

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

Directors' Report	3-4
Audit independence Declaration	5
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 32
Directors' Declaration	33
Independent Auditor's report	34

**Synertec Pty Ltd**  
**Directors' report**  
**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
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Gussan Abdallah	(Director)	438 shares
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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

A handwritten signature in blue ink, appearing to read 'Dana Bentley', written over a horizontal line.

Dana Bentley  
*Partner*

Melbourne

11 January 2017

**Synertec Pty Ltd**  
**Statement of financial position**  
**As at 30 June 2016**

*In Australian dollars*

	<b>Note</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
<b>Assets</b>			
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
<b>Total current assets</b>		<b>9,978,978</b>	<b>7,550,790</b>
Deferred tax assets	9	157,781	357,427
Other assets	12	781,477	647,215
Property, plant and equipment	15	352,572	210,594
<b>Total non-current assets</b>		<b>1,291,830</b>	<b>1,215,236</b>
<b>Total assets</b>		<b>11,270,808</b>	<b>8,766,026</b>
<b>Liabilities</b>			
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
<b>Total current liabilities</b>		<b>5,355,425</b>	<b>3,661,852</b>
Loans and borrowings	17	17,515	47,529
Employee benefits	14	54,000	47,000
<b>Total non-current liabilities</b>		<b>71,515</b>	<b>94,529</b>
<b>Total liabilities</b>		<b>5,426,940</b>	<b>3,756,381</b>
<b>Net assets</b>		<b>5,843,868</b>	<b>5,009,645</b>
<b>Equity</b>			
Share capital	21	950	950
Other equity contribution	21	132,904	132,904
Retained earnings		5,710,014	4,875,791
<b>Total equity attributable to equity holders of the Company</b>		<b>5,843,868</b>	<b>5,009,645</b>
<b>Total equity</b>		<b>5,843,868</b>	<b>5,009,645</b>

*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*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>			
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	-
<b>Expenses</b>			
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)
<b>Results from operating activities</b>		<b>3,554,050</b>	<b>2,718,845</b>
Finance income	8	37,251	196,644
Finance costs	8	(76,260)	(143,589)
<b>Net finance costs/(income)</b>		<b>(39,009)</b>	<b>53,055</b>
<b>Profit before tax</b>		<b>3,515,041</b>	<b>2,771,900</b>
Income tax expense	9	(2,680,818)	(1,677,282)
<b>Profit from operations</b>		<b>834,223</b>	<b>1,094,618</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>834,223</b>	<b>1,094,618</b>

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

**Synertec Pty Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2016**

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

**Cash flows from operating activities**

Cash receipts from customers  
Cash paid to suppliers and employees  
Cash generated from operations  
Interest paid  
Interest received  
Income taxes refunded

**Net cash from operating activities**

**Cash flows from investing activities**

Proceeds from sale of property, plant and equipment  
Purchase of financial assets  
Proceeds from exiting term deposit  
Proceeds from disposal of investment  
Acquisition of property, plant and equipment

**Net cash from investing activities**

**Cash flows (used in)/from financing activities**

Loans provided to directors/related parties  
Proceeds from a related party loan receivable  
Payment of finance lease liabilities

**Net cash (used in)/from financing activities**

**Net increase in cash and cash equivalents**

Cash and cash equivalents at 1 July

**Cash and cash equivalents at 30 June**

Note	2016	2015
	19,515,584	11,647,431
	(15,210,517)	(11,766,096)
	4,305,067	(118,665)
	(76,260)	(143,590)
	5,858	6,483
	700,994	1,164,230
10A	4,935,659	908,458
	14,818	-
	431,476	(114,362)
	(321,408)	(892)
	485,978	401,427
	(222,386)	(71,772)
	388,478	214,401
	(195,949)	(58,933)
	(200,000)	198,817
	(18,274)	(17,060)
	(414,223)	122,824
	4,909,914	1,245,683
	118,375	(1,127,308)
10	5,028,289	118,375

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

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

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

**C. Leases (continued)**

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

*Leased assets*

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

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

*Lease payments*

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

**D. Goods and Services Tax**

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

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

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

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

**E. Financial instruments**

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

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

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.



Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**6. Revenue**

*In Australian dollars*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Rendering of services		3,646,248	2,381,494
Fixed price projects		13,375,189	9,202,712
		<u>17,021,437</u>	<u>11,584,206</u>

**7. Other income**

*In Australian dollars*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Government benefits - research and development tax credits		1,180,786	2,346,011
Governments benefits - paid parental leave		-	11,539
		<u>1,180,786</u>	<u>2,357,550</u>

**8. Finance income and finance costs**  
**Recognised in profit or loss**

*In Australian dollars*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Interest income		22,379	54,051
Realised foreign currency gains and losses		-	127,649
Unrealised foreign currency gains and losses		14,872	14,944
<b>Finance income</b>		<u>37,251</u>	<u>196,644</u>
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)
<b>Finance costs</b>		<u>(76,260)</u>	<u>(143,589)</u>
<b>Net finance (costs)/income recognised in profit or loss</b>		<u>(39,009)</u>	<u>53,055</u>

The interest income is comprised of interest on the deferred consideration from the sale of Synertec Asia, interests earned 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].

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

## 9. Taxes

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

<i>In Australian dollars</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Current tax expense</b>			
Current year		(2,481,172)	(1,648,126)
		(2,481,172)	(1,648,126)
<b>Deferred tax benefit</b>			
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

<i>In Australian dollars</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Profit before tax from continuing operations		3,515,041	2,771,900
Tax using the Company's domestic tax rate	30%	1,054,512	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:

<i>In Australian dollars</i>	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
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

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

9. Taxes (continued)

(iv) Movement in deferred tax balances during the year

<i>In Australian dollars</i>	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
<b>Cash flows from operating activities</b>			
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 benefits		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
<b>Net cash from operating activities</b>		4,935,659	908,458

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**11. Trade and other receivables**

*In Australian dollars*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Sundry debtors		1,176	-
Trade receivables		1,688,628	1,461,215
		<u>1,689,804</u>	<u>1,461,215</u>
Current		1,689,804	1,461,215
		<u>1,689,804</u>	<u>1,461,215</u>

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*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
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		<u>756,326</u>	<u>1,326,021</u>

**Other assets – non-current**

*In Australian dollars*

		<b>2016</b>	<b>2015</b>
ANZ term deposits		350,000	-
EFIC deposits		431,477	647,215
Non current		<u>781,477</u>	<u>647,215</u>

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*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Work in progress		2,504,559	3,393,904
		<u>2,504,559</u>	<u>3,393,904</u>

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).

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

14. Employee benefits

<i>In Australian dollars</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>
<b>Current</b>			
Annual leave		153,978	98,475
Long service leave		223,207	187,751
		<b>377,185</b>	<b>286,226</b>
<b>Non-current</b>			
Long service leave		54,000	47,000
		<b>54,000</b>	<b>47,000</b>

15. Property, plant and equipment

<i>In Australian dollars</i>	<b>Computers</b>	<b>Furniture and Equipment</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>TOTAL</b>
<b>Cost</b>					
<b>Balance at 30 June 2014</b>	285,825	103,113	21,157	198,160	608,255
Additions	33,772	-	-	38,000	71,772
Disposals	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>319,597</b>	<b>103,113</b>	<b>21,157</b>	<b>236,160</b>	<b>680,027</b>
Additions	78,153	13,134	-	131,099	222,386
Disposals	-	-	-	(34,250)	(34,250)
<b>Balance at 30 June 2016</b>	<b>397,750</b>	<b>116,247</b>	<b>21,157</b>	<b>333,009</b>	<b>868,163</b>
<b>Accumulated Depreciation</b>					
<b>Balance at 30 June 2014</b>	256,152	66,963	16,203	64,695	404,013
Disposals	-	-	-	-	-
Depreciation expense	25,877	5,790	991	32,762	65,420
<b>Balance at 30 June 2015</b>	<b>282,029</b>	<b>72,753</b>	<b>17,194</b>	<b>97,457</b>	<b>469,433</b>
Disposals	-	-	-	(25,410)	(25,410)
Depreciation expense	33,931	5,564	793	31,280	71,568
<b>Balance at 30 June 2016</b>	<b>315,960</b>	<b>78,317</b>	<b>17,987</b>	<b>103,327</b>	<b>515,591</b>
<b>Carrying amounts</b>					
<b>at 01 July 2014</b>	<b>29,673</b>	<b>36,150</b>	<b>4,954</b>	<b>133,465</b>	<b>204,242</b>
<b>at 30 June 2015</b>	<b>37,568</b>	<b>30,360</b>	<b>3,963</b>	<b>138,703</b>	<b>210,594</b>
<b>at 01 July 2015</b>	<b>37,568</b>	<b>30,360</b>	<b>3,963</b>	<b>138,703</b>	<b>210,594</b>
<b>at 30 June 2016</b>	<b>81,790</b>	<b>37,930</b>	<b>3,170</b>	<b>229,682</b>	<b>352,572</b>

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 2016 the net carrying amount of leased motor vehicles was \$51,863 (2015: \$62,728). Non cash acquisitions of motor vehicles amount to \$Nil (2015: \$Nil).

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**16. Trade and other payables**

*In Australian dollars*

**Current**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Trade payables		763,468	972,882
Other payables		345,185	293,223
Fixed price project accruals		2,065,166	998,187
		<b>3,173,819</b>	<b>2,264,292</b>

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

**17. Loans and borrowings**

**Finance lease liabilities**

Finance lease liabilities are payable as follows.

*In Australian dollars*

	<b>Future minimum lease payments</b>		<b>Interest</b>		<b>Present value of minimum lease payments</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
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
	<b>47,529</b>	<b>65,803</b>	<b>2,707</b>	<b>6,676</b>	<b>50,236</b>	<b>72,479</b>

The items currently under finance leases are all motor vehicles.

**18. Other liabilities**

*In Australian dollars*

**Current**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Amount due to related parties		-	200,000
		<b>-</b>	<b>200,000</b>

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*

	<b>Note</b>	<b>2016</b>	<b>2015</b>
Billing in advance of work completed		474,021	342,779
		<b>474,021</b>	<b>342,779</b>

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

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

## 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.

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

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

	<i>Note</i>	<b>Ordinary shares</b>	
		<b>2016</b>	<b>2015</b>
In issue at 1 July		950	950
Movement		-	-
<b>In issue at 30 June</b>		<b>950</b>	<b>950</b>

### 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

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Other contributed equity		132,904	132,904
		<b>132,904</b>	<b>132,904</b>

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



Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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 Research and Development tax incentive the company has a negative franking account balance. The nature of the debits to the franking account do not attract Franking Deficit Tax.

*Dividend franking account*

Amount of franking credits available to shareholders of Synertec Pty Ltd for subsequent financial years

2016	2015
(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*

Short-term employee benefits

Post-employment benefits

2016	2015
445,000	482,127
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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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*

**Directors**

Michael Carroll

Gassan Abdallah

**Entities under the control of Gassan Abdallah**

Synertec Asia

Synertec Malaysia

**Management personnel**

Ted Perkins

**Other related parties**

Margaret Carroll

	Balance 1 July 2015	Balance 30 June 2016
	\$	\$
Michael Carroll	76,266	195,588
Gassan Abdallah	22,070	147,833
Synertec Asia	221,384	166,509
Synertec Malaysia	96,688	96,688
Ted Perkins	3,208	8,947
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*

**Audit and review services**

Auditors of the Company - KPMG

Audit and review of financial statements

**Other services**

Auditors of the Company - KPMG

In relation to other assurance, taxation and due diligence services

In relation to taxation

	2016	2015
Audit and review of financial statements	45,000	30,000
	45,000	30,000
In relation to other assurance, taxation and due diligence services	17,600	-
In relation to taxation	140,060	203,423
	202,660	233,423

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

## 26. Financial instruments

### Financial risk management

#### Overview

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

- credit risk
- liquidity risk
- market risk

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

#### Risk Management framework

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

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

#### (i) Credit risk

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

#### Exposure to credit risk

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

<i>In Australian dollars</i>	Note	Carrying amount	
		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
		<b>8,172,377</b>	<b>3,917,246</b>

#### 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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**26. Financial instruments (continued)**

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

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

<i>In Australian dollars</i>	Carrying amount	
	2016	2015
Australia	1,689,804	1,461,215
	<u>1,689,804</u>	<u>1,461,215</u>

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.

<i>In Australian dollars</i>	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
	<u>1,689,804</u>	<u>1,461,215</u>

**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.

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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*

	Carrying amount	Total	Contractual cash flows		
			0-1 years	1-2 years	2-5 years
<b>Non-derivative financial liabilities</b>					
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	-	-
	<u>3,695,368</u>	<u>3,698,076</u>	<u>3,680,459</u>	<u>17,617</u>	<u>-</u>

**30 June 2015**

*In Australian dollars*

	Carrying amount	Total	Contractual cash flows		
			0-1 years	1-2 years	2-5 years
<b>Non-derivative financial liabilities</b>					
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	-	-
	<u>3,223,155</u>	<u>3,242,420</u>	<u>3,192,184</u>	<u>50,236</u>	<u>-</u>

**(iii) Market risk**

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

*Currency risk*

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

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

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**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
<b>Financial assets</b>	378,364	1,385,474	-	663,783
Trade and other payables	(59)	(459,597)	(19,517)	(104,734)
<b>Financial liabilities</b>	(59)	(459,597)	(19,517)	(104,734)
<b>Net exposure</b>	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
<b>30 June 2016</b>				
USD	(24,074)	29,423	(24,074)	29,423
Euro	(58,919)	72,013	(58,919)	72,013
<b>Currency exchange risk (net)</b>	(82,993)	101,436	(82,993)	101,436
<b>30 June 2015</b>				
USD	(27,243)	33,298	(27,243)	33,298
Euro	(35,576)	43,482	(35,576)	43,482
<b>Currency exchange risk (net)</b>	(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
<b>Variable-rate instruments</b>		
ANZ interest expense	18.99%	17.26%
Interest on ANZ deposits	1.75%	2.15%
Related party interest rates	5.45%	5.95%

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

26. Financial instruments (continued)

(iii) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity, net of tax	
	1% increase	1% decrease	1% increase	1% decrease
<b>30 June 2016</b>				
Variable rate instruments	4,853	(4,853)	4,853	(4,853)
<b>Cash flow sensitivity (net)</b>	4,853	(4,853)	4,853	(4,853)
<b>30 June 2015</b>				
Variable rate instruments	(4,652)	4,652	(4,652)	4,652
<b>Cash flow sensitivity (net)</b>	(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
<b>30 June 2016</b>					
Cash and cash equivalents	10	5,028,289	-	-	5,028,289
Trade and other receivables	11	1,689,804	-	-	1,689,804
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

Synertec Pty Ltd  
Notes to the financial statements  
For the year ended 30 June 2016

**26. Financial instruments (continued)**  
**(iii) Market risk (continued)**

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

*Fair values vs carrying amount (continued)*

<i>In Australian dollars</i>	<i>Note</i>	<b>Loans and receivables</b>	<b>Other financial assets</b>	<b>Other financial liabilities</b>	<b>Total carrying amount</b>
<b>30 June 2015</b>					
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
		<hr/>	<hr/>	<hr/>	<hr/>
		2,129,871	1,787,375	-	3,917,246
		<hr/>	<hr/>	<hr/>	<hr/>
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
		<hr/>	<hr/>	<hr/>	<hr/>
		-	-	3,080,376	3,080,376
		<hr/>	<hr/>	<hr/>	<hr/>



## 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.....11<sup>th</sup> January 2017.....



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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.



## **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