



SYNERTEC

Synertec Corporation Limited ARBN 161 803 032
Half-year report for the period ended 31 December 2023
Lodged with the ASX under listing Rule 4.2A

Results for announcement to the market
Synertec Corporation Limited (ASX:SOP)

Appendix 4D Reference	31 Dec 2023 \$'000	31 Dec 2022 \$'000	Variance \$'000	Variance %
2.1 Revenue from ordinary activities	9,126	7,299	Up 1,827	Up 25%
2.2 Loss from ordinary activities after tax attributable to the owners of Synertec Corporation Limited	(3,401)	(2,445)	Down 956	Down 39%
2.3 Loss for the year attributable to the owners of Synertec Corporation Limited	(3,401)	(2,445)	Down 956	Down 39%
2.4 Dividends/distributions	No dividends were paid during the period, and no dividends have been proposed for payment.			
2.5 Record date	Not applicable			
2.6 Explanation of the figures in 2.1 to 2.4	Refer to Directors' Report within the Interim Financial Report for the Half Year Ended 31 December 2023 - 'Review of operations' section.			
3 Net tangible assets per share (cents)	1.84	1.77	0.08	Up 4%
4 Details of entities over which control has been gained or loss	The was no control/further control gained over any entities during the period.			
5 Details of Individual and total Dividends	Not applicable			
6 Details of dividend reinvestment plans in operation	Not applicable			
7 Details of associates or joint venture entities	There are no associates or joint venture entities.			
8 Foreign entities	Not applicable			
9	The 31 December 2023 Interim Financial Report and accompanying notes for the Half Year Ended 31 December 2023 of Synertec Corporation Limited has been reviewed by the Company's Auditor and is not subject to a modified opinion, emphasis of matter or other matter paragraph.			
Attachments	The Interim Financial Report of Synertec Corporation Limited for the Half Year Ended 31 December 2023.			

Signed:

Mr. Michael Carroll
Managing Director
Synertec Corporation Limited
Melbourne, Australia
Date: 28 February 2024



SYNERTEC

Synertec Corporation Limited

ARBN 161 803 032

Interim Financial Report

**For the Half-Year Ended
31 December 2023**

Synertec Corporation Limited
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These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2023 and any public announcements made by Synertec Corporation Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Directors	Mr. Dennis Lin (Independent Non-Executive Director, Chair) Mr. Michael Carroll (Managing Director) Mr. David Harris (Executive Director) Mr. Peter Lamell (Non-Executive Director) Mr. Ian Campbell (Non-Executive Director)
Company Secretary	Mr. David Harris Ground Floor 2-6 Railway Parade Camberwell, Victoria 3124 Australia
Principal registered office in Bermuda	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registered agent office in Australia	Ground Floor 2-6 Railway Parade Camberwell, Victoria 3124 Australia Telephone: +(61 3) 9274 3000
Share registry	Boardroom Pty Limited Level 8, 210 George Street Sydney, NSW 2000 Australia Telephone: 1300 737 760 (within Australia) +(61 2) 9290 9600 (outside Australia) Facsimile: +(61 2) 9297 0664
Auditor	Grant Thornton Audit Pty Ltd Collins Square Tower 5 727 Collins Street Melbourne, Victoria 3008 Australia
Stock exchange listing	Synertec Corporation Limited shares are listed on the Australian Securities Exchange (ASX) ASX Code: SOP (fully paid ordinary shares)
Website address	www.synertec.com.au

Synertec Corporation Limited
Directors' Report
31 December 2023

The Directors present their report together with the financial statements of the consolidated entity for the half-year ended 31 December 2023.

1. Directors

The following persons were directors of Synertec Corporation Limited during the whole of the financial half-year and up to the date of this report:

- Mr. Dennis Lin (Independent Non-Executive Director, Chair)
- Mr. Michael Carroll (Managing Director)
- Mr. David Harris (Executive Director)
- Mr. Peter Lamell (Independent Non-Executive Director) - effective 1 September 2023
- Mr. Ian Campbell (Independent Non-Executive Director) - effective 1 December 2023
- Ms. Leeanne Bond (Independent Non-Executive Director) - retired at conclusion of 2023 AGM on 28 November 2023

2. Significant changes in the state of affairs

No significant changes noted in the half year ended 31 December 2023.

3. Review of operations

Financial Review

Summary FY24 H1 Financial Results	FY24 H1 (\$m)	FY23 H1 ¹ (\$m)	% Change
Group Cash receipts from customers	9.7	7.8	Up 26%
Group Revenue & other income	9.1	7.3	Up 25%
Engineering Consultancy Services Revenue	6.8	5.6	Up 20%
Technology Revenue from customers	0.4	-	Up 100%
Engineering EBITDA	0.01	0.7	Down 99%
Technology EBITDA	(1.8)	(2.1)	Up 11%
Normalised Group EBITDA ²	(1.9)	(1.0)	Down 86%
Group EBITDA	(3.0)	(2.1)	Down 43%
Group Net Loss After Tax	(3.4)	(2.4)	Down 39%

1. Prior Comparative Period ("pcp").

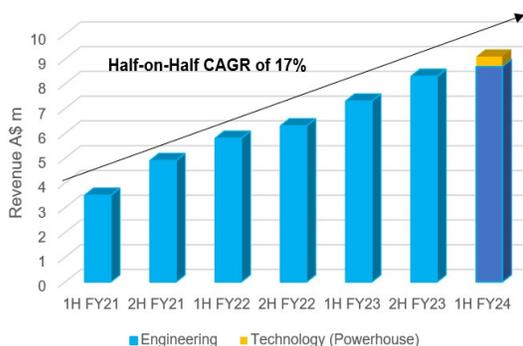
2. Normalised EBITDA excludes costs which are discretionary for the purposes of exploring strategic long term growth opportunities and/or activities and expenses which are not considered to be typical ongoing operational overheads for the business.

Synertec generated revenue and other income for the Period of \$9.1 million, up 25% on pcp (31 December 2022: \$7.3 million). This result was underpinned by continuing strong growth in Engineering consultancy services revenue, which generated \$6.8 million in revenue, an increase of 20% on pcp (31 December 2022: \$5.6 million) as well as the contribution of \$0.4 million from the first Powerhouse asset commercialised with Santos Limited (ASX:STO) in April 2023.

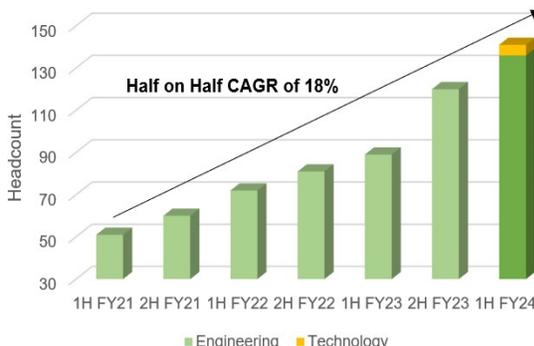
3. Review of operations (continued)

Financial Review (continued)

Synertec has delivered six continuous halves of revenue growth amounting to 160% increase and half on half CAGR of 17% from H1 FY21 to H1 FY24.



Graph 1 – Total Revenue growth 160%



Graph 2 – Headcount growth 176%

By Half Years H1 FY21 to H1 FY24

In the Engineering business, recurring revenue increased to over 90% of the Company's long standing blue-chip customer base, up from circa 80% in previous years, reflecting highly innovative solutions, excellent client service stemming from practical and valuable knowledge of our customers' operations from many years of working together, and success with our targeted business development activities.

While returning a small EBITDA and operating cash outflow of \$0.3m, the deferral of some invoicing milestones from Q2 FY24 to Q3 FY24 by a customer on a major infrastructure project resulted in \$0.5m of revenue and cash otherwise to be received in the Period, pushed into H2 FY24. With most of the costs associated with this revenue incurred in H1 FY24, this revenue and cash has now been delivered in Q3 FY24, with positive impact to earnings in H2 FY24. Pleasingly, variations for increased scope to future works on this key national infrastructure project have been approved for delivery across H2 FY24, contributing further to profitable growth of the Engineering business in FY24.

As Powerhouse has advanced to scaled roll out of the technology, research and development activities for the technology will naturally decline and Research and Development ('R&D') incentive income will reduce accordingly. R&D incentive income during the Period reduced to \$0.2m on pcp (31 December 2022: \$0.4 million) as the Group focused on construction and delivery of the next Powerhouse assets, expected to be complete in Q4 FY24.

Normalised EBITDA before R&D activities, which excludes the effects of non-operating and non-recurring items and R&D costs, was a Group loss of \$1.9 million (31 December 2022: loss of \$1.0 million). Synertec has seen a 60% increase in headcount from the same time last year, with the majority of the headcount increase being fee-earning resources, followed by a build out of the management team to cater for the significant headcount growth in recent Periods and ensure the continuation of Synertec's exceptional client service, retention rate and attractiveness as an employer of choice.

While the onboarding of new billable team members is efficient, it generally takes several months for them to achieve high rates of customer utilisation and revenue. This means that the full impact on revenue of new billable team members is not realised for several months after their commencement. As a result, it is expected that the new hires in the Period will reach higher utilisation and revenue in H2 FY24, which will benefit earnings.

Moving forward, recruitment will be focused primarily on billable resources in response to growing customer demand, and it is planned that the management structure now in place will enable further controlled growth, keeping any increase in overhead proportional to new billable resources.

Synertec Corporation Limited
Directors' Report
31 December 2023

3. Review of operations (continued)

Financial Review (continued)

Balance Sheet (\$ million)	31 Dec 2023	30 Jun 2023	\$ Change
Total Assets	14.8	19.2	Down 4.4
Cash at Bank	5.3	10.6	Down 5.4
Net Assets	8.1	11.5	Down 3.4
Net Tangible Assets per Share (cents)	1.84	1.77	Up 0.08

Total Assets of \$14.8 million (30 June 2023: \$19.2 million) have decreased by \$4.4 million on pcp primarily due to a reduction in cash which has been largely applied during the Period to the construction of new Powerhouse assets following order of further units during the Period by Santos Limited.

The business continues to operate with no bad or doubtful debts, debtor days remaining within its target range of 35-45 days, and no working capital debt or covenants from its bank.

Cash Flow (\$ million)	FY24 H1	FY23 H1	\$ Change
Cash receipts from customers	9.7	7.8	Up 1.9
Net cash used in operating activities	(2.9)	(1.1)	Up 1.8
Net increase / (decrease) in cash ex cap raise	(5.4)	(2.4)	Up 3.0

Cash receipts from customers was \$9.7 million (31 December 2022: \$7.8 million), up 25% on pcp, and in line with growth in revenue.

The use of funds in the Period can be attributed to three aspects of the business.

- The Powerhouse assets currently under construction account for approximately \$1.7 million outlay, as noted above. Most of the cash outlay for these assets was made in the Period, with some assembly, factory testing and site commissioning the key remaining steps in FY24. All future Powerhouse assets will be fully funded from a dedicated funding source(s), which management is currently working through and has advanced with various parties.
- An increase in headcount of 60% on pcp accounts for approximately \$2.5 million in additional employment cost on pcp. As explained above, this was for primarily billable resources, but also included a build out of the management team structure to cater for a rapidly growing team of billable resources, to ensure high levels of customer service and staff retention are maintained, which leads to winning more work and higher margins. A significant portion of this employment cost will be positively offset by increased revenue from those billable resources in H2 FY24 and beyond. The investment in expanding the management team which has now been made will enable further controlled growth beyond this Period, while keeping any increase in overhead to a minimum and proportional to new billable resources.
- The increase in materials revenue on pcp required an additional \$0.4 million outlay on material expenses.

As these new team members embed themselves into customers, the business is expected to complete the year strongly, contributing earnings and positive operating cashflow to the Group.

3. Review of operations (continued)

Segment performance

The Group's business is structured to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

The Corporate area of the Group, which is primarily a cost center, includes the Board and Executives which oversee the function and strategic direction of Engineering and Technology, as well as the governance and operation of the public ASX-listed head company, Synertec Corporation Limited. The activities of the head company include governance oversight, corporate development, investor relations and other functions associated with the operation, governance and regulatory compliance of the Group's head company.

FY24 H1 (\$ million)	Engineering	Technology	Corporate	Total	Inter-segment	External sources
Revenue & Other Income	9.9	0.6	-	10.5	(1.4)	9.1
Segment Normalised EBITDA	0.2	(1.1)	(1.0)	(1.9)	-	(1.9)
EBITDA	0.01	(1.8)	(1.1)	(3.0)	-	(3.0)

As a result of the continued change in mix of revenues in the Engineering business from predominantly fixed price solutions to consultancy services over the past few years, Engineering gross margins have strengthened and consolidated.

Revenue for the Engineering business includes services and materials provided to the Technology business of \$1.4 million (31 Dec 2022: \$1.4 million) contributing to the development and construction of Powerhouse assets.

Operations

Technology Business

Synertec is committed to being an impact investment for shareholders and local communities, and to ensuring the Company is supporting its partners with a proven, powerful and immediate transition to a zero-carbon future.

Powerhouse, a novel 'smart' micro-grid system, involves the combination of a rapidly deployable and portable industrial-scale electrification power system including a foldable solar panel array, battery storage units, and sophisticated smart controls enabling predictive intelligence to optimise the generation and consumption of renewable electricity from an appropriately scaled system with minimal footprint.

During the Period Synertec received formal notification from Santos, as part of the GLNG JV, that it was the winner of a procurement process for zero emission solar energy power systems. The two (2) Powerhouse units awarded are sized and delivered under commercial terms similar to the successful prototype commercialised in March 2023 (refer ASX announcement 15 March 2023).

Synertec commenced the assembly of the units during the Period, with key long lead time components already in hand, enabling the modular design to increase speed of assembly in the factory and large scale constructability. Construction remains on time and budget. The units are expected to be deployed to sites around Roma, Queensland and contributing to Group revenue in Q4 FY24.

3. Review of operations (continued)

Engineering Business

During the Period, the Engineering business continued to provide specialist multi-discipline engineering services to our customers in the critical infrastructure, energy and advanced manufacturing sectors, as well as our Technology business unit.

The Company secured variations on a number of existing projects that extended the life and profitability of those projects. These awards in the Period further strengthen the Group's work in hand position.

Key contracts awarded during the Period include:

- Appointment to APA Limited's (ASX:APA) Operational Technology Electrical & Instrumentation ('OTE&I') panel, expected to generate at least 10% of Engineering revenue annually (refer ASX announcement dated 31 January 2024);
- Synertec's first project in the resources / mining sector awarded for delivery of a control system for a mining operation in Western Australia; and
- Awarded Siemens only expert partner in their water and waste water sector in Australia, increasing revenue opportunities in the water sector nationwide (refer ASX announcement dated 24 October 2023).

Across the Group, Synertec has grown to 140 highly skilled engineers, professionals and supporting team members across Melbourne, Perth and Brisbane, and continues to recruit more people in response to growing customer demand. Synertec's ability to attract and retain key talent is a positive reflection of the Company's culture and industry positioning.

During the Period, the Company was proud to achieve ISO 27001 Certification, the globally recognised best practice international standard for managing and regulating data security through a code of practice for information security management. This was achieved following an extensive audit and certification process of the Group's information security policies and processes over the past year.

ESG Reporting

Synertec has been actively progressing its ESG and sustainability strategy over the past few years, through consistent reporting aligned to the World Economic Forum (WEF) framework and the adoption of internal sustainability initiatives. This commitment now involves broadening our ESG disclosure scope and reevaluating our approach to align more closely with evolving standards and stakeholder expectations.

The Company is committed to providing transparency in the way it operates and in meeting the expectations and needs from major partners and customers, many of whom are key organisations in Australia's critical infrastructure, water, energy and advanced manufacturing sectors and have highlighted the growing need and opportunity for improved ESG performance across their supply chain.

Our strategic direction builds on our established foundation, maintaining ESG transparency, supporting the global energy transition, reducing our carbon footprint, adhering to environmental regulations, and fostering sustainable initiatives throughout the workforce and operating in an accountable and transparent manner for all Synertec's stakeholders.

Outlook

During the remainder of FY24, Synertec will focus on:

- Safely and efficiently completing delivery of the next two Powerhouse assets to Santos
- Advance current Powerhouse technology deployment opportunities with other potential customers
- Work with engaged parties to advance funding solutions (including potential for debt and grant funding) specifically for the roll out of any further Powerhouse assets
- Build on the growth of the Engineering business to deliver annual profitability and positive operating cash flow

4. Litigation

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

5. Dividends

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

6. Subsequent events

Synertec's headcount has tripled in size to approximately 140 people since the move to Camberwell Head office in 2020. As part of its growth strategy, the organisation had first rights on the remaining space on the Ground floor. The opportunity to expand into this space became available in January 2024, and as a result the company now occupies the entire Ground floor of the building to facilitate enough space for its growing Melbourne workforce. The company has entered into a 5 year lease term for the Ground floor at its current address in Camberwell. The right in use value of the office is estimated to be \$1.9m.

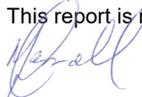
7. Officers of the Company who are former audit partners of auditor

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

8. Auditor

Grant Thornton Audit Pty Ltd continues in office.

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



On behalf of the Directors,
Mr. Michael Carroll
Managing Director

Melbourne
28 February 2024

Synertec Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2023

	<i>Note</i>	31 Dec 2023	31 Dec 2022
Revenue			
Revenue	4	8,926,058	6,847,006
Other income	4	199,775	451,674
		9,125,833	7,298,680
Expenses			
Materials and service expense		(1,038,009)	(656,139)
Employee benefits expense		(8,417,441)	(5,931,036)
Depreciation and amortisation expense		(437,416)	(315,236)
Technology research and development costs		(452,488)	(1,054,104)
Business and corporate development expenses		(1,150,130)	(813,267)
Other expenses		(1,030,769)	(908,873)
		(3,400,420)	(2,379,975)
Results from operating activities			
Finance income		93,699	19
Finance costs		(94,594)	(65,111)
		(895)	(65,092)
Loss from operations before tax			
		(3,401,315)	(2,445,067)
Income tax expense		-	-
Loss from operations after tax			
		(3,401,315)	(2,445,067)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year			
		(3,401,315)	(2,445,067)
Earnings per share			
Basic loss per share	9	(0.79)	(0.65)
Diluted loss per share	9	(0.79)	(0.65)

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

Synertec Corporation Limited
Consolidated Statement of Financial Position
As at 31 December 2023

	Note	31 Dec 2023	30 Jun 2023
Assets			
Cash and cash equivalents	5	5,297,095	10,653,858
Trade and other receivables		2,934,216	2,278,104
Contract assets		1,193,749	1,843,966
Inventories	6	147,600	1,160,647
Other assets		1,318,168	1,123,618
Intangible asset		182,348	-
Total current assets		11,073,176	17,060,193
Non-current assets			
Property, plant and equipment	7	3,694,550	1,738,263
Intangible asset		-	361,801
Total non-current assets		3,694,550	2,100,064
Total assets		14,767,726	19,160,257
Liabilities			
Trade and other payables	8	3,125,846	4,535,821
Employee benefits		1,337,158	1,118,121
Contract liabilities		469,611	261,573
Lease liabilities		233,073	180,294
Total current liabilities		5,165,688	6,095,809
Non-current liabilities			
Trade and other payables	8	150,214	171,519
Employee benefits		238,400	181,659
Lease liabilities		1,085,785	1,175,588
Total non-current liabilities		1,474,399	1,528,766
Total liabilities		6,640,087	7,624,575
Net assets		8,127,639	11,535,683
Equity			
Issued capital		20,952,119	20,952,119
Share option reserve		421,680	428,409
Retained earnings		(13,246,160)	(9,844,845)
Total equity		8,127,639	11,535,683

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

Synertec Corporation Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2023

	Issued capital	Share option reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2022	8,518,510	624,609	(3,982,303)	5,160,816
Issue of shares	5,000,000	-	-	5,000,000
Capital raising costs	(600,923)	-	-	(600,923)
Broker options on issue	-	252,000	-	252,000
Exercised options	482,609	(382,609)	-	100,000
Loss for the half-year	-	-	(2,445,067)	(2,445,067)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(2,445,067)	(2,445,067)
Balance at 31 December 2022	13,400,196	494,000	(6,427,370)	7,466,826
Balance at 1 July 2023	20,952,119	428,409	(9,844,845)	11,535,683
Exercised options	-	(6,729)	-	(6,729)
Loss for the half-year	-	-	(3,401,315)	(3,401,315)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(3,401,315)	(3,401,315)
Balance at 31 December 2023	20,952,119	421,680	(13,246,160)	8,127,639

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

Synertec Corporation Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2023

	31 Dec 2023	31 Dec 2022
Cash flows from operating activities		
Cash receipts from customers	9,666,481	7,752,518
Cash paid to suppliers and employees	(11,887,204)	(8,558,777)
Cash used in operations	<u>(2,220,723)</u>	<u>(806,259)</u>
Government grant received	304,524	1,104,643
Payments for R&D activities	(452,488)	(1,054,104)
Payments for corporate development activities	(494,601)	(321,646)
Net cash used in operating activities	5A(i) (2,863,289)	(1,077,366)
Cash flows from investing activities		
Payment for capital work in progress	(1,676,959)	-
Payment for property, plant and equipment	(153,418)	(50,065)
Net cash used in investing activities	(1,830,377)	(50,065)
Cash flows from financing activities		
Repayment of finance lease liabilities	(175,688)	(145,033)
Repayment of other liabilities	(487,411)	(501,715)
Payments for capital raising costs	-	(348,923)
Proceeds from issue of shares	-	5,000,000
Proceeds from exercised options	-	100,000
Net cash used in/from financing activities	(663,098)	4,104,329
Net decrease/increase in cash and cash equivalents	(5,356,764)	2,976,898
Cash and cash equivalents at beginning of the half-year	10,653,859	4,120,754
Cash and cash equivalents at end of the half-year	5,297,095	7,097,652

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

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2023

1. Basis of preparation

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001 and International Financial Reporting Standard IAS 34: "Interim Financial Reporting".

These financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2023 and any publications made by Synertec Corporation Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half-year financial statements do not include full disclosures of the type normally included in annual financial statements. The accounting policies adopted are consistent with those of the previous financial year except where otherwise disclosed.

2. Significant accounting policies

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 Company is a going concern and will be able to continue pay its debts as and when they become due and payable. The Directors are working with various parties to secure a line of funding for the future production and delivery of Powerhouse assets. Where possible, the Company is also exploring Government grant funding for specific Powerhouse applications. Funding for future Powerhouse assets is expected to be in place within the current financial year.

3. Operating segments

The Group restructured the business in July 2021 to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. This is the basis on which information is internally provided to the Chief Operating Decision Makers ('CODMs') for assessing performance and making operating decisions. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

The segment disclosures are before corporate costs. The Corporate area of the Group, which is a cost centre, includes the Board and Executives which oversee the function and strategic direction of Engineering and Technology, as well as the governance, financing and operation of the public ASX-listed head parent company, Synertec Corporation Limited. The activities of the head company include governance oversight, finance and related affairs, corporate development, investor relations and other functions associated with the operation and regulatory compliance of the Group's head company.

It includes parent company costs and interest income and charges which are not otherwise allocated to operating segments as this type of activity is driven by the Group function, which manages the cash position, governance and compliance for the Group as a whole.

The Board assesses the performance of the operating segments based on a measure referred to as Normalised EBITDA, which excludes the effects of non-operating and non-recurring costs.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2023

3. Operating segments

The revenues and profit generated by each of the Group's two key business segments and the Corporate division, and their respective segment assets and liabilities are summarised as follows:

	Six months to 31 Dec 2023		
	Engineering	Technology	Total
Revenue and other income			
From external customers	8,509,071	416,987	8,926,058
From other segment ⁽¹⁾	1,438,084	-	1,438,084
Government incentives	-	199,775	199,775
Segment revenues and other income	9,947,155	616,762	10,563,917
Segment normalised EBITDA	160,158	(1,094,972)	(934,814)
Transformation initiatives	(143,342)	-	(143,342)
Powerhouse net R&D	-	(255,862)	(255,862)
Depreciation and amortisation	(254,962)	(179,452)	(434,414)
Corporate development ⁽²⁾	(11,601)	(483,000)	(494,601)
Segment operating profit / (loss)	(249,748)	(2,013,286)	(2,263,033)
Segment assets	7,323,750	3,198,421	10,522,171
Segment liabilities	6,043,177	158,201	6,201,378

	Six months to 31 Dec 2022		
	Engineering	Technology	Total
Revenue and other income			
From external customers	6,854,006	-	6,854,006
From other segment ⁽¹⁾	1,422,301	-	1,422,301
Government incentives	-	444,674	444,674
Segment revenues and other income	8,276,307	444,674	8,720,981
Segment normalised EBITDA	786,154	(1,134,578)	(348,424)
Transformation initiatives	(102,618)	-	(102,618)
Powerhouse net R&D	-	(602,430)	(602,430)
Depreciation and amortisation	(182,865)	(132,371)	(315,236)
Corporate development	-	(321,646)	(321,646)
Segment operating profit / (loss)	500,671	(2,191,025)	(1,690,354)
Segment assets	6,073,311	1,299,731	7,373,042
Segment liabilities	4,340,215	225,501	4,565,716

⁽¹⁾ The revenue recognised by the Engineering business includes the provision of services to the Technology business, primarily relating to the Powerhouse and CTS projects.

⁽²⁾ Corporate Development expenses partly includes employee expenses dedicated towards developing future pipeline of work and orders for the company.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2023

3. Operating segments

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	31 Dec 2023	31 Dec 2022
(i) Revenue and other income		
Total reportable segment revenues	10,563,917	8,720,981
Elimination of inter-segment revenues	(1,438,084)	(1,422,301)
	9,125,833	7,298,680
(ii) Segment operating profit/(loss)		
Segment operating profit / (loss)	(2,263,033)	(1,690,354)
Elimination of inter-segment profits	(58,199)	-
Corporate expenses	(1,079,187)	(689,621)
Group operating loss	(3,400,420)	(2,379,974)
Finance income	93,699	19
Finance costs	(94,594)	(65,111)
Group loss before tax	(3,401,315)	(2,445,067)
(iii) Segment assets		
Segment assets	10,522,171	7,373,042
Corporate assets	4,245,556	5,061,273
Total assets	14,767,726	12,434,315
(iv) Segment liabilities		
Segment liabilities	6,201,378	4,565,716
Corporate liabilities	438,709	401,773
Total liabilities	6,640,087	4,967,489

4. Revenue

	31 Dec 2023	31 Dec 2022
Revenue streams		
Engineering services	6,772,433	5,632,506
Fixed price solutions	1,736,637	1,214,500
Technology products	416,987	-
	8,926,058	6,847,006
Other income		
Government benefits - research and development tax credits	199,775	444,674
Other income	-	7,000
	199,775	451,674
	9,125,833	7,298,680

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2023

5. Cash and cash equivalents

	31 Dec 2023	30 Jun 2023
Bank balances	5,295,791	10,652,554
Cash on hand	1,304	1,304
	5,297,095	10,653,858

5A. Cash flow information

(i) Reconciliation of cash flows from operating activities

	31 Dec 2023	31 Dec 2022
Cash flows from operating activities		
Loss for the half-year	(3,401,315)	(2,445,067)
Adjustments:		
Depreciation and amortisation	437,416	315,236
Net interest costs	895	65,092
	(2,963,004)	(2,064,739)
Decrease in contract assets	650,217	7,919
(Increase)/decrease in other assets	548,168	366,094
Decrease in non current assets	179,453	253,256
Decrease/(increase) in trade and other receivables	(1,398,828)	11,638
(Decrease)/increase in trade and other payables	(635,367)	(850,840)
Increase in employee benefits	275,778	160,918
Decrease in finance liabilities	(37,019)	(124,549)
Increase/(decrease) in contract liabilities	208,038	81,278
Cash used in operating activities	(3,172,564)	(2,159,025)
Interest paid net of interest received	895	(20,157)
R&D grant income received	304,524	1,104,643
Realised foreign currency gains	3,857	(2,827)
Net cash used in operating activities	(2,863,289)	(1,077,366)

6. Inventories

	31 Dec 2023	30 Jun 2023
Inventories	147,600	1,160,647

Inventories primarily relate to key components for technology products.

Components consumed in the construction of the Powerhouse units have been accounted as capital work in progress. Refer to note 7.

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2023

7. Property, plant and equipment

	Computers	Furniture and equipment	Leashold improvements	Motor vehicles	Right-of-use assets	Capital work in progress*	TOTAL
Cost							
Balance at 1 Jul 2022	495,206	29,355	327,706	132,584	1,926,487	-	2,911,338
Additions	126,474	1,655	-	198,006	40,743	-	366,877
Disposals	-	-	-	(56,548)	-	-	(56,548)
Balance at 30 Jun 2023	621,680	31,009	327,706	274,042	1,967,230	-	3,221,667
Balance at 1 Jul 2023	621,680	31,009	327,706	274,042	1,967,230	-	3,221,667
Additions	125,770	13,684	13,966	-	98,611	1,963,006	2,215,036
Disposals	(6,045)	-	-	-	-	-	(6,045)
Balance at 31 Dec 2023	741,405	44,693	341,672	274,042	2,065,841	1,963,006	5,430,658
Accumulated depreciation							
Balance at 1 Jul 2022	317,896	24,487	53,976	82,110	644,373	-	1,122,841
Disposals	-	-	-	(47,732)	-	-	(47,732)
Depreciation/amortisation expense	136,937	1,931	32,771	24,439	212,215	-	408,292
Balance at 30 Jun 2023	454,833	26,418	86,746	58,818	856,587	-	1,483,401
Balance at 1 Jul 2023	454,833	26,418	86,746	58,818	856,587	-	1,483,401
Disposals	(5,744)	-	-	-	-	-	(5,744)
Depreciation/amortisation	74,038	3,228	21,245	25,642	134,295	-	258,448
Balance at 31 Dec 2023	523,128	29,647	107,991	84,460	990,882	-	1,736,105
Carrying amounts							
at 1 Jul 2022	177,311	4,867	273,730	50,474	1,282,115	-	1,788,498
at 30 Jun 2023	166,847	4,590	240,959	215,224	1,110,643	-	1,738,263
at 1 Jul 2023	166,847	4,590	240,959	215,224	1,110,643	-	1,738,263
at 31 Dec 2023	218,277	15,046	233,681	189,582	1,074,959	1,963,006	3,694,550

* Capital work in progress relates to components of the Powerhouse assets which are currently under construction and will be leased out in 2H FY24.

8. Trade and other payables

	31 Dec 2023	30 Jun 2023
Current		
Trade payables	616,306	2,143,563
Other payables	2,468,206	2,308,073
Deferred tax obligations	-	75,832
Fixed price project accruals	41,334	8,353
	3,125,846	4,535,821
Non-Current		
Other payables	150,214	171,519

Synertec Corporation Limited
Notes to the financial statements
For the half-year ended 31 December 2023

9. Earnings per share

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 half-year ended 31 December 2023.

Earnings per share from continuing operations	31 Dec 2023	31 Dec 2022
Loss after tax	(3,401,315)	(2,445,067)
Weighted average number of ordinary shares used in calculating basic earnings per share	431,495,935	377,458,918
Basic loss per share (cents per share)	(0.79)	(0.65)
Diluted loss per share (cents per share)	(0.79)	(0.65)

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.

10. Subsequent events

Synertec's headcount has tripled in size to approximately 140 people since the move to Camberwell Head office in 2020. As part of its growth strategy, the organisation had first rights on the remaining space on the Ground floor. The opportunity to expand into this space became available in January 2024, and as a result the company now occupies the entire Ground floor of the building to facilitate enough space for its growing Melbourne workforce. The company has entered into a 5 year lease term for the Ground floor at its current address in Camberwell. The right in use value of the office is estimated to be \$1.9m.

Synertec Corporation Limited
Directors' declaration
31 December 2023

In the Directors' opinion:

1. The attached financial statements and notes comply with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting'; as appropriate for for-profit oriented entities;
2. The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Mr. Michael Carroll
Managing Director

28 February 2024

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Independent Auditor's Review Report

To the Members of Synertec Corporation Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Synertec Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Synertec Corporation Limited does not give a true and fair view of the financial position of the Group as at 31 December 2023 and of its performance for the half-year ended on that date in accordance with IAS 34 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report does not give a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard IAS 34 *Interim Financial Reporting*. As the auditor of Synertec Corporation Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



B A Mackenzie
Partner – Audit & Assurance
Melbourne, 28 February 2024