



Synertec Corporation Limited
(formerly known as SML Corporation Limited)

ARBN 161 803 032

(ASX: SOP)

ASX Listing Rule 4.3A.
Appendix 4E Statement

Preliminary Final Report

**For the Year Ended
30 June 2018**

Current Reporting Period: Year Ended 30 June 2018
Previous Corresponding Period: Year Ended 30 June 2017 (for Synertec Pty Ltd)

Synertec Corporation Limited
Appendix 4E Statement
Year Ended 30 June 2018

1. Company details

Name of entity:	Synertec Corporation Limited
ARBN:	161 803 032
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017 (<i>Refer Comments below</i>)

2. Results for announcement to the market

	30 June 2018	30 June 2017	Up/Down	Change	Change
	\$	\$		\$	%
Revenues from ordinary activities	11,432,670	14,682,303	Down	(3,249,633)	(22)%
Loss from ordinary activities after tax attributable to the owners of Synertec Corporation Limited	(337,980)	938,895	Down	(1,276,875)	(136)%
Loss for the period attributable to the owners of Synertec Corporation Limited	(8,455,239)	938,895	Down	(9,394,134)	(1001)%

Comments – Control gained over entities, basis of preparation and comparative information

Synertec Corporation Limited (formerly SML Corporation Limited) completed the acquisition of Synertec Pty Ltd on 8 August 2017. As a result of the acquisition, the former shareholders of Synertec Pty Ltd effectively obtained control of the combined entity. Accordingly, under the principles of the International Financial Reporting Standard IFRS 3 'Business Combinations', Synertec Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a reverse acquisition by which Synertec Pty Ltd acquired the net assets and listing status of Synertec Corporation Limited.

Accordingly, the consolidated financial statements of Synertec Corporation Limited have been prepared as a continuation of the business and operations of Synertec Pty Ltd. As the deemed acquirer, Synertec Pty Ltd has accounted for the acquisition of Synertec Corporation Limited from 8 August 2017.

The comparative information (prior comparative period or "pcp") for the year ended 30 June 2017 and the statement of financial position as at 30 June 2017 presented in the consolidated financial statements are that of Synertec Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures. Most of the accounting policies have changed from those of Synertec Corporation Limited previously to those of Synertec Pty Ltd. Refer to the financial report for the year ended 30 June 2018 for more information.

Comments – Review of operations

	<i>In Australian dollars</i>	
	30 June 2018	30 June 2017
(Loss)/profit before tax and corporate transaction costs	(395,949)	1,882,230
Corporate transaction costs	(47,414)	(534,340)
Income tax expense	105,383	(408,995)
(Loss)/profit from operations	(337,980)	938,895
Listing expense	(4,722,112)	-
(Loss)/profit for the year from continuing operations	(5,060,092)	938,895
Loss from discontinued operations	(3,395,147)	-
Total comprehensive income for the year	(8,455,239)	938,895

Comments – Review of operations

Continuing operations

Financial year 2018 represented a period of change and progress for the Group. The first half of the year achieved the completion of the acquisition and re-listing of the Group on the ASX on 8 August 2017 and the formation of the new Board, as well as the commissioning of key projects which contributed to the development of unique products and solutions, particularly in the oil and gas sector.

In the second half of the year the Group was awarded and commenced several major projects in the pharmaceutical and infrastructure sectors which contributed to substantial growth in revenue (up 44% on the first half) and work in hand, and strong forward momentum entering FY19. This provides a solid platform for growth and economies of scale, while the pipeline of opportunities continues to grow.

Whilst FY18 did not deliver on management's expectations in terms of revenue and earnings, the Board and management were pleased and excited by the projects awarded to the Group. The Group's operations continued to diversify as planned and place the Group in a position to expand based on improving market conditions and increasing enquiry for its products and solutions, particularly EPC opportunities in the pharmaceutical, oil and gas and infrastructure sectors. It is this strategic transformation that the Board and management believe will deliver sustainability and improved quality in earnings as the business commences its next phase of development.

Synertec has continued to evolve over the past few years and while there were changes to its capital structure in 2018, there remains a few basic principles the Group continues to follow:

- Preserve balance sheet strength
- Continue sustainable, profitable and strategic delivery
- Invest in people and capability; and
- Focus on costs at every level in the business.

The revenue of the Group for the year ended 30 June 2018 was \$11.4 million (30 June 2017: \$14.7 million), which constitutes revenue produced by wholly-owned subsidiary, Synertec Pty Ltd, on both ongoing and new projects during the period. The decline in revenues for the year was mainly due to customers extending lead times for confirmation of major project awards, and the impact of some large projects from prior years completing in the first half of this financial year before further key projects were awarded. Revenue for FY17 reflected particularly strong performance with major cornerstone projects in LNG custody transfer being successfully delivered and commissioned at the Wheatstone and Gorgon LNG plants in Western Australia.

Strong project management capability, underpinned by effective processes and systems, continues to generate solid gross profit margins. This is especially pleasing as the Group has been awarded more projects in sectors it has been strategically targeting and developing expertise in for the past few years.

The Group continued to carefully control overheads, with the operating cost base of the business remaining stable over the past two years. During the year, the business continued to develop expertise in its specialist areas, while strategically configuring its workforce, capability and systems for execution of its growing pipeline of opportunities and work-in-hand. The current operating platform of the business, which has been built deliberately to strengthen project management and accommodate anticipated growth in projects (size and number), can easily support considerable expansion from revenue levels delivered in the past and present.

The Group delivered an operating net loss after tax (before Listing expense) of \$0.3 million (30 June 2017: \$0.9 million profit). This result includes the cost of forming a new Board for the Group and various annual listing compliance costs. These costs amounted to \$0.6m in FY18 and are not expected to exceed this level in the foreseeable future.

The net loss after tax of the Group from its continuing operations for the period was \$5.1 million (30 June 2017: net profit \$0.9 million). This result includes significant costs associated with accounting for the acquisition of Synertec Pty Ltd and ASX re-listing process completed in August 2017. Major accounting costs related to the transaction during the year include a deemed Listing expense of \$4.7 million, as detailed in the financial report.

Discontinued operations

Further to the Synertec Corporation Limited announcement on 22 September 2017, whereby the Company completed the sale of 100% of the issued shares in its subsidiary, Australian Gold Mines Pty Ltd (which owns all the shares in Mt Wills Gold Mines Pty Ltd, the holder of the mining assets) and an immaterial related parcel of land under a Contract for the Sale ("Mining Assets") as intended, the Company announced on 23 December 2017 that all sale warranties were completed.

The Mining Assets were sold for \$3.5 million and net proceeds of \$3.6 million were distributed to eligible Redemption Note holders on 15 January 2018 (refer to Note 19 of the Financial Statements), equating to 4.4 cents per share. The Sale of the Mining Assets resulted in a loss on sale of those assets of \$3.2 million, recognised in the result from discontinuing operations.

In determining the Net Sale Proceeds, all direct costs and taxes payable have been deducted from the gross sale proceeds. The company was able to obtain a refund of some tenement rental costs from Government authorities and a refund of a bank deposit placed in support of a tenement bond. There was also bank interest earned on the cash consideration placed as a term deposit. As a result, the Net Sale Proceeds exceeded the cash consideration received for the Mining Assets.

Upon completion of the warranties and determining the Net Sale Proceeds for the sale of the Mining Assets in December 2017, a loss on sale of the Mining Assets of \$3.2 million was calculated and recognised in the financial statements of Synertec Corporation Limited as at 30 June 2018 as part of the loss from discontinuing operations.

Net operating costs from mining subsidiaries of \$0.2 million has been included in the loss from discontinuing operations. These costs relate to the Sale of Mining Assets, execution of Redemption Note obligations and winding down of the mining subsidiaries (during the year, subsidiary company Mitta Omeo Metals Pty Ltd, was wound up and deregistered). Therefore, total loss from discontinuing operations was \$3.4 million (30 June 2017: nil).

Financial Position

The Group's balance sheet remains strong, closing the year with total cash of \$5.0 million, including \$3.5 million in cash available to operations (30 June 2017: \$3.0 million) and \$1.5 million in cash on term deposit (30 June 2017: \$0.7 million) as security for the bank guarantee facility. The business continues to operate with no debt.

It is this fiscal discipline which the Board and management consider important and appropriate for the current engineering environment and to deliver on the strategy and projected growth for the business.

Net cash generated from operations during the year of \$1.0 million (2017: net cash outflow of \$1.3 million) effectively funded the increase of \$1.1 million in the cash-backed bank guarantee facility, taking the facility to \$1.5 million at 30 June 2018 (30 June 2017: \$0.4 million), which was required following the award of several large projects in the second half of the financial year. There is headroom in the facility at 30 June 2018 of \$0.4 million. Contracts have been appropriately structured and working capital managed to ensure future cash flows are well coordinated.

Dividends

No dividends were declared, paid or recommended in respect of the current year (pcp: nil).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.02</u>	<u>0.08</u>

4. Control gained over entities

Refer Comments in Section 2 of this Statement.

5. Loss of control over entities

Refer Comments in Section 2 of this Statement.

6. Details of associates and joint venture entities

Not applicable.

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
There are no associates or joint venture entities.	-	-	-	-

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

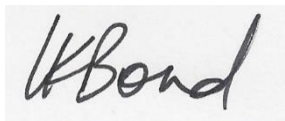
This Statement is based on the consolidated financial statements for the year ended 30 June 2018, which were subject to an audit by the auditors and the audit report is attached as part of the Financial Report.

8. Attachments

Details of attachments (if any):

The Financial Report of Synertec Corporation Limited for the year ended 30 June 2018 is attached.

9. Signed

A handwritten signature in black ink, appearing to read 'LK Bond', on a light-colored rectangular background.

Date: 29 August 2018

Ms. Leeanne Bond
Chairperson
Melbourne

Synertec Corporation Limited
(formerly known as SML Corporation Limited)
ARBN 161 803 032

Financial Report
For Financial Year Ended 30 June 2018

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Table of Contents
For the year ended 30 June 2018

Corporate Directory	3
Directors' Report	4
Corporate Governance Statement	16
Statement of Profit or Loss and Other Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21
Directors' Declaration	50
Independent Auditor's Report	51

Corporate Directory

Directors	Ms. Leeanne Bond (Chairperson) Mr. Michael Carroll (Managing Director) Mr. Kiat Poh (Non-executive Director) Mr. Kim Chuan Freddie Heng (Non-executive Director)
Company Secretary	David Harris Level 1, 57 Stewart Street Richmond, VIC 3121
Principal registered office in Bermuda	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registered agent office in Australia	Level 1, 57 Stewart Street Richmond, VIC 3121 Australia Telephone: +(61 3) 9274 3000
Share registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, NSW 2000 Australia Telephone: 1300 737 760 (within Australia) +(61 2) 9290 9600 (outside Australia) Facsimile: +(61 2) 9290 9655
Auditor	Grant Thornton Audit Pty Ltd Collins Square Tower 1 727 Collins Street Melbourne VIC 3008 Australia
Stock exchange listing	Synertec Corporation Limited (formerly known as SML Corporation Limited) shares are listed on the Australian Securities Exchange ASX Code: SOP (fully paid ordinary shares)
Website address	www.synertec.com.au

Synertec Corporation Limited (formerly known as SML Corporation Limited)

Directors' Report

30 June 2018

The Directors present their report together with the financial statements of the consolidated entity for the year ended 30 June 2018.

1. Directors

The following persons were directors of Synertec Corporation Limited ("Synertec" or the Company) during or since the end of the financial year and up to the date of this report:

Mr. Kiat Poh
Mr. Kim Chuan Freddie Heng
Mr. Shaw Pao Sze (resigned 08.08.2017)
Mr. Furang Li (resigned 08.08.2017)
Mr. Michael Carroll (appointed 08.08.2017)
Ms. Leeanne Bond (appointed 08.08.2017)

1.1 Information on Directors

Ms. Leeanne Bond – Non-Executive Director & Board Chair (& Chair of Nomination & Remuneration Committee)

Ms. Bond is an executive and professional company director with board roles in the energy, water and engineering services sectors. She has qualifications in engineering and management, and 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water resources.

From 1996 to 2006 Ms Bond held a number of management roles with Worley Parsons in Queensland, including General Manager (Qld, NT and PNG), where she negotiated project alliances and supervised contracts and projects with many Australian and international companies. Ms Bond was appointed Executive for Diversity & Inclusion at Downer EDI in December 2017.

Ms. Bond is a non-executive director of Liquefied Natural Gas Limited (ASX: LNG) and Snowy Hydro Limited. She is also a non-executive director of JKTech, a company wholly owned by the University of Queensland and a board member of the Clean Energy Finance Corporation and Queensland Building and Construction Commission. She is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

She has previously held board positions on a number of water and energy businesses, including Tarong Energy and the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water.

Ms. Bond was a non-executive director of ASX listed company, Coffey International Limited from February 2012 to January 2016.

Mr. Michael Carroll – Executive Director

Mr. Carroll is a founding principal and Managing Director of Synertec and a significant beneficial owner of Synertec. He has successfully grown the business of Synertec since the business was first established in 1996. His leadership style is "hands on" and visionary, ensuring efficient and robust internal processes that directly support the strategic direction of Synertec.

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

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

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

1. Directors (continued)

1.1 Information on Directors (continued)

Mr. Kiat Poh, Non-Executive Director

Mr. Poh holds a Certified Diploma in Accounting and Finance from ACCA, UK, Diploma in Management Studies from the Singapore Institute of Management, and a Diploma in Civil Engineering from the Singapore Polytechnic.

He has over 30 years' experience at senior management level in the construction, real estate development, manufacturing industries and financial markets. Over the years, he also held senior positions in corporate finance and mezzanine capital investment companies in Malaysia specialising in investments as well as mergers and From 1998 to 2005, he was Managing Director of a Singapore Exchange listed company.

Since 2005, Mr. Poh has been managing a Singapore based investment advisory company that focuses on participating in strategic stakes in listed companies.

Since May 2008, he has been a non-executive director of Centrex Metals Limited, a company listed on the ASX.

Mr. Kim Chuan Freddie Heng, Non-Executive Director (& Chair of Audit & Risk Management Committee)

Mr. Heng is a Chartered Accountant and holds a BSc (Economics) from the London School of Economics. He has worked with an international accounting firm in London and Singapore.

From 1992 to 2000, he was an Executive Director (Finance) in a Singapore Exchange listed company. During that period, he oversaw the structuring of four oil pipeline and storage depot projects in Indonesia. He also oversaw the successful issue of floating rate notes to financial institutions in East Asia to fund the first of those projects.

Since 2000, Mr. Heng has pursued his own interests in investments, primarily in listed companies. Mr. Heng is currently a director of Noel Gifts International Limited, a company listed on the Singapore Exchange, TMC Life Sciences Berhad, a company listed on the Kuala Lumpur Stock Exchange and Thomson Medical Group Limited (formerly known as Rowsley Ltd), listed on the Singapore Stock Exchange.

1.2 Directors' interest in shares

	Interest in Ordinary Shares
<i>Non-Executive Directors:</i>	
Leeanne Bond (Chair)	-
Kiat Poh	2,423,417
Kim Chuan Freddie Heng	2,176,433
Shaw Pao Sze (resigned 08.08.2017)	-
Furang Li (resigned 08.08.2017)	-
<i>Executive Directors:</i>	
Michael Carroll (Managing Director)	98,796,992

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

2. Principal activities

Synertec is a provider of engineering products and solutions which typically incorporate complex automated and highly instrumented systems and processes designed to enhance clients' productivity, efficiency and safety. These services are provided across Australia and overseas through offices in Melbourne, Perth and Sydney.

3. Significant changes in the state of affairs - Reverse acquisition

Synertec Corporation Limited (formerly SML Corporation Limited) completed the acquisition of Synertec Pty Ltd on 8 August 2017. As a result of the acquisition, the former shareholders of Synertec Pty Ltd effectively obtained control of the combined entity. Accordingly, under the principles of the International Financial Reporting Standard (IFRS) IFRS 3

As the deemed acquirer, Synertec Pty Ltd has accounted for the acquisition of Synertec Corporation Limited from 8 August 2017. The comparative information for the year ended 30 June 2017 presented in the consolidated financial statements are that of Synertec Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures. Most of the accounting policies have changed from those of Synertec Corporation Limited previously, to those of Synertec Pty Ltd. Refer to the notes to the financial statements for the year ended 30 June 2018 for more information.

4. Review of operations and results of those operations

Review of operations - Continued operations

Financial year 2018 represented a period of change and progress for the Group. The first half of the year achieved the completion of the acquisition and re-listing of the Group on the ASX on 8 August 2017 and the formation of the new Board, as well as the commissioning of key projects which have contributed to the development of unique products and solutions, particularly in the oil and gas sector.

In the second half of the year the Group was awarded and commenced several major projects in the pharmaceutical and infrastructure sectors which contributed to substantial growth in revenue (up 44% on the first half) and work in hand, and strong forward momentum entering FY19. This provides a solid platform for growth and economies of scale, while the pipeline of opportunities continues to grow.

Whilst FY18 did not deliver on management's expectations in terms of revenue and earnings, the Board and management were pleased and excited by the projects awarded to the Group. The Group's operations continued to diversify as planned and place the Group in a position to expand based on improving market conditions and increasing enquiry for its products and solutions, particularly EPC opportunities in the pharmaceutical, oil and gas and infrastructure sectors. It is this strategic transformation that the Board and management believe will deliver sustainability and improved quality in earnings as the business commences its next phase of development.

Synertec has continued to evolve over the past few years and while there were changes to its capital structure in 2018, there remains a few basic principles the Group continues to follow:

- Preserve balance sheet strength
- Continue sustainable, profitable and strategic delivery
- Invest in people and capability; and
- Focus on costs at every level in the business.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

4. Review of operations and results of those operations (continued)

Review of operations - Continued operations (continued)

The revenue of the Group for the year ended 30 June 2018 was \$11.4 million (30 June 2017: \$14.7 million), which constitutes revenue produced by wholly-owned subsidiary, Synertec Pty Ltd, on both ongoing and new projects during the period. The decline in revenues for the year was mainly due to customers extending lead times for confirmation of major project awards, and the impact of some large projects from prior years completing in the first half of this financial year before further key projects were awarded. Revenue for FY17 reflected particularly strong performance with major cornerstone projects in LNG custody transfer being successfully delivered and commissioned at the Wheatstone and Gorgon LNG plants in Western Australia.

Strong project management capability, underpinned by effective processes and systems, continues to generate solid gross profit margins. This is especially pleasing as the Group has been awarded more projects in sectors it has been strategically targeting and developing expertise in for the past few years.

The Group has continued to carefully control overheads, with the operating cost base of the business remaining stable over the past two years. During the year, the business has continued to develop expertise in its specialist areas, while strategically configuring its workforce, capability and systems for execution of its growing pipeline of opportunities and

The Group delivered an operating net loss after tax (before listing expense) of \$0.3 million (30 June 2017: \$0.9 million profit). This result includes the cost of forming a new Board for the Group and various annual listing compliance costs. These costs amounted to \$0.6m in FY18 and are not expected to exceed this level in the foreseeable future.

The net loss after tax of the Group from its continuing operations for the period was \$5.1 million (30 June 2017: net profit \$0.9 million). This result includes significant costs associated with the acquisition of Synertec Pty Ltd and ASX re-listing process completed in August 2017. Major costs related to the transaction during the year include a deemed Listing Expense of \$4.7 million, as detailed in the financial report.

In Australian dollars '000's

	30 June 2018	30 June 2017
(Loss)/profit before tax and corporate transaction costs	(396)	1,882
Corporate transaction costs	(47)	(534)
Income tax expense	105	(409)
(Loss)/profit from operations	(338)	939
Listing expense	(4,722)	-
(Loss)/profit for the period from continuing operations	(5,060)	939
Loss from discontinued operations	(3,395)	-
Total comprehensive income for the year	(8,455)	939

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

4. Review of operations and results of those operations (continued)

Review of operations - Discontinued operations

Further to the Synertec Corporation Limited announcement on 22 September 2017, whereby the Company completed the sale of 100% of the issued shares in its subsidiary, Australian Gold Mines Pty Ltd (which owns all the shares in Mt Wills Gold Mines Pty Ltd, the holder of the mining assets) and an immaterial related parcel of land under a Contract for the Sale ("Mining Assets") as intended, the Company announced on 23 December 2017 that all sale warranties were completed.

The Mining Assets were sold for \$3.5 million and net proceeds of \$3.6 million were distributed to eligible Redemption Note holders on 15 January 2018 (refer to Note 20 of the Financial Statements), equating to 4.4 cents per share. The Sale of the Mining Assets resulted in a loss on sale of those assets of \$3.2 million, recognised in the result from discontinuing operations.

In determining the Net Sale Proceeds, all direct costs and taxes payable have been deducted from the gross sale proceeds. The company was able to obtain a refund of some tenement rental costs from Government authorities and a refund of a bank deposit placed in support of a tenement bond. There was

Upon completion of the warranties and determining the Net Sale Proceeds for the sale of the Mining Assets in December 2017, a loss on sale of the Mining Assets of \$3.2 million was calculated and recognised in the financial statements of Synertec Corporation Limited as at 30 June 2018 as part of the loss from discontinuing operations.

Net operating costs from mining subsidiaries of \$0.2 million has been included in the loss from discontinuing operations. These costs relate to the Sale of Mining Assets, execution of Redemption Note obligations and winding down of the mining subsidiaries (during the year, subsidiary company Milla Omeo Metals Pty Ltd, was wound up and deregistered). Therefore, total loss from discontinuing operations was \$3.4 million (30 June 2017: nil).

Financial Position

The Group's balance sheet remains strong, closing the year with total cash of \$5.0 million, including \$3.5 million in cash available to operations (30 June 2017: \$3.0 million) and \$1.5 million in cash on term deposit (30 June 2017: \$0.7 million) as security for the bank guarantee facility. The business continues to operate with no debt.

It is this fiscal discipline which the Board and management consider important and appropriate for the current engineering environment and to deliver on the strategy and projected growth for the business.

Net cash generated from operations during the year of \$1.0 million (2017: net cash outflow of \$1.3 million) effectively funded the increase of \$1.1 million in the cash-backed bank guarantee facility, taking the facility to \$1.5 million at 30 June 2018 (30 June 2017: \$0.4 million), which was required following the award of several large projects in the second half of the financial year. There is headroom in the facility at 30 June 2018 of \$0.4 million. Contracts have been appropriately structured and working capital managed to ensure future cash flows are well coordinated.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

5. Litigation

There has been no litigation in the year period and to the best of the Directors' knowledge there are no circumstances that would give rise to any potential litigation relating to this same period.

6. Dividends

There were no dividends paid, declared or recommended during the current or previous financial period.

7. Subsequent events

No matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

8. Likely developments

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

9. Environmental legislations

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

10. Company Secretary

Mr. David Harris

Mr. David Harris is Chief Financial Officer of Synertec Corporation Limited and in addition to this role, has assumed the role of Company Secretary from Mr. Andrew Metcalfe as of 16 April 2018. Mr. Metcalfe was appointed on 8 August 2017 and resigned on 16 April 2018.

Mr. Harris is an Australian Chartered Accountant and fellow of the Financial Services Institute of Australasia and the Governance Institute of Australia, with strong local and international experience in senior leadership positions for global and ASX-listed companies. Mr. Harris is also an experienced Board member and Audit Risk Committee Chair.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

11. Directors' Meetings

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the period 8 August to 30 June 2018, and the number of meetings attended by each Director were:

	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
<i>Directors</i>						
Leeanne Bond	5	5	3	3	2	2
Michael Carroll	5	5	3	3	2	2
Kiat Poh	5	5	3	3	2	2
Kim Chuan Freddie Heng	5	5	3	3	2	2
<i>Others</i>						
David Harris - CFO/Company Secretary	5	5	3	3	2	2
Andrew Metcalfe - Company Secretary (resigned 16.04.18)	3	3	1	1	1	1

Where:

- column A is the number of meetings the Director was entitled to attend
- column B is the number of meetings the Director attended

12. Unissued shares under option

Under the Prospectus issued by the Company in June 2017, and following the successful execution of the Share Sale Agreement with Synertec Pty Ltd on 8 August 2017, the Company issued 16,175,970 bonus options to existing shareholders (options record date: 26 June 2017). The options have an exercise price of \$0.053 and are exercisable on or before 8 August 2020. No shares have been issued during or since the end of the financial year as a result of the exercise of any options. No other options have been granted or exercised.

13. Remuneration report

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity.

Key management personnel are those persons having authority for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Additional disclosures relating to key management personnel

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

13. Remuneration report (continued)

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for the shareholders. The Board of Directors ("the Board") ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Nomination and Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The Group seeks to remunerate Directors and executives in accordance with the general principles recommended by the ASX. The Group is committed to remunerating executives in a manner that is market-competitive, reflects duties and supports the interests of shareholders.

The reward framework is designed to align executive reward to shareholders' interest. The Board have considered that it should seek to enhance shareholders' interests by:

- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Board as a whole.

ASX Listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

13. Remuneration report (continued)

Details of remuneration

Amounts of remuneration

Details of remuneration of key management personnel of the consolidated entity are set out in the following tables.

	Short-term benefits		Post-employment benefits	Long-term benefits	Total
	Cash salary and fees	Bonus	Super-annuation	Long service leave	
2018	\$	\$	\$	\$	\$
<i>Non-Executive Directors¹</i>					
Leeanne Bond (appointed 08.08.2017)*	76,422	-	-	-	76,422
Kiat Poh**	48,333	-	-	-	48,333
Kim Chuan Freddie Heng	47,392	-	-	-	47,392
Shaw Pao Sze (resigned 08.08.2017)	5,475	-	-	-	5,475
Furang Li (resigned 08.08.2017)	-	-	-	-	-
<i>Executive Directors²</i>					
Michael Carroll (Managing Director)	320,170	-	28,838	11,147	360,155
<i>Other Key Management Personnel²</i>					
Joern Buelter - COO	158,871	-	14,963	5,297	179,131
David Harris - CFO/Company Secretary	141,763	-	13,467	572	155,802
Total remuneration of key management personnel	798,426	-	57,268	17,016	872,710

* This was paid to Breakthrough Energy Pty Ltd

** This was paid to Asiaphere Pty Ltd

	Short-term benefits		Post-employment benefits	Long-term benefits	Total
	Cash salary and fees	Bonus	Super-annuation	Long service leave	
2017	\$	\$	\$	\$	\$
<i>Non-Executive Directors¹</i>					
Leeanne Bond (appointed 08.08.2017)	-	-	-	-	-
Kiat Poh	30,000	-	-	-	30,000
Kim Chuan Freddie Heng	30,000	-	-	-	30,000
Shaw Pao Sze (resigned 08.08.2017)	32,850	-	-	-	32,850
Furang Li (resigned 08.08.2017)	-	-	-	-	-
<i>Executive Directors²</i>					
Michael Carroll (Managing Director)	325,682	-	30,790	3,826	360,298
<i>Other Key Management Personnel²</i>					
Joern Buelter - COO	151,263	-	13,741	11,639	176,663
David Harris - CFO/Company Secretary	-	-	-	-	-
Total remuneration of key management personnel	569,815	-	44,531	15,465	629,811

1. Remuneration of Non-Executive Directors relates to the Non-Executive Directors of Synertec Corporation Limited.

2. Executive Directors and Other Key Management Personnel are remunerated from subsidiary company, Synertec Pty Ltd. Accordingly, current year and prior year comparative amounts are derived from the records of Synertec Pty Ltd.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

13. Remuneration report (continued)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at 1 July 2017	Received as part of remuneration	Additions	Bonus Options	Balance at 30 June 2018
<i>Non-Executive Directors</i>					
Leeanne Bond (appointed 08.08.2017)	-	-	-	-	-
Kiat Poh ¹	2,423,417	-	-	-	2,423,417
Kim Chuan Freddie Heng ²	2,176,433	-	-	-	2,176,433
Shaw Pao Sze (resigned 08.08.2017)	-	-	-	-	-
Furang Li (resigned 08.08.2017)	-	-	-	-	-
<i>Executive Directors</i>					
Michael Carroll (Managing Director) ³	-	-	98,796,992	-	98,796,992
<i>Other Key Management Personnel</i>					
Joern Buelter - COO	-	-	250,000	-	250,000
David Harris - CFO/Company Secretary	-	-	-	-	-

Notes:

- Shares held by Kiat Poh and joint names under Kiat Poh & Ju-Lynn Poh.
- Shares held by HSBC Custody Nominees (Australia) Limited.
- Shares held by New Concept Corporation Limited ("New Concept") in which Michael Carroll is considered to have 50% interest in the shares in New Concept. All the issued share capital of New Concept (held in voluntary escrow from 8 August 2017 to 8 August 2018) and is beneficially owned by TMF Trustees Singapore Limited as trustee of the Pinnacle (MCGA) Retirement Fund.

Options held by key management personnel

	Balance at 1 July 2017	Received as part of remuneration	Additions	Bonus Options	Balance at 30 June 2018
<i>Non-Executive Directors</i>					
Leeanne Bond	-	-	-	-	-
Kiat Poh	-	-	484,683	-	484,683
Kim Chuan Freddie Heng	-	-	435,287	-	435,287
Shaw Pao Sze (resigned 08.08.2017)	-	-	-	-	-
Furang Li (resigned 08.08.2017)	-	-	-	-	-
<i>Executive Directors</i>					
Michael Carroll (Managing Director)	-	-	-	-	-
<i>Other Key Management Personnel</i>					
Joern Buelter - COO	-	-	-	-	-
David Harris - CFO/Company Secretary	-	-	-	-	-

A bonus issue of one (1) Option (Bonus Option) for every five (5) Shares held by the Existing Shareholders of Synertec Corporation Ltd (formerly SML Corporation Limited) for nil consideration was issued on 8 August 2017, being the date of completion of the sale transaction between Synertec Corporation Limited (formerly SML Corporation Limited) and Synertec Pty Ltd. Each Bonus Option entitles the holder to subscribe for one Share and is exercisable at \$0.053 on or before 3 years from the date of issue of the Bonus Options (8 August 2020).

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

13. Remuneration report (continued)

Additional disclosures relating to key management personnel

Loans to key management personnel

The table below provides information relating to Group's loans to key management personnel during the year:

	2018
	\$
Balance at the start of the year	372,208
Interest paid and payable	846
Interest not charged	-
Repayment	(373,054)
Balance at the end of the year	-

The loan represented an amount due from Michael Carroll at 1 July 2017. As part of the conditions in the Share Sale Agreement with Synertec Corporation Limited (formerly SML Corporation Ltd), all loans owed by the Synertec Pty Ltd Directors were settled on 8 August 2017, being the date of completion of the transaction.

Other transactions with key management personnel

There was no other transactions with key management personnel during the year.

14. Indemnities given to, and insurance premiums paid for, officers and auditors

Officers

During the year, Synertec Corporation Limited paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Auditors

The Group has not agreed to indemnify the auditor of the Group and any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Directors' Report
30 June 2018

15. Auditor

Grant Thornton Audit Pty Ltd continues in office.

16. Officers of the Group who are former audit partners of auditor

There are no officers of the Group who are former audit partners of Grant Thornton Audit Pty Ltd.

17. Non-audit services

During the year, the firm of Grant Thornton, the Group's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards

Details of the amounts paid to the auditors of the Group, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 22 to the financial statements.

18. Proceedings on behalf of the Group

No person has applied to the Court for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

This report is made in accordance with a resolution of directors.

For and on behalf of the Directors,



Mr. Michael Carroll
Managing Director
Melbourne
29 August 2018

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Corporate Governance Report
30 June 2018

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Synertec Corporation Limited and its controlled Entities (the Group) have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 30 June 2018 is dated as at 30 June 2018 and was approved by the Board on 24 August 2018. The Corporate Governance Statement is available on the Synertec Corporation Limited website at www.synertec.com.au.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

In Australian dollars

	Note	30 June 2018	30 June 2017
Continuing operations			
Revenue			
Revenue	5	11,432,670	14,682,303
Other income		-	-
Profit on disposal of motor vehicles		-	2,024
Expenses			
Materials and service expense		(4,394,924)	(6,548,342)
Employee benefits expense		(5,762,092)	(4,867,410)
Superannuation expense		(470,497)	(387,767)
Depreciation and amortisation expense		(95,199)	(98,720)
Occupancy expenses		(180,829)	(155,668)
Business development expense		(110,512)	(151,227)
Telecommunication costs		(136,838)	(139,871)
Legal and professional fees		(169,919)	(100,806)
Other expenses		(581,957)	(302,151)
Corporate transaction costs		(47,414)	(534,340)
Results from operating activities		(517,511)	1,398,025
Finance income		103,136	59,940
Finance costs		(28,988)	(110,075)
Net finance income/(costs)	6	74,148	(50,135)
(Loss)/profit before tax		(443,363)	1,347,890
Income tax benefit/(expense)	7(i)	105,383	(408,995)
(Loss)/profit from operations		(337,980)	938,895
Listing expense	19	(4,722,112)	-
(Loss)/profit for the period from continuing operations		(5,060,092)	938,895
Discontinued operations			
Loss from discontinued operations	20	(3,395,147)	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(8,455,239)	938,895
Earnings per share			
Basic (loss)/earnings per share - from continuing operations	18	(2.45)	1.16
Diluted (loss)/earnings per share - from continuing operations	18	(2.45)	1.16

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Consolidated Statement of financial position
As at 30 June 2018

In Australian dollars

	Note	30 June 2018	30 June 2017
Assets			
Cash and cash equivalents	8	3,500,372	2,956,694
Trade and other receivables	9	3,518,042	3,998,252
Other assets	10	152,559	107,672
Work in progress	11	1,945,553	967,448
Current tax assets		99,493	-
Total current assets		9,235,206	8,030,066
Non-current assets			
Net deferred tax assets	7	425,600	330,228
Other assets	10	1,514,552	674,576
Property, plant and equipment	12	409,071	369,249
Total non-current assets		2,359,232	1,374,053
Total assets		11,594,438	9,404,119
Liabilities			
Trade and other payables	13	2,925,479	1,373,002
Current tax liability		-	402,932
Loans and borrowings		-	17,569
Employee benefits	14	513,953	476,360
Deferred income	15	2,742,699	290,413
Total current liabilities		6,186,170	2,560,276
Non-current liabilities			
Employee benefits	14	62,893	61,080
Total non-current liabilities		62,893	61,080
Total liabilities		6,249,063	2,621,356
Net assets		5,345,375	6,782,763
Equity			
Issued capital	16	641,113	950
Other contributed equity		-	132,904
Retained earnings		4,704,262	6,648,909
Total equity		5,345,375	6,782,763

The above statement of financial position should be read in conjunction with the accompanying notes

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Consolidated Statement of changes in equity
For the year ended 30 June 2018

In Australian dollars

	Note	Issued capital	Other contributed equity	Retained earnings	Total
		\$	\$	\$	\$
Balance at 1 Jul 2016		950	132,904	5,710,014	5,843,868
Profit for the year		-	-	938,895	938,895
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	938,895	938,895
Balance at 30 June 2017		950	132,904	6,648,909	6,782,763
Balance at 1 Jul 2017		950	132,904	6,648,909	6,782,763
Loss for the year		-	-	(8,455,239)	(8,455,239)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	(8,455,239)	(8,455,239)
Issue of share capital to the Vendors for the acquisition of Synertec Pty Ltd	16	3,235,194	-	-	3,235,194
Shares issued pursuant to the Share Offer	16	750,000	-	-	750,000
Shares issued to Advisor for services related to the acquisition	16	650,000	-	-	650,000
Capital raising costs	16	(413,531)	-	-	(413,531)
Net proceeds paid to Redemption Note holders from Sale of Mining Assets	16	(3,581,500)	-	-	(3,581,500)
Consolidation of reserves and equity		-	(132,904)	6,510,592	6,377,688
Balance at 30 June 2018		641,113	-	4,704,262	5,345,375

The above statement of changes in equity should be read in conjunction with the accompanying notes

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Consolidated Statement of cash flows
For the year ended 30 June 2018

In Australian dollars

	Note	30 June 2018	30 June 2017
Cash flows from operating activities			
Cash receipts from customers		13,389,612	16,595,836
Cash paid to suppliers and employees		(11,982,406)	(16,399,860)
Cash generated from operations		1,407,206	195,976
Interest paid		-	(60,155)
Interest received		86,510	47,506
Income taxes paid		(501,333)	(1,478,898)
Net cash from/(used in) operating activities	8A(i)	992,383	(1,295,571)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	25,910
Proceeds from financial assets		-	199,677
Allocation of funds to term deposit as bank guarantee security		(839,976)	(59,777)
Tenement rent refunded		118,379	-
Proceeds from disposal of discontinued operations	20	3,500,000	-
Redemption notes payment	20	(3,581,360)	-
Acquisition of property, plant and equipment		(135,022)	(139,282)
Net cash from/(used in) investing activities		(937,979)	26,528
Cash flows from financing activities			
Loans provided/paid to directors/related parties		-	(966,431)
Repayment of loan to/from related parties		-	193,839
Payment of finance lease liabilities		(17,569)	(29,960)
Net cash from/(used in) financing activities		(17,569)	(802,552)
Net increase/(decrease) in cash and cash equivalents		36,835	(2,071,595)
Cash and cash equivalent at beginning of the year	8A(iii)	3,472,837	5,028,289
Cash and cash equivalents at end of the year		3,509,672	2,956,694

The above statement of cash flows should be read in conjunction with the accompanying notes

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

1. General information and statement of compliance

The financial statements cover Synertec Corporation Limited (formerly known as SML Corporation Limited) as a consolidated entity consisting of Synertec Corporation Limited (referred as the 'Company' or 'Parent Company') and the entities it controlled at the end of, or during, the year ended 30 June 2018 (together referred to as the 'Group').

Synertec Corporation Limited is the Group's Ultimate Parent Company. It is a public company (limited by shares) incorporated in Bermuda, and listed on the Australian Securities Exchange (ASX:SOP).

Its registered office is: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Its registered office in Australia is: Level 1, 57 Stewart Street, Richmond, VIC 3121, Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report, which is not part of the financial statements.

The financial statements were approved and authorised for issue, in accordance with a resolution of directors, on 24 August 2018.

2. Significant Accounting policies

(a) Basis of accounting

The consolidated general purpose financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Synertec Corporation Limited is a for-profit entity for the purpose of preparing the financial statements.

(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 Group's functional currency and presentation currency.

(d) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant Accounting policies (continued)

(d) Basis of consolidation (continued)

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition; or up to the effective date of disposal, as applicable.

(e) Acquisition of Synertec Pty Ltd

Synertec Corporation Limited (formerly SML Corporation Limited) completed the acquisition of Synertec Pty Ltd on 8 August 2017. As a result of the acquisition, the former shareholders of Synertec Pty Ltd effectively obtained control of the combined entity. Accordingly, under the principles of IFRS 3 'Business Combinations', Synertec Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a reverse acquisition by which Synertec Pty Ltd acquired the net assets and listing status of Synertec Corporation Limited. Accordingly, the consolidated financial statements of Synertec Corporation Limited have been prepared as a continuation of the business and operations of Synertec Pty Ltd.

As the deemed acquirer, Synertec Pty Ltd has accounted for the acquisition of Synertec Corporation Limited from 8 August 2017. The comparative information for the 12 months ended 30 June 2017 and the statement of financial position at 30 June 2017 presented in the consolidated financial statements are that of Synertec Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures.

The excess of the fair value of Synertec Corporation Limited's shares over the fair value of its net assets (excluding the Mining Assets - refer Note 19) at the acquisition date has been recognised as a listing expense.

(f) Revenue and other income

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Synertec Pty Ltd 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.

Synertec Pty Ltd 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.

Contract revenue includes the initial amount agreed in the contract plus any variations, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

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

Advance receipts

Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue in the statement of financial position. Cash advances received from customers are presented as deferred income/revenue in the statement of financial position.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(g) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

(h) Finance income and finance costs

The Group'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; and
- the foreign currency gain or loss on financial assets and financial liabilities;

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

(i) Foreign currency transactions

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

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

(j) Income taxes

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

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 income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(j) Income taxes (continued)

(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.

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.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Synertec Corporation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Synertec Holdings Pty Ltd is responsible for recognising the current tax liabilities of the Australian tax consolidated group. The tax consolidated group has entered into an agreement whereby each component in the Group contributes to income tax payable in proportion to their contributions to the taxable profit of the tax consolidated group.

(k) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Note 2), is further analysed in Note 20.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) 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 Group.

(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 Group will obtain ownership by the end of the lease term.

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

• Motor Vehicles	10 years
• Furniture and Equipment	16 years
• Computers	3 years

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

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

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(n) 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 Group on terms that the Group 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 Group considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

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

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

Synertec Corporation Limited (formerly known as SML Corporation Limited)

Notes to the financial statements

For the year ended 30 June 2018

2. Significant accounting policies (continued)

(n) 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.

(o) Provisions

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

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

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

(p) 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 Group 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 Group'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 high quality corporate bond rates. Remeasurements are recognised in profit or loss in the period in which they arise.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(q) Leases

Determining whether an arrangement is a lease

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

At inception or on reassessment of an arrangement that contains a lease, the Group 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 Group 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 Group's incremental borrowing rate.

Leased assets

Assets held by the Group under leases that transfer to the Group 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 Group'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.

(r) 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.

(s) Financial instruments

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

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

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(s) Financial instruments (continued)

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

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

The Group 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 Group 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 Group's cash management.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(t) Going concern

In preparing the financial statements, the Directors have made an assessment of the ability of the Group to continue as a going concern. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure and the likelihood of being able to raise funds in future, should the need arise. The Directors have concluded there are reasonable grounds to believe the Group is a going concern and will be able to continue pay its debts as and when they become due and payable.

The Group experienced operating losses of \$337,980 during the year ended 30 June 2018 and has cash reserves of \$3,509,672 as at 30 June 2018. The working capital position as at 30 June 2018 of the consolidated entity results in an excess of current assets over current liabilities of \$3,049,036 (30 June 2017: \$5,469,790).

(u) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related Interpretations and:

- Establishes a new revenue recognition model
- Changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- Provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- Expands and improves disclosures about revenue.

Adoption is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018, and that comparatives will not be restated.

Management has assessed the effect of applying the new standard and notes that it will be impacted where the Group is a party to procurement contracts, i.e. control is transferred at a point in time and there is no enforceable right to receive payment for work to date until delivery

Management notes that there will be no retrospective impact on the basis that all such contracts were originated and delivered within the financial year, and no such contracts were outstanding at period end.

(ii) IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and some lease-related interpretations and:

- Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- Provides new guidance on the application of the definition of lease and on sale and lease back accounting
- Largely retains the existing lessor accounting requirements in IAS 17
- Requires new and different disclosures about leases

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

2. Significant accounting policies (continued)

(u) New or amended Accounting Standards and Interpretations adopted (continued)

(ii) IFRS 16 Leases (continued)

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 "Leases" and for lessees will eliminate the classification of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as printers) where an accounting policy choice exists whereby either a 'right-of-use' assets is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased

The consolidated entity will adopt this standard from 1 July 2019. Based on the entity's preliminary assessment, there will be no material impact on the transactions and balances recognised in the financial statements.

(iii) IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39.

Based on the entity's preliminary assessment, there will be no material impact on the transactions and balances recognised in the financial statements.

3. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group'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 [2(f)] – Revenue and other income.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2018 are included:

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

3. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

Note 11 - Work in progress - recognition of project revenue

Recognising project revenue requires judgement in determining milestones, actual work performed and/or the estimated costs to complete the work.

Note 12 - Property, Plant and Equipment - useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of assets. Uncertainties in these estimates relate to potential obsolescence that may change the utility of certain equipment.

Measurement of fair values

A number of the Group'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 Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note [23] - financial instruments.

4. Operating Segments

The Group has a single reportable segment in which it operates, being engineering services, and this is based on information that is internally provided to the Chief Operating Decision Makers ("CODM") for assessing performance and making operating decisions. Therefore, no additional disclosures in relation to the revenues, profit or loss, assets and liabilities and other material items have been made. The Company is based in Australia.

The demand for engineering services is not subject to seasonal fluctuations.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

5. Revenue

In Australian dollars

	Note	30 June 2018	30 June 2017
Rendering of services		3,505,920	2,096,134
Fixed price projects		7,926,750	12,586,169
		11,432,670	14,682,303

6. Finance income and finance costs

Recognised in profit or loss

In Australian dollars

	Note	30 June 2018	30 June 2017
Interest income	6(i)	64,862	47,506
Realised foreign currency gains		5,823	12,434
Unrealised foreign currency gains		32,451	-
Finance Income		103,136	59,940
Facility interest		(5,338)	(55,812)
Unrealised foreign currency losses		-	(49,920)
Hire purchase charges		(1,161)	(2,661)
Interest expense		(22,489)	(1,682)
Finance costs	6(ii)	(28,988)	(110,075)
Net finance income/(costs) recognised in profit or loss		74,148	(50,135)

6(i) The interest income comprised of interest earned on deposits held as security by EFIC and ANZ.

6(ii) The Group incurred finance costs during the year related to bank guarantees, and hire purchase facilities provided by ANZ.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

7. Taxes

(i) Tax recognised in profit or loss

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
Current tax benefit/(expense)			
Current year		-	(581,442)
		-	(581,442)
Deferred tax benefit			
Origination and reversal of temporary differences		105,383	172,447
		105,383	172,447
Tax benefit/(expense) from continuing operations		105,383	(408,995)

The Group 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 \$98,403 (2017: Tax liability \$402,932).

(ii) Reconciliation of effective tax rate

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
(Loss)/profit before tax from continuing operations		(443,363)	1,347,890
Tax using the Group's domestic tax rate	27.5%	(121,925)	404,367
Non-deductible expenses		16,542	4,628
Income tax (benefit)/expense		(105,383)	408,995

(iii) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In Australian dollars</i>	Assets		Liabilities		Net	
	30-June-2018	30-June-2017	30-June-2018	30-June-2017	30-June-2018	30-June-2017
Employee benefits	158,644	161,232	-	-	158,644	161,232
Corporate transaction costs	108,582	128,241	-	-	108,582	128,241
Deferred income	(3,998)	11,076	-	-	(3,998)	11,076
Other payables	53,449	29,679	-	-	53,449	29,679
Carry forward tax losses	118,932	-	-	-	118,932	-
Net deferred tax assets / (liabilities)	435,609	330,228	-	-	435,609	330,228

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

7. Taxes (continued)

(iv) Movement in deferred tax balances during the year

In Australian dollars

	Balance 01-Jul-2016	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30-Jun-2017	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30-Jun-2018
Work in progress	-	-	-	-	-	-	-
Employee benefits	129,355	31,877	-	161,232	(2,580)	-	158,652
Deferred income	-	11,076	-	11,076	(13,073)	-	(2,000)
Corporate transaction costs	-	128,241	-	128,241	(19,658)	-	108,583
Other payables	28,426	1,253	-	29,679	23,770	-	53,449
Carry forward tax losses	-	-	-	-	110,982	-	110,982
	157,781	172,447	-	330,228	105,383	-	435,611

8. Cash and cash equivalents

In Australian dollars

	Note	30 June 2018	30 June 2017
Bank balances		3,509,323	2,955,379
Cash on hand		1,347	1,315
Cash and cash equivalents		3,510,670	2,956,694

8A. Cash flow Information

(i) Reconciliation of cash flows from operating activities

In Australian dollars

	Note	30 June 2018	30 June 2017
Cash flows from operating activities			
(Loss)/profit for the year		(8,455,239)	938,895
Adjustments:			
Depreciation	12	95,100	98,720
Net interest (income)/costs	6	(74,148)	50,135
Gain on sale of property, plant and equipment		-	(2,024)
Listing expense	18	4,722,112	-
Loss from discontinued operations	20	3,237,114	-
Tax expense	7	(105,383)	408,996
		(580,345)	1,494,722
Change in work in progress		(982,088)	1,537,111
Change in other assets		(34,053)	(16,234)
Change in trade and other receivables		(862,778)	(903,967)
Change in trade and other payables		1,387,099	(1,800,817)
Change in employee benefits		29,445	106,255
Change in deferred income/revenue		2,452,253	(183,608)
Cash generated from operating activities		1,430,605	233,462
Interest paid net of interest received		(35,874)	(12,649)
Realised foreign currency gains/(losses) recognised as investing activities		(37,477)	(37,486)
Income taxes paid		(501,333)	(1,478,898)
Net cash from operating activities		992,383	(1,295,571)

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

8. Cash and cash equivalents (continued)

8A. Cash flow information (continued)

(ii) Credit standby arrangement and loan facilities

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

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
Financial guarantee		1,500,000	400,000
Credit Card		155,000	155,000
Total		1,655,000	555,000
Utilised			
Financial guarantee		1,137,043	313,862
Credit Card		70,929	44,273
Total		1,207,972	358,135

(iii) Reconciliation of cash and cash equivalents at beginning of year

<i>In Australian dollars</i>			
Synertec Pty Ltd		2,956,694	5,028,289
Synertec Corporation Limited		309,229	-
Synergy Metals Pty Ltd		206,914	-
		3,472,837	5,028,289

9. Trade and other receivables

Current

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
Sundry debtors		586	-
Trade receivables		3,499,917	2,661,953
Amounts due from related parties		-	30,021
Amounts due from directors ⁽ⁱ⁾		-	1,288,778
Other receivables		14,539	17,500
Current		3,515,042	3,998,252

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables, are disclosed in Note 23.

- (i) As part of the conditions in the Share Sale Agreement with Synertec Corporation Limited (formerly SML Corporation Ltd), all loans owed by the Synertec Pty Ltd Directors were settled on 8 August 2017, being the date of completion of the transaction.

10. Other assets

Current

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
Prepayments		118,455	71,168
Deposits		31,836	24,242
Stock on hand		12,262	12,262
Current		162,553	107,672

Non-Current

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
ANZ term deposits ⁽ⁱ⁾		1,514,552	409,777
EFIC deposits		-	264,799
Non-current		1,514,552	674,576

- (i) The Company has \$1,514,552 in deposits with ANZ held as cash security for the bank guarantee facility.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

11. Work in progress

In Australian dollars

Work in progress

Note	30 June 2018	30 June 2017
	1,949,536	967,448
	1,949,536	967,448

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

At 30 June 2018, aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to \$1,949,536 (2017: \$967,448).

12. Property, plant and equipment

In Australian dollars

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	TOTAL
Cost					
Balance at 1 July 2016	397,750	116,247	21,157	333,009	868,163
Additions	27,549	686	-	111,047	139,282
Disposals	-	-	-	(67,096)	(67,095)
Balance at 30 June 2017	425,299	116,933	21,157	376,961	940,350
Balance at 1 July 2017	425,299	116,933	21,157	376,961	940,350
Additions	50,897	74,125	-	10,000	135,022
Disposals	-	-	-	-	-
Balance at 30 June 2018	476,197	191,058	21,157	386,961	1,075,372
Accumulated depreciation					
Balance at 1 July 2016	315,960	78,317	17,987	103,327	515,591
Disposals	-	-	-	(43,210)	(43,210)
Depreciation expense	43,249	6,872	634	47,965	98,720
Balance at 30 June 2017	359,209	85,189	18,621	108,082	571,101
Balance at 1 July 2017	359,209	85,189	18,621	108,082	571,101
Disposals	-	-	-	-	-
Depreciation expense	36,894	11,086	507	46,712	95,199
Balance at 30 June 2018	396,103	96,275	19,128	154,794	666,300
Carrying amounts					
at 1 July 2016	81,790	37,930	3,170	229,682	352,572
at 30 June 2017	66,090	31,744	2,536	268,879	369,248
at 1 July 2017	66,090	31,744	2,536	268,879	369,249
at 30 June 2018	80,094	94,783	2,029	232,167	409,071

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

13. Trade and other payables

In Australian dollars

	Note	30 June 2018	30 June 2017
Trade payables		1,500,397	118,937
Other payables		814,915	527,419
Fixed price project accruals		614,167	726,646
		2,929,479	1,373,002

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

14. Employee benefits

In Australian dollars

	Note	30 June 2018	30 June 2017
Annual leave		273,577	218,886
Long service leave		240,416	257,474
Current		513,993	476,360
Long service leave		62,893	61,080
Non-Current		62,893	61,080

15. Deferred income

In Australian dollars

	Note	30 June 2018	30 June 2017
Billing in advance of work completed		2,742,698	290,413
		2,742,698	290,413

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

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

16. Issued capital

	30 June 2018 Shares	30 June 2017 Shares	30 June 2018 \$	30 June 2017 \$
Ordinary shares - fully paid	220,701,277	950	641,113	950
	220,701,277	950	641,113	950

Movement in ordinary share capital - fully paid

Details	Date	Shares	Issue price	\$
Fully paid ordinary share capital of Synertec Corporation Limited (formerly SML Corporation Limited)	1-Jul-17	107,839,799		108,051
Completion of Synertec Corporation Ltd capital consolidation - 107,839,799 shares (4 shares into 3)	8-Aug-17	80,879,849	-	108,051
Acquisition of Synertec Pty Ltd	8-Aug-17	-	-	950
Elimination of Synertec Corporation Ltd issued capital upon completion	8-Aug-17	-	-	(108,051)
Issue of Ordinary shares to the Vendors (shareholders of Synertec Pty Ltd) for the acquisition of Synertec Corporation Limited	8-Aug-17	107,142,857	0.0302	3,235,194
Issue of Ordinary shares to Advisor for the acquisition of Synertec Corporation Limited	8-Aug-17	13,928,571	0.0467	650,000
Proceeds from shares issued under the Public Offer	8-Aug-17	18,750,000	0.0400	750,000
Transaction costs associated with issuing shares	8-Aug-17	-	-	(413,531)
Net proceeds paid to Redemption Note holders from Sale of Mining Assets (refer Note 20)	22-Sep-17	-	-	(3,581,500)
Balance	30-Jun-18	220,701,277		641,113

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

17. Operating leases

Leases as the lessee

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

In Australian dollars

	Note	30 June 2018	30 June 2017
Less than one year		200,303	141,816
Between one and five years		159,912	200,585
		360,215	342,401

The Group leased the head office and other rental properties under operating leases during the year. The head office lease has been extended for a further two years to December 2019. Lease payments are increased every year as indexed to CPI.

During the year \$170,014 was recognised as an expense in profit or loss in respect of operating leases (2017: \$160,728).

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

18. Earnings per share (from continuing operations)

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator (i.e no adjustments to profit were necessary in 2018 or 2017).

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the year ended 30 June 2018 has been calculated as:

- (a) the weighted average number of ordinary shares of Synertec Pty Ltd outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting, and
- (b) the actual number of ordinary shares of Synertec Corporation Limited outstanding during the period after acquisition.

The basic earnings per share for the comparative period before the acquisition date presented in the consolidated statements following a reverse acquisition is calculated by dividing (a) by (b):

- (a) the profit or loss of Synertec Corporation Limited attributable to ordinary equity holders of the Company in the period.
- (b) Synertec Corporation Limited's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition accounting.

In accordance with IAS 33 'Earnings Per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account for the year ended 30 June 2018.

In Australian dollars

Earnings per share from continuing operations

(Loss)/profit after income tax

Weighted average number of ordinary shares used in calculating basic earnings per share

Weighted average number of ordinary shares used in calculating diluted earnings per share

Basic (loss)/earnings per share (cents per share)

Diluted (loss)/earnings per share (cents per share)

30 June 2018	30 June 2017
(5,080,092)	938,895
206,144,526	80,879,849
206,144,526	80,879,849
(2.45)	1.16
(2.45)	1.16

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

The 16,175,970 options granted on 8 August 2017 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2018. These options could potentially dilute basic earnings per share in the future.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

19. Acquisition Accounting

On 8 August 2017, Synertec Corporation Limited (formerly known as SML Corporation Limited) acquired 100% of the issued shares of Synertec Pty Ltd. As a result of the acquisition, the former shareholders of Synertec Pty Ltd effectively obtained control of the combined entity. At the date of the transaction, it was determined that Synertec Corporation Limited was not a business. For accounting purposes, the acquisition has been treated as a share-based payment using the reverse acquisition principles of the business combination accounting standard. Accordingly, the consolidated financial statements of Synertec Corporation Limited have been prepared as a continuation of the consolidated financial statements of Synertec Pty Ltd.

As the deemed acquirer, Synertec Pty Ltd has accounted for the acquisition of Synertec Corporation Limited from 8 August 2017. The comparative information for the 12 months ended 30 June 2017 and the statement of financial position at 30 June 2017 presented in the consolidated financial statements are that of Synertec Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures.

The excess of the fair value of Synertec Corporation Limited's shares over the fair value of its net assets (excluding the Mining Assets - refer Notes 20) at the acquisition date has been recognised as a listing expense.

Under the acquisition, Synertec Corporation Limited (formerly SML Corporation Limited) acquired all the shares in Synertec Pty Ltd by issuing 107,142,857 shares in Synertec Corporation Limited and paying \$5.0 million to the Synertec Pty Ltd shareholders.

The value of the Synertec Corporation Limited shares provided was determined by reference to the capital raising offer price, which was deemed to be \$3.2 million (calculated as 80,879,849 existing shares at the share offer price of \$0.04 each in the public Share Offer).

The net assets acquired and the amount recognised as an ASX listing expense, are as follows:

<i>In Australian dollars</i>	Acquiree's carrying value before acquisition \$
Net assets acquired	
Cash and cash equivalents	4,162,547
Trade and other receivables	5,049
Other assets	2,704
Assets held for sale	6,855,238
Trade and other payables	(7,218)
	<hr/> 11,018,320
Sale of the Mining Assets	(6,855,238)
Cash consideration to Synertec Pty Ltd	(5,000,000)
Net asset deficiency acquired	<hr/> (836,918)
 Fair value of Synertec Corporation Limited consideration shares	 3,235,194
 Net asset deficiency	 836,918
	<hr/> 4,072,112
Corporate advisory fees (shares issued in lieu of cash for services)	650,000
Amount recognised as ASX Listing expense upon acquisition	<hr/> 4,722,112

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

20. Discontinued operations

Further to the Synertec Corporation Ltd announcement on 22 September 2017, whereby the Company completed the sale of 100% of the issued shares in its subsidiary, Australian Gold Mines Pty Ltd (which owns all the shares in Mt Wills Gold Mines Pty Ltd, the holder of the mining assets) and an immaterial related parcel of land under a Contract for the Sale ("Mining Assets") as intended, the Company announced on 23 December 2017 that all warranties were completed.

The Mining Assets were sold for \$3.5 million and net proceeds of \$3.6 million were distributed to Redemption Note holders (in accordance with the former Prospectus dated 23 June 2017 on 15 January 2018). The Sale of the Mining Assets resulted in a loss on sale of those assets of \$3.2 million, recognised as the result from Discontinuing operations.

An amount equal to the Net Sale Proceeds of the sale of the Mining Assets was distributed to those shareholders of the Group who were registered in the Group's register of shareholders as a holder of shares in the Group as at 5.00pm (AEST) on 26 June 2017 (Eligible Shareholders); such distribution was made to Eligible Shareholders on a pro rata basis via the Redemption Notes issued to them by the Group. The net sale proceeds paid to each Redemption Note was determined by dividing the net sale proceeds by the number of Redemption Notes issued.

In determining the Net Sale Proceeds, all direct costs and taxes payable have been deducted from the gross sale proceeds. The Group was able to obtain a refund of some tenement rental costs from Government authorities and a refund of a bank deposit placed in support of a tenement bond. There was also bank interest earned on the

Upon completion of the warranties and determining the Net Sale Proceeds for the sale of the Mining Assets in December 2017, a loss on sale of the Mining Assets of \$3.2 million was calculated and recognised in the financial statements of Synertec Corporation Limited as at 30 June 2018 as a loss from discontinued operations. At the same time, a liability to return this capital to Redemption Note holders was also recognised.

Net operating costs from mining subsidiaries of \$158,033 has been included in the loss from Discontinued operations. These costs relate to the Sale of Mining Assets, execution of Redemption Note obligations and winding up of the mining subsidiaries.

SML Resources Ltd and Synergy Metals Pty Ltd are in the process of being liquidated and are expected to be wound up by December 2018.

	\$
Net operating costs from mining subsidiaries	158,033
Loss on disposal of Mining Assets	3,237,114
Net Loss from Discontinued operations	3,395,147

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

21. Related parties

The key management personnel compensation comprised:

In Australian dollars

	Note	30 June 2018	30 June 2017
Short-term employee benefits		602,820	521,688
Post-employment benefits		57,268	44,414
Other long-term employment benefits		92,686	109,756
		752,774	675,858

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

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

In Australian dollars

	Note	30 June 2018	30 June 2017
Michael Carroll ⁽ⁱ⁾		-	372,208
Gassan Abdallah ⁽ⁱⁱ⁾		-	916,570
	9	-	1,288,778

(i) Michael Carroll is the Managing Director of Synertec Corporation Limited (since 8 August 2017). He was Managing Director of Synertec Pty Ltd prior to the acquisition by Synertec Corporation Limited.

(ii) Gassan Abdallah was a director of Synertec Pty Ltd prior to the acquisition by Synertec Corporation Limited. He is no longer a director or employee of any of the companies within the Group.

22. Auditor's remuneration

In Australian dollars

	Note	30 June 2018	30 June 2017
Audit and review services			
Auditors of the Company - Grant Thornton Audit Pty Ltd			
Audit and review of financial statements		72,000	35,000
		72,000	35,000
Other services			
Auditors of the Company - Grant Thornton Australia Limited			
In relation to taxation		10,000	10,000
		82,000	45,000

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

23. Financial instruments

Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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:

In Australian dollars	Note	Carrying amount	
		30 June 2018	30 June 2017
Trade and other receivables	9	3,515,042	2,661,953
Cash and cash equivalents	8	3,509,672	2,956,694
ANZ deposit	10	1,514,552	409,777
EFIC deposits	10	-	264,799
Amount due from directors	10	-	1,288,778
Deposits	10	31,836	24,242
Amounts due from related parties	10	-	30,021
		8,571,102	7,636,264

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group'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 Group provides services under contract, each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group historically has had negligible 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 Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

23. Financial instruments (continued)

(i) Credit risk (continued)

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

<i>In Australian dollars</i>	<i>Note</i>	Carrying amount	
		30 June 2018	30 June 2017
Australia		3,515,042	2,661,953
		3,515,042	2,661,953

The Group's most significant balance outstanding to a single customer, accounts for \$1,420,430 of the trade and other receivables carrying amount at 30 June 2018 (2017: \$1,404,037). The amount was received subsequent to year end.

Impairment losses

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

<i>In Australian dollars</i>	<i>Note</i>	30 June 2018	30 June 2017
Neither past due nor impaired		2,414,693	2,627,721
Past due 1 - 30 days		879,899	5,500
Past due 31 - 90 days		205,325	28,632
Past due 91 - 120 days		586	100
		3,500,503	2,661,953

Cash and cash equivalents (including deposits)

The Group held cash and cash equivalents of \$3,509,672 at 30 June 2018 (2017: \$2,956,694) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a reputable bank and financial institution counterparties. The Group has \$1,514,552 (2017: \$674,576) on deposit with ANZ being held as security for the performance guarantee bonds held.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group uses detailed project plans, which assists it in monitoring cash flow requirements and optimising its cash return on projects delivered. The Group 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 Group 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 2018, the expected cash flows from trade and other receivables maturing within two months are \$3,399,506 (2017: \$2,633,221). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

23. Financial instruments (continued)

(ii) Liquidity risk (continued)

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

30 June 2018

In Australian dollars

Non-derivative financial liabilities	Contractual cashflows			
	Carrying amount	Total	0-1 years	1-2 years
Finance lease liabilities	-	-	-	-
Trade payables	2,929,479	2,929,479	2,929,479	-
	2,929,479	2,929,479	2,929,479	-

30 June 2017

In Australian dollars

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

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates– will affect the Group'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 Group 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 Group holds EUR and USD in anticipation of future purchase orders. The Group 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 Group 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 Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

23. Financial instruments (continued)

(iii) Market risk (continued)

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group'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 Group's exposure to currency risk as reported to the management of the Group is as follows.

	30 June 2018		30 June 2017	
	USD	EURO	USD	EURO
Trade and other receivables	434,926	-	-	-
Cash and cash equivalents	695,401	19,372	268,086	152,783
Financial assets	1,130,327	19,372	268,086	152,783
Trade and other payables	-	87,841	-	-
Financial liabilities	-	87,841	-	-
Net exposure	1,130,327	107,213	268,086	152,783

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

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

	Profit or loss, net of tax		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2018				
USD	(44,253)	54,087	(44,253)	54,087
Euro	(1,233)	1,507	(1,233)	1,507
Currency exchange risk (net)	(45,486)	55,594	(45,486)	55,594
30 June 2017				
USD	(17,060)	20,851	(17,060)	20,851
Euro	(9,723)	11,883	(9,723)	11,883
Currency exchange risk (net)	(26,783)	32,734	(26,783)	32,734

Exposure to interest rate risk

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

	Nominal amount	
	30 June 2018	30 June 2017
Variable rate instruments		
ANZ interest expense	18.99%	18.99%
Interest on ANZ deposits	2.10%-2.35%	2.35%
Related party interest rates	-	5.40%

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

23. Financial instruments (continued)

(iii) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity, net of tax	
	1% increase	1% decrease	1% increase	1% decrease
30 June 2018				
Variable rate instruments	10,602	(10,602)	10,602	(10,602)
Cash flow sensitivity (net)	10,602	(10,602)	10,602	(10,602)
30 June 2017				
Variable rate instruments	11,890	(11,890)	11,890	(11,890)
Cash flow sensitivity (net)	11,890	(11,890)	11,890	(11,890)

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 Group's approach to capital management during the year.

Accounting classifications and fair values

Fair values vs carrying amount

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

<i>In Australian dollars</i>	<i>Note</i>	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2018					
Cash and cash equivalents	8	3,509,672	-	-	3,509,672
Trade and other receivables	9	3,515,042	-	-	3,515,042
Amount due from related parties		-	-	-	-
Amount due from directors		-	-	-	-
ANZ deposits	10	-	1,514,552	-	1,514,552
EFIC deposits	10	-	-	-	-
Deposits	10	-	31,836	-	31,836
		7,024,714	1,546,388	-	8,571,102
Finance lease liabilities		-	-	-	-
Trade and other payables	13	-	-	2,929,479	2,929,479
		-	-	2,929,479	2,929,479

Synertec Corporation Limited (formerly known as SML Corporation Limited)
Notes to the financial statements
For the year ended 30 June 2018

23. Financial instruments (continued)

(iii) Market risk (continued)

Accounting classifications and fair values (continued)

Fair values vs carrying amount (continued)

<i>In Australian dollars</i>	Note	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2017					
Cash and cash equivalents	8	2,956,694	-	-	2,956,694
Trade and other receivables	9	2,661,953	-	-	2,661,953
Amount due from related parties		-	30,021	-	30,021
Amount due from directors		-	1,288,778	-	1,288,778
ANZ deposits	10	-	409,777	-	409,777
EFIC deposits	10	-	264,799	-	264,799
Deposits	10	-	24,242	-	24,242
		5,618,647	2,017,617	-	7,636,264
Finance lease liabilities		-	-	17,569	17,569
Trade and other payables	13	-	-	1,373,002	1,373,002
		-	-	1,390,571	1,390,571

24. Interest in subsidiaries

Composition of the Group

Name of subsidiary	Country of incorporation / principle place of business	Principal activity	Group proportion of ownership interests	
			30 June 2018	30 June 2017
Synertec Holdings Pty Ltd	Australia	Holding company	100%	-
Synertec Pty Ltd	Australia	Consultancy and Engineering	100%	-
SML Resources Ltd	British Virgin Islands / Australia	Holding company	100%	100%
Synergy Metals Pty Ltd	Australia	Mining	100%	100%
Mitta Omeo Metals Pty Ltd	Australia	Mining	-	100%

During the year, Synertec Holdings Ltd was incorporated. Synertec Holdings Ltd owns 100% shares in Synertec Pty Ltd.

25. Contingent liabilities

The consolidated entity does not have any contingent liabilities at reporting date.

26. Subsequent events

No matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

Synertec Corporation Limited (formerly known as SML Corporation Limited)
For the year ended 30 June 2018

Directors' declaration

1. In the opinion of the Directors of Synertec Corporation Limited ("the Group"):
 - (a) the financial statements and notes thereto, set out on pages 17 to 49:
 - (i) present fairly the financial position of the Group as at 30 June 2018 and its performance, as represented
2. In respect of the year ended 30 June 2018, the persons performing the roles of Chief Executive Officer and Chief Financial Officer have declared that the Company has:
 - (a) kept such accounting records as correctly record and explain its transactions and financial position;
 - (b) kept its accounting records such that financial statements of the Group that are presented fairly can be prepared from time to time; and
 - (c) kept its accounting records accordingly 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 29 August 2018



Mr. Michael Carroll
Director

Independent Auditor's Report

To the Members of Synertec Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Synertec Corporation Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group gives us a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Financial Reporting Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Revenue Recognition

Synertec Corporation Ltd recognise a large portion of their revenue using the percentage completion method for their fixed price projects. The hourly rate projects are recognised as the associated labour expense is incurred. As these projects may be ongoing at year end there is also significant estimation required when recognising the work in progress and deferred revenue.

The engagement team has identified this area as a significant risk due to the significant judgement involved in using the percentage completion method for the fixed price projects and in appropriately capturing the time and material costs for the hourly rate projects to recognise revenue.

Due to the significant estimation involved, the engagement team has determined this as a Key Audit Matter.

Our procedures included, amongst others:

- Documented the processes and controls around revenue recognition;
- Obtained a revenue listing by project split between complete and incomplete projects and projects that had debtor balances at 30 June 2018. This was tied to the financial report and a sample was taken from this listing on a project level basis. For our sample identified we:
 - 1) Agreed the total contract price per the listing to the contract and variations;
 - 2) Obtained subsequent receipts for all invoices for the projects sampled to evidence that revenue recognised was appropriate. For balances where no payment has been received debtors confirmations were obtained;
 - 3) For incomplete projects sampled we obtained the 30 June 2018 work in progress reconciliation and agreed to the financial report;
 - 4) We obtained the expense listing for project costs recognised to 30 June 2018 for our sample and reconciled to the work in progress report at 30 June 2018;
 - 5) Selected a sample of project expenditure and agreed to supporting documentation to ensure that expenditure had been correctly recorded and appropriately accounted for;
 - 6) Performed cut-off testing by selecting a sample of sales close to year end and ensured that these were appropriately recognised in the correct period; and
 - 7) Performed revenue and cost of sales analytics between FY2018 results and FY2017 results and discussed with management. Any results outside of expectation were assessed further.

Sale of Shares and Listing Expense

On the 10th March 2017 SML Corporation Ltd entered into a share sale agreement to conditionally acquire 100% of the issued share of Synertec Pty Ltd. The consideration payable for this acquisition was \$5m in cash and \$5m in shares.

The engagement team has identified this as a risk area with respect to how the acquisition of the new entity should be recognised, and the subsequent measurement of this acquisition. This applies particularly to the transfer of control where Synertec Corporation Ltd (formerly SML Corporation Ltd) takes control of Synertec Pty Ltd and the associated listing expense that will need to be recognised for Synertec Pty Ltd.

Due to the risk around the recognition of the new entity and this being a once off event we have determined this as a Key Audit Matter.

Our procedures included, amongst others:

- Review of the Share Sale Agreement and assessment of key conditions within the agreement;
- Assessment of the transfer of control, in accordance with IFRS 3 Business Combinations;
- Audit of the balance sheet at the date of change in control; and
- Review of disclosures within the financial report.

Sale of Assets and Return of Capital

Under the Share Sale Agreement, SML Corporation Ltd were to divest the mining and associated assets, this was subject to the successful completion of the acquisition of Synertec Pty Ltd. At 30 June 2017 these assets had a total book value of \$6,855,238 which was recognised as a Non-Current Asset Held for Sale. The sale of these assets was to be completed within six months of acquisition, with net proceeds distributed to the existing shareholders of the company prior to the reverse acquisition. To achieve this, pre-existing shareholders were issued with redemption notes.

The engagement team has identified this area as a risk with respect to accounting to the sale of assets and the disclosure within the financial report.

Due to the complexity involved in this transaction the engagement team have identified this area as a Key Audit Matter.

Our procedures included, amongst others:

- Reviewed the accounting for the disposal in relation to My Wills Gold Mines Pty Ltd;
- Reviewed material components of the transaction to supporting documentation;
- Reviewed documentation associated with the redemption notes issued, and the ultimate return of capital for funds associated with the sale of mining and associated assets; and
- Review disclosure with the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the Financial Report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants



A C Pitts
Partner - Audit & Assurance

Melbourne, 29 August 2018