

6 May 2019

Ms. Penelope Reid  
Adviser, ASX Listings Compliance  
ASX Compliance Pty Ltd  
Level 40, Central Park  
152-158 St. Georges Terrace  
Perth, WA 6000

Dear Ms Reid

### Response to ASX Aware Query

Syntonic Limited (**SYT**) refers to your letter dated 16 April 2019 and provides the following responses to your queries (using the same numbering and defined terms as were used in your letter).

- 1 SYT made various statements in the December 2018 Half Year Report regarding generation of revenue from MobiFone during the half year on the basis that, during the relevant period, SYT derived revenue from MobiFone.

For clarity, SYT confirms that the agreement in respect to the sublicense of the Freeway platform to MobiFone was executed on 11 January 2019; however SYT commenced its engineering efforts prior to the execution of formal binding documentation (to expedite the development process) and, in November 2018, issued an invoice for US\$10,000 in respect to the initial work undertaken (with payment subsequently received in the following month). SYT does not consider the receipt of this revenue to be material.

- 2 The reasons for the discrepancy are as follows:
  - (a) SYT acquired a Brazilian mobile commerce business unit from Zenvia Mobile Servicos Digitais, during the period between 30 June 2018 to 31 December 2018, which was determined to be a business combination under the Australian Accounting Standards Board (**AASB**) 3 (Business Combinations) and was accounted for as such. SYT notes that the reconciliation methodology does not take into account the assets and liabilities acquired under the acquisition agreement.
  - (b) A detailed review was performed by both SYT's management and SYT's auditors in response to the initial application of AASB 15 (Revenue from Contracts with Customers) and SYT's management considered if an agency agreement existed for SYT's various revenue streams in accordance AASB 15 (Revenue from Contracts with Customers). It was determined that there were no agency arrangements in place for material revenue streams and therefore it was appropriate to disclose the revenue under the contract rather than physical cash receivables.
  - (c) Movements in exchange rates and other immaterial variances between actual activity and reported activity during the period between the 2018 Annual Report and December 2018 Half Year Report occurred.

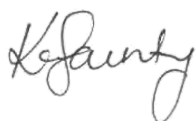
Having regard to the above, SYT considers that the methodology utilised in respect to the reconciliation between the expected trade receivables balance and the actual trade receivables balance (as detailed in your letter) is not appropriate and would result in a discrepancy.

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Further, SYT refers to page 70 of the 2018 Annual Report (opinion) and page 29 of the December 2018 Half Year Financial Report (conclusion) and notes that:

- (a) SYT's auditors have opined on the 2018 Annual Report stating that the financial report to which it is attached, represents "*a true and fair view*", of SYT's financial position as at 30 June 2018 and of its financial performance for the year then ended, and that SYT is in compliance with the relevant AASB standards and *Corporations Regulations 2001* (Cth); and
- (b) no key audit matters were outlined in the 2018 Annual Report, other than the matter described in the "material uncertainty related to going concern" section; and
- (c) SYT's auditors have provided a conclusion to the December 2018 Half Year Financial Report, to which it is attached, stating that based upon their review, which is not an audit, they had not become aware of any matter that made them believe that the Half Year Financial Report did not give "*a true and fair view*" of SYT's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date, and that SYT is in compliance with the relevant AASB standards and *Corporations Regulations 2001* (Cth).

Yours sincerely

A handwritten signature in cursive script, appearing to read "K. Sainty".

Ms Kate Sainty  
Joint Company Secretary  
Syntonic Limited



16 April 2019

Mr Steven Wood and Ms Kate Sainty  
Joint Company Secretaries  
Syntonic Limited  
945 Wellington Street  
West Perth WA 6005

By email to: [sw@grangeconsulting.com.au](mailto:sw@grangeconsulting.com.au); [kes@grangeconsulting.com.au](mailto:kes@grangeconsulting.com.au)

Dear Mr Wood and Ms Sainty

**Syntonic Limited ("SYT"): ASX query letter**

ASX Limited ("ASX") refers to the following:

- A. SYT's announcement titled "Annual Report" released on the ASX Market Announcements Platform ("MAP") on 31 August 2018 ("2018 Annual Report"), in particular the closing balance for "Trade and other receivables" as at 30 June 2018, being \$188,635.
- B. SYT's announcement released on MAP on 11 January 2019 titled "Freeway Service to be Deployed in Vietnam" ("MobiFone Announcement") which states that SYT has executed a Freeway reseller agreement with Thang Long Event Limited ("TLC"), a spin out company of TecaPro Limited, a leading information technology provider in Vietnam. The agreement allows TLC to sublicense the Freeway platform to one of Vietnam's largest mobile providers, Mobifone Telecommunications Corporation ("Mobifone") as a white labelled Freeway service that will be branded *mobifoneGo*.
- C. SYT's announcement titled "Half Yearly Report and Accounts" regarding SYT's half year from 31 July 2018 to 31 December 2018 released on MAP on 1 March 2019 ("December 2018 Half Year Report"), in particular the following figures:

	Balance as at 31 December 2018
Revenue from ordinary activities	\$2,831,120
Cash receipts from customers and other debtors	\$1,714,203
Trade and other receivables	\$734,795

- D. The December 2018 Half Year Report, which states:
- On page 5 (Directors' Report: Highlights during the Half Year) – *Improved revenue predictability through diversified revenue sources, with regular income being generated from tier-1 mobile providers including Tata Communications, Mobifone, and others.*
  - On page 7 (Directors' Report: Financial):

*Syntonic was pleased to report record revenue generation from its ordinary activities of \$2,831,120 for the first half of FY19. This represents a 254% increase compared to the previous corresponding period (H1 FY18 \$798,923).*

*Services and product revenues were received from the Company's customers including Tata Communications, Mobifone, and the Company's newly formed Syntonic Brazil subsidiary.*

- On page 8 (Directors' Report: Outlook):

*The first half of FY19 marked the shift to robust and diversified revenue generation for Syntonic from multiple customer sources, including Tata Communications, Mobifone and a contribution from Syntonic Brazil.*

Having regard to the above, ASX asks SYT to respond separately to each of the following questions.

1. Given the MobiFone Announcement was made on 11 January 2019, please clarify why SYT made various statements in the December 2018 Half Year Report regarding generation of revenue from MobiFone during the half year, when it appears that the agreement regarding sublicense of the Freeway platform to MobiFone occurred after 31 December 2018.
2. Based on the figures provided in the 2018 Annual Report and the December 2018 Half Year Report as outlined above, it appears that the expected trade receivables balance should be \$1,306,067, though the actual trade receivables balance reported at 31 December 2018 is \$734,795. Refer table below with the relevant figures. This amounts to a discrepancy of \$571,272. Please clarify this apparent discrepancy, including any relevant accounting treatments applied.

Trade receivables closing balance at 30 June 2018	\$188,635
Add: Revenue 1 July 2018 – 31 December 2018	\$2,831,635
Less: cash receipts 1 July 2018 – 31 December 2018	(\$1,714,203)
Expected trade receivables balance at 31 December 2018	\$1,306,067
Actual trade receivables balance reported at 31 December 2018	\$734,795

#### **When and where to send your response**

This request is made under, and in accordance with, listing rule 18.7. Your response in relation to the above queries is required as soon as reasonably possible and, in any event, by not later than 9.00am AWT on Tuesday 23 April 2019.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under listing rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

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Your response should be sent to me by e-mail at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This will allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Should you have any queries in relation to the above, please let me know.

Yours sincerely

*[Sent electronically, without signature]*

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Penelope Reid

**Adviser, Listings Compliance (Perth)**