



## Appendix 4D

### Half Year Report

ELS070.2009

The following information is given under ASX Listing Rule 4.2A.3.

1. The reporting period is the financial half year ended 31 December 2008. The previous reporting period is the financial half year ended 31 December 2007 unless otherwise shown. The information contained in this report should be read in conjunction with the most recent annual financial report for the year ended 30 June 2008.
2. Results for announcement to the market:


		<u>\$A'000</u>
2.1 Revenue from ordinary activities	- down 29 % to	271
2.2 Profit (loss) from ordinary activities after tax attributable to members	- up 192 % to	(1,045)*
2.3 Net profit (loss) for the period attributable to members	- up 192 % to	(1,045)*
2.4 Final or interim dividends – <i>not applicable</i>		
2.5 Record date for determining entitlements to dividends – <i>not applicable</i>		
2.6 Brief explanation of above figures – <i>see attached Director's Report</i>		

\* includes \$433,641 of non-cash share based payments during the half-year ended 31 December 2008.
3. Net tangible assets per security this period – 0.0004  
Net tangible assets per security previous period – 0.0016
4. Details of entities over which control has been gained or lost during the period – *not applicable*
5. Details of individual and total dividends – *not applicable*
6. Details of any dividend or distribution reinvestment plans – *not applicable*
7. Details of associates and joint venture entities – *not applicable*
8. Accounting standards for foreign entities – *not applicable*
9. The accounts are not subject to dispute or qualification by the Auditor conducting the review of the financial statements for the 6 months ended 31 December 2008. See attached financial statements with Auditor's Independent Review Report.

Half Yearly Financial Report  
31 December 2008



*the new force in Internet  
security, systems & services*

 | SYNERGY  
| EQUITIES GROUP LIMITED

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## Glossary in brief

<b>SYNERGY</b>	is Synergy Equities Group Limited
<b>the Company</b>	is Synergy Equities Group Limited
<b>SYNERGY Australia</b>	is Synergy Business Solutions Australia Pty Ltd, <b>SYNERGY's</b> wholly owned subsidiary
<b>Data-inCrypt®</b>	is Data-inCrypt® Pty Ltd, <b>SYNERGY's</b> wholly owned Subsidiary
<b>Data-inCrypt® SMX</b>	is Data-inCrypt® SMX secure registered email
<b>SYNERGY Group</b>	is <b>SYNERGY</b> , <b>SYNERGY Australia</b> and <b>Data-inCrypt®</b>
<b>ASX</b>	is Australian Securities Exchange
<b>SMX</b>	is Data-inCrypt® SMX
<b>SYG</b>	is SYNERGY's ASX code

## Corporate Directory

### DIRECTORS

**Ronald G Moir**  
Managing Director

**Mark H Popham** FCPA GAICD  
Executive Director

**Martin JW Eade**  
Executive Director

### COMPANY SECRETARY

**Mark H Popham** FCPA GAICD  
Chief Financial Officer

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1  
Westcentre  
1260 Hay Street  
West Perth WA 6005  
AUSTRALIA

Mailing Address Private Box 1288  
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AUSTRALIA

Telephone (08) 9415 2212  
Facsimile (08) 9415 2221  
Email [info@synergylimited.com](mailto:info@synergylimited.com)  
Website [www.synergylimited.com](http://www.synergylimited.com)

### AUDITORS

Grant Thornton (WA) Partnership  
Chartered Accountants  
Level 1  
10 Kings Park Road  
West Perth WA 6005

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 2  
Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000

### BANKERS

Australia & New Zealand Banking Group Limited  
Cnr Hay & Outram Streets  
West Perth WA 6005

### SOLICITORS & CORPORATE ADVISERS

Lavan Legal  
Level 20  
The Quadrant  
1 William Street  
Perth WA 6000

### STRATEGY, FINANCIAL & TECHNOLOGY CONSULTANTS

Deloitte  
Management Solutions  
Level 14  
Woodside Plaza  
240 St Georges Terrace  
Perth WA 6000

### STOCK EXCHANGE

Listed on the Australian Securities Exchange  
The Home Exchange is in Perth, Western Australia

### ASX CODE

SYG – Fully Paid Ordinary Shares

## Directors' Report

Your Directors submit their report for the half year ended 31 December 2008.

### DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Ronald G Moir
- Mark H Popham FCPA GAICD
- Martin JW Eade

### PRINCIPAL ACTIVITIES

#### Corporate

- Shareholder presentations held in Adelaide, Sydney, Melbourne, Perth & Brisbane.

#### Technology

- aggressive marketing of Data-inCrypt® SMX secure registered email ("SMX"), primarily on the Eastern seaboard, targeting high-end customer and partner opportunities, being corporate and Government organisations with an inherent need for high security communications within their operations;
- held SMX Presentations / Workshops / Discovery Sessions for many of Australia's leading private and ASX listed companies;
- potential sales value of SMX evaluations being undertaken by Australian corporate organisations at 10 December 2008 is in excess of AU\$650,000 (ex GST);
- additional SMX evaluations carrying potential sales value of AU\$250,000 (ex GST) are scheduled to commence during the first quarter of calendar year 2009; and
- sales and marketing activities in the first half of calendar year 2009 are expected to generate a significant number of new SMX evaluations (within Australian corporate organisations), carrying potential sales value of \$600,000-700,000 (ex GST).

### REVIEW AND RESULTS OF OPERATIONS

The consolidated entity incurred an operating loss of \$1,044,641 for the half year period.

Shareholders should note that this operating loss includes a non-cash expense of \$433,641 inserted as a result of the technical requirements of the applicable Australian Accounting Standards in valuing unlisted employee / consultant incentive options issued to Directors, staff and consultants, as approved by Shareholders.

The balance of the operating loss, being \$611,000, was not unexpected when compared to that of the previous reporting period, being \$358,309, given the Company's intense focus on the sales and marketing of Data-inCrypt® SMX secure registered email, and is anticipated to be a short term occurrence as the Company transitions its business model to reflect its emphasis on SMX.

An overview of the Company's Technology and Corporate activities for the half year follows. For further details of the consolidated entity's activities during the half year, we refer the Company's Shareholders to the comprehensive reports previously submitted to the Australian Securities Exchange, which can be viewed on the Company's website at [www.synergylimited.com](http://www.synergylimited.com).

#### Technology

##### Overview

##### *Data-inCrypt® SMX secure registered email*

...empowers organisations to conduct secure electronic business with confidence with its military-grade, encrypted, keyless, secure messaging SaaS (Software as a Service). SMX delivers, tracks and protects sensitive and confidential

information with the industry's lightest footprint. The SMX platform is deployed globally by governments, healthcare, financial, legal, insurance, pharmaceutical and e-commerce companies to enable reliable and secure communications.

In these times of increased corporate governance, proactive corporate and Government organisations are making it an objective "to try to avoid risk rather than deal with it after it occurs". The threats to email security are ever-present and in times of economic downturn become more prevalent. **SMX meets an undeniable business need, a need that can only increase with time.**

#### *Data-inCrypt® online data backup & recovery*

...is a software solution that selects a file from an end-user's PC and then intelligently arranges, compresses and encrypts that file before transmitting it over the Internet to the DataCentre (a secure, remote, dedicated data storage facility located in Australia), from where that file can be easily recovered when required. The Data-inCrypt® service delivers *fast – reliable – secure online data backup & recovery worldwide*. It enables organisations to store critical data offsite, eliminating the capital cost, ongoing maintenance and human error in backing up to tape, CD & DVD, Zip drive, flash memory, removable hard disk etc.

#### *SYNERGY Australia*

...has designed and developed a suite of e-commerce software products branded the SYNERGY TradeCentre, based on open Internet e-business standards to allow organisations to participate in electronic trading through demand, supply and payment cycles. Each component of the SYNERGY TradeCentre performs specific functions depending on the user's e-commerce requirements. The SYNERGY Integration division offers IT services to small-to-medium-enterprises (SMEs) and corporate organisations including IT support services, IT project services, IT management services and IT consulting services.

#### *Activities*

The Company's wholly owned subsidiary Data-inCrypt® Pty Ltd:

- held a national SMX road show in July 2008 for potential customers and strategic alliance partners, delivering presentations to a number of corporates in Sydney, Melbourne and Adelaide including <e.law> Australia Pty Ltd, KPMG, NEC Australia Pty Ltd, Melbourne Cricket Club and Department of Justice (Victoria);
- submitted SMX for evaluation by the Australia Department of Defence ([www.defence.gov.au](http://www.defence.gov.au));
- held SMX workshops / discovery sessions in Sydney in August 2008 for entities / organisations including KPMG, Thomson Playford Cutlers, Brain Resource Limited, The Australian newspaper, Law In Order and Surf Life Saving Australia Ltd;
- became a foundation member of the Australian and New Zealand chapter of the International Association of Privacy Professionals ([www.iappanz.org](http://www.iappanz.org));
- secured Brain Resource Limited ([www.brainresource.com](http://www.brainresource.com)) as an SMX customer;
- commenced the process of submitting SMX for evaluation under the Australasian Information Security Evaluation Program (AISEP) / Common Criteria for Information Technology Security Evaluation;
- became a member of AusCERT ([www.auscert.org.au](http://www.auscert.org.au)), Australia's national computer emergency response team;
- held SMX workshops / discovery sessions in Melbourne in September 2008 for entities / organisations including KPMG, Information Integrity Solutions Pty Ltd, Cadbury Schweppes, McGrathNicol and AXA Australia;
- commenced working with the Australian Trade Commission (Austrade) ([www.austrade.gov.au](http://www.austrade.gov.au)) to facilitate the accelerated sales and marketing of SMX throughout the Asia Pacific region;
- completed pilot implementations of SMX at the Melbourne Cricket Ground (MCG) ([www.mcg.org.au](http://www.mcg.org.au));
- held SMX workshops / discovery sessions in Perth in October 2008 for entities / organisations including First Quantum Minerals Ltd, Wilson, Fortescue Metals Group Ltd, Clough Limited, IMF (Australia) Ltd, Woodside Petroleum Ltd and McGrathNicol;
- held SMX workshops / discovery sessions on the Eastern seaboard also in October 2008 for entities / organisations including an ASX top 20 listed resources company that has operations in over 20 countries, Australian Homeland Security Research Centre, Hayball Pty Ltd, Visy Pty Ltd, Zero7 Consulting and Connell Wagner Group Pty Ltd;

- met with the three Australasian Information Security Evaluation Facilities (AISEFs) with regard to the Common Criteria certification of SMX, being CSC Australia, Logica and Stratsec;
- held SMX workshops / discovery sessions on the Eastern Seaboard in November 2008 for entities / organisations including ASIS International (NSW Chapter), Citigroup, Sinclair Knight Merz (SKM), Security Advisory (Asia Pacific) Pty Ltd, McCall Security Australia, an ASX listed infrastructure fund with a market capitalisation of around A\$1.8 billion, Australian Red Cross, Smartek, Diversified Exhibitions Australia, Dimension Data and Visy Pty Ltd;
- presented a custom SMX technical-design to AXA Australia ([www.axa.com.au](http://www.axa.com.au)), which is to be followed by a proof-of-concept; and
- implemented SMX at Fastwave Communications Pty Ltd ([www.fastwave.com.au](http://www.fastwave.com.au)) as the first step towards targeting the Iridium satellite network ([www.iridium.com](http://www.iridium.com)) which has over 200,000 subscribers.

*Matters subsequent to 31 December 2008*

- Data-inCrypt® held its third meeting with a major privately owned multinational organisation in Melbourne regarding SMX. At the conclusion of the meeting the organisation confirmed a need for SMX in its Board, Executive Management divisions, legal and treasury divisions and elected to immediately move to a trial and assessment of SMX in the Executive arena.

**Mining**

*Receivable from Meridian Mining Limited*

In April 2005 the Company disposed of its residual mining assets to Mr R Morellini and Meridian Mining Limited ("Meridian") (the ASX announcement of 18 April 2005 refers). The Company continues to be concerned at the failure of Meridian to proceed with its prospectus and IPO, this being an integral part of the transaction negotiated by the Company for the benefit of shareholders.

As reported to ASX on 31 Oct 07, the Company has no clear assessment as to when or if the Meridian IPO prospectus will continue, and as such continues to monitor its legal options to ensure shareholder interests are fully protected.

It is to be noted however that the Company has fully provided in its previous accounts for receipt of the final settlement sum from Meridian and accordingly the delay has no impact on the financial results of the Company (the ASX announcement of 26 Sep 07 refers).

**Corporate**

*Activities*

- released 4<sup>th</sup> Quarter Activities Report for the period ended 30 June 2008;
- released 4<sup>th</sup> Quarter Cash Flow Report for the period ended 30 June 2008;
- placed 38 million fully paid ordinary shares at a price of 0.8 cent per share in the Company to sophisticated and private investors, raising a total of AUD\$304,000;
- released details of Adelaide Shareholder Presentation;
- released details of Sydney Shareholder Presentation;
- released Appendix 4E – Preliminary Financial Report for the year ended 30 June 2008;
- released an Overview of the Company's Financial Results for the year ended 30 June 2008;
- released details of Melbourne Shareholder Presentation;
- released the Company's Full Year Statutory Accounts for the year ended 30 June 2008;
- released details of Perth Shareholder Presentation;
- released the names of the Company's Top 20 Shareholders as at 29 October 2008;
- released the Company's 2008 Annual Report and Notice of Annual General Meeting with Proxy Form;
- released 1<sup>st</sup> Quarter Activities Report for the period ended 30 September 2008;

- released 1<sup>st</sup> Quarter Cash Flow Report for the period ended 30 September 2008;
- released details of Brisbane Shareholder Presentation;
- held the Company's Annual General Meeting on 28 November 2008;
- released the results of the Company's 2008 Annual General Meeting;
- placed 30 million fully paid ordinary shares at a price of 0.5 cent per share in the Company to sophisticated and private investors, raising a total of AUD\$150,000;
- released details of options which had been issued in relation to the Company's Employee / Consultant Option Incentive Scheme; and
- released details of options which had lapsed in relation to the Company's Employee / Consultant Option Incentive Scheme.

*Matters subsequent to 31 December 2008*

- announced the resignation of the Company's Group Accountant Ms Vicky Oui as joint Company Secretary;
- released the Company's Second Quarter Activities Report for the period ended 31 December 2008;
- released the Company's Second Quarter Cash Flow Report for the period ended 31 December 2008;
- released details of lapsed Employee Option Incentive Scheme Options;
- placed 45 million fully paid ordinary shares at a price of 0.4 cent per share in the Company to sophisticated and private investors, raising a total of AUD\$180,000; and
- announced a Pro-Rata Non-Renounceable Right Issue of Options to shareholders on the basis of four (4) New Options, exercisable at \$0.015 each with an expiry date being 19 Apr 2013, for every five (5) shares held at an issue price of \$0.001 each, to raise up to approximately \$798,949.

Except for the matters discussed above, there is at the date of this report no other matter or circumstance which has arisen since 31 December 2008, that has significantly affected or may significantly affect:

- (a) the Company's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

Pursuant to section 306 Corporations Act 2001 this Directors' Report:

- (a) is made in accordance with a resolution of the Directors;
- (b) is dated 27 February 2009; and
- (c) is signed by Mark Popham, a Director.

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2008.



**MH POPHAM**  
**Director**

Perth, Western Australia  
27 February 2009





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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF SYNERGY EQUITIES GROUP LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Synergy Equities Group Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON WA PARTNERSHIP  
Chartered Accountants

M.J. Hillgrove  
Partner

Perth, 27 February 2009.

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### **Independent Auditor's Review Report To the Members of Synergy Equities Group Limited**

We have reviewed the accompanying half-year financial report of Synergy Equities Group Limited (the Company), which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, which comprises both the Company and the entities it controlled at the half-year's end or from time to time during that half-year.

#### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports 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 financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Synergy Equities Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 complied with the independence requirements of the Corporations Act 2001.

### **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 Synergy Equities Group Limited is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

### **Material uncertainty regarding continuation as a going concern**

Without qualification to the conclusion above, we draw attention to the half-year financial report which indicates the company incurred a net loss of \$1,044,641 which includes \$433,641 of non-cash share based payments during the half-year ended 31 December 2008.

As disclosed in note 2(b), the directors of the company are in the process of addressing this situation by varying the company's cost structure and cash burn levels and seeking continued support from subscribers and shareholders.

These conditions, along with other matters disclosed in Note 2(b), indicate the existence of material uncertainties which, if not resolved, may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.



GRANT THORNTON (WA) PARTNERSHIP  
Chartered Accountants



M J Hillgrove  
Partner

Perth, 27 February 2009

## **Directors' Declaration**

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors:

- (a) the financial statements and the notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**MH POPHAM**  
**Director**

Perth, Western Australia  
27 February 2009



## Condensed Balance Sheet

	Consolidated	
	31 December 2008	30 June 2008
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	92,843	140,063
Trade and other receivables	220,115	149,633
Available for financial assets	3,767	60,068
Other current assets	22,067	5,702
<b>Total Current Assets</b>	<b>338,792</b>	<b>355,466</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	247,769	284,102
Intangible assets	348,840	368,533
<b>Total Non-Current Assets</b>	<b>596,609</b>	<b>652,635</b>
<b>Total Assets</b>	<b>935,401</b>	<b>1,008,101</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	199,820	108,633
Provisions	16,720	20,128
<b>Total Current Liabilities</b>	<b>216,540</b>	<b>128,761</b>
<b>Total Liabilities</b>	<b>216,540</b>	<b>128,761</b>
<b>Net Assets</b>	<b>718,861</b>	<b>879,340</b>
<b>Equity</b>		
Issued capital	36,735,066	36,284,545
Accumulated losses	(36,456,436)	(35,411,795)
Option reserve	440,231	6,590
<b>Total Equity</b>	<b>718,861</b>	<b>879,340</b>

The above Condensed Balance Sheet should be read in conjunction with the accompanying notes

## Condensed Income Statement

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$
Sales revenue	261,689	280,597
Cost of sales	(23,277)	(24,935)
Gross profit	238,412	255,662
Other revenue	8,910	98,432
Administrative expenses	(279,044)	(221,891)
Consultant and legal fees	(131,001)	(14,532)
Depreciation and amortisation expense	(57,029)	(51,352)
Impairment of financial assets	(11,104)	(29,792)
Employee benefit expense	(811,592)	(394,836)
Other expenses	(2,193)	-
Profit / (Loss) before income tax expense	(1,044,641)	(358,309)
Income tax expense	-	-
Loss attributable to members of the parent entity	(1,044,641)	(358,309)
Basic earning per share (cents)	(0.114)	(0.004)
Diluted earnings per share (cents)	(0.114)	(0.004)

The above Condensed Income Statement should be read in conjunction with the accompanying notes

## Condensed Cash Flow Statement

	Consolidated	
	31 December 2008 \$	31 December 2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	304,464	317,207
Interest received	4,879	10,930
Payments to suppliers and employees	(729,717)	(734,654)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(420,374)</b>	<b>(406,517)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for equity investments	-	(444,646)
Payment for intangibles	-	(57,103)
Payment for purchase of property, plant and equipment	(5,566)	(48,921)
Proceeds from sale of equity investments	22,994	351,720
Proceeds from sale of property, plant and equipment	4,000	-
<b>NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	<b>21,428</b>	<b>(198,950)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	354,000	900,000
Capital raising costs	(2,274)	(24,722)
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>351,726</b>	<b>875,278</b>
Net (decrease)/increase in cash held	(47,220)	269,811
Cash and cash equivalents at beginning of period	140,063	575,699
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>92,843</b>	<b>845,510</b>

The above Condensed Cash Flow Statement should be read in conjunction with the accompanying notes

## Condensed Statement of Changes in Equity

Consolidated

Attributable to the shareholders of SYNERGY

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
<b>At 1 July 2007</b>	<b>35,310,171</b>	<b>(34,439,792)</b>	-	<b>870,379</b>
Loss attributable to members of parent entity	-	(358,309)	-	(358,309)
Issue of share capital	1,000,000	-	-	1,000,000
Share issue costs recognised directly in Equity	(22,475)	-	-	(22,475)
Sub-total	36,287,696	(34,798,101)	-	1,489,595
Option reserve	-	-	-	-
<b>At 31 December 2007</b>	<b>36,287,696</b>	<b>(34,798,101)</b>	-	<b>1,489,595</b>
<b>As at 1 July 2008</b>	<b>36,284,545</b>	<b>(35,411,795)</b>	<b>6,590</b>	<b>879,340</b>
Loss attributable to members of parent entity	-	(1,044,641)	-	(1,044,641)
Issue of share capital	454,000	-	-	454,000
Share issue costs recognised directly in Equity	(3,479)	-	-	(3,479)
Sub-total	36,735,066	(36,456,436)	6,590	285,220
Option reserve	-	-	433,641	433,641
<b>At 31 December 2008</b>	<b>36,735,066</b>	<b>(36,456,436)</b>	<b>440,231</b>	<b>718,861</b>

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes



## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

The financial report of SYNERGY for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the Directors on 27 February 2009. SYNERGY is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in note 4.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of SYNERGY as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by SYNERGY and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

#### a) Basis of Preparation

The general purpose financial report for the half year ended 31 December 2008 has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: "Interim Financial Reporting", and other mandatory professional reporting requirements. The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### b) Going Concern

The consolidated entity has incurred operating losses of \$1,044,641 (including \$433,641 of non-cash share based payments) for the half year ended 31 December 2008 [2007: (\$358,309)].

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst acknowledging the inherent uncertainties, the Directors consider this to be appropriate for the following reasons:

- the projected cashflows through the implementation of its current business plan;
- the ability to vary the consolidated entity's cost structure and in turn the levels of cash burn dependent on the level of achievement of certain milestones within the business plan; and
- the demonstrated ability to obtain funding through equity issues.

Whilst continued investment in growth in subscribers is dependent on the Company successfully obtaining new funding in what are challenging capital markets, the Company is in a position to further reduce its scale of business and costs to be sustained under existing funding resources.

#### c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of SYNERGY and its controlled subsidiaries ('the Group').

**d) Significant accounting policies**

Apart from the changes noted below, the half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

**e) Changes in accounting policies**

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2008. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

The following applicable standards have been issued but have not been early adopted:

- AASB 101 *Presentation of Financial Statements* (Revised 2007)
- AASB 8 *Operating Segments*
- AASB 123 *Borrowing Costs* (Revised 2007)

AASB 101 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. AASB 101 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Further, a 'Statement of changes in equity' is now presented as a primary statement.

AASB 8 now reports segment results based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

AASB 123 *Borrowing Costs* (Revised 2007) requires the capitalisation of borrowing costs to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. Borrowing costs have been capitalised only for qualifying assets with a commencement date after 1 January 2009.

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3. LOSS FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31 December 2008 \$	31 December 2007 \$
<b>Revenue</b>		
Sales	261,689	280,597
<b>Other revenue</b>		
Interest from:		
Other unrelated persons	2,770	10,932
Total interest	2,770	10,932
Proceeds from sale of non current assets	3,636	-
Proceeds from sale of financial assets	-	76,705
Other	2,504	10,795
Total other revenue	8,910	98,432
Total revenue	270,599	379,029
<b>Expenses</b>		
<b>Depreciation and amortisation on non current assets</b>		
Depreciation of:		
- plant and equipment	35,506	45,741
- software	1,829	3,053
Amortisation of:		
- licences	1,481	1,481
- software	17,277	-
- trade marks	936	1,077
Total depreciation and amortisation	57,029	51,352
<b>Impairment of financial assets</b>		
Impairment	11,104	29,792
Total impairment of financial assets	11,104	29,792
<b>Employee benefit expense</b>		
Wages and salaries	423,904	357,502
Defined contribution superannuation expense	38,151	31,540
Share-based payment expense	351,936	-
Other employee benefit expense	(2,399)	5,794
Total employee benefit expense	811,592	394,836
Loss from sale of financial assets	25,289	-

#### 4. SEGMENT INFORMATION

The principal activities of SYNERGY during the period were:

- issued 68 million fully paid ordinary shares in the Company to sophisticated and private investors;
- aggressive marketing of Data-inCrypt® SMX secure registered email; and
- marketing & sales of SYNERGY's Internet technology systems.

All activities are undertaken in Australia.

	Technology		Corporate		Eliminations		Consolidated Group (Continuing Operations)	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
<b>Revenue</b>								
Sales to external customers	261,689	280,597	-	-	-	-	261,689	280,597
Other revenue	4,346	88,844	4,564	9,588	-	-	8,910	98,432
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue	266,035	369,441	4,564	9,588	-	-	270,599	379,029
<b>Result</b>								
Segment result	(260,094)	(116,754)	(784,547)	(241,555)	-	-	(1,044,641)	(358,309)
Unallocated expense/income	-	-	-	-	-	-	-	-
Net profit/(loss) before income tax	(260,094)	(116,754)	(784,547)	(241,555)	-	-	(1,044,641)	(358,309)
<b>Assets</b>								
Segment assets	1,062,652	966,309	628,404	1,351,071	(755,655)	(740,439)	935,401	1,576,941
Unallocated assets	-	-	-	-	-	-	-	-
Total assets	1,062,652	966,309	628,404	1,351,071	(755,655)	(740,439)	935,401	1,576,941
<b>Liabilities</b>								
Segment liabilities	433,307	388,725	126,064	26,236	(342,831)	(327,615)	216,540	87,346
Unallocated liabilities	-	-	-	-	-	-	-	-
Total liabilities	433,307	388,725	126,064	26,236	(342,831)	(327,615)	216,540	87,346
<b>Other</b>								
Capital expenditure	1,002	49,586	-	-	-	-	1,002	49,586
Depreciation and amortisation	56,093	50,275	936	1,077	-	-	57,029	51,352

5. TRADE AND OTHER RECEIVABLES

	<u>31 December 2008</u>	<u>31 December 2007</u>
	\$	\$
<b>CURRENT</b>		
Trade receivables	36,035	52,130
Other receivables	184,080	100,766
Provision for impairment of receivables	-	(3,263)
Total trade and other receivables	<u>220,115</u>	<u>149,633</u>

**Other receivables**

Included in other receivables is an amount of \$100,000 from two investors that is due and payable with interest by 31 March 2009. The Directors have undertaken appropriate due diligence on the ability of the investors to honour these payments and as a result, the Director's are confident that the amounts will be recovered by the due date and that no impairment exists.

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date

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	31 December 2008 \$	30 June 2008 \$
<b>7. ISSUED CAPITAL</b>		
<b>a) Ordinary shares</b>		
953,686,795 fully paid ordinary shares (30 June 08: 885,686,795)	36,735,066	36,284,545
<b>b) Movements in contributed equity for the year</b>		
Balance at the beginning of the financial year	36,284,545	35,310,171
Shares issued during the current financial year:		
- 38,000,000 on 13 August 2008	304,000	-
- 30,000,000 on 28 November 2008	150,000	-
Shares issued during the previous financial year:		
- 20,000,000 on 27 July 2007	-	400,000
- 30,000,000 on 19 December 2007	-	600,000
Less capital raising costs	(3,479)	(25,626)
Total contributed equity	36,735,066	36,284,545

**8. SHARE OPTIONS ISSUED**

At the date of this report the unissued ordinary shares of SYNERGY under option are as follows:

**Employee Option Incentive Scheme Options**

Grant Date	Date of Expiry	Exercise Price	Held at 01 Jul 08	Issued	Lapsed / Cancelled	Held at 31 Dec 08
24 Dec 03	23 Dec 08	2.5 cents	50,000,000	-	50,000,000	-
26 Feb 04	25 Feb 09	2.5 cents	2,000,000	-	2,000,000	-
09 Dec 05	08 Dec 10	2.5 cents	10,000,000	-	-	10,000,000
26 Mar 08	25 Mar 13	2.5 cents	5,000,000	-	-	5,000,000
30 Apr 08	29 Apr 13	2.5 cents	7,500,000	-	5,000,000	2,500,000
29 May 08	28 May 13	2.5 cents	5,000,000	-	-	5,000,000
08 Dec 08	07 Dec 13	2.5 cents	-	70,000,000	-	70,000,000

**Consultant Option Incentive Scheme Options**

Grant Date	Date of Expiry	Exercise Price	Held at 01 Jul 08	Issued	Lapsed / Cancelled	Held at 31 Dec 08
26 Feb 04	25 Feb 09	2.5 cents	2,000,000	-	2,000,000	-
11 Dec 07	10 Dec 12	2.5 cents	5,000,000	-	-	5,000,000
04 Jul 08	03 Jul 13	2.5 cents	-	5,000,000	-	5,000,000
12 Dec 08	11 Dec 13	2.5 cents	-	10,000,000	-	10,000,000

The issue of unlisted securities to employees pursuant to the Synergy Employee Option Incentive Scheme ("Scheme") were approved initially at the Company's 2003 AGM and subsequently re-approved by shareholders at the Company's 2006 AGM.

There were no options exercised during the year ended 31 December 2008 (2007: nil).

The weighted average fair value of the options have been charged to the Condensed Income Statement in the 31 December 2008 accounts was \$433,641 (2007: nil).

The theoretical notional values were calculated by using a Black-Scholes option pricing model based on the following assumptions:

Weighted average exercise price	\$0.025
Weighted average life of the option	3 years
Underlying share price	\$0.0070 - \$0.0019
Expected share price volatility	106.18% - 133.65%
Risk free interest rate	3.66% - 6.60%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The notional valuations ascribed to these unlisted options may not necessarily represent the market price at the date of valuation.

The employee options of \$351,936 and consultant options of \$81,705 have been charged to the Condensed Income Statement as part of Employee benefit expense and Consultant & legal fees respectively in the 31 December 2008 accounts.

## 9. RELATED PARTY TRANSACTION

### a) Ultimate Parent Entity

SYNERGY is the ultimate holding company in the economic entity.

### b) Controlled Entities

During the period SYNERGY Australia received a loan of \$118,941 from the ultimate parent SYNERGY and received a loan of \$11,200 from Data-**inCrypt**<sup>®</sup> to fund its operations. There is a stamped Loan Agreement dated 14 April 2000 to an amount of \$500,000 for funds loaned by SYNERGY to SYNERGY Australia. The initial term of the loan was for 12 months however under the terms of the Loan Agreement the term can be extended by SYNERGY at its sole discretion. SYNERGY Australia has secured its indebtedness to SYNERGY by the granting of a floating charge over all its assets.

As at 31 December 2008 Data-**inCrypt**<sup>®</sup> owed SYNERGY Australia \$362,367.

During the period Data-**inCrypt**<sup>®</sup> received a loan of \$500 from the ultimate parent SYNERGY and borrowed \$79,193 from SYNERGY Australia to fund its operation. These loans are non-interest bearing and have no specific repayment date not are they subject to any contract. It has been decided that these loans are in the nature of equity rather than a liability as there is no present obligation to repay the loads. No shares have been issued in consideration.

### c) Key Management Personnel Compensation

31 December 2008

Director	Salary & Fees	Short-term benefits		Post-employment Benefits	Value of Unlisted Employee Option Incentive Scheme Options	Total
		Cash Bonus	Leave Entitlement	Superannuation		
<b>Parent Entity</b>						
RG Moir	139,103	-	3,677	12,850	123,761	279,391
MH Popham	37,704	-	-	3,393	82,507	123,604
MJW Eade	77,885	-	6,923	7,633	82,507	174,948
<b>Totals</b>	<b>254,692</b>	<b>-</b>	<b>10,600</b>	<b>23,876</b>	<b>288,775</b>	<b>577,943</b>

**10. EVENTS SUBSEQUENT TO REPORTING DATE**

- released Appendix 3Y – Change of Director’s Interest Notice;
- announced the resignation of the Company’s Group Accountant Ms Vicky Oui as joint Company Secretary;
- released the Company’s Second Quarter Activities Report for the period ended 31 December 2008;
- released the Company’s Second Quarter Cash Flow Report for the period ended 31 December 2008;
- announced that its wholly owned subsidiary Data-**inCrypt**<sup>®</sup> held its third meeting with a major privately owned multinational organisation in Melbourne regarding SMX secure registered email;
- released details of lapsed Employee Option Incentive Scheme Options;
- placed 45 million fully paid ordinary shares at a price of 0.4 cent per share in the Company to sophisticated and private investors, raising a total of AUD\$180,000; and
- announced a Pro-Rata Non-Renounceable Right Issue of Options to shareholders on the basis of four (4) New Options, exercisable at \$0.015 each with an expiry date being 19 Apr 2013, for every five (5) shares held at an issue price of \$0.001 each, to raise up to approximately \$798,949.