share; and the existing Company's shares on issue, which are currently trading below 20 cents per share;

(b) Listing Rule 1.1 Condition 12 (which requires the exercise price for options to be at least 20 cents per share) in respect of the bonus options (referred to below) being issued with an exercise price of 5.3 cents per share;

(c) Listing Rule 10.11 to the extent necessary to allow all shareholders and directors (and their associates) who are related parties of the Company, who will participate in and apply for new shares in the Public Offer, to be issued such new shares within 3 months from the date of the special general meeting of the Company rather than within one month from such date.

15 REGULATORY REQUIREMENTS GENERALLY

The Company notes that:

(a) the Acquisition requires shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;

(b) the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Acquisition may not proceed if those requirements are not met;

(c) ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Acquisition may not proceed if ASX exercises that discretion; and

(d) investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

Furthermore, the Company:

(i) notes that ASX takes no responsibility for the contents of this announcement; and

(ii) confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

For further information, please contact:

Poh Kiat
Non-Executive Chairman
SML Corporation Ltd
Phone: (03) 8555 3708

SCHEDULE 1

SYNERTEC'S FINANCIAL STATEMENTS FOR:

- HALF-YEAR ENDED 31 DECEMBER 2016;
- 30 JUNE 2016; AND
- 30 JUNE 2015.

Half-Year Report
Synertec Pty Ltd
31-December-2016
ABN 91 114 707 050

Synertec Pty Ltd

Table of Contents

For the six months ended 31 December 2016

The Directors present their report together with the financial report of Synertec Pty Ltd (“the Company”) for the half year ended 31 December 2016 and the auditor’s report thereon.

1. Directors

The Directors were in office for this entire period unless otherwise stated.
Michael Carroll (Managing Director)
Gussan Abdallah (Director)

2. Principal activities

The principal activities of the Company during the course of the half year period 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 Melbourne Water and several LNG facilities.

3. Review of operations and results of those operations

Commentary on operating results

The Revenue of the Company for the FY17 half year period was $9,056,455 (FY16: $6,620,982).

The Net Profit of the Company (after tax) for the FY17 half year period was $930,980 (FY16: Net Loss $99,649).

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 period under review.

5. Litigation

There has been no litigation in the FY17 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.

6. Dividends

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

7. Directors' Interests and share options

Michael Carroll	(Managing Director)	438 shares
Gussan Abdallah	(Director)	438 shares

There are a total of 950 shares on issue.

There are no share options on offer.

8. 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 half year period, the Company has not paid insurance premiums in respect of liabilities of directors and ofiicers of the Company.

9. Subsequent events

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.

10. Environmental regulation

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

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 half year ended 31 December 2016.

Michael Carroll
Managing Director

Melbourne
10 February 2017

KPMG

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 review for the half-year ended 31 December 2016 there have been no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Dana Bentley

Partner

Melbourne

10th February 2017

Synertec Pty Ltd
Statement of financial position
For the six months ended 31 December 2016

In Australian dollars	***Note***	**31 December 2016**	**30 June 2016**
Assets			
Cash and cash equivalents	*9*	5,737,845	5,028,289
Trade and other receivables	*10*	1,425,922	1,689,804
Other assets	*11*	1,462,902	756,326
Work in progress	*12*	999,595	2,504,559
Total current assets		**9,626,264**	**9,978,978**
Non-current assets			
Deferred tax assets		193,943	157,781
Other assets	*11*	831,477	781,477
Property, plant and equipment	*14*	364,560	352,572
Total non-current assets		**1,389,980**	**1,291,830**
Total assets		**11,016,244**	**11,270,808**
Liabilities			
Trade and other payables	*15*	1,890,681	3,173,819
Current tax liability	*8*	1,744,670	1,300,386
Loans and borrowings	*16*	38,028	30,014
Employee benefits	*13*	442,779	377,185
Deferred income	*18*	51,223	474,021
Total current liabilities		**4,167,381**	**5,355,425**
Non-current liabilities			
Loans and borrowings	*16*	-	17,515
Employee benefits	*13*	74,015	54,000
Total non-current liabilities		**74,015**	**71,515**
Total liabilities		**4,241,396**	**5,426,940**
Net assets		**6,774,848**	**5,843,868**
Equity			
Share capital	*18*	950	950
Other equity contribution	*18*	132,904	132,904
Retained earnings		6,640,994	5,710,014
Total equity attributable to equity holders of the Company		**6,774,848**	**5,843,868**
Total equity		**6,774,848**	**5,843,868**

The Notes on pages 10 to 17 are an integral part of these financial statements.

Synertec Pty Ltd

Statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

In Australian dollars	***Note***	**31 December 2016**	**31 December 2015**
Revenue			
Revenue	*5*	9,056,455	6,620,982
Other income	*6*	-	997,558
Profit on disposal of motor vehicles		4,713	-
Expenses			
Materials and service expense		(4,216,045)	(3,846,477)
Employee benefits expense		(2,561,475)	(1,793,587)
Superannuation expense		(203,021)	(156,273)
Depreciation and amortisation expense		(46,116)	(28,853)
Occupancy expenses		(80,952)	(92,808)
Car and travelling expenses		(115,309)	(55,794)
Telecommunication costs		(70,731)	(46,083)
Legal and professional fees		(292,293)	(14,380)
Other expenses		(99,354)	(92,717)
Results from operating activites		**1,375,872**	**1,491,568**
Finance income	*7*	16,178	58,807
Finance costs	*7*	(52,949)	(31,648)
Net finance income/costs		**(36,771)**	**27,159**
Profit before tax		**1,339,101**	**1,518,727**
Income tax expense	*8*	(408,121)	(1,618,376)
Profit/(loss) from operations		**930,980**	**(99,649)**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income/(loss) for the year		**930,980**	**(99,649)**

The Notes on pages 10 to 17 are an integral part of these financial statements.

Synertec Pty Ltd

Statement of changes in equity

For the six months ended 31 December 2016

In Australian dollars	***Note***	**Share capital $**	**Other contributed equity**	**Retained earnings $**	**Total $**
Balance at 1 Jul 2015		950	132,904	4,875,791	5,009,645
Other comprehensive income		-	-	-	-
Loss for the year		-	-	(99,649)	(99,649)
Total comprehensive income		**-**	**-**	**(99,649)**	**(99,649)**
Total transactions with owners of the Company		-	-	-	-
Balance at 31 Dec 2015		**950**	**132,904**	**4,776,142**	**4,909,996**
Balance at 1 Jul 2016		950	132,904	5,710,014	5,843,868
Other comprehensive income		-	-	-	-
Profit for the year		-	-	930,980	930,980
Total comprehensive income		**-**	**-**	**930,980**	**930,980**
Total transactions with owners of the Company		-	-	-	-
Balance at 31 Dec 2016		**950**	**132,904**	**6,640,994**	**6,774,848**

The Notes on pages 10 to 17 are an integral part of these financial statements.

Synertec Pty Ltd

Statement of cash flows

For the six months ended 31 December 2016

In Australian dollars	***Note***	**31 December 2016**	**31 December 2015**
Cash flows from operating activities			
Cash receipts from customers		11,320,239	7,769,104
Cash paid to suppliers and employees		(9,797,564)	(7,550,104)
Cash generated from operations		1,522,675	219,000
Interest paid		(31,190)	(31,648)
Interest received		4,500	-
Net cash from operating activities		**1,495,985**	**187,352**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		23,635	-
Purchase of financial assets		-	431,476
Proceeds from entering/exiting term deposit		(50,000)	14,882
Proceeds from disposal of investment		-	485,979
Acquisition of property, plant and equipment		(77,026)	(30,434)
Net cash from investing activities		**(103,391)**	**901,903**
Cash flows (used in)/from financing activities			
Loans provided to directors/related parties		(673,537)	(66,500)
Repayment of loan from a related party		-	(200,000)
Payment of finance lease liabilities		(9,501)	(7,986)
Net cash used in financing activities		**(683,038)**	**(274,486)**
Net increase in cash and cash equivalents		**709,556**	**814,769**
Cash and cash equivalent at beginning of the half-year		5,028,289	118,375
Cash and cash equivalents at end of the half-year		**5,737,845**	**933,144**

The Notes on pages 10 to 17 are an integral part of these financial statements.

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 is a for-profit entity that specialises in engineering consulting and technology for industries with high technical complexity and regulation such as pharmaceutical and oil and gas. The Company is not publicly accountable.

2. Summary of Significant Accounting policies

Basis of preparation

The half-year financial report is a financial report prepared in accordance with AASB 134 'Interim Financial Reporting'.

They were authorised for issue by the Directors on 10 February 2017.

This half-year report does not include all of the notes of the type normally included in an annual financial report, however selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since 30 June 2016. Accordingly, it should be read in conjunction with the Annual Report for the year ended 30 June 2016.

This half-year financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for the assets. All amounts are presented in Australian dollars, unless otherwise noted. All values are rounded to the nearest dollar.

Significant accounting policies

The accounting policies applied in this half-year financial report are the same as those applied in Synertec's financial report as at and for the financial year ended 30 June 2016.

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.

3. Use of judgements and estimates (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.

4. Operating segments

The Company operates through one segment to provide engineering consulting services.

The financial results from this segment are consistent with the financial statements for the Company as a whole. The Company operates in one geographic region and accordingly no further analysis is provided.

5. Revenue

In Australian dollars	*Note*	31 December 2016	31 December 2015
Rendering of services		1,129,343	1,602,207
Fixed price projects		7,927,112	5,018,775
		9,056,455	**6,620,982**

6. Other income

In Australian dollars	*Note*	31 December 2016	31 December 2015
Government benefits - research and development tax credits		-	997,558
		-	**997,558**

7. Finance income and finance costs

Recognised in profit or loss

In Australian dollars	*Note*	31 December 2016	31 December 2015
Interest income		4,500	16,520
Unrealised foreign currency gains and losses		-	35,776
Realised foreign currency gains and losses		11,678	6,511
Finance income		**16,178**	**58,807**
Facility interest		28,904	18,730
Unrealised foreign currency gains and losses		21,759	-
Hire purchase charges		1,622	1,857
Interest expense		664	11,061
Finance costs		**52,949**	**31,648**
Net finance (costs)/income recognised in profit or loss		**(36,771)**	**27,159**

8. Taxes

Tax recognised in profit or loss

In Australian dollars	*Note*	31 December 2016	31 December 2015
Current tax expense			
Current year		(371,960)	(1,396,323)
		(371,960)	**(1,396,323)**
Deferred tax benefit			
Origination and reversal of temporary differences		(36,161)	(222,053)
		(36,161)	**(222,053)**
Tax expense from continuing operations		**(408,121)**	**(1,618,376)**

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 (30 June 2016: $Nil). The current tax liability is $1,744,670 (30 June 2016: $1,300,386).

9. Cash and cash equivalents

In Australian dollars	*Note*	31 December 2016	30 June 2016
Bank balances		5,736,495	5,026,358
Cash on hand		1,350	1,931
Cash and cash equivalents		**5,737,845**	**5,028,289**

10. Trade and other receivables

In Australian dollars	*Note*	31 December 2016	30 June 2016
Sundry debtors		5,382	1,176
Trade receivables		1,420,540	1,688,628
		1,425,922	**1,689,804**
Current		1,425,922	1,689,804
Total		**1,425,922**	**1,689,804**

11. Other assets

Current

In Australian dollars	*Note*	31 December 2016	30 June 2016
Amounts due from related parties		290,341	272,144
Loans to directors		998,761	343,421
Prepayments		104,296	59,167
Deposits		57,242	57,242
Stock on hand		12,262	12,262
Other receivables		-	12,090
Current		**1,462,902**	**756,326**

Non-Current

In Australian dollars	*Note*	31 December 2016	30 June 2016
ANZ term deposits		400,000	350,000
EFIC deposits		431,477	431,477
Non-current		**831,477**	**781,477**

The Company has a $96,688 non-interest bearing loan receivable from Synertec Malaysia and a $166,509 non-interest bearing loan receivable from Synertec Asia. The Company has $431,477 in deposits with the Australian Export and Finance Insurance Commission (EFIC) as per note [20].

12. Work in progress

In Australian dollars	*Note*	31 December 2016	30 June 2016
Work in progress		999,595	2,504,559
		999,595	2,504,559

At 31 December 2016 aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to $999,595 (30 June 2016: $2,504,559).

13. Employee benefits

In Australian dollars	*Note*	31 December 2016	30 June 2016
Annual leave		202,240	153,978
Long service leave		240,539	223,207
Current		**442,779**	**377,185**
Long service leave		74,015	54,000
Non-Current		**74,015**	**54,000**

14. Property, plant and equipment

In Australian dollars	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	TOTAL
Cost					
Balance at 1 July 2015	319,597	103,113	21,157	236,160	680,027
Additons	24,546	5,888	-	-	30,434
Disposals	-	-	-	-	-
Balance at 31 Dec 2015	**344,143**	**109,001**	**21,157**	**236,160**	**710,461**
Balance at 1 July 2016	397,750	116,247	21,157	333,009	868,163
Additons	21,205	-	-	55,821	77,026
Disposals	-	-	-	(42,731)	(42,731)
Balance at 31 Dec 2016	**418,955**	**116,247**	**21,157**	**346,099**	**902,458**

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	TOTAL
Accumulated depreciation					
Balance at 1 July 2015	282,029	72,753	17,194	97,457	469,433
Additons	11,595	2,399	398	14,462	28,854
Disposals	-	-	-	-	-
Balance at 31 Dec 2015	**293,624**	**75,152**	**17,592**	**111,919**	**498,287**
Balance at 1 July 2016	315,960	78,317	17,987	103,327	515,591
Additons	20,568	3,434	320	21,794	46,116
Disposals	-	-	-	(23,809)	(23,809)
Balance at 31 Dec 2016	**336,528**	**81,751**	**18,307**	**101,312**	**537,898**
Carrying amounts					
at 01 Jul 2015	**37,568**	**30,360**	**3,963**	**138,703**	**210,594**
at 31 Dec 2015	**50,519**	**33,849**	**3,565**	**124,241**	**212,174**
at 01 Jul 2016	**81,790**	**37,930**	**3,170**	**229,682**	**352,572**
at 31 Dec 2016	**82,427**	**34,496**	**2,850**	**244,787**	**364,560**

Leased plant and machinery

The Company leases motor vehicles under a number of finance lease agreements. The leased equipment secures lease obligations (see Note [16]). Some leases provide the Company with the option to purchase the vehicles at an agreed price. At 31 December 2016 the net carrying amount of leased motor vehicles was $47,338 (30 June 2016: $51,863). Non cash acquisitions of motor vehicles amount to $Nil (30 June 2016: $Nil).

15. Trade and other payables

In Australian dollars	*Note*	31 December 2016	30 June 2016
Trade payables		403,337	763,468
Other payables		852,804	345,185
Fixed price project accruals		634,540	2,065,166
Current		**1,890,681**	**3,173,819**

16. 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	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016	31 December 2016	30 June 2016
Less than one year	38,028	30,014	1,205	2,605	39,233	32,619
Between one and five years	-	17,515		102	-	17,617
	38,028	**47,529**	**1,205**	**2,707**	**39,233**	**50,236**

The items currently under finance leases are all motor vehicles.

17. Deferred income

In Australian dollars	*Note*	31 December 2016	30 June 2016
Billing in advance of work completed		51,223	474,021
		51,223	**474,021**

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.

18. Capital and reserves

(a) Share Capital

	Note	Ordinary Shares 31 December 2016	30 June 2016
In issue at 1 January		950	950
Movement		-	-
In issue at 31 December		**950**	**950**

Ordinary shares

The Company's share capital is $950.
The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.
The holders of ordinary shares are entitled to receive dividends as declared from time to time.

(b) Other equity contribution

	Note	31 December 2016	30 June 2016
Other contributed equity		132,904	132,904
		132,904	**132,904**

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

(c) Dividends

There was no dividend paid for the half year ended 31 December 2016 (30 June 2016: Nil).

After 31 December 2016 no dividends were proposed by the Directors.

Due to the use of the Reseach 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.

	Note	31 December 2016	30 June 2016
Dividend franking account		(2,208,351)	(2,208,351)
Amount of franking credits available to shareholders of Synertec Pty Ltd for subsequent financial years		**(2,208,351)**	**(2,208,351)**

19. Subsequent events

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.

20. Contingencies and capital commitments

The Company has contingent liabilities to Bechtel which is 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 is for $1,125,906 expiring at 31/7/2017; and
- the QCLNG bond on issue is for $600,000 expiring at 31/3/2017.

The bonds secured by EFIC have cash deposits of $431,477. Refer to note [11]

Directors' declaration

1. In the opinion of the Directors of Synertec Pty Ltd ("the Company"):

(a) the Company is not publicly accountable;
(b) the financial statements and notes, set out on pages 6 to 17:
  (i) present fairly the financial position of the Company as at 31 December 2016 and its performance, as represented by the results of its operations and its cash flows, for the half-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);
  (iii) as described in Note 2 the financial report also complies with the AASB 134 'Interim Financial Reporting';
(c) 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 period ended 2016 the Company has:

(a) kept such accounting records as correctly record and explain its transactions and financial position;
(b) kept its accounting records 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 and/or reviewed.

Signed in accordance with a resolution of the Directors:

Dated at 10 February 2017

Michael Carroll
Director

Independent auditor's review report to the members of Synertec Pty Ltd

We have reviewed the accompanying half-year financial report of Synertec Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Responsibility of the Directors for the half-year financial report

The directors of the Company are responsible for the preparation and presentation of the financial report that presents fairly in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

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 ASRE 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 in accordance with Australian Accounting Standards including: presenting fairly the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting.* As auditor of Synertec Pty Ltd, ASRE 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 inquiries, 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 Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Synertec Pty Ltd is not in accordance with the Australian Accounting Standards and AASB 134 *Interim Financial Reporting*, including:

(a) presenting fairly the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standards and AASB 134 *Interim Financial Reporting.*

Other Matter

The financial report for the half year ended 31 December 2015 was not audited or reviewed. We have performed review procedures on the comparatives for the corresponding period and therefore our review statement is not qualified in respect of the corresponding information for the period ended 31 December 2015.

Restriction on use and distribution and use:

The half-year Financial Report has been prepared to assist the Directors of Synertec Pty Ltd in relation to their due diligence in preparation for the potential acquisition of the Company by an ASX listed entity. As a result, the half-year Financial Report and our auditor's review report may not be suitable for another purpose. Our report is intended solely for the Directors of Synertec Pty Ltd and should not be used by or distributed to parties other than those Directors. We will therefore disclaim any assumption of responsibility for any reliance on our report, or on the Financial Report to which it relates, to any person other than the Directors of Synertec Pty Ltd, or for any purpose other than that for which it was prepared.

KPMG

KPMG

Dana Bentley

Partner

Melbourne

10th February 2017

Annual Report
Synertec Pty Ltd
30 June 2016
ABN 91 114 707 050

Synertec Pty Ltd

Table of contents

For the year ended 30 June 2016

The Directors present their report together with the financial report of Synertec Pty Ltd ("the Company") for the year ended 30 June 2016 and the auditor's report thereon.

1. Directors

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

Michael Carroll	(Managing Director)
Gussan Abdallah	(Director)

2. Principal activities

The principal activities of the Company during the course of the financial year 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 Melbourne Water and several LNG facilities.

3. Review of operations and results of those operations

Commentary on operating results

The Revenue of the Company for the FY16 period was $17,021,437 (FY15: $11,584,206).

The Net Profit of the Company (after tax) for the FY16 period was $834,223 (FY15: $1,094,618).

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 FY16 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. Directors' interests and share options

Michael Carroll	(Managing Director)	438 shares
Gussan Abdallah	(Director)	438 shares

There are a total of 950 shares on issue.

There are no share options on offer.

8. 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.

9. Subsequent events

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.

10. Environmental regulation

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

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 financial year ended 30 June 2016.

Michael Carroll
Managing Director

Melbourne
11 January 2017

Lead 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 2016 there have been no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dana Bentley
Partner

Melbourne

11 January 2017

Synertec Pty Ltd

Statement of financial position

As at 30 June 2016

In Australian dollars	*Note*	30 June 2016	30 June 2015
Assets			
Cash and cash equivalents	*10*	5,028,289	668,656
Trade and other receivables	*11*	1,689,804	1,461,215
Other assets	*12*	756,326	1,326,021
Work in progress	*13*	2,504,559	3,393,904
Current tax assets	*9*	-	700,994
Total current assets		9,978,978	7,550,790
Deferred tax assets	*9*	157,781	357,427
Other assets	*12*	781,477	647,215
Property, plant and equipment	*15*	352,572	210,594
Total non-current assets		1,291,830	1,215,236
Total assets		11,270,808	8,766,026
Liabilities			
Bank overdraft	*10*	-	550,281
Trade and other payables	*16*	3,173,819	2,264,292
Current tax liability	*9*	1,300,386	-
Loans and borrowings	*17*	30,014	18,274
Employee benefits	*14*	377,185	286,226
Other liabilities	*18*	-	200,000
Deferred income	*19*	474,021	342,779
Total current liabilities		5,355,425	3,661,852
Loans and borrowings	*17*	17,515	47,529
Employee benefits	*14*	54,000	47,000
Total non-current liabilities		71,515	94,529
Total liabilities		5,426,940	3,756,381
Net assets		5,843,868	5,009,645
Equity			
Share capital	*21*	950	950
Other equity contribution	*21*	132,904	132,904
Retained earnings		5,710,014	4,875,791
Total equity attributable to equity holders of the Company		5,843,868	5,009,645
Total equity		5,843,868	5,009,645

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

Synertec Pty Ltd

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

In Australian dollars	***Note***	**2016**	**2015**
Revenue			
Revenue	*6*	17,021,437	11,584,206
Other income	*7*	1,180,786	2,357,550
Profit on disposal of motor vehicles		5,978	-
Expenses			
Materials and services expense		(9,367,898)	(6,804,225)
Employee benefits expense		(3,963,856)	(3,241,758)
Superannuation expense		(337,276)	(280,413)
Depreciation and amortisation expense		(71,568)	(65,420)
Occupancy expenses		(172,655)	(181,200)
Car and travelling expenses		(140,166)	(157,552)
Telecommunication costs		(117,307)	(79,780)
Legal and professional fees		(257,212)	(212,273)
Other expenses		(226,213)	(200,290)
Results from operating activities		3,554,050	2,718,845
Finance income	*8*	37,251	196,644
Finance costs	*8*	(76,260)	(143,589)
Net finance costs/(income)		(39,009)	53,055
Profit before tax		3,515,041	2,771,900
Income tax expense	*9*	(2,680,818)	(1,677,282)
Profit from operations		834,223	1,094,618
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		834,223	1,094,618

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 2016

In Australian dollars	***Note***	**Share Capital** $	**Other Contributed Equity**	**Retained Earnings** $	**Total** $
Balance at 1 July 2014		950	132,904	3,781,173	3,915,027
Other comprehensive income		-	-	-	-
Profit for the year		-	-	1,094,618	1,094,618
Total comprehensive income		-	-	1,094,618	1,094,618
Total transactions with owners of the Company		-	-	-	-
Balance at 30 June 2015		950	132,904	4,875,791	5,009,645
Balance at 1 July 2015		950	132,904	4,875,791	5,009,645
Other comprehensive income		-	-	-	-
Profit for the year		-	-	834,223	834,223
Total comprehensive income		-	-	834,223	834,223
Total transactions with owners of the Company		-	-	-	-
Balance at 30 June 2016		950	132,904	5,710,014	5,843,868

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 2016

In Australian dollars	***Note***	**2016**	**2015**
Cash flows from operating activities			
Cash receipts from customers		19,515,584	11,647,431
Cash paid to suppliers and employees		(15,210,517)	(11,766,096)
Cash generated from operations		4,305,067	(118,665)
Interest paid		(76,260)	(143,590)
Interest received		5,858	6,483
Income taxes refunded		700,994	1,164,230
Net cash from operating activities	*10A*	4,935,659	908,458
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		14,818	-
Purchase of financial assets		431,476	(114,362)
Proceeds from exiting term deposit		(321,408)	(892)
Proceeds from disposal of investment		485,978	401,427
Acquisition of property, plant and equipment		(222,386)	(71,772)
Net cash from investing activities		388,478	214,401
Cash flows (used in)/from financing activities			
Loans provided to directors/related parties		(195,949)	(58,933)
Proceeds from a related party loan receivable		(200,000)	198,817
Payment of finance lease liabilities		(18,274)	(17,060)
Net cash (used in)/from financing activities		(414,223)	122,824
Net increase in cash and cash equivalents		4,909,914	1,245,683
Cash and cash equivalents at 1 July		118,375	(1,127,308)
Cash and cash equivalents at 30 June	*10*	5,028,289	118,375

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

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 is a for-profit entity that specialises in engineering consulting and technology for industries with high technical complexity and regulation such as pharmaceutical and oil and gas. The Company is not publicly accountable.

2 (a) Basis of accounting

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

These financial statements were authorised for issue by the Directors on 11 January 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 ending 30 June 2016 are included in note [11] – Trade and other receivables.

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 note [26] – financial instruments.

4. Significant accounting policies

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 certain criteria are met.

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. Land is not depreciated.

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

- motor vehicles 10 years
- furniture and equipment 16 years
- computers 3 years
- fixtures and fittings 16 years

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.

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.

Advance receipts

Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income/revenue.

(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 Companying 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 inventories 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 the 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].

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

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.

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.

L. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

M. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual period beginning 1 July 2015, 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 financial statements and AASB 16 *Leases* which becomes mandatory for the Company's 2020. 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 operates through one segment to provide engineering consulting services.

The financial results from this segment are consistent with the financial statements for the company as a whole. The Company operates in one geographic region and accordingly no further analysis is provided.

6. Revenue

In Australian dollars	*Note*	2016	2015
Rendering of services		3,646,248	2,381,494
Fixed price projects		13,375,189	9,202,712
		17,021,437	11,584,206

7. Other income

In Australian dollars	*Note*	2016	2015
Government benefits - research and development tax credits		1,180,786	2,346,011
Governments benefits - paid parental leave		-	11,539
		1,180,786	2,357,550

8. Finance income and finance costs

Recognised in profit or loss

In Australian dollars	*Note*	2016	2015
Interest income		22,379	54,051
Realised foreign currency gains and losses		-	127,649
Unrealised foreign currency gains and losses		14,872	14,944
Finance income		37,251	196,644
Facility interest		(49,563)	(108,936)
Realised foreign currency gains and losses		(8,056)	-
Hire purchase charges		(3,968)	(5,184)
Interest expense		(14,673)	(29,469)
Finance costs		(76,260)	(143,589)
Net finance (costs)/income recognised in profit or loss		(39,009)	53,055

The interest income is comprised of interest on the deferred consideration from the sale of Synertec Asia, interests earnt on deposits held as security by ANZ and interest on the Division 7A 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). Previous export working capital guarantees provided by EFIC to the ANZ were no longer required during the 2015 year and terminated. The financial security provided by EFIC is detail in note [23].

9. Taxes

(i) Tax recognised in profit or loss

In Australian dollars	*Note*	2016	2015
Current tax expense			
Current year		(2,481,172)	(1,648,126)
		(2,481,172)	(1,648,126)
Deferred tax benefit			
Origination and reversal of temporary differences	*9(iv)*	(199,646)	(29,156)
		(199,646)	(29,156)
Tax expense from continuing operations		(2,680,818)	(1,677,282)

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 (2015: $700,994). The current tax liability is $1,300,386 (2015: $Nil).

(ii) Reconciliation of effective tax rate

In Australian dollars	*Note*		2016		2015
Profit before tax from continuing operations			3,515,041		2,771,900
Tax using the Company's domestic tax rate		30%	1,054,512	30%	831,570
Non-deductible expenses			5,520		2,756
Tax exempt income relating to sale of foreign entity			(11,505)		(63,791)
Non-deductible research and development expenditure			787,190		1,564,007
Non-assessable grant income			(354,236)		(703,803)
Changes in estimates related to prior periods			-		46,543
Assessable feedstock adjustment on research and development			1,199,337		-
Income tax expense			2,680,818		1,677,282

(iii) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In Australian dollars	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Work in progress	-	482,020	-	-	-	482,020
Other assets	-	-	-	(36,234)	-	(36,234)
Employee benefits	129,355	99,968	-	-	129,355	99,968
Deferred income	-	6,302	-	-	-	6,302
Other payables	28,426	23,775	-	(218,404)	28,426	(194,629)
Tax (assets) liabilities before set off	157,781	612,065	-	(254,638)	157,781	357,427
Set off of tax	-	(254,638)	-	254,638	-	-
Net tax (assets) liabilities	157,781	357,427	-	-	157,781	357,427

9. Taxes (continued)

(iv) Movement in deferred tax balances during the year

In Australian dollars	Balance 1 July 2014	Recognised in profit or loss	Recognised in other compre-hensive income	Balance 30 June 2015	Recognised in profit or loss	Recognised in other compre-hensive income	Balance 30 June 2016
Work in progress	220,033	261,987	-	482,020	(482,020)	-	-
Other assets	-	(36,234)	-	(36,234)	36,234	-	-
Employee benefits	102,340	(2,372)	-	99,968	29,387	-	129,355
Deferred income	24,899	(18,597)	-	6,302	(6,302)	-	-
Other payables	39,311	(233,940)	-	(194,629)	223,055	-	28,426
	386,583	(29,156)	-	357,427	(199,646)	-	157,781

10. Cash and cash equivalents

In Australian dollars

	Note	2016	2015
Bank balances		5,026,358	667,225
Cash on hand		1,931	1,431
Cash and cash equivalents		5,028,289	668,656
Bank overdraft		-	(550,281)
Cash and cash equivalents in the statement of cash flows		5,028,289	118,375

Refer note [26(ii)] for details surrounding the bank overdraft available.

10A. Reconciliation of cash flows from operating activities

In Australian dollars	*Note*	2016	2015
Cash flows from operating activities			
Profit for the year		834,223	1,094,618
Adjustments for:			
Depreciation	*15*	71,568	65,420
Net interest costs/(income)	*8*	53,881	89,537
Gain on sale of property, plant and equipment		(5,978)	-
Research and development tax credits	*7*	(1,180,786)	(2,346,011)
Tax expense	*9*	2,680,818	1,677,282
		2,453,726	580,846
Change in work in progress		889,345	(889,959)
Change in other assets		73,685	(107,417)
Change in trade and other receivables		(228,589)	(288,670)
Change in trade and other payables		909,528	687,617
Change in employee benefis		97,959	(7,907)
Change in deferred income/revenue		131,242	71,893
Cash generated from operating activities		4,326,896	46,403
Interest paid net of interest received		(70,402)	(137,107)
Realised foreign currency (gains)/losses recognised as investing activities		(21,829)	(165,068)
Income taxes refunded		700,994	1,164,230
Net cash from operating activities		4,935,659	908,458

11. Trade and other receivables

In Australian dollars	*Note*	2016	2015
Sundry debtors		1,176	-
Trade receivables		1,688,628	1,461,215
		1,689,804	1,461,215
Current		1,689,804	1,461,215
		1,689,804	1,461,215

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

In Australian dollars	*Note*	2016	2015
Amounts due from related parties		272,144	321,280
EFIC deposits		-	215,738
Loans to directors		343,421	98,336
Prepayments		59,167	173,599
Deposits		57,242	28,585
Contingent consideration receivable		-	447,629
Stock on hand		12,262	12,262
ANZ term deposits		-	28,592
Other receivables		12,090	-
Current		756,326	1,326,021

Other assets – non-current

In Australian dollars	2016	2015
ANZ term deposits	350,000	-
EFIC deposits	431,477	647,215
Non current	781,477	647,215

The Company has a $96,688 (2015: $96,688) non-interest bearing loan receivable from Synertec Malaysia and a $166,509 (2015: $221,384) non-interest bearing loan receivable from Synertec Asia. The Company has $431,477 (2015: $862,953) in deposits with EFIC as per note [23]. The contingent consideration receivable is contingent amounts relating to the sale of Synertec Asia.

13. Work in progress

In Australian dollars	*Note*	2016	2015
Work in progress		2,504,559	3,393,904
		2,504,559	3,393,904

At 30 June 2016 aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to $2,504,559 (2015: $3,393,904).

11. Trade and other receivables

In Australian dollars	***Note***	**2016**	**2015**
Sundry debtors		1,176	-
Trade receivables		1,688,628	1,461,215
		1,689,804	1,461,215
Current		1,689,804	1,461,215
		1,689,804	1,461,215

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

In Australian dollars	***Note***	**2016**	**2015**
Amounts due from related parties		272,144	321,280
EFIC deposits		-	215,738
Loans to directors		343,421	98,336
Prepayments		59,167	173,599
Deposits		57,242	28,585
Contingent consideration receivable		-	447,629
Stock on hand		12,262	12,262
ANZ term deposits		-	28,592
Other receivables		12,090	-
Current		756,326	1,326,021

Other assets – non-current

In Australian dollars	**2016**	**2015**
ANZ term deposits	350,000	-
EFIC deposits	431,477	647,215
Non current	781,477	647,215

The Company has a $96,688 (2015: $96,688) non-interest bearing loan receivable from Synertec Malaysia and a $166,509 (2015: $221,384) non-interest bearing loan receivable from Synertec Asia. The Company has $431,477 (2015: $862,953) in deposits with EFIC as per note [23]. The contingent consideration receivable is contingent amounts relating to the sale of Synertec Asia.

13. Work in progress

In Australian dollars	***Note***	**2016**	**2015**
Work in progress		2,504,559	3,393,904
		2,504,559	3,393,904

At 30 June 2016 aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to $2,504,559 (2015: $3,393,904).

16. Trade and other payables

In Australian dollars	*Note*	2016	2015
Current			
Trade payables		763,468	972,882
Other payables		345,185	293,223
Fixed price project accruals		2,065,166	998,187
		3,173,819	2,264,292

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	
	2016	2015	2016	2015	2016	2015
Less than one year	30,014	18,274	2,605	3,969	32,619	22,243
Between one and five years	17,515	47,529	102	2,707	17,617	50,236
	47,529	65,803	2,707	6,676	50,236	72,479

The items currently under finance leases are all motor vehicles.

18. Other liabilities

In Australian dollars	*Note*	2016	2015
Current			
Amount due to related parties		-	200,000
		-	200,000

The amounts payable to related parties was a short term loan from Margaret Carroll which was to be repaid within 12 months.

19. Deferred income / revenue

In Australian dollars	*Note*	2016	2015
Billing in advance of work completed		474,021	342,779
		474,021	342,779

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.

20. Operating leases

Leases as lessee

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

In Australian dollars	*Note*	2016	2015
Less than one year		223,091	150,954
Between one and five years		93,571	196,804
		316,662	347,758

The Company leases the head office and a factory facility under operating leases. The head office lease expires December 2017. Lease payments are increased every year as indexed to CPI. The factory facility is under a 1 year lease.

During the year $172,655 was recognised as an expense in profit or loss in respect of operating leases (2015: $181,200).

The factory lease was entered into as a combined lease of land and buildings. The Company determined that the land and building elements of the factory lease 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.

21. Capital and reserves

(a) Share capital

	Note	Ordinary shares	
		2016	2015
In issue at 1 July		950	950
Movement		-	-
In issue at 30 June		950	950

Ordinary shares

The Company's share capital is $950 (2015: $950).

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

(b) Other equity contribution

	Note	2016	2015
Other contributed equity		132,904	132,904
		132,904	132,904

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

21. Capital and reserves (continued)

(c) Dividends

There was no dividend paid for the year ended 30 June 2016 (2015: nil).

After 30 June 2016 no dividends were proposed by the Directors.

Due to the use of the Reseach 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.

	2016	2015
Dividend franking account		
Amount of franking credits available to shareholders of Synertec Pty Ltd for subsequent financial years	(2,208,351)	(1,507,358)

22. Subsequent events

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 has contingent liabilities to Bechtel which is covered by two bonds provided by the Australia 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 is for $1,125,906 expiring at 31/7/2017; and
- the QCLNG bond on issue is for $600,000 expiring at 31/3/2017.

The bonds secured by EFIC have cash deposits of $431,477 (2015: $862,953). Refer to note [12]

24. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

In Australian dollars	2016	2015
Short-term employee benefits	445,000	482,127
Post-employment benefits	34,374	36,614
	479,374	518,741

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

24. Related parties (continued)

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	Balance 1 July 2015 $	Balance 30 June 2016 $
Directors		
Michael Carroll	76,266	195,588
Gassan Abdallah	22,070	147,833
Entities under the control of Gassan Abdallah		
Synertec Asia	221,384	166,509
Synertec Malaysia	96,688	96,688
Management personnel		
Ted Perkins	3,208	8,947
Other related parties		
Margaret Carroll	(200,000)	-

Loans to the Directors were unsecured and provided to their respective Family Trusts as disclosed above. Loans to Synertec Asia and Synertec Malaysia are detailed in Note [12], and are considered related as Gassan Abdallah is the Managing Director of those entities. Synertec Malaysia is a subsidiary of Synertec Asia.

25. Auditor's remuneration

In Australian dollars	2016	2015
Audit and review services		
Auditors of the Company - KPMG		
Audit and review of financial statements	45,000	30,000
	45,000	30,000
Other services		
Auditors of the Company - KPMG		
In relation to other assurance, taxation and due diligence services	17,600	-
In relation to taxation	140,060	203,423
	202,660	**233,423**

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.

		Carrying amount	
In Australian dollars	**Note**	**2016**	**2015**
Trade and other receivables	*11*	1,689,804	1,461,215
Cash and cash equivalents	*10*	5,028,289	668,656
ANZ deposit	*12*	350,000	28,592
Contingent consideration receivable	*12*	-	447,629
EFIC deposits	*12*	431,477	862,953
Loans to directors	*12*	343,421	98,336
Deposits	*12*	57,242	28,585
Amounts due from related parties	*12*	272,144	321,280
		8,172,377	3,917,246

Trade and other receivables (including contingent consideration receivable)

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.

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.

	Carrying amount	
In Australian dollars	**2016**	**2015**
Australia	1,689,804	1,461,215
	1,689,804	1,461,215

The Company's most significant balance outstanding to a single customer, accounts for $390,425 of the loans and receivables carrying amount at 30 June 2016 (2015: $447,440).

Impairment losses

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

In Australian dollars	**2016**	**2015**
Neither past due nor impaired	1,627,288	1,166,744
Past due 1 - 30 days	57,499	80,803
Past due 31 - 90 days	-	15,081
Past due 91 - 120 days	5,017	198,587
	1,689,804	1,461,215

Cash and cash equivalents (including deposits)

The Company held cash and cash equivalents of $5,028,289 at 30 June 2016 (2015: $668,656) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with reputable bank and financial institution counterparties. The Company has $431,477 (2015: $862,953) on deposit with EFIC being held as security for the performance guarantee bonds held by Bechtel as detailed in note [23].

(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 2016, the expected cash flows from trade and other receivables maturing within two months were $1,689,804 (2015: $1,461,215). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

26. Financial instruments (continued)

(ii) Liquidity risk (continued)

In addition, the Company maintains the following lines of credit:

- $400,000 (2015: $400,000) overdraft facility from ANZ. Currently there is no requirement to draw down on the overdraft facility. For part of the 2015 financial year the overdraft facility was secured by an EFIC working capital guarantee. At 30 June 2015 there was a temporary overdraft increase of $200,000.

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 2016

In Australian dollars

		Contractual cash flows			
	Carrying amount	Total	0-1 years	1-2 years	2-5 years
Non-derivative financial liabilities					
Finance lease liabilities	47,528	50,236	32,619	17,617	-
Trade payables	3,173,819	3,173,819	3,173,819	-	-
Deferred revenue	474,021	474,021	474,021	-	-
	3,695,368	3,698,076	3,680,459	17,617	-

30 June 2015

In Australian dollars

		Contractual cash flows			
	Carrying amount	Total	0-1 years	1-2 years	2-5 years
Non-derivative financial liabilities					
Finance lease liabilities	65,803	72,479	22,243	50,236	-
Trade payables	2,264,292	2,264,292	2,264,292	-	-
Deferred revenue	342,779	342,779	342,779	-	-
Bank overdraft	550,281	562,870	562,870	-	-
	3,223,155	3,242,420	3,192,184	50,236	-

(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 derivates outweights 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.

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 2016		30 June 2015	
	USD	EURO	USD	EURO
Other assets	-	-	447,629	-
Trade and other receivables	-	5,730	-	-
Cash and cash equivalents	378,364	1,379,744	-	663,783
Financial assets	378,364	1,385,474	-	663,783
Trade and other payables	(59)	(459,597)	(19,517)	(104,734)
Financial liabilties	(59)	(459,597)	(19,517)	(104,734)
Net exposure	378,305	925,877	428,112	559,049

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
30 June 2016				
USD	**(24,074)**	**29,423**	**(24,074)**	**29,423**
Euro	**(58,919)**	**72,013**	**(58,919)**	**72,013**
Currency exchange risk (net)	(82,993)	101,436	(82,993)	101,436
30 June 2015				
USD	**(27,243)**	**33,298**	**(27,243)**	**33,298**
Euro	**(35,576)**	**43,482**	**(35,576)**	**43,482**
Currency exchange risk (net)	(62,819)	76,780	(62,819)	76,780

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	
	2016	2015
Variable-rate instruments		
ANZ interest expense	18.99%	17.26%
Interest on ANZ deposits	1.75%	2.15%
Related party interest rates	5.45%	5.95%

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
30 June 2016				
Variable rate instruments	**4,853**	**(4,853)**	**4,853**	**(4,853)**
Cash flow sensitivity (net)	4,853	(4,853)	4,853	(4,853)
30 June 2015				
Variable rate instruments	**(4,652)**	**4,652**	**(4,652)**	**4,652**
Cash flow sensitivity (net)	(4,652)	4,652	(4,652)	4,652

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, it does not include the carrying amounts for financial assets and liabilities is not measured at fair value if the carrying amount is a reasonable approximation of value.

In Australian dollars	*Note*	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2016					
Cash and cash equivalents	*10*	5,028,289	-	-	5,028,289
Trade and other receivables	*11*	1,689,804	-	-	1,689,804
Related party loans	*12*	-	272,144	-	272,144
Director loans	*12*	-	343,421	-	343,421
Contingent consideration receivable	*12*	-	-	-	-
ANZ deposits	*12*	-	350,000	-	350,000
EFIC deposits	*12*	-	431,477	-	431,477
Deposits	*12*	-	57,242	-	57,242
		6,718,093	1,454,284	-	8,172,377
Finance lease liabilities	*17*	-	-	47,529	47,529
Trade and other payables	*16*	-	-	3,173,819	3,173,819
		-	-	3,221,348	3,221,348

26. Financial instruments (continued)

(iii) Market risk (continued)

Accounting classifications and fair values (*continued*)

Fair values vs carrying amount (continued)

In Australian dollars	**Note**	**Loans and receivables**	**Other financial assets**	**Other financial liabilities**	**Total carrying amount**
30 June 2015					
Cash and cash equivalents	*10*	668,656	-	-	668,656
Trade and other receivables	*11*	1,461,215	-	-	1,461,215
Related party loans	*12*	-	321,280	-	321,280
Director loans	*12*	-	98,336	-	98,336
Contingent consideration receivable	*12*	-	447,629	-	447,629
ANZ deposits	*12*	-	28,592	-	28,592
EFIC deposits	*12*	-	862,953	-	862,953
Deposits	*12*	-	28,585	-	28,585
		2,129,871	1,787,375	-	3,917,246
Finance lease liabilities	*17*	-	-	65,803	65,803
Trade and other payables	*16*	-	-	2,264,292	2,264,292
Loans from related parties	*18*	-	-	200,000	200,000
Bank overdraft	*10*	-	-	550,281	550,281
		-	-	3,080,376	3,080,376

Directors' declaration

1. In the opinion of the Directors of Synertec Pty Ltd ("the Company"):

   (a) the Company is not publicly accountable;

   (b) 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 2016 and its performance, as represented by the results of its operations and its cash flows, for the financial 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);

      (iii) as described in Note 2 the financial report also complies with International Financial Reporting Standards; and

   (c) 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 2016 the Company has:

   (a) kept such accounting records as correctly record and explain its transactions and financial position;

   (b) kept its accounting records 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........11th January 2017........................

Michael Carroll
Director

Independent auditor's report to the members of Synertec Pty Ltd

We have audited the accompanying financial report of Synertec Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report that presents fairly in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Australian Accounting Standards, so as to present a view which is consistent with our understanding of the Company's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

KPMG

Independent auditor's report to the members of Synertec Pty Ltd (continued)

Auditor's opinion

In our opinion:

(a) the financial report presents fairly, in all material respects, the financial position of Synertec Pty Ltd as of 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Restriction on use and distribution and use:

The Financial Report has been prepared to assist the Directors of Synertec Pty Ltd in relation to their due diligence in preparation for the potential acquisition of the Company by an ASX listed entity. As a result, the Financial Report and our auditor's report may not be suitable for another purpose. Our report is intended solely for the Directors of Synertec Pty Ltd and should not be used by or distributed to parties other than those Directors. We will therefore disclaim any assumption of responsibility for any reliance on our report, or on the Financial Report to which it relates, to any person other than the Directors of Synertec Pty Ltd, or for any purpose other than that for which it was prepared.

KPMG

KPMG

Dana Bentley
Partner

Melbourne

11 January 2017

Annual Report
Synertec Pty Ltd
30 June 2015
ABN 91 114 707 050

Synertec Pty Ltd

Table of contents

For the year ended 30 June 2015

The Directors present their report together with the financial report of Synertec Pty Ltd ("the Company") for the year ended 30 June 2015 and the auditor's report thereon.

1. Directors

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

Michael Carroll	(Managing Director)
Gussan Abdallah	(Director)

2. Principal activities

The principal activities of the Company during the course of the financial year 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 Melbourne Water and several LNG facilities.

3. Review of operations and results of those operations

Commentary on operating results

The Revenue of the Company for the FY15 period was $11,584,206 (FY14 $12,780,817).

The Net Profit of the Company (after tax) for the FY15 period was $1,094,618 (FY14 $792,110).

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 FY15 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. Directors' interests and share options

Michael Carroll	(Managing Director)	438 shares
Gussan Abdallah	(Director)	438 shares

There are a total of 950 shares on issue.

There are no share options on offer.

8. 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.

9. Subsequent events

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.

10. Environmental regulation

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

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 financial year ended 30 June 2015.

Michael Carroll
Managing Director

Melbourne
11 January 2017

Lead 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 2015 there have been no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dana Bentley
Partner

Melbourne

11 January 2017

Synertec Pty Ltd

Statement of financial position

As at 30 June 2015

In Australian dollars	*Note*	30 June 2015	30 June 2014
Assets			
Cash and cash equivalents	*10*	668,656	12,892
Trade and other receivables	*11*	1,461,215	1,172,545
Other assets	*12*	1,326,021	896,837
Work in progress	*13*	3,393,904	2,503,945
Current tax assets	*9*	700,994	1,167,339
Total current assets		7,550,790	5,753,558
Deferred tax assets	*9*	357,427	386,583
Other assets	*12*	647,215	983,584
Property, plant and equipment	*15*	210,594	204,242
Total non-current assets		1,215,236	1,574,409
Total assets		8,766,026	7,327,967
Liabilities			
Bank overdraft	*10*	550,281	1,140,200
Trade and other payables	*16*	2,264,292	1,576,675
Loans and borrowings	*17*	18,274	17,058
Employee benefits	*14*	286,226	309,572
Other liabilities	*18*	200,000	1,183
Deferred income	*19*	342,779	270,886
Total current liabilities		3,661,852	3,315,574
Loans and borrowings	*17*	47,529	65,805
Employee benefits	*14*	47,000	31,561
Total non-current liabilities		94,529	97,366
Total liabilities		3,756,381	3,412,940
Net assets		5,009,645	3,915,027
Equity			
Share capital	*21*	950	950
Other equity contribution	*21*	132,904	132,904
Retained earnings		4,875,791	3,781,173
Total equity attributable to equity holders of the Company		5,009,645	3,915,027
Total equity		5,009,645	3,915,027

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

Synertec Pty Ltd

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

In Australian dollars	*Note*	2015	2014
Revenue			
Revenue	6	11,584,206	12,780,817
Other income	7	2,357,550	3,258,245
Expenses			
Materials and services expense		(6,804,225)	(9,486,614)
Employee benefits expense		(3,241,758)	(2,639,757)
Superannuation expense		(280,413)	(222,411)
Depreciation and amortisation expense		(65,420)	(60,514)
Occupancy expenses		(181,200)	(139,193)
Car and travelling expenses		(157,552)	(159,353)
Telecommunication costs		(79,780)	(67,136)
Legal and professional fees		(212,273)	(213,169)
Loss on disposal of motor vehicles		-	(13,107)
Other expenses		(200,290)	(183,298)
Results from operating activities		2,718,845	2,854,510
Finance income	8	196,644	110,046
Finance costs	8	(143,589)	(165,580)
Net finance income/costs		53,055	(55,534)
Profit before tax		2,771,900	2,798,976
Income tax expense	9	(1,677,282)	(2,006,866)
Profit from operations		1,094,618	792,110
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		1,094,618	792,110

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 2015

In Australian dollars	*Note*	**Share Capital** $	**Other Contributed Equity**	**Retained Earnings** $	**Total** $
Balance at 1 July 2013		950	132,904	2,989,063	3,122,917
Other comprehensive income		-	-	-	-
Profit for the year		-	-	792,110	792,110
Total comprehensive income		-	-	792,110	792,110
Total transactions with owners of the Company		-	-	-	-
Balance at 30 June 2014		950	132,904	3,781,173	3,915,027
Balance at 1 July 2014		950	132,904	3,781,173	3,915,027
Other comprehensive income		-	-	-	-
Profit for the year		-	-	1,094,618	1,094,618
Total comprehensive income		-	-	1,094,618	1,094,618
Total transactions with owners of the Company		-	-	-	-
Balance at 30 June 2015		950	132,904	4,875,791	5,009,645

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 2015

In Australian dollars	***Note***	**2015**	**2014**
Cash flows from/(used in) operating activities			
Cash receipts from customers		11,647,431	11,554,760
Cash paid to suppliers and employees		(11,766,096)	(14,271,748)
Cash generated from operations		(118,665)	(2,716,988)
Interest paid		(143,590)	(165,580)
Interest received		6,483	9,459
Income taxes refunded		1,164,230	339,910
Net cash from/(used in)operating activities	*10A*	908,458	(2,533,199)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	19,172
Purchase of financial assets		(114,362)	(706,671)
Proceeds from exiting term deposit/(investment in term deposit)		(892)	1,116,632
Proceeds on disposal of investment		401,427	384,169
Acquisition of property, plant and equipment		(71,772)	(6,950)
Net cash from investing activities		214,401	806,352
Cash flows from/(used in) financing activities			
Loans provided to directors		(58,933)	(57,014)
Loan provided from a related party		198,817	-
Payment of finance lease liabilities		(17,060)	(80,842)
Net cash from/(used in) financing activities		122,824	(137,856)
Net increase/(decrease) in cash and cash equivalents		1,245,683	(1,864,703)
Cash and cash equivalents at 1 July		(1,127,308)	737,395
Cash and cash equivalents at 30 June	*10*	118,375	(1,127,308)

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

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 is a for-profit entity that specialises in engineering consulting and technology for industries with high technical complexity and regulation such as pharmaceutical and oil and gas. The Company is not publicly accountable.

2. (a) Basis of accounting

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

They were authorised for issue by the Directors on 11 January 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 ending 30 June 2015 are included in note [11] – Trade and other receivables.

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 note [26] – financial instruments.

4. Significant accounting policies

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 certain criteria are met.

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. Land is not depreciated.

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

- motor vehicles 10 years
- furniture and equipment 16 years
- computers 3 years
- fixtures and fittings 16 years

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.

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.

Advance receipts

Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income/revenue.

(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 inventories 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 the corporate bond rate. 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].

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

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.

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.

L. Operating segments

Operating segments are presented using the ‘management approach’, where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (‘CODM’). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

M. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual period beginning 1 July 2014, 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 financial statements and AASB 16 *Leases* which becomes mandatory for the Company’s 2020. 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 operates through one segment to provide engineering consulting services.

The financial results from this segment are consistent with the financial statements for the company as a whole. The Company operates in one geographic region and accordingly no further analysis is provided.

6. Revenue

In Australian dollars

	Note	2015	2014
Rendering of services		2,381,494	1,690,974
Fixed price projects		9,202,712	11,089,843
		11,584,206	12,780,817

7. Other income

In Australian dollars	Note	2015	2014
Government benefits - research and development tax credits		2,346,011	3,258,245
Governments benefits - paid parental leave		11,539	-
		2,357,550	3,258,245

8. Finance income and finance costs

Recognised in profit or loss

In Australian dollars	Note	2015	2014
Interest income		54,051	84,316
Realised foreign currency gains and losses		40,455	5,020
Unrealised foreign currency gains and losses		102,138	20,710
Finance income		196,644	110,046
Facility interest		(108,936)	(144,034)
Hire purchase charges		(5,184)	(7,864)
Interest expense		(29,469)	(13,682)
Finance costs		(143,589)	(165,580)
Net finance income/(costs) recognised in profit or loss		53,055	(55,534)

The interest income is comprised of interest on the deferred consideration from the sale of Synertec Asia, and the interest earnt on deposits held as security by ANZ.

The Company incurred significant finance costs during the year due to obtaining finance guarantees and an export working capital guarantee from the Export and Finance Insurance Commisson (EFIC). The financial security provided by EFIC is detailed in note [23].

9. Taxes

(i) Tax recognised in profit or loss

In Australian dollars	*Note*	2015	2014
Current tax expense			
Current year		(1,648,126)	(2,090,906)
		(1,648,126)	(2,090,906)
Deferred tax benefit			
Origination and reversal of temporary differences	*9(iv)*	(29,156)	84,040
		(29,156)	84,040
Tax expense from continuing operations		(1,677,282)	(2,006,866)

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 $700,994 (2014: $1,167,339).

(ii) Reconciliation of effective tax rate

In Australian dollars	*Note*		2015		2014
Profit before tax from continuing operations			2,771,900		2,798,976
Tax using the Company's domestic tax rate		30%	831,570	30%	839,693
Non-deductible expenses			2,756		2,659
Tax exempt income relating to sale of foreign entity			(63,791)		(30,176)
Non-deductible research and development expenditure			1,564,007		2,172,164
Non-assessable grant income			(703,803)		(977,474)
Changes in estimates related to prior periods			46,543		-
Income tax expense			1,677,282		2,006,866

(iii) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In Australian dollars	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Work in progress	482,020	220,033	-	-	482,020	220,033
Other assets	-	-	(36,234)	-	(36,234)	-
Employee benefits	99,968	102,340	-	-	99,968	102,340
Deferred income	6,302	24,899	-	-	6,302	24,899
Other payables	23,775	39,311	(218,404)	-	(194,629)	39,311
Tax (assets) liabilities before set off	612,065	386,583	(254,638)	-	357,427	386,583
Set off of tax	(254,638)	-	254,638	-	-	-
Net tax (assets) liabilities	357,427	386,583	-	-	357,427	386,583

9. Taxes (continued)

(iv) Movement in deferred tax balances during the year

In Australian dollars	Balance 1 July 2013	Recognised in profit or loss	Recognised in other compre-hensive income	Balance 30 June 2014	Recognised in profit or loss	Recognised in other compre-hensive income	Balance 30 June 2015
Work in progress	178,513	41,520	-	220,033	261,987	-	482,020
Other assets	-	-	-	-	(36,234)	-	(36,234)
Employee benefits	90,849	11,491	-	102,340	(2,372)	-	99,968
Deferred income	-	24,899	-	24,899	(18,597))	-	6,302
Other payables	33,181	6,130	-	39,311	(233,940)	-	(194.629)
	302,543	84,040	-	386,583	(29,156)	-	357,427

10. Cash and cash equivalents

In Australian dollars

	Note	2015	2014
Bank balances		667,225	11,798
Cash on hand		1,431	1,094
Cash and cash equivalents		668,656	12,892
Bank overdraft		(550,281)	(1,140,200)
Cash and cash equivalents in the statement of cash flows		118,375	(1,127,308)

Refer note [26(ii)] for details surrounding the bank overdraft available.

10A. Reconciliation of cash flows from operating activities

In Australian dollars		2015	2014
Cash flows from operating activities	*Note*		
Profit for the year		1,094,618	792,110
Adjustments for:			
Depreciation	*15*	65,420	60,514
Net interest (income)/costs	*8*	89,537	81,264
Loss on sale of property, plant and equipment		-	13,107
Research and development tax credits	*7*	(2,346,011)	(3,258,245)
Tax expense	*9*	1,677,282	2,006,866
		580,846	(304,384)
Change in work in progress		(889,959)	(2,037,052)
Change in other assets		(107,417)	(41,118)
Change in trade and other receivables		(288,670)	588,073
Change in trade and other payables		687,617	121,867
Change in other liabilities		-	(2,668)
Change in employee benefits		(7,907)	38,301
Change in deferred income/revenue		71,893	(1,054,277)
Cash generated from operating activities		46,403	(2,691,259)
Interest paid net of interest received		(137,107)	(156,121)
Realised foreign currency (gains)/losses recognised as investing activities		(165,068)	(25,730)
Income taxes refunded		1,164,230	339,910
Net cash from/(used in) operating activities		908,458	(2,533,199)

11. Trade and other receivables

In Australian dollars	*Note*	2015	2014
Sundry debtors		-	1,500
Trade receivables		1,461,215	1,171,045
		1,461,215	1,172,545
Current		1,461,215	1,172,545
		1,461,215	1,172,545

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

In Australian dollars	*Note*	2015	2014
Amounts due from related parties		321,280	303,669
EFIC deposits		215,738	-
Loans to directors		98,336	57,014
Prepayments		173,599	63,954
Deposits		28,585	27,644
Contingent consideration receivable		447,629	401,426
Stock on hand		12,262	12,262
ANZ term deposits		28,592	27,700
Other receivables		-	3,168
Current		1,326,021	896,837

Other assets – non-current

In Australian dollars	2015	2014
Contingent consideration receivable	-	234,993
EFIC deposits	647,215	748,591
Non current	647,215	983,584

The Company has a $96,688 (2014: $96,688) non-interest bearing loan receivable from Synertec Malaysia and a $221,384 (2014: $206,981) non-interest bearing loan receivable from Synertec Asia. The Company has $862,953 (2014: $748,591) in deposits with EFIC as per note [23]. The contingent consideration is contingent amounts to be received from the sale of Synertec Asia.

13. Work in progress

In Australian dollars	*Note*	2015	2014
Work in progress		3,393,904	2,503,945
		3,393,904	2,503,945

At 30 June 2015 aggregate costs incurred under open contracts and recognised profits, net of recognised losses, amounted to $3,393,904 (2014: $2,503,945).

14. Employee benefits

In Australian dollars	*Note*	2015	2014
Current			
Annual leave		98,475	105,764
Long service leave		187,751	203,808
		286,226	309,572
Non-current			
Long service leave		47,000	31,561
		47,000	31,561

15. Property, plant and equipment

In Australian dollars	Computers	Furniture and Equipment	Leasehold improvements	Motor vehicles	TOTAL
Cost					
Balance at 30 June 2013	263,434	97,393	21,157	265,066	647,050
Additions	22,391	5,720	-	102,644	130,755
Disposals	-	-	-	(169,550)	(169,550)
Balance at 30 June 2014	285,825	103,113	21,157	198,160	608,255
Additions	33,772	-	-	38,000	71,772
Disposals	-	-	-	-	-
Balance at 30 June 2015	319,597	103,113	21,157	236,160	680,027
Accumulated Depreciation					
Balance at 30 June 2013	233,882	60,463	14,964	150,464	459,773
Disposals	-	-	-	(116,274)	(116,274)
Depreciation expense	22,270	6,500	1,239	30,505	60,514
Balance at 30 June 2014	256,152	66,963	16,203	64,695	404,013
Disposals	-	-	-	-	-
Depreciation expense	25,877	5,790	991	32,762	65,420
Balance at 30 June 2015	282,029	72,753	17,194	97,457	469,433
Carrying amounts					
at 01 July 2013	**29,552**	**36,930**	**6,193**	**114,602**	**187,277**
at 30 June 2014	**29,673**	**36,150**	**4,954**	**133,465**	**204,242**
at 01 July 2014	**29,673**	**36,150**	**4,954**	**133,465**	**204,242**
at 30 June 2015	**37,568**	**30,360**	**3,963**	**138,703**	**210,594**

Leased plant and machinery

The Company leases motor vehicles under a number of finance lease agreements. Some leases provide the Company with the option to purchase the vehicles at an agreed price. The leased equipment secures lease obligations (see Note [17]). At 30 June 2015 the net carrying amount of leased motor vehicles was $62,728 (2014: $75,878). Non cash acquisitions of motor vehicles during the year amounts to $Nil (2014: $123,805) and non cash sales of motor vehicles amount to $Nil (2014: $21,000).

16. Trade and other payables

In Australian dollars	*Note*	2015	2014
Current			
Trade payables		972,882	1,297,597
Other payables		293,223	206,689
Fixed price project accruals		998,187	72,389
		2,264,292	1,576,675

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	
	2015	2014	2015	2014	2015	2014
Less than one year	18,274	17,058	3,969	5,185	22,243	22,243
Between one and five years	47,529	65,805	2,707	6,677	50,236	72,482
More than five years	-	-	-	-	-	-
	65,803	82,863	6,676	11,862	72,479	94,725

The items currently under finance leases are all motor vehicles.

18. Other liabilities

In Australian dollars

	Note	2015	2014
Current			
Amount due to related parties		200,000	1,183
		200,000	1,183

The amounts payable to related parties are a short term loan from Margaret Carroll which was to be repaid within 12 months on commercial interest rates. Post 30 June 2015 the loan was paid out on 13 October 2015.

19. Deferred income / revenue

In Australian dollars	*Note*	2015	2014
Billing in advance of work completed		342,779	270,886
		342,779	270,886

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.

20. Operating leases

Leases as lessee

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

In Australian dollars	*Note*	2015	2014
Less than one year		150,954	146,048
Between one and five years		196,804	317,994
		347,758	464,042

The Company leases the head office and a factory facility under operating leases. The head office lease expires December 2017. Lease payments are increased every year as indexed to CPI. The factory facility is under a 1 year lease. During the year $181,200 was recognised as an expense in profit or loss in respect of operating leases (2014: $139,193).

The factory lease was entered into as a combined lease of land and buildings. The Company determined that the land and building elements of the factory lease 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.

21. Capital and reserves

(a) Share capital

	Note	Ordinary shares	
		2015	2014
In issue at 1 July		950	950
Movement		-	-
In issue at 30 June		950	950

Ordinary shares

The Company's share capital is $950 (2014: $950).

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

(b) Other equity contribution

In Australian dollars	*Note*	2015	2014
Funds contributed on structure rollover		132,904	132,904
		132,904	132,904

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

21. Capital and reserves (continued)

(c) Dividends

There was no dividend paid for the year ended 30 June 2015 (2014: $nil). After 30 June 2015 no dividends were proposed by the Directors.

Due to the use of the Reseach 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.

	2015	2014
Dividend franking account		
Amount of franking credits available to shareholders of Synertec Pty Ltd for subsequent financial years	(1,507,358)	(339,959)

22. Subsequent events

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 has contingent liabilities to Bechtel which is covered by two bonds provided by the Australia 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 is for $1,125,906 expiring at 31/7/2017; and
- the QCLNG bond on issue is for $600,000 expiring at 31/3/2017.

The bonds are secured by cash deposits of $862,953 (2014: $748,591). The cash deposits are slowly released over the lifetime of the bonds. During the 2014 financial year, the Company transferred the bonds from being provided by ANZ to EFIC. As such the term deposits held by ANZ were $28,592 (2014: $27,700). Refer to note [12].

24. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

In Australian dollars	2015	2014
Short-term employee benefits	482,127	349,017
Post-employment benefits	36,614	25,863
	518,741	374,880

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

24. Related parties (continued)

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	Balance 1 July 2014 $	Balance 30 June 2015 $
Directors		
Michael Carroll	53,348	76,266
Gassan Abdallah	3,666	22,070
Entities under the control of Gassan Abdallah		
Synertec Asia	206,981	221,384
Synertec Malaysia	96,688	96,688
Management personnel		
Ted Perkins	(1,183)	3,208
Other related parties		
Margaret Carroll	-	(200,000)

Loans to the Directors were unsecured and provided to their respective Family Trusts as disclosed above. Loans to Synertec Asia and Synertec Malaysia are detailed in Note [12], and are considered related as Gassan Abdallah is the Managing Director. Synertec Malaysia is a subsidiary of Synertec Asia.

25. Auditor's remuneration

In Australian dollars	2015	2014
Audit and review services		
Auditors of the Company - KPMG		
Audit and review of financial statements	30,000	30,000
	30,000	30,000
Other services		
Auditors of the Company - KPMG		
In relation to, taxation	203,423	202,858
	233,423	**232,858**

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 has 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.

		Carrying amount	
In Australian dollars	**Note**	**2015**	**2014**
Trade and other receivables	*11*	1,461,215	1,172,545
Cash and cash equivalents	*10*	668,656	12,892
ANZ deposit	*12*	28,592	27,700
Contingent consideration receivable	*12*	447,629	636,419
EFIC deposits	*12*	862,953	748,591
Loans to directors	*12*	98,336	57,014
Deposits	*12*	28,585	27,644
Amounts due from related parties	*12*	321,280	303,669
		3,917,246	2,986,474

Trade and other receivables (including contingent consideration receivable)

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.

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.

	Carrying amount	
In Australian dollars	**2015**	**2014**
Australia	1,461,215	1,172,545
	1,461,215	1,172,545

The Company's most significant balance outstanding to a single customer, accounts for $447,440 of the loans and receivables carrying amount at 30 June 2015 (2014: $792,199).

Impairment losses

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

In Australian dollars	**2015**	**2014**
Neither past due nor impaired	1,166,744	1,057,397
Past due 1 - 30 days	80,803	36,086
Past due 31 - 90 days	15,081	20,501
Past due 91 - 120 days	198,587	58,561
	1,461,215	1,172,545

Cash and cash equivalents (including deposits)

The Company held cash and cash equivalents of $668,656 at 30 June 2015 (2014: $12,892) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with reputable bank and financial institution counterparties. The Company has $862,953 (2014: $748,591) on deposit with EFIC being held as security for the performance guarantee bonds held by Bechtel as detailed in note [23].

(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 2015, the expected cash flows from trade and other receivables maturing within two months were $1,461,215 (2014: $1,172,545). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

26. Financial instruments (continued)

(ii) Liquidity risk *(continued)*

In addition, the Company maintains the following lines of credit:

- $400,000 (2014: $1,250,000) overdraft facility from ANZ. Interest would be payable at the rate of 8.16% (2014: 8.36%). At 30 June 2015 the Company had a 4 week temporary overdraft increase of $200,000. The overdraft facility is secured by an EFIC working capital guarantee. The Company decreased the overdraft over the 2015 year. Interest is payable on the working capital guarantee of 4% per annum in addition to the bank overdraft rate paid to ANZ.

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 2015

In Australian dollars

	Carrying amount	Total	Contractual cash flows 0-1 years	1-2 years	2-5 years
Non-derivative financial liabilities					
Finance lease liabilities	65,803	72,479	22,243	50,236	-
Trade payables	2,264,292	2,264,292	2,264,292	-	-
Deferred revenue	342,779	342,779	342,779	-	-
Bank overdraft	550,281	562,870	562,870	-	-
	3,223,155	3,242,420	3,192,184	50,236	-

30 June 2014

In Australian dollars

	Carrying amount	Total	Contractual cash flows 0-1 years	1-2 years	2-5 years
Non-derivative financial liabilities					
Finance lease liabilities	82,863	94,725	22,243	22,208	50,274
Trade payables	1,576,675	1,576,675	1,576,675	-	-
Deferred revenue	270,886	270,886	270,886	-	-
Bank overdraft	1,140,200	1,189,777	1,189,777	-	-
	3,070,624	3,132,063	3,059,581	22,208	50,274

(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.

26. Financial instruments (continued)

(iii) Market risk *(continued)*

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 derivates outweights 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.

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 2015		30 June 2014	
	USD	**EURO**	**USD**	**EURO**
Other assets	447,629	-	636,419	-
Cash and cash equivalents	-	663,783	-	-
Financial assets	-	663,783	636,419	-
Trade and other payables	(19,517)	(104,734)	-	(15)
Financial liabilties	(19,517)	(104,734)	-	(15)
Net exposure	428,112	559,049	636,419	(15)

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**
30 June 2015				
USD	**(27,243)**	**33,298**	**(27,243)**	**33,298**
Euro	**(35,576)**	**43,482**	**(35,576)**	**43,482**
Currency exchange risk (net)	(62,819)	76,780	(62,819)	76,780
30 June 2014				
USD	**(40,499)**	**49,499**	**(40,499)**	**49,499**
Euro	**-**	**-**	**-**	**-**
Currency exchange risk (net)	(40,499)	49,499	(40,499)	49,499

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.

26. Financial instruments (continued)

(iii) Market risk *(continued)*

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	
	2015	**2014**
Variable-rate instruments		
ANZ interest expense	17.26%	17.76%
Interest on ANZ deposits	2.15%	3.15%
Related party interest rates	5.95%	6.2%

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**
30 June 2015				
Variable rate instruments	**(4,652)**	**4,652**	**(4,652)**	**4,652**
Cash flow sensitivity (net)	(4,652)	4,652	(4,652)	4,652
30 June 2014				
Variable rate instruments	**(7,388)**	**7,388**	**(7,388)**	**7,388**
Cash flow sensitivity (net)	(7,388)	7,388	(7,388)	7,388

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.

26. Financial instruments (continued)

(iii) Market risk (continued)

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, it does not include the carrying amounts for financial assets and liabilities are not measured at fair value if the carrying amount is a reasonable approximation of value.

In Australian dollars	*Note*	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2015					
Cash and cash equivalents	*10*	668,656	-	-	668,656
Trade and other receivables	*11*	1,461,215	-	-	1,461,215
Related party loans	*12*	-	321,280	-	321,280
Director loans	*12*	-	98,336	-	98,336
Contingent consideration receivable	*12*	-	447,629	-	447,629
ANZ deposits	*12*	-	28,592	-	28,592
EFIC deposits	*12*	-	862,953	-	862,953
Deposits	*12*	-	28,585	-	28,585
		2,129,871	1,787,375	-	3,917,246
Finance lease liabilities	*17*	-	-	65,803	65,803
Trade and other payables	*16*	-	-	2,264,292	2,264,292
Loans from related parties	*18*	-	-	200,000	200,000
Bank overdraft	*10*	-	-	550,281	550,281
		-	-	3,080,376	3,080,376

In Australian dollars	*Note*	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2014					
Cash and cash equivalents	*10*	12,892	-	-	12,892
Trade and other receivables	*11*	1,172,545	-	-	1,172,545
Related party loans	*12*	-	303,669	-	303,669
Director loans	*12*	-	57,014	-	57,014
Contingent consideration receivable	*12*	-	636,419	-	636,419
ANZ deposits	*12*	-	27,700	-	27,700
EFIC deposits	*12*	-	748,591	-	748,591
Deposits	*12*	-	27,644	-	27,644
		1,185,437	1,801,037	-	2,986,474
Finance lease liabilities	*17*	-	-	82,863	82,863
Trade and other payables	*16*	-	-	1,576,675	1,576,675
Loans from related parties	*18*	-	-	1,183	1,183
Bank overdraft	*10*	-	-	1,140,200	1,140,200
		-		2,800,921	2,800,921

Directors' declaration

1. In the opinion of the Directors of Synertec Pty Ltd ("the Company"):
   (a) the Company is not publicly accountable;
   (b) 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 2015 and its performance, as represented by the results of its operations and its cash flows, for the financial 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);
      (iii) as described in Note 2 the financial report also complies with International Financial Reporting Standards; and
   (c) 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 2015 the Company has:
   (a) kept such accounting records as correctly record and explain its transactions and financial position;
   (b) kept its accounting records 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 11th January 2017

M Carroll

Michael Carroll
Director

Independent auditor's report to the members of Synertec Pty Ltd

We have audited the accompanying financial report of Synertec Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report that presents fairly in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Australian Accounting Standards, so as to present a view which is consistent with our understanding of the Company's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Independent auditor's report to the members of Synertec Pty Ltd (continued)

Auditor's opinion

In our opinion:

(a) the financial report presents fairly, in all material respects, the financial position of Synertec Pty Ltd as of 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Australian Accounting Standards; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Restriction on use and distribution and use:

The Financial Report has been prepared to assist the Directors of Synertec Pty Ltd in relation to their due diligence in preparation for the potential acquisition of the Company by an ASX listed entity. As a result, the Financial Report and our auditor's report may not be suitable for another purpose. Our report is intended solely for the Directors of Synertec Pty Ltd and should not be used by or distributed to parties other than those Directors. We will therefore disclaim any assumption of responsibility for any reliance on our report, or on the Financial Report to which it relates, to any person other than the Directors of Synertec Pty Ltd, or for any purpose other than that for which it was prepared.

KPMG

KPMG

Dana Bentley
Partner

Melbourne

11 January 2017