expertise experience

Synertec

2020 Annual Report

SYNERTEC

ANNUAL OVERVIEW

$11.2m
Revenue & other income

33%
Growth in Engineering Consulancy Services revenue to record $4.1m

+30%
Gross margin vs 20% in FY19

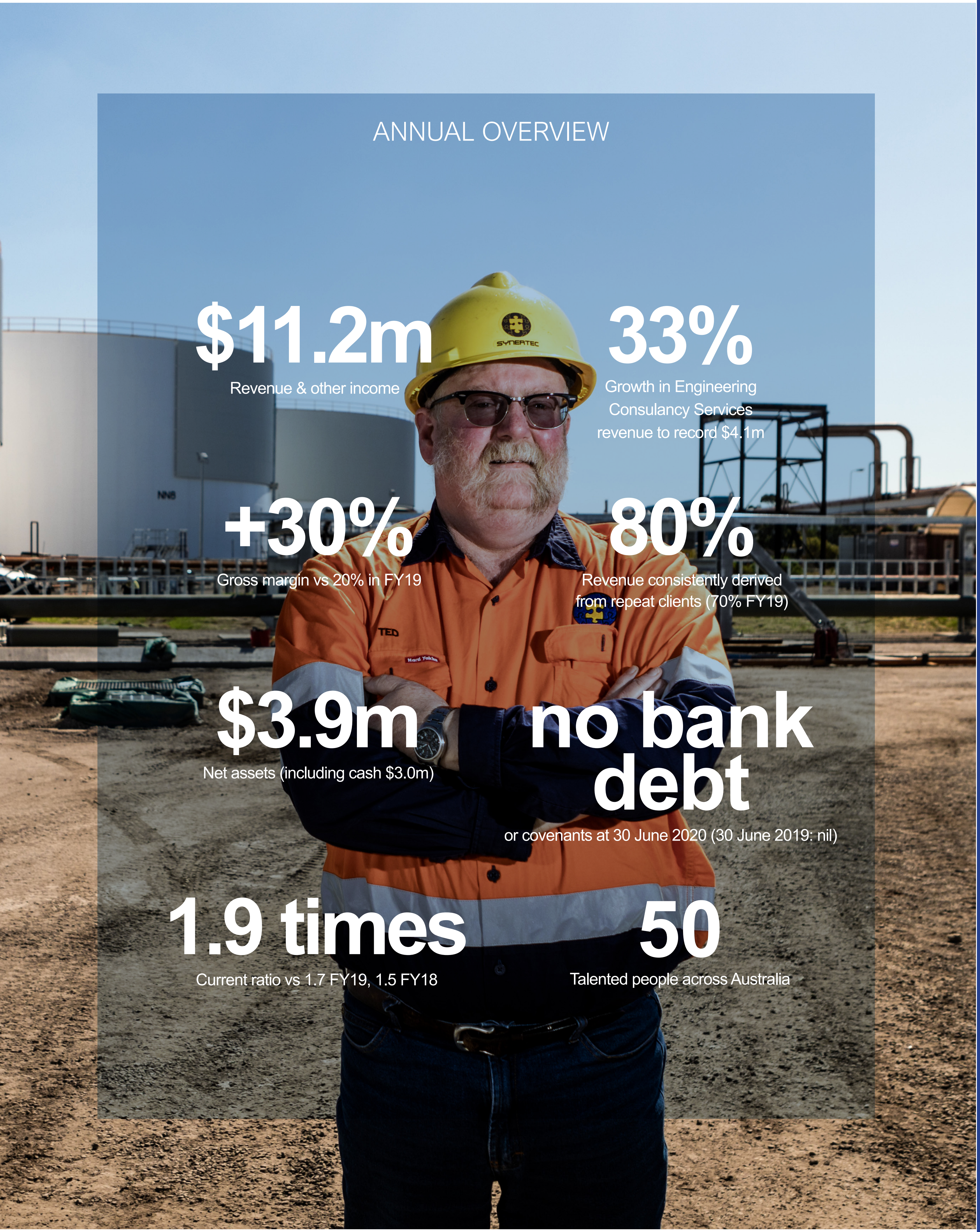
80%
Revenue consistently derived from repeat clients (70% FY19)

$3.9m
Net assets (including cash $3.0m)

no bank debt
or covenants at 30 June 2020 (30 June 2019: nil)

1.9 times
Current ratio vs 1.7 FY19, 1.5 FY18

50
Talented people across Australia



Ted Perkins - Synertec's Construction Manager (2001 - 2020)

Contents

expertise experience

Statement from The Chair

"Over the past year, we experienced a lot of innovative change within the Company as we built on the foundations and gathered the resources we need to execute on multiple near-term global growth opportunities."

Dear Shareholders,
As Chair and on behalf of the Board of Directors, I am pleased to present to you the 2020 Annual Report for Synertec Corporation Limited.

It is impossible to present our year in review to shareholders without first acknowledging COVID-19 and its impacts on the regions in which we operate and our stakeholders including our people, customers, suppliers and shareholders.

The pandemic has reshaped most aspects of our community. Governments around the world quickly responded to help shield their citizens and economies from the worst of the pandemic effects. In a similar vein, Synertec's Management and Board moved decisively to tackle COVID-19 related risks – including the health and safety of our people, our customers and the communities in which we operate, as well as our operations and our balance sheet.

We are proud of the way our Company has dealt with the COVID-19 pandemic and community lockdowns imposed by Governments across Australia and internationally. We believe this demonstrates our strong commitment to our customers and their mission-critical projects, our alliance partners, our suppliers and our shareholders.

Several major projects which began in the prior year were successfully delivered to a high standard of quality on time and budget for our customers. We are proud of the ongoing commitment of our people to safety and quality as Synertec pursues continuous improvement in workplace safety on all jobs and at all locations.

Over the past year, we experienced a lot of innovative change within the Company as we built on the foundations and gathered the resources we need to execute on multiple near-term global growth opportunities.

We welcomed Mr Dennis Lin to the Board in August 2019, and Mr Freddie Heng retired at the 2019 Annual General Meeting in November. Freddie was a long-time director of the Company providing excellent service as Audit and Risk Committee Chair and was instrumental in the acquisition of Synertec Pty Ltd. Dennis, with extensive ASX company and funds management experience, and a long successful career as an advisor and architect in corporate transactions between Australia and Asia, has brought a wealth of experience which is on-point with the cycle in Synertec's technology-led growth strategy focused on developing opportunities across the Asia Pacific region.

A key driver of Synertec's growth has been our philosophy to align all our activities to our Purpose and to make long-term decisions for superior rates of growth and shareholder return. During the COVID-19 global pandemic, we have adopted this same philosophy towards key decisions regarding our people, our customers and our capital structure. I am pleased to report that:

1. Our people underpin our long-term growth and we have protected all of our employees maintaining Synertec's strong capability and pursuit of innovation in our chosen markets.

2. To support our customers and ensure we continue to provide seamless service, we invested in numerous relief measures and benefited from past investments in our systems and infrastructure to facilitate the smooth transition of our business to remote delivery of services and products and capture all revenue opportunities during the period.

3. To ensure we have funding flexibility, we managed discretionary costs and successfully renegotiated our banking arrangements to free-up substantial cash reserves previously required for security and ensured Synertec remains free of working capital bank debt and covenants.

These measures have all supported Synertec's long-term shareholder value.

It would be easy to pull back on investment in staff, technology and the suite of early stage ventures Synertec has created, however as an organisation we have consciously chosen not to cut costs too deep through this crisis but continue to invest in our people and in technology, in line with our strategy of commercialising globally scalable technology through our established diversified engineering consulting business.

Statement from The Chair (continued)

The scale of the longer-term opportunities we have identified, particularly in oil and gas and wastewater management technology, have presented us with the exciting opportunity to partner with two international companies during the year in Greentech (based in China) and EffecTech (based in the United Kingdom), each seeking to significantly expand their offering across the Asia Pacific region.

Our partners identified Synertec based on our track record in the hydrocarbons industry for delivering highly complex and commercial engineering products and solutions to blue-chip customers across the world, especially in Australia's world class hydrocarbons arena. This has made FY20 a year of investment for Synertec as we have continued to maintain focus on what we want the business to look like and ensure we have the platforms to capitalise on the economic recovery beyond the COVID-19 pandemic.

Our team has worked hard to deploy our strategy over the course of FY20. As a result, our ability to replicate, expand and commercialise our high-value proprietary intellectual property in target growth markets such as water, rail, LNG and other critical infrastructure is compounding with every engagement and we are experiencing unprecedented levels of revenue recurring from our existing customer base – an important and pleasing development through such an economic environment.

To secure technology-led growth opportunities and maintain our strong capital structure the Company successfully completed a fully subscribed share placement in July 2020 providing $1.3 million in important capital funding for further investment in key growth initiatives. This activity attracted many new investors for Synertec, and we warmly welcome them to our Company. The Company was also grateful to have received some of the COVID-19 related Government subsidies provided to small Australian businesses in recent months.

With a solid framework now established to commercialise exciting technology both in-house and through strategic partners, we expect that the investments the Company has made will deliver scalable growth in revenue and profitability in the years ahead. The focus for Synertec's strategic investments is early-stage emerging technology that will benefit from long-term structural trends and complement Synertec's core capability in commercialisation and scale-up and provide revenue, cost and technology synergies. We firmly believe this approach will help deliver outsized returns for shareholders.

The cost of maximising these long-term shareholder returns will however sometimes come at the expense of short-term profits.

The opportunity with Greentech continues to develop positively, with Synertec providing critical funding to Greentech to complete important technology pilot programs with major Chinese State Owned Enterprise customers.

We remain confident that our technology, competitive advantages and growth strategy, which we believe we have communicated consistently to our shareholders since listing on the ASX in 2017, will underpin our aspiration of $40 million in annual revenues with above-industry margins, however COVID-19 could impact the timeframe.

The current macro outlook is highly uncertain and like most businesses, there is a possibility that our near-term profits will be impacted by COVID-19 conditions. The short term focus is, in fact, getting through the crisis with an eye to the future, continuing to execute and invest for the medium-to-long-term benefit of our customers, people and ultimately our shareholders.

We believe Synertec will emerge a stronger and better business from this challenging period and when energy markets return to more normal conditions, we expect to generate a high ROI given our market leadership and track record of generating strong returns from investing in scalable technology. We are confident our investment and long-term focus is the right approach given Synertec's revenue opportunity remains large and under-penetrated.

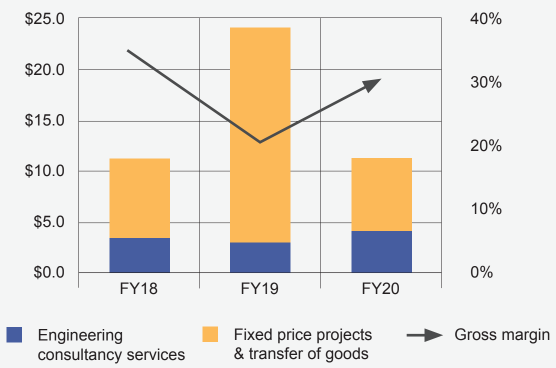
Built on strong foundations set in previous years, the Company is well positioned in the markets it has targeted and continues to focus and deliver on its key stated priorities: Safety; Shareholder Value; Industry Focus; High Performing Teams; and Innovation.

I would like to thank each and every employee for their contribution. Their dedication in the past six months in particular has been remarkable and underpinned much of Synertec's recent success in receiving further awards from our existing customer base. Their talent is key to Synertec achieving success in years to come.

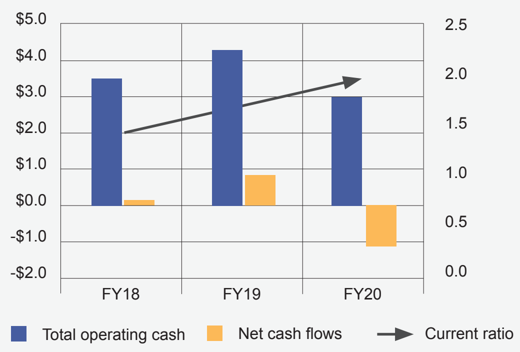
I would also like to thank our shareholders for supporting Synertec's vision, strategy and development ambitions.
I look forward to your continued support.

Ms Leeanne Bond
Chair

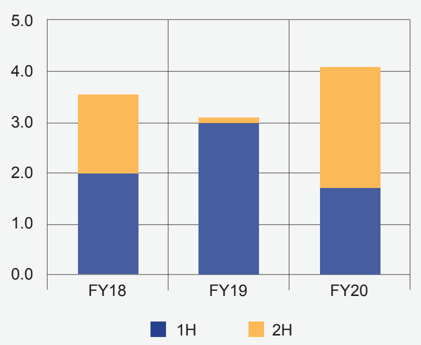
ANNUAL REVENUE BY CATEGORY ($M) & GROSS MARGIN (%)



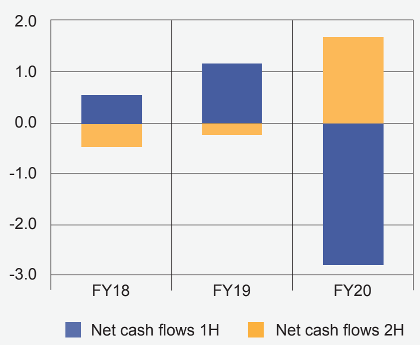
OPERATING CASH ($M), ANNUAL NET CASH FLOWS ($M) & CURRENT RATIO (TIMES)



ENGINEERING CONSULTANCY SERVICES REVENUE ($M)



ANNUAL NET CASH FLOWS ($M) BY HALF YEARS



SYNERTEC'S VALUED TIER ONE CUSTOMER BASE INCLUDES:

Managing Director's Report

"Synertec continues to invest through "equity projects" which are identified as having know-how and technology which could be developed, scaled and applied more broadly across our target industries and geographies."

First and foremost, I would like to recognise the steadfast support and commitment of the people of Synertec; to each other, to our customers and to the strength of our organisation. Our people have drawn on the agility, focus and care that have been trademarks of our business over decades to steer us through an extraordinary operating environment. The COVID-19 pandemic is likely to be a defining moment in history with the impacts to reshape society for years to come.

FY20 has been a demanding and successful year for Synertec on several fronts. The conditions of our operating environment have presented challenges which are significant, but I am pleased to report that these same conditions have provided opportunities for us to demonstrate value to our customers, partners and investors. This is reflected in our unprecedented levels of consistent staff utilisation and higher margin consultancy revenue growing steadily throughout the year, as anticipated.

While we can point to a unique global event, Synertec delivered a disappointing financial result for financial year 2020 (FY20), returning an operating loss after tax of $1.26 million (30 June 2019: $0.1 million). However, we made substantial progress on our strategic agenda including successful delivery of several large, high quality critical infrastructure projects and creating new partnerships to position the organisation for sustainable growth and development. This included further investment in people, process and technology which has laid the foundation to better enable and fast track the delivery of our niche products and solutions to customers in the current environment of working remotely under Government-imposed COVID-19 restrictions.

We remain an agile and entrepreneurial organisation with a disciplined strategy of reinvesting cash flow into existing businesses and acquiring new growth platforms. Synertec continues to invest through "equity projects" which are identified as having know-how and technology which could be developed, scaled and applied more broadly across our target industries and geographies.

Financial performance

The core business was heavily impacted by COVID-19 and this is reflected in our performance for the second half (2H) of the financial year which was down significantly on our expectations. We reported at the half year that Synertec's first half (1H) performance was in line with expectations. In the 1H we invested in upgrades to our operating systems and processes and positioned ourselves for large project opportunities both domestically and abroad. In earlier periods Synertec had recognised significant revenues associated with several large and strategically important projects awarded in 2017 and 2018. The timing of contract awards and delivery relative to the Company's reporting date had a significant impact on overall revenue versus operating cash flow.

Following this, as result of the deterioration in operating conditions within global energy markets, the impact on our business is most notable in the reduction in large project awards previously anticipated in early 2H of FY20 mainly from the oil and gas sector, which was negatively effected by both the onset of the global COVID-19 pandemic and sharp oil price decline in March 2020. While most large local and international LNG infrastructure projects which the Company has been involved with and has targeted for over a year still required Synertec to tender, the award has in most cases been deferred by the end customers until 2021 or 2022.

These types of investments in large scale bids for which Synertec remains well positioned, are yet to be endorsed by revenue. The costs of these growth initiatives are included in both Corporate Development and Business Development costs in FY20, as well as the time costs devoted to developing scalable know-how and technology within select projects.

As forecast by the Company, the rise in working capital deployed during the 1H of FY20 has returned to more typical levels during 2H of the year as net operating cash flow improved following the completion of large scale projects with extended working capital terms. The business carefully managed the delivery of these projects across the past two years both financially and technically and delivered world-class outcomes for our customers on time and budget, which has presented further opportunities for Synertec. All the while, the Company has continued to operate bank debt-free.

Managing Director's Report (continued)

This strong project execution, leading to further opportunities with those clients, has now materialised within our business of specialist engineering consultancy services to our targeted sectors of critical infrastructure, water, pharmaceutical and hydrocarbons. In FY20 Synertec delivered total revenue and other income of $11.2 million (30 June 2019: $24.2 million), with 33% growth in Engineering Consultancy Services revenue to a record $4.1 million (30 June 2019: $3.1million). As a result, the Group substantially improved gross margin from 20% in FY19 to in excess of 30% for FY20.

A majority of the Fixed Price Solutions and Transfer of Goods revenue of $7.0 million, which is mostly derived from fixed price projects, was earned in 1H FY20 at margins more consistent with FY19. To achieve the overall margin performance delivered in FY20, gross margin performance in 2H FY20 was particularly strong and this is expected to carry into FY21. The Group has pivoted towards new higher-value work thanks to Synertec's trusted track record over decades of successful project delivery and consultancy in its target industries and our deep customer relationships.

It should be noted that the revenue results achieved in FY19 were exceptional, resulting from the simultaneous award and delivery of several large Engineering Procurement and Construction Management (EPCM) projects in the critical infrastructure and pharmaceutical industries across various regions of Australia. This performance demonstrated Synertec's capacity and expertise to safely and successfully deliver many large, complex and mission-critical projects across multiple target industries and regions, managing large multi-disciplined teams of engineers and contractors. Earnings and cash flows for that year also reflected further heavy re-investment in technology development and other growth opportunities.

In FY20 we implemented a range of measures to strengthen the financial position of the Group. Discretionary costs were reduced along with the reassessment of capital and project expenditure, and the Group accessed wage subsidy support in markets where it was offered and renegotiated its tenancy agreements to reduce its occupancy expense. The issuance of new equity through a successful share placement in July 2020 and the resetting of the Group's banking arrangements have strengthened Synertec's capacity to manage through a potential sustained downturn and positions the Group for a market recovery.

I am proud to report that we have protected all of our employees during the pandemic period, prioritising their health and well-being and maintaining Synertec's strong capability and pursuit of innovation in our chosen markets. We have deliberately refrained from cutting jobs or the remuneration of our people. The dedication to the Company and our customers by our people, which has only increased through this time of pandemic, has been humbling for me and is invaluable to a smart, innovative and growth-focused organisation such as Synertec.

I am grateful to the Board for choosing to temporally reduce Directors' remuneration by 20% in response to the uncertainty created by COVID-19 conditions and to ensure the business is provided with the best opportunity to maintain all of its valued team and strong capability.

Following the successful implementation of these and other initiatives, and in line with solid business activity, the Company substantially improved cash flow over the 2H of FY20 as anticipated, reflected in positive net cash flows for 2H FY20 of $1.6m and positive net operating cash flows for the final quarter of FY20.

In addition to this, the Company delivered a successful share placement in July 2020, raising $1.3 million in new capital. Net proceeds of the share placement will be principally used to provide balance sheet support to fund initiatives which progress the Company's technology-led growth strategy.

Health and safety

As COVID-19 conditions were becoming established, an extraordinary effort was made to keep our people, and those who interact with us, safe and to support the continuance of operations. This level of focus was rapidly applied across the business through adjusting office and site-based working arrangements, seamlessly implementing remote working capability and introducing new policies, education and support for employees and customers as restrictions and social distancing protocols became first lines of defence against the virus.

The Company regrettably had one lost time injury during the year. Safety is Synertec's highest priority, and we continue to focus sharply on the ongoing safety, well-being and care of all people associated with Synertec.

Strategy

Currently, the management team and the Board are heavily focused on the shape of the business in future years and by the course we need to chart to achieve it. With that as our guiding principle, and as we have consistently

communicated to the investor market, we are continuing to invest ambitiously and expect to benefit from the global economic recovery as we continue to execute our technology-led growth strategy.

Additionally, COVID-19 has precipitated a national conversation with regards to Australia's ability to maintain critical drug supply during global upheaval. Synertec is one of very few local organisations with the knowledge and experience to play a part in addressing any shortfalls in manufacturing infrastructure. We are seeing the start of what we believe is a shift towards greater sovereign capability with regards to developing and producing vaccines and critical pharmaceuticals. This is a core capability and remains a central pillar in Synertec's strategy.

We are excited by the potential of our new technology partner, Greentech, with whom we are working to commercialise innovative technology that provides an environmentally friendly and cost-effective solution for the treatment of hydrocarbon drilling mud and various forms of waste water. Following formlisation of the partnership in June 2020, Synertec agreed to provide a loan facility of $1 million AUD, fully secured, to enable the completion of commercial-scale pilot programs with customers for Greentech's patent-pending Composite Dry Powder ("CDP") technology.

This chemistry-based CDP technology process provides a fast, effective and affordable way to process water-based hydrocarbon mud into a non-polluting material which has the potential to be used in a high-strength environmentally-friendly building product. With diverse global applications beyond energy production, this technology fits ideally within our strategy to commercialise replicable and scalable solutions which enhance industrial clients' profitability, efficiency and safety.

Greentech directly opens Synertec to the benefits of the world's fastest growing economy, which seems to be recovering quickly from the pandemic, and Greentech's customers have interests in Australia too which, combined with our own oil and gas customer base, we expect will help Synertec apply the technology in the Australian market.

Greentech's activities complement those of our technology design and development arm, through which — focusing on our target growth market of LNG — we continue to see a huge opportunity in the strategic niche of LNG Custody Transfer Systems (CTS) and related products and services. We expect planned industry spend in the hundreds of billions of dollars on new and existing facilities over the next decade will continue to create a large addressable market, which we are now well-placed to serve having delivered several highly successful LNG CTS projects across Australia's world-class LNG facilities.

Managing Director's Report (continued)

We see ourselves as still in the early stages of a global mega-trend in LNG, and very few, if any, businesses globally can provide the systems, products and solutions of the quality which Synertec has delivered.

This has been reflected in the discussions we had during the year in forming our partnership with EffecTech, considered the global leader in gas measurement, providing accredited inspection, calibration and testing services to the energy and power industries for gas quality, flow and total energy metering. The value which EffecTech adds to its customers' operations is closely aligned with the gas custody transfer and flow metering products and solutions delivered by Synertec. Synertec's proprietary fiscal custody transfer systems, delivered in recent years to Australia's largest LNG facilities, were certified by EffecTech and are widely regarded as the most accurate LNG fiscal custody transfer systems in the world.

Synertec agreed to become EffecTech's exclusive Asia-Pacific regional representative for all site activities and calibration services. This will see Synertec carry out performance evaluations for EffecTech and Synertec clients on instruments used in the analysis of natural gas and LNG.

Outlook

In the year ahead we will continue to pursue our immediate global growth opportunities by commercialising innovative technology, allowing us to deliver into multibillion-dollar markets on the cusp of acceleration. We are well-placed to achieve our goals building on our base business which generates cashflow to fund anticipated growth, with our diverse revenue base built on long-term deep relationships with customers in high-risk and highly regulated industries.

We have looked back in history to times of global upheaval and which companies prospered in in subsequent years. We are inspired by the growth trajectories of some of today's ASX300 companies in related sectors. Many of these industrial, technology and engineering-focused companies thrived out of the GFC by continuing to invest heavily for growth platforms during the period. While this may have impacted their results in the very short term, these companies and their loyal investors reaped the benefits over the following decade.

Though the duration of the impacts of the pandemic is uncertain, the Group enters FY21 well-positioned financially to achieve these goals with a robust, cash-generative and scalable platform, backed by the balance sheet strength to grow quickly and opportunistically, particularly following the capital raising that we completed in July 2020.
Business resilience and adaptability are critical to navigate the uncertainty. We have a tremendous team and pipeline of opportunities and are well placed to drive high quality earnings growth and pursue new opportunities as we emerge from the current economic challenges. On behalf of the Group I again thank our employees, along with our loyal customers, shareholders, suppliers and bankers for supporting Synertec throughout the year.

I would like to formally recognise the significant contribution of our friend and colleague Mr. Ted Perkins. Ted was Synertec's Construction Manager for over 20 years and was renowned for his leadership, project management and delivery of technical excellence. Ted retired from Synertec in March 2020 due to ill health, and tragically passed away in July. His legacy at Synertec will be enduring.

Finally, I would like to take this opportunity to thank my fellow Directors for their guidance and support. The Company's operational and strategic achievements are a direct result of the significant effort contributed by the entire Synertec team.

Mr Michael Carroll
Managing Director & CEO

Synertec Board Members

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

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

From 1996 to 2006, Ms. Bond held a number of management roles with Worley 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.

From 2017 to 2019, Ms. Bond held the appointment of Executive for Diversity & Inclusion at Downer EDI.

Ms. Bond is a non-executive director of Snowy Hydro Limited, QADO group and a board member of the Clean Energy Finance Corporation. She is also the independent non-executive chair of Mining3, an industry directed research and technology organisation formerly known as CRCMining in partnership with CSIRO and is an independent non-executive director of Aurecon.

Ms. Bond is the sole director and owner of Breakthrough Energy Pty Ltd, a project and business development consulting firm.

Mr. Michael Carroll
Managing Director and Chief Executive Officer

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 it 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. Mr. Carroll 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 Australian Institute of Company Directors and holds a Degree in Applied Science (Applied Chemistry) and a postgraduate qualification in Chemical Engineering.

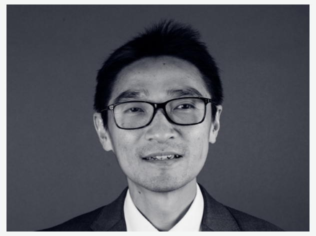
Mr. Kiat Poh
Independent Non-Executive Director

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

Mr. Poh has over 30 years' experience at the 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 acquisitions.

From 1998 to 2005, Mr. Poh 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. He has previously held board positions on a number of businesses including as a non-executive director of Centrex Metals Limited (ASX: CXM).



Mr. Dennis Lin
Independent Non-Executive Director
(Chair of Audit & Risk Management Commitee)

Mr. Lin is founding partner and Chair of Cortina Capital, an independent private equity firm focused on middle market businesses with great export potential to Asia. He is also Executive Chair of ASX listed companies, Bubs Australia Limited (ASX: BUB) and Buderim Group Limited (ASX: BUD).

Mr. Lin is an Australian qualified Solicitor and Chartered Accountant and was formerly a partner of global accounting and advisory firm, BDO, for eleven years. He retired from his position as BDO's Lead Corporate Finance Partner, specialising in M&A and China, in June 2020.

Mr. David Harris
Company Secretary and Chief Financial Officer

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

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 June 2020

SYNERTEC CORPORATION LIMITED

ARBN 161 803 032

[ASX:SOP]

expertise + experience

Corporate Directory

Directors	Ms. Leeanne Bond (Chair) Mr. Michael Carroll (Managing Director) Mr. Kiat Poh (Non-executive Director) Mr. Dennis Lin (Non-executive Director)
Company Secretary	Mr. 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	Synertec Corporation Limited 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 5 727 Collins Street Melbourne VIC 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

DIRECTORS' REPORT
30 June 2020

The Directors present their report together with the financial statements of the consolidated entity for the year ended 30 June 2020.

1. Directors

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

Ms. Leeanne Bond
Mr. Michael Carroll
Mr. Kiat Poh
Mr. Dennis Lin (appointed 27 August 2019)
Mr. Kim Chuan Freddie Heng (resigned 21 November 2019)

1.1 Information on Directors

Ms. Leeanne Bond - Non-Executive Director, Chair
Ms. Bond is a professional company director with Board roles in the energy, water and engineering services industries. She has qualifications in engineering and management, and 30 years' experience across a broad range of industrial sectors including energy, minerals, infrastructure and water.

From 1996 to 2006, Ms. Bond held a number of management roles with Worley 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. From 2017 to 2019, Ms. Bond held the appointment of Executive for Diversity & Inclusion at Downer EDI.

Ms. Bond is a non-executive director of Snowy Hydro Limited, QADO group and a board member of the Clean Energy Finance Corporation. She is also the independent non-executive chair of Mining3, an industry directed research and technology organisation formerly known as CRCMining in partnership with CSIRO and is an independent non-executive director of Aurecon.

Ms. Bond 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 energy and water businesses including Liquefied Natural Gas Limited (ASX: LNG), Tarong Energy, the Queensland Bulk Water Supply Authority (Seqwater) and was Chair of Brisbane Water.

Mr. Michael Carroll - Executive Director
Mr. Carroll is a founding principal and Managing Director and Chief Executive Officer of Synertec and a significant beneficial owner of Synertec. He has successfully grown the business of Synertec since it 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 multi-national energy conglomerates, water utilities, defence and pharmaceutical companies. Mr. Carroll 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 Australian Institute of Company Directors and holds a Degree in Applied Science (Applied Chemistry) and a postgraduate qualification in Chemical Engineering.

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 Singapore Polytechnic.

Mr. Poh 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 acquisitions.

From 1998 to 2005, Mr. Poh 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. He has previously held board positions on a number of businesses including as a non-executive director of Centrex Metals Limited (ASX: CXM).

1. Directors (continued)

1.1 Information on Directors (continued)

Mr. Dennis Lin - Non-Executive Director
Mr. Lin is founding partner and Chair of Cortina Capital, an independent private equity firm focused on middle market businesses with great export potential to Asia. He is also Executive Chair of ASX listed companies, Bubs Australia Limited (ASX: BUB) and Buderim Group Limited (ASX: BUD).

Mr. Lin is an Australian qualified Solicitor and Chartered Accountant and was formerly a partner of global accounting and advisory firm, BDO, for eleven years. He retired from his position as BDO's Lead Corporate Finance Partner, specialising in M&A and China, in June 2020.

1.2 Directors' interest in shares and options

	Interest in Ordinary Shares	Interest in Options
Non-Executive Directors:		
Leeanne Bond (Chair)	2,785,576	-
Kiat Poh	2,423,417	-
Dennis Lin	-	-
Executive Director:		
Michael Carroll (Managing Director)	94,796,992	-

Mr. Michael Carroll is the beneficial owner of 52.1% of the benefits and rights in the Pinnacle (MCGA) Retirement Fund, which in turn owns 100% of the ordinary shares in New Concept Corporation Limited. New Concept Corporation Limited is the registered holder of 94,796,992 shares in Synertec Corporation Limited.

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 and Perth.

3. Significant changes in the state of affairs

No significant changes noted in the year ended 30 June 2020.

4. Review of operations and results of those operations

Proft and loss performance

In financial year 2020 (FY20) Synertec Corporation Limited ("Synertec" or the "Group") achieved total revenue and other income of $11.2 million (30 June 2019: $24.2 million), with 33% growth in Engineering Consultancy Services revenue to a record $4.1 million (30 June 2019: $3.1 million). As a result, the Group substantially improved gross margin from 20% in FY19 to in excess of 30% for FY20.

Most of the Fixed Price Solutions and Transfer of Goods revenue of $7.0 million, was earned in 1H FY20 at margins which were more consistent with FY19. As a result, gross margin performance in 2H FY20 was particularly strong and this is expected to carry into FY21 as the Group continues to pivot towards new higher-value work.

The revenue results achieved in FY19 were considered exceptional, resulting from the simultaneous delivery of several large Engineering Procurement and Construction Management (EPCM) projects in the critical infrastructure and pharmaceutical industries across various regions of Australia. This performance demonstrated Synertec's capacity and expertise to safely and successfully deliver many large, complex and mission-critical projects across multiple target industries and regions, managing large multi-disciplined teams of engineers and contractors. Earnings and cash flows for that year also reflected further heavy re-investment in technology development and other growth opportunities.

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

Proft and loss performance (continued)

As a result of Synertec's long track record over decades of successful project delivery and consultancy in its target industries of Energy, Pharmaceutical and Critical Infrastructure, Synertec secured a large amount of consultancy services from within its strong and diversified blue chip customer base through FY20, further demonstrating its growth model of deep client relationships, enabling development of strategic proprietary IP which can be commercialised and scaled up for international markets and increasing the amount of repeat work from its customers – which has further increased to approximately 80% of revenue (FY19: 70%).

The impact of COVID-19 on the Company and its result in FY20, an operating loss after tax of $1.26 million (30 June 2019: $0.1 million) is most notable in the reduction in large project awards previously anticipated from the oil and gas sector which was negatively affected by both the global COVID-19 pandemic and significant oil price decline, early in CY2020. While most large local and international projects which the Company has been involved with and has targeted for over a year still required Synertec to tender, the award has in most cases been deferred until later in FY21 or into FY22.

During the year, Synertec proudly delivered a large state-of-the-art veterinary pharmaceutical manufacturing facility in Victoria, Australia. The customer is one of the largest vaccine manufacturers in the world and this facility represents the Global Centre of Excellence for this product. This complex and highly regulated project is one which Synertec was uniquely positioned to deliver and has developed further experience and know-how in the sensitive and critical arena of vaccine manufacture, scale up and delivery.

The Company also delivered strategically important projects in Australia's critical infrastructure expansion including an advanced integrated control and monitoring system for fire and life safety in the Melbourne Underground Rail Loop (MURL), followed by delivery of other advanced integrated control and safety systems such as the critical Northern Gas Pipeline network for Jemena. Synertec's innovative and commercial approach to these projects led to pull-through of Synertec engineers into many of these organisations for longer-term consultancy work during 2H FY20, which continues into FY21.

The Board remains confident the growth strategy of engineered content for diverse global niche markets combined with strong operations management and strategic reinvestment of cash to create further value in the medium to long term is delivering improved quality in earnings during a significant phase in Synertec's development. Synertec maintains its vision of a diversified technology company with a strong core engineering capability delivering into a diverse range of niche markets and serving a broad blue-chip customer base.

The Company is improving upon execution in order to deliver superior growth and profitability and compelling cash flow deployed to create shareholder value. Typically, this investment has been deliberately embedded within projects to ensure a commercial approach to innovation and developing know-how which could be leveraged by Synertec across new clients, industries and/or geographies.

During FY20 the Group deliberately strengthened its project targeting and contracting strategy, which has seen a comprehensive filter applied to all potential new projects, ensuring projects which are carefully selected can deliver acceptable returns for commensurate risk. This approach has already served the Group well, particularly in the current environment, and should continue to deliver higher quality earnings and greater value from the resources allocated to growing the business.

The Group continued to control overheads and maintain its strong core capability during the impact of the COVID-19 environment. While the Company has experienced a natural attrition in its team as the volume of work from large fixed price projects declined as expected, the core team were heavily re-engaged in the growing amount of consultancy engagements with key existing clients.

During the financial year, the Group's professional indemnity insurance increased substantially as a result of global conditions in related insurance markets which were outside the control of Synertec. This increase resulted in an increase to the Group's operating costs for the year of $0.3 million, reflected in Other expenses.

Notwithstanding the complexities associated with operating in the COVID-19 environment, the Company continued to take a longer term view of its growth strategy and as it firmly believes in the potential of its know-how and capability, continued to investigate and invest in several potential high-growth strategic opportunities locally and internationally for durable organic and inorganic growth, while continuing to generate cash flow. The operating result reflects several significant strategic investments across the Company's target sectors which are expected to deliver sustainable long-term growth, however as reported during the year, these investments are yet to be endorsed by revenue as some large-scale international bids for which Synertec is well-positioned, are taking longer than expected to reach final decision. The costs of these growth initiatives are included in both Corporate Development and Business Development costs, as well as the time costs devoted to developing scalable know-how and technology within select projects.

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

Proft and loss performance (continued)

In response to the COVID-19 global pandemic and to reduce potential impacts on the Company, the Board resolved to implement a 20% reduction in Directors remuneration effective from 1 May 2020. This position will be reviewed by the Board during FY21.

Earlier in the year Synertec reported that it had resolved to strengthen its IT environment and various systems to further reduce enterprise risk. The solid operating platforms of the business continued to be improved by further leveraging technology and several internal projects completed during the year enabled the Group's entire workforce and systems to rapidly and seamlessly transition to a work-from-home environment under COVID-19 imposed lockdown conditions. This allowed Synertec's workforce to maintain focus on customers' mission critical projects whose operations cannot be interrupted by COVID-19, as well as deliver on the growing demand for Synertec's consultancy which has been successfully performed remotely.

Synertec continues to respond to the COVID-19 pandemic by implementing a range of health and safety measures designed to optimise the performance of its workforce under current conditions and meet Government and customer requirements.

The Company regrettably had one lost time injury during the year. Safety is Synertec's highest priority, and the Company continues to focus sharply on the ongoing safety, well-being and care of all people associated with Synertec.

COVID-19 stimulus and support measures availed by the Company during the year ended 30 June 2020

(1) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the JobKeeper subsidy. The Group was entitled to $1,500 per employee per fortnight, beginning from 30 March 2020 (to 14 September 2020) and paid in arrears.

(2) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the "cashflow boost" subsidy administered by the ATO. The support is provided in two tranches and is provided following submission of the March 2020 quarterly Business Activity Statement (BAS) and the June 2020 and September quarterly BASs. The second tranche is the same as the first tranche.

(3) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Company received permission from the Australian Taxation Office (ATO) to defer its March 2020 and June 2020 quarterly Pay As You Go Withholding (PAYGW) and Goods and Services Tax (GST), to 14 September 2020. The Company estimates that this represents a cash payment deferral of approximately $0.6 million. This has been accrued accordingly in the Company's position as at 30 June 2020.

(4) In response to the COVID-19 relief measures announced by the Federal and Victorian State Governments in April 2020, the Group received permission from its landlord under the Commercial Tenancies Code (released and effective from 3 April 2020) to abate a portion of the rent charged for its Richmond office for the April to June 2020 rental periods. Of this abatement, 50% was received as a discount on the monthly rent charge and 50% has been deferred until December 2020.

(5) In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group applied the "instant asset write off" available on new assets acquired and installed ready for use between 12 March 2020 and 30 June 2020. The total cost of those qualifying assets amounted to $41,949. This will be reflected in the Company's 2020 income tax return.

New standards adopted as at 1 July 2019

The new accounting standard IFRS 16 'Leases', which replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'), became effective and was adopted by the Group as at 1 July 2019 for the first time.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. As such, lease assets and financial liabilities on the balance sheet has increased by $280,516 and $280,516 respectively at 1 July 2019.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

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

New standards adopted as at 1 July 2019 (continued)

In the statement of profit or loss and other comprehensive income, rental payments made by the Group that would have been previously been classified as occupancy expenses, are now classified as depreciation and amortisation expenses.

Statement of Profit or Loss and Other Comprehensive Income (Extract) *In Australian dollars*	**Amounts under IAS 17**	**Adoption of IFRS 16**	**Amounts under IFRS 16**
Depreciation and amortisation expense	100,519	179,415	279,934
Occupancy expenses	197,915	(179,415)	18,500
Leases finance cost	-	10,828	10,828

In the cash flow statement, operating cash outflows is lower and financing cash flows is higher as principal repayments on all lease liabilities is now included in financing activities rather than operating activities.

Financial position

The Group's Balance Sheet remains strong, closing the year with net assets of $3.9 million (30 June 2019: $5.2 million) including operating cash of $3.0 million (30 June 2019: $4.3 million). Synertec remains bank debt-free and has no reporting covenants while maintaining access to a bank guarantee facility.

During the year, the Company implemented several corporate initiatives which significantly enhanced the Company's liquidity and capital reserves. Synertec's bankers undertook a review of Synertec's operations and governance processes and as a result, $1.5 million cash previously held as security was returned to the Company's operating cash balance. This has been applied to working capital reserves, prudent investment in the company's growth strategy and protection of its workforce and technology. The Company retains strong relationships with its bank and is grateful for its ongoing support.

Synertec also engaged proactively with Governments and their agencies to secure its eligibility for various business support programs. Following the successful implementation of these and other initiatives, and in line with solid business activity, the Company returned positive net cash flow of $1.6 million over the 2H of FY20, as anticipated. With the forecast rise in working capital deployed during 1H FY20 returning to more typical levels, the Company returned positive net operating cash flows for the final quarter of FY20.

In addition to this, the Company delivered a successful share placement of 55.2 million shares at an issue price of $0.023 per share in July 2020, raising $1.3 million in capital. Net proceeds of the share placement will be principally used to provide balance sheet support to fund initiatives which progress the Company's technology-led growth strategy.

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 Group and provides the Company with important reserves to continue to fund Synertec's core strategic objectives and existing pipeline of work.

Outlook

Synertec's strategy, platforms for growth and proactive response to COVID-19 is producing new contract awards and tendering in the Company's target sectors of Critical Infrastructure, Pharmaceutical and Energy, most of which is expected to deliver revenue in FY21. The Group has recently been awarded several contract extensions, as well as new contract awards across these target sectors in Australia, reflecting existing customers leveraging Synertec's knowledge of their mission critical operations.

The awards and deepening of Synertec's involvement in its customers operations reinforce its position as a recognised leader in its target sectors. The Group's agile response to recent changes in market conditions and its intense focus on customers' needs is translating to an increase in consultancy and tendering activity levels. To date, the imposition of travel restrictions has had minimal impact on local business development. As a result of current circumstances, the Group has intensified its strategic focus for its core engineering services on local Australian opportunities.

Synertec's long standing reputation as an expert in mitigating risks to people, assets, business and the environment is driving existing and potential clients to seek Synertec's involvement with the likes of pharmaceutical facility design, conceptual thinking, automation, hazardous area and functional safety consulting.

The Group expects that the pharmaceutical and biopharmaceutical sectors in particular will provide significant opportunities, with Australia a natural choice for global pharma investment and vaccine production given its geographical advantages and experience with therapeutic goods manufacturing technology and innovation. As a result, the Group is positioning itself to bid for project opportunities which it is anticipating will result in services to be provided during FY21 and FY22 based on recent conceptual design work and enquiry it has received.

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

Outlook (continued)

As reported in July 2020, Synertec continues to focus its technology design and development activities on the oil and gas industry. The Company has identified attractive global economic trends, including (but not limited to) the growth in demand for floating LNG production, storage and bunker vessels and China's part in growing the ongoing shale energy revolution. These macro trends present growth opportunities which Synertec is uniquely positioned to capture given its extensive experience in Australia's major LNG projects over the last decade.

The Company's lead product in LNG, the Synertec Custody Transfer System (CTS) with marine application (under worldwide provisional patent application), is expected to deliver material financial gains, and Synertec is currently collaborating with major industry participants, including Trelleborg Group and other major shipping operators, to deploy its marine-based CTS. The Group has identified many potential new projects to target globally, with each marine CTS award potentially worth between approximately $1.0 million and $2.0 million in revenue to Synertec.

Further, Synertec identified an attractive opportunity to augment its technology portfolio by collaborating with Sichuan GreenTech Environmental Co. Ltd ("Greentech"). Greentech is a Chinese-based company piloting innovative, environmentally friendly technologies that provide the potential of a cost-effective solution for the treatment and recycling of drilling mud, applicable to both oil and gas operations as well as municipal waste water from sewage.

Working closely with two of the major oil and gas producers in China, Greentech is completing pilot programs which will evaluate the technology with regard to cost competitiveness and environmental benefits. Several preliminary evaluation trials have already been conducted returning encouraging results.

The Company has formalised this collaboration and provided Greentech with a loan facility of $1.0 million to complete the pilot programs with its customers; two major Chinese State-Owned Enterprises. Greentech presents an early-stage technology opportunity into a very large market segment and is closely aligned to the Group's core strengths in commercialising and scaling hydrocarbon technologies which can be applied globally.

5. Litigation

There has been no litigation in the year 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

On 9 July 2020, the Company issued 55,175,346 fully paid ordinary shares ("Shares") at an issue price of $0.023 per share to professional and sophisticated investors in a share placement ("Placement"). The Placement funds raised will support initiatives which progress the Company's technology-led growth strategy.

The growth strategy includes collaboration with a Chinese company, Sichuan GreenTech Environmental Co. Ltd ("Greentech") which will see the parties work together to commercialise Greentech's environmentally focused and globally scalable hydrocarbons and waste water treatment technology. Greentech is piloting innovative, environmentally friendly chemical technologies that provide the potential of a cost-effective solution for the treatment and recycling of hydrocarbon drilling mud, applicable to both oil and gas operations as well as municipal waste water from sewage.

Working closely with two major Chinese State Owned Enterprises (SOEs) responsible for oil and gas production in China, Greentech is completing pilot programs which will evaluate the technology with regard to cost competitiveness and environmental benefits. Preliminary evaluation trials and most of the pilot program testing has already been conducted returning encouraging results.

The Company has formalised this collaboration on 26 June 2020 with a Memorandum of Understanding and subsequent to 30 June 2020 provided Greentech with a loan facility of AUD $1 million to complete the pilot programs with the two major SOEs. The loan facility is to be repaid with interest by 31 December 2020, is fully secured and subject to customary terms and conditions. At the date of this report, Greentech had drawn down $0.35 million of the facility.

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. Material business risks

The key challenges for the Group going into FY21 are:

- Maintaining and building balance sheet strength;
- Delivering profitability within the suite of projects and services; and
- Selecting projects that can deliver acceptable returns for commensurate risk.

Material risks that could adversely affect the Group include the following:

Impact of COVID-19 and associated market risk on the Company
The global economic outlook is highly uncertain due to the current COVID-19 pandemic. The COVID-19 pandemic had, and will likely continue to have, a significant impact on global capital markets. In addition, the Company's projects and/or pipeline of opportunities may be impacted by international supply issues and/or the inability for the Company's workforce to move between States or overseas.

Synertec's exposure to economic cycles
The Company is exposed to the impact of economic cycles and, in particular, how these cycles increase and decrease future capital expenditure by States and Federal Government and by energy and resources companies and organisations involved in the development of critical infrastructure. These economic cycles are in turn impacted by a number of factors including: the fiscal condition of the economy; government policies on capital expenditure; and commodity prices.

Profitability of contracts
A portion of the Group's contracts are 'fixed price' in nature and to the extent costs exceed the contracted price, there is a risk these amounts may not be recovered. From time to time, variations to the planned scope occur or issues arise during the design or construction phase of a project, not anticipated at the time of bid. This may give rise to claims under the contract with the principal in the ordinary course of business. Where such claims are not resolved in the ordinary course of business, they may enter formal dispute and the outcome upon resolution of these claims may be materially different to the position taken by the Company.

Labour supply
Synertec's ability to remain productive, profitable and competitive and to affect its planned growth initiatives, depends on its ability to attract and retain skilled labour. Tightening of the labour market in key regions due to a shortage of skilled labour and competing employers for skilled labour, may inhibit Synertec's ability to hire and retain employees. Synertec is exposed to increased labour costs where the demand for labour is strong. A shortage of skilled labour could limit Synertec's ability to grow its business and lead to a decline in productivity and an increase in training costs and adversely affect its safety record. Each of these factors could materially adversely impact its revenue and, if costs increase or productivity declines, its operating margins.

Continuing support of Synertec from its bank and insurers
The Company and its bank and insurers undertake an annual review of the business. These reviews could reveal matters that require the bank or the Company's insurers to review their current arrangements with the Company.

During FY20, the Company continued to implement many initiatives to address the risks above. These initiatives included:

- Streamlining of organisational structure and project delivery and contracting;
- Strengthened project targeting and contracting strategy, which has seen a comprehensive filter applied to all potential new projects ensuring we select projects that can deliver acceptable returns for commensurate risk. The Company has also improved its targeting of potential projects through a more strategic view of business and corporate development efforts which should deliver greater value from the resources allocated to growing the business;
- Balance sheet strengthening via resetting of bank facilities and a share placement in July 2020;
- Maintenance of dedicated State-based workforces in Victoria and Western Australia to support projects in those states so as to minimise the need for interstate travel; and
- Synertec management meets regularly with its banker, insurance brokers and insurers to discuss operations, performance and developments within the business.

10. Environmental legislations

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

11. Company Secretary

Mr. David Harris is Company Secretary and Chief Financial Officer of Synertec Corporation Limited.

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

12. Directors' meetings

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the period 1 July to 30 June 2020, 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
Directors						
Leeanne Bond	11	11	2	2	3	3
Michael Carroll	11	11	2	2	3	3
Kiat Poh	11	10	2	2	3	3
Dennis Lin	10	8	2	2	2	2
Others						
David Harris - CFO / Company Secretary	11	11	2	2	3	3

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

13. 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, ASX: SOPOA). The listed options (ASX: SOPOA) have an exercise price of $0.053 and are exercisable on or before 5.00pm (AEST), 7 August 2020.

Since the end of the financial year, 396,846 shares were issued on 12 August 2020 as a result of the exercise of these options, and the remaining balance (15,779,012 options) have expired. No other options have been granted or exercised.

14. 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

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 people.

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.

14. Remuneration report (continued)

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 require 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.

In response to the COVID-19 global pandemic and to reduce potential economic impacts on the Company, the Board resolved to implement a 20% reduction in Directors remuneration effective from 1 May 2020. This position will be reviewed by the Board during FY21.

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	
2020	**Cash salary and fees**	**Bonus**	**Superannuation**	**Long service leave**	**Total**
	$	$	$	$	$
Non-Executive Directors					
Leeanne Bond*	82,167	-	-	-	82,167
Kiat Poh**	48,333	-	-	-	48,333
Dennis Lin (appointed 27.08.2019)	36,530	-	3,470	-	40,000
Executive Director					
Michael Carroll (Managing Director)	333,342	-	30,963	379	364,684
Other Key Management Personnel					
Joern Buelter - COO	180,324	-	17,243	3,477	201,044
David Harris - CFO/Company Secretary	256,919	-	24,292	3,687	284,898
Total remuneration of key management personnel	937,615	-	75,968	7,543	1,021,126

* This was paid to Breakthrough Energy Pty Ltd
** This was paid to Asiaphere Pty Ltd

	Short-term benefits		Post-employment benefits	Long-term benefits	
2019	**Cash salary and fees**	**Bonus**	**Superannuation**	**Long service leave**	**Total**
	$	$	$	$	$
Non-Executive Directors					
Leeanne Bond*	85,000	-	-	-	85,000
Kiat Poh**	50,000	-	-	-	50,000
Kim Chuan Freddie Heng (resigned 21.11.2019)	50,000	-	-	-	50,000
Executive Director					
Michael Carroll (Managing Director)	322,240	-	31,415	3,855	357,510
Other Key Management Personnel					
Joern Buelter - COO	174,254	-	16,459	6,142	196,855
David Harris - CFO/Company Secretary	288,844	-	26,364	2,129	317,337
Total remuneration of key management personnel	970,338	-	74,238	12,126	1,056,702

14. 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 2019	Received as part of remuneration	Additions/ (Disposals)	Bonus Options	Balance at 30 June 2020
Non-Executive Directors					
Leeanne Bond[1]	2,185,576	-	600,000	-	2,785,576
Kiat Poh[2]	2,423,417	-	-	-	2,423,417
Dennis Lin	-	-	-	-	-
Executive Director					
Michael Carroll (Managing Director)[3]	94,796,992	-	-	-	94,796,992
Other Key Management Personnel					
Joern Buelter - COO	250,000	-	-	-	250,000
David Harris - CFO/Company Secretary[4]	1,384,531	-	20,000	-	1,404,531

Notes:
1. Shares held by Bondatron Pty Ltd ATF Bondatron Super Fund A/C.
2. Shares/options held by Kiat Poh and joint names under Kiat Poh & Ju-Lynn Poh.
3. Shares held by New Concept Corporation Limited ("New Concept") in which Michael Carroll is considered to have 52% interest in the shares in New Concept. All the issued share capital of New Concept is beneficially owned by TMF Trustees Singapore Limited as trustee of the Pinnacle (MCGA) Retirement Fund. Mr. Carroll has not disposed of any shares in which he has a direct beneficial interest during the year and up to the date of this report.
4. Shares/options held by DDGG Harris Holdings Pty Ltd ATF DDGG Harris Superannuation Fund.

Options held by key management personnel

	Balance at 1 July 2019	Received as part of remuneration	Additions/ (Disposals)	Bonus Options	Balance at 30 June 2020
Non-Executive Directors					
Leeanne Bond[1]	-	-	-	-	-
Kiat Poh[2]	-	-	-	-	-
Dennis Lin	-	-	-	-	-
Executive Director					
Michael Carroll (Managing Director)[3]	-	-	-	-	-
Other Key Management Personnel					
Joern Buelter - COO	-	-	-	-	-
David Harris - CFO/Company Secretary[4]	359,813	-	-	-	359,813

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).

Additional disclosures relating to key management personnel
There were no other transactions with key management personnel during the year.

15. 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.

16. Auditor

Grant Thornton Audit Pty Ltd continues in office.

17. 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.

18. 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; and
- 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 23 to the financial statements.

19. 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, Australia
28 August 2020

CORPORATE GOVERNANCE REPORT
30 June 2020

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 2020 is dated as at 30 June 2020 and was approved by the Board on 28 August 2020. The Corporate Governance Statement is available on the Synertec Corporation Limited website www.synertec.com.au.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2020

In Australian dollars	**Note**	**30 June 2020**	**30 June 2019**
Continuing operations			
Revenue			
Revenue	*6*	11,120,178	24,149,105
Other income	*7*	107,326	8,656
Expenses			
Materials and service expense		(4,828,995)	(14,862,341)
Employee benefits expense	*8*	(5,513,203)	(6,850,630)
Superannuation expense		(525,720)	(579,804)
Depreciation and amortisation expense		(279,934)	(127,562)
Occupancy expenses		(18,500)	(224,051)
Business development expense		(365,441)	(370,260)
IT and telecommunication costs		(292,029)	(261,503)
Legal and professional fees		(106,042)	(114,936)
Other expenses		(689,046)	(460,223)
Loss on disposal of motor vehicles		-	(10,834)
Directors fees		(190,290)	(185,000)
Corporate development costs		(167,946)	(147,063)
Results from operating activities		**(1,749,642)**	**(36,446)**
Interest income	*9*	17,514	34,520
Finance costs	*9*	(74,587)	(51,801)
Net finance costs		**(57,073)**	**(17,281)**
Loss before tax		**(1,806,715)**	**(53,727)**
Income tax benefit/(expense)	*10(i)*	551,249	(31,118)
Loss from operations		**(1,255,466)**	**(84,845)**
Discontinued operations			
Loss from discontinued operations		-	**(12,002)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**(1,255,466)**	**(96,847)**
Earnings per share (cents)			
Basic loss per share	*21*	(0.57)	(0.04)
Diluted loss per share	*21*	(0.57)	(0.04)

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 30 June 2020

In Australian dollars	Note	30 June 2020	30 June 2019
Assets			
Cash and cash equivalents	*11*	3,039,998	4,336,500
Trade and other receivables	*12*	670,178	1,541,861
Other assets	*13*	484,392	231,383
Contract assets	*14*	1,386,911	1,373,049
Current tax assets		-	14,188
Total current assets		**5,581,479**	**7,496,981**
Non-current assets			
Net deferred tax assets	*10*	1,062,631	502,893
Other assets	*13*	-	1,500,000
Property, plant and equipment	*15*	307,520	262,349
Total non-current assets		**1,370,151**	**2,265,242**
Total assets		**6,951,630**	**9,762,223**
Liabilities			
Trade and other payables	*16*	2,278,995	3,548,855
Warranty provision		18,989	39,709
Employee benefits	*17*	495,890	479,903
Contract liabilities	*18*	15,133	345,477
Lease liabilities	*19*	87,497	-
Total current liabilities		**2,896,504**	**4,413,944**
Non-current liabilities			
Lease liabilities	*19*	12,813	-
Employee benefits	*17*	96,247	99,751
Total non-current liabilities		**109,060**	**99,751**
Total liabilities		**3,005,564**	**4,513,695**
Net assets		**3,946,066**	**5,248,528**
Equity			
Issued capital	*20*	596,139	641,113
Retained earnings		3,349,927	4,607,415
Total equity		**3,946,066**	**5,248,528**

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 year ended 30 June 2020

In Australian dollars	Note	Issued capital $	Retained earnings $	Total $
Balance at 1 July 2018		641,113	4,704,262	5,345,375
Loss for the year - continued operations		-	(84,845)	(84,845)
Loss for the year - discontinued operations		-	(12,002)	(12,002)
Total comprehensive income		-	(96,847)	(96,847)
Balance at 30 June 2019		**641,113**	**4,607,415**	**5,248,528**
Balance at 1 July 2019		641,113	4,607,415	5,248,528
Adjustment on transition to IFRS 16 - DTA on initial recognition of leases		-	(2,022)	(2,022)
Capital raising costs	*20*	(55,480)	-	(55,480)
Deferred tax on capital raising costs booked through equity	*20*	10,506	-	10,506
Loss for the year		-	(1,255,466)	(1,255,466)
Total comprehensive income		-	(1,255,466)	(1,255,466)
Balance at 30 June 2020		**596,139**	**3,349,927**	**3,946,066**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

In Australian dollars

	Note	30 June 2020	30 June 2019
Cash flows from operating activities			
Cash receipts from customers		13,170,679	26,850,590
Cash paid to suppliers and employees		(15,707,779)	(26,045,040)
Cash generated from operations		(2,537,100)	805,550
Interest received		17,514	34,520
Income taxes received/(paid)		14,187	(14,187)
Net cash (used in)/from operating activities	*11A(i)*	**(2,505,399)**	**825,883**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	116,220
Receipt of funds from term deposit held as security		1,500,000	14,552
Acquisition of property, plant and equipment		(41,949)	(129,827)
Net cash from investing activities		**1,458,051**	**945**
Cash flows from financing activities			
Capital raising costs		(55,480)	-
Payment of lease liabilities		(193,674)	-
Net cash used in financing activities		**(249,154)**	**-**
Net (decrease)/increase in cash and cash equivalents		**(1,296,502)**	**826,828**
Cash and cash equivalent at beginning of the year		4,336,500	3,509,672
Cash and cash equivalents at end of the year	*11A(iii)*	**3,039,998**	**4,336,500**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

1. General information and statement of compliance

The financial statements cover Synertec 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 2020 (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 28 August 2020.

2. Changes in significant accounting policies

2.1 New standards adopted as at 1 July 2019

IFRS 16 *Leases*

IFRS 16 ‘Leases’ replaces IAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6%.

2. Changes in significant accounting policies (continued)

2.1 New standards adopted as at 1 July 2019 (continued)

IFRS 16 *Leases (continued)*
The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements at 30 June 2019) to the lease liabilities recognised at 1 July 2019.

Adjusted total operating lease commitments at 30 June 2019(i)	**280,516**
Operating lease liabilities before discounting	294,693
Discounted using incremental borrowing rate	(14,177)
Total lease liabilities recognised under IFRS 16 at 1 July 2019	**280,516**

(i) For IFRS 16 purposes, the operating lease commitments disclosed in the financial statements as at 30 June 2019 of $416,688 was adjusted to exclude outgoings and leases which were unlikely to be renewed and leases which had a remaining lease term of less than 12 months at 30 June 2019.

3. Significant accounting policies

3.1 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.

3.2 Basis of measurement
The financial statements have been prepared on the historical cost basis unless otherwise stated.

3.3 Functional and presentational currency
These financial statements are presented in Australian dollars, which is the Group's functional currency and presentation currency.

3.4 Basis of consolidation
The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2020. 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.

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.

3.5 Revenue and other income
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

3. Significant accounting policies (continued)

3.5 Revenue and other income (continued)
The Group's main revenue streams are as follows:

Transfer of goods
Revenue from the sale of custom products engineered by the Group for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods transferred are due after receipt of the invoice by the customer.

For sales of engineered products that are not subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods.

Engineering services
The Group provides engineering services relating to the design and engineering of customised Process, Chemical, Mechanical Design, Automation, Safety, Electrical and Software Engineering solutions. Revenue from these services is recognised on a time-and-materials basis as the services are provided. Customers are invoiced monthly as work progresses. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as Contract assets as only the passage of time is required before payment of these amounts will be due.

Fixed price solutions
The Group enters into contracts for the design, engineering and construction of customised engineering solutions in exchange for a fixed fee and recognises the related revenue over time. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. When a contract also includes a warranty period, the total transaction price is allocated to each of the distinct performance obligations identifiable under the contract on the basis of its relative stand-alone selling price.

To depict the progress by which the Group transfers control of the systems to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual costs (hours and purchases) spent to date with the total estimated costs required to design, engineer, and construct each solution. The percentage complete basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total number of costs required to complete the Project, arising from its significant historical experience constructing similar solutions.

Advanced receipt
When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position as contract liabilities.

Warranty period
The Group provides warranty on its engineering solutions. Under the terms of this warranty customers can request rectification or replacement works if the solution provided by the Group fails to perform in accordance with the agreed contract and specifications. These warranties are accounted for under IFRS 137 Provisions, Contingent Liabilities and Contingent Assets.

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

3.7 Finance income and finance costs
The Group's finance income and finance costs include:
- interest income;
- interest expense;
- finance costs as a result of IFRS 16; and
- the net gain or loss on financial assets at fair value through profit or loss.

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

3. Significant accounting policies (continued)

3.8 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.

3.9 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.

(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.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if the Group has a right and intention to set-off current tax assets and liabilities from the same taxation authority.

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.

3. Significant accounting policies (continued)

3.9 Income taxes (continued)

(iii) Non-financial assets
An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("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 has been recognised.

3.10 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.

3.11 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.

3.12 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.

3. Significant accounting policies (continued)

3.13 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.

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.

3.14 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.

Synertec Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

3. Significant accounting policies (continued)

3.15 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.

3.16 Leases

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

1. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
2. the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
3. the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in lease liabilities.

3. Significant accounting policies (continued)

3.17 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.

3.18 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.

(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.

4. 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.

4.1 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 3.5 – Revenue and other income.

Judgement is required to determine whether deferred tax assets are recognised in the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in the future periods in order to recognise and utilise those deferred tax assets. Judgement is also required in respect of the expected manner of recovery of the value of an asset or liability (which will then impact the quantum of the deferred tax assets or deferred tax liabilities recognised) and the application of existing laws.

Estimates of future taxable income are based on forecast cash flows from operations and existing tax laws in each jurisdiction. These assessments require the use of estimates and assumptions such as exchange rates, commodity prices and operating performance over the life of the assets. To the extent that cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets reported at the reporting date could be impacted.

Additionally, future changes in tax laws in which the Group operates could limit the ability of the Group to obtain tax deductions and recover/utilise deferred tax assets in future periods.

As at 30 June 2020 the Group has concluded there are reasonable grounds the Group will derive sufficient future taxable profits against which carry forward losses can be utilised.

4.2 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 2020 are included:

Note 14 - Contract assets - 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 15 - 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 24 - financial instruments.

5. 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 operating entity is based in Australia.

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

6. Revenue

	Note	30 June 2020	30 June 2019
Engineering consultancy services		4,073,998	3,063,731
Fixed price solutions and transfer of goods		7,046,180	21,085,374
		11,120,178	**24,149,105**

7. Other income

Government grant	100,000	-
Others	7,326	8,656
	107,326	**8,656**

In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the "cashflow boost" subsidy provided via the Australian Tax Office. The support is provided in two tranches and is provided following submission of the March 2020 quarter Business Activity Statement (BAS) and the June 2020 and September quarter BASs. The second tranche is the same as the first tranche.

8. Employee benefits expense

In response to the COVID-19 relief measures announced by the Federal Government in April 2020, the Group received the JobKeeper subsidy. The Group was entitled to $1,500 per employee per fortnight, beginning from 30 March 2020 and paid in arrears. Below is a reconciliation of the employee benefits expense recognised in the Statement of Profit or Loss and Other Comprehensive Income which includes the JobKeeper subsidy.

Recognised in profit or loss		
Gross employee benefits expense	5,846,203	6,850,630
JobKeeper benefit	(333,000)	-
Employee benefits expense in the Statement of Profit or Loss and Other Comprehensive Income	**5,513,203**	**6,850,630**

9. Finance income and finance costs

	Note		
Recognised in profit or loss			
Interest income	*9(i)*	17,514	34,520
Finance income		**17,514**	**34,520**
Facility interest & charges		(63,759)	(50,725)
Leases finance cost		(10,828)	-
Interest expense		-	(1,076)
Finance costs	*9(ii)*	**(74,587)**	**(51,801)**
Net finance costs recognised in profit or loss		**(57,073)**	**(17,281)**

9(i) The interest income comprised of interest earned on deposits held as security by ANZ.
9(ii) The Group incurred finance costs during the year related to bank guarantees facilities provided by ANZ.

Synertec Corporation Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

10. Taxes

(i) Tax recognised in profit or loss

	30 June 2020	30 June 2019
Current tax benefit/(expense)		
Current year	-	-
	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	551,249	(31,118)
	551,249	(31,118)
Tax benefit from continuing operations	**551,249**	**(31,118)**

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 Nil (2019: Tax asset $14,188).

In respect to new assets acquired and installed ready for use between 1 July 2019 and 30 June 2020, Synertec was eligible for an instant write-off of those assets. Those assets amounted to $41,949.

(ii) Reconciliation of effective tax rate

Loss before tax from continuing operations	(1,806,715)	(53,727)
Income tax benefit using the Group's domestic tax rate (27.5%)	(496,847)	(14,775)
Non-deductible expenses	(36,476)	30,856
Carried forward section 40-880 ITAA expenditure not booked prior year	(17,926)	(29,825)
Adjustment in deferred tax carried forward losses	-	(53,542)
Adjustment to prior year current tax provision	-	98,403
Income tax (benefit)/expense	(551,249)	31,118

(iii) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30-June-2020	30-June-2019	30-June-2020	30-June-2019	30-June-2020	30-June-2019
Employee benefits	162,837	159,405	-	-	162,837	159,405
Corporate transaction costs	107,167	111,473	-	-	107,167	111,473
Deferred income	-	(2,901)	-	-	-	(2,901)
Other payables	57,740	63,600	-	-	57,740	63,600
Fixed assets	(11,074)	-	-	-	(11,074)	-
Leases	(944)	-	-	-	(944)	-
Carry forward tax losses	746,905	171,316	-	-	746,905	171,316
Net deferred tax assets / (liabilities)	**1,062,631**	**502,893**	**-**	**-**	**1,062,631**	**502,893**

10. Taxes (continued)

(iv) Movement in deferred tax balances during the year

	Balance 01-Jul-2018	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30-Jun-2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30-Jun-2020
Employee benefits	158,644	761	-	159,405	3,432	-	162,837
Deferred income	(3,998)	1,097	-	(2,901)	2,901	-	-
Corporate transaction costs	108,583	2,891	-	111,473	1,822	(6,128)	107,167
Other payables	53,449	10,151	-	63,600	(5,860)	-	57,740
Fixed assets	-	-	-	-	(11,074)	-	(11,074)
Leases	-	-	-	-	-	(944)	(944)
Carry forward tax losses	118,932	52,384	-	171,316	575,589	-	746,905
	435,610	**67,284**	**-**	**502,893**	**566,810**	**(7,072)**	**1,062,631**

The Synertec Board and management have reviewed the carrying amount of the deferred tax asset at 30 June 2020 and concluded that it presents fairly and there are reasonable grounds to believe that the Group will derive sufficient future taxable profits against which the carry forward losses can be utilised.

11. Cash and cash equivalents

	Note	30 June 2020	30 June 2019
Bank balances		3,038,651	4,335,153
Cash on hand		1,347	1,347
Cash and cash equivalents		**3,039,998**	**4,336,500**

11A. Cash flow information

(i) Reconciliation of cash flows from operating activities

	Note	30 June 2020	30 June 2019
Cash flows from operating activities			
Loss for the year		(1,255,466)	(96,847)
Adjustments:			
Depreciation and amortisation	*15*	279,934	127,562
Net interest costs	*9*	57,073	17,281
Loss on sale of property, plant and equipment		-	10,834
Loss from discontinued operations		-	6,740
Tax (benefit)/expense	*10*	(551,249)	31,118
		(1,469,708)	96,688
Change in contract assets		(153,971)	576,487
Change in other assets		(242,459)	(50,289)
Change in trade and other receivables		861,133	1,969,192
Change in trade and other payables		(1,290,583)	659,085
Change in employee benefits		12,483	2,768
Change in contract liabilities		(190,236)	(2,397,221)
Cash generated from operating activities		(2,473,341)	856,710
Interest paid net of interest received		(46,245)	(17,281)
Realised foreign currency gains recognised as investing activities		-	642
Income taxes received/(paid)		14,187	(14,187)
Net cash (used in)/ from operating activities		**(2,505,399)**	**825,883**

11. Cash and cash equivalents (continued)

11A. Cash flow information (continued)

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

	30 June 2020	30 June 2019
Bank guarantee (i)	600,000	1,500,000
Credit Card (i)	50,000	155,000
Total	**650,000**	**1,655,000**
Utilised		
Bank guarantee	440,584	815,267
Credit Card	9,817	60,075
Total	**450,401**	**875,342**

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

	30 June 2020	30 June 2019
Synertec Pty Ltd	3,013,300	4,329,992
Synertec Corporation Limited	26,698	6,508
	3,039,998	**4,336,500**

12. Trade and other receivables

	30 June 2020	30 June 2019
Current		
Trade receivables	509,178	1,531,311
Other receivables	161,000	10,550
Current	**670,178**	**1,541,861**

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables, are disclosed in Note 24.

13. Other assets

	30 June 2020	30 June 2019
Current		
Prepayments and other debtors	428,485	188,518
Deposits	43,645	30,603
Stock on hand	12,262	12,262
Current	**484,392**	**231,383**
Non-Current		
ANZ term deposits(i)	-	1,500,000
Non-current	**-**	**1,500,000**

Note (i)
The deposit with ANZ was held as cash security for its facilities with the Bank, which included a bank guarantee facility of $1,500,000. Other components of the bank facility included an overdraft facility of $750,000 (undrawn) and a commercial card facility of $155,000 (drawn component repaid monthly).

In April 2020, Synertec's bankers concluded a review of Synertec's operations and governance processes and as a result the $1.5 million cash deposit previously held as security was returned to the Company's operating cash balance. This has been applied to working capital reserves, prudent investment in the Company's growth strategy and protection of its workforce and technology. The bank guarantee facility was reduced to $600,000, of which $440,584 was utilised at 30 June 2020. The undrawn bank overdraft facility of $750,000 was removed (unused) and the credit card facility was reduced to $50,000.

14. Contract assets

	30 June 2020	30 June 2019
Work in progress	1,386,911	1,373,049

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 2020, aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to $1,386,911 (2019: $1,373,049).

15. Property, plant and equipment

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	TOTAL
Cost					
Balance at 1 July 2018	476,196	191,058	21,157	386,961	1,075,372
Additions	82,804	17,023	-	30,000	129,826
Disposals	-	(52,000)	-	(215,865)	(267,865)
Balance at 30 June 2019	**559,000**	**156,081**	**21,157**	**201,096**	**937,333**
Balance at 1 July 2019	559,000	156,081	21,157	201,096	937,333
Adjustment on transition to IFRS16	-	16,975	263,541	-	280,516
Lease modifications	-	-	(2,609)	-	(2,609)
Additions	41,949	-	5,250	-	47,199
Disposals	-	-	-	-	-
Balance at 30 June 2020	**600,950**	**173,056**	**287,339**	**201,096**	**1,262,439**

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	TOTAL
Accumulated depreciation					
Balance at 1 July 2018	396,103	96,275	19,128	154,795	666,302
Disposals	-	(4,938)	-	(113,940)	(118,878)
Depreciation/amortisation expense	60,641	17,586	406	48,930	127,562
Balance at 30 June 2019	**456,743**	**108,923**	**19,534**	**89,785**	**674,984**
Balance at 1 July 2019	456,743	108,923	19,534	89,785	674,984
Disposals	-	-	-	-	-
Depreciation/amortisation expense	64,473	15,821	175,311	24,327	279,934
Balance at 30 June 2020	**521,216**	**124,744**	**194,846**	**114,113**	**954,918**
Carrying amounts					
at 1 July 2018	**80,094**	**94,783**	**2,029**	**232,167**	**409,071**
at 30 June 2019	**102,257**	**47,159**	**1,623**	**111,310**	**262,349**
at 1 July 2019	**102,257**	**47,159**	**1,623**	**111,310**	**262,349**
at 30 June 2020	**79,733**	**48,312**	**92,493**	**86,983**	**307,520**

15. Property, plant and equipment (continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	30 June 2020	30 June 2019
Furniture and equipment	16,975	-
Leasehold improvements	266,182	-
Total right-of-use assets	**283,157**	**-**

The amount of depreciation that has been recognised on the right-of-use assets at 30 June 2020 is $179,415.

16. Trade and other payables

Trade payables	1,272,544	2,483,379
Other payables	647,939	303,544
Fixed price project accruals	358,512	761,932
	2,278,995	**3,548,855**

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.

17. Employee benefits

Annual leave	318,368	286,120
Long service leave	177,522	193,783
Current	**495,890**	**479,903**
Long service leave	96,247	99,751
Non-Current	**96,247**	**99,751**

18. Contract liabilities

Billing in advance of work completed	15,133	345,477
	15,133	**345,477**

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.

Contract liabilities have decreased compared to the previous year as work on those projects was completed through the year. As a result, the amount of contract liabilities included in the revenue for the year ended 30 June 2020 was $330,344 (30 June 2019: $2,397,221).

19. Leases

Lease liabilities are presented in the statement of financial position as follows:

	30 June 2020	30 June 2019
Lease liabilities (current)	87,497	-
Lease liabilities (non-current)	12,813	-
	100,310	-

The Group has leases for offices, a warehouse and a photocopier. The lease liabilities are secured by the related underlying assets.

With the Commercial Tenancies Code released and effective from 3 April 2020, Synertec received rental abatement for its Richmond Office, constituting of 28.5% waiver and 28.5% deferral (until December 2020), for its April to June 2020 rent. All outgoings per the lease agreement remained payable by the due date. All other terms and conditions remained per the existing lease, which is due to expire in December 2020.

Synertec also engaged with the Perth Office's landlord during April 2020 and negotiated a reduction in rent as from 1 May 2020 and an extention of the lease until August 2021.

Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payment due						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total
Lease payments	90,735	8,673	4,140	-	-	-	103,548
Finance charges	(2,707)	(419)	(112)	-	-	-	(3,238)
Net present values	**88,028**	**8,254**	**4,028**	**-**	**-**	**-**	**100,310**

Out of the total finance costs of $74,586, an amount of $10,828 was attributable to the lease liabilities during the year ending 30 June 2020.

On 1 July 2020, the Group entered into a lease for a new head office in Camberwell, Victoria. Following fit-out of the new office, the Group plans to transition from its current office. The Group received attractive lease incentives from the lessor which have been applied across the first 5-year term of the lease. The Group has the option to renew the lease for a further 5-year term.

Future minimum lease payments for the Camberwell Office is as follows:

	Minimum lease payment due						
	Within one year	One to two years	Two to three years	Three to four years	Four to five years	After five years	Total
Lease payments	73,767	140,180	206,769	212,972	219,362	1,045,913	1,898,963
Finance charges	(84,084)	(81,932)	(76,477)	(68,267)	(59,164)	(147,421)	(517,345)
Net present values	**(10,317)**	**58,249**	**130,293**	**144,705**	**160,198**	**898,491**	**1,381,619**

20. Issued capital

	30 June 2020 Shares	30 June 2019 Shares	30 June 2020 $	30 June 2019 $
Ordinary shares - fully paid	220,701,277	220,701,277	641,113	641,113
Capital raising costs	-	-	(55,480)	-
Deferred tax on capital raising costs booked through equity	-	-	10,506	-
	220,701,277	**220,701,277**	**596,139**	**641,113**

20. Issued capital (continued)

Capital raising costs

As detailed in the Directors' report, the Company undertook a successful share placement and issued 55,175,347 shares on 9 July 2020. As a result, legal and other related costs associated with the share placement and issue of shares incurred during the year ended 30 June 2020 have been accrued and deducted from contributed equity. The net proceeds of $1.3 million from the share placement were received by the Company on 8 July 2020.

Dividends

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

21. Earnings per share

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 2019 or 2018).

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the year ended 30 June 2020 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 IFRS 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.

	30 June 2020	30 June 2019
Earnings per share		
Loss after income tax (in Australian dollars)	(1,255,466)	(84,845)
Weighted average number of ordinary shares used in calculating basic earnings per share	220,701,277	220,701,277
Weighted average number of ordinary shares used in calculating diluted earnings per share	220,701,277	220,701,277
Basic loss per share (cents per share)	(0.57)	(0.04)
Diluted loss per share (cents per share)	(0.57)	(0.04)

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 2020. These options could potentially dilute basic earnings per share in the future.

22. Related parties

The key management personnel compensation comprised:

	30 June 2020	30 June 2019
Short-term employee benefits	763,138	781,446
Post-employment benefits	72,498	74,237
Other long-term employment benefits	126,407	111,417
	962,043	**967,100**

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

In response to the COVID-19 global pandemic and to reduce potential economic impacts on the Company, the Board resolved to implement a 20% reduction in Directors remuneration effective from 1 May 2020. This position will be reviewed by the Board during FY21.

23. Auditor's remuneration

Audit and review services		
Auditors of the Company - Grant Thornton Audit Pty Ltd		
Audit and review of financial statements	72,000	72,000
	72,000	72,000
Other services		
Auditors of the Company - Grant Thornton Australia Limited		
In relation to taxation	10,000	10,000
In relation to other services	13,686	27,593
	95,686	**109,593**

24. 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.

24. Financial instruments (continued)

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:

		Carrying amount	
	Note	30 June 2020	30 June 2019
Trade and other receivables	*12*	670,178	1,541,861
Cash and cash equivalents	*11*	3,039,998	4,336,500
ANZ deposit	*13*	-	1,500,000
Deposits	*13*	43,645	30,603
		3,753,821	**7,408,964**

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 consider it necessary to establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

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.

	Carrying amount	
Australia	670,178	1,541,861
	670,178	**1,541,861**

The Group's most significant balance outstanding to a single customer, accounts for $135,249 of the trade and other receivables carrying amount at 30 June 2020 (2019: $881,323). 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.

Neither past due nor impaired	426,145	1,297,196
Past due 1 - 30 days	83,034	234,115
	509,179	**1,531,311**

Cash and cash equivalents (including deposits)
The Group held cash and cash equivalents of $3,039,998 at 30 June 2020 (2019: $4,336,500) 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 term deposit of $1,500,000 held by ANZ as security for the performance guarantee bond facility was released back to the Group in April 2020.

(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 2020, the expected cash flows from trade and other receivables maturing within two months are $509,178 (2019: $1,254,703). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

24. 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 2020

Non-derivative financial liabilities	Carrying amount	Contractual cashflows Total	0-1 years	1-2 years	2-5 years
Lease liabilities	100,310	100,310	88,028	8,254	4,028
Trade payables	2,278,995	2,278,995	2,278,995	-	-
	2,379,305	**2,379,305**	**2,367,023**	**8,254**	**4,028**

30 June 2019

Non-derivative financial liabilities	Carrying amount	Contractual cashflows Total	0-1 years	1-2 years	2-5 years
Trade payables	3,548,855	3,548,855	3,548,855	-	-
	3,548,855	**3,548,855**	**3,548,855**	**-**	**-**

(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, GBP, EUR and USD.

At any point in time, the Group typically holds EUR, GBP 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.

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 2020 USD	GBP	EURO	30 June 2019 USD	GBP	EURO
Trade and other receivables	11,298	-	-	-	-	-
Cash and cash equivalents	42,599	2	13,657	1,248,893	159,643	19,313
Financial assets	53,897	2	13,657	1,248,893	159,643	19,313
Trade and other payables	558	-	-	-	-	-
Financial liabilities	558	-	-	-	-	-
Net exposure	**54,455**	**2**	**13,657**	**1,248,893**	**159,643**	**19,313**

24. Financial instruments (continued)

(iii) Market risk (continued)

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 10% increase	10% decrease	Equity, net of tax 10% increase	10% decrease
30 June 2020				
USD	(2,711)	3,313	(2,711)	3,313
GBP	-	-	-	-
Euro	(869)	1,062	(869)	1,062
Currency exchange risk (net)	**(3,580)**	**4,375**	**(3,580)**	**4,375**
30 June 2019				
USD	(79,475)	97,136	(79,475)	97,136
GBP	(10,159)	12,417	(10,159)	12,417
Euro	(1,229)	1,502	(1,229)	1,502
Currency exchange risk (net)	**(90,863)**	**111,055**	**(90,863)**	**111,055**

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 2020	30 June 2019
Variable rate instruments		
ANZ interest expense	18.99%	18.99%
Interest on ANZ deposits	-	2.10%-2.35%

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 1% increase	1% decrease	Equity, net of tax 1% increase	1% decrease
30 June 2020				
Variable rate instruments	-	-	-	-
Cash flow sensitivity (net)	-	-	-	-
30 June 2019				
Variable rate instruments	10,500	(10,500)	10,500	(10,500)
Cash flow sensitivity (net)	**10,500**	**(10,500)**	**10,500**	**(10,500)**

24. Financial instruments (continued)

(iii) Market risk (continued)

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 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.

	Note	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2020					
Cash and cash equivalents	11	3,039,998	-	-	3,039,998
Trade and other receivables	12	670,178	-	-	670,178
Deposits	13	-	43,645	-	43,645
		3,710,176	**43,645**	**-**	**3,753,821**
Finance lease liabilities	19	-	-	100,310	100,310
Trade and other payables	16	-	-	2,278,995	2,278,995
		-	**-**	**2,379,305**	**2,379,305**

	Note	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2019					
Cash and cash equivalents	11	4,336,500	-	-	4,336,500
Trade and other receivables	12	1,541,861	-	-	1,541,861
ANZ deposits	13	-	1,500,000	-	1,500,000
Deposits	13	-	30,603	-	30,603
		5,878,361	**1,530,603**	**-**	**7,408,964**
Finance lease liabilities		-	-	-	-
Trade and other payables	16	-	-	3,548,855	3,548,855
		-	**-**	**3,548,855**	**3,548,855**

25. 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 2020	Group proportion of ownership interests 30 June 2019
Synertec Holdings Pty Ltd	Australia	Holding company	100%	100%
Synertec Pty Ltd Australia		Engineering products and solutions	100%	100%

26. Contingent liabilities

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

27. Subsequent events

On 9 July 2020, the Company issued 55,175,346 fully paid ordinary shares ("Shares") at an issue price of $0.023 per share to professional and sophisticated investors in a share placement ("Placement"). The Placement funds raised will support initiatives which progress the Company's technology-led growth strategy.

The growth strategy includes collaboration with a Chinese company, Sichuan GreenTech Environmental Co. Ltd ("Greentech") which will see the parties work together to commercialise Greentech's environmentally focused and globally scalable hydrocarbons and waste water treatment technology. Greentech is piloting innovative, environmentally friendly chemical technologies that provide the potential of a cost-effective solution for the treatment and recycling of hydrocarbon drilling mud, applicable to both oil and gas operations as well as municipal waste water from sewage.

Working closely with two major Chinese State Owned Enterprises (SOEs) responsible for oil and gas production in China, Greentech is completing pilot programs which will evaluate the technology with regard to cost competitiveness and environmental benefits. Preliminary evaluation trials and most of the pilot program testing has already been conducted returning encouraging results.

The Company has formalised this collaboration on 26 June 2020 with a Memorandum of Understanding and subsequent to 30 June 2020 provided Greentech with a loan facility of AUD $1 million to complete the pilot programs with the two major SOEs. The loan facility is to be repaid with interest by 31 December 2020, is fully secured and subject to customary terms and conditions. At the date of this report, Greentech had drawn down $0.35 million of the facility.

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 31 to 57:

- (i) present fairly the financial position of the Group as at 30 June 2020 and its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
- (ii) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 3 to the financial statements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. In respect of the year ended 30 June 2020, 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 28 August 2020

Mr. Michael Carroll
Director
Melbourne, Australia

Grant Thornton

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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 (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 and of its performance for the year ended on that date and is 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 auditor 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.

GrantThornton

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 (note 3.5 and 6)	
Synertec Corporation Limited recognised a large portion of their revenue using the stage of completion method for fixed price projects. Hourly rate projects are recognised as the associated labour expense is incurred. As these projects may be ongoing at year end there is significant estimation required when recognising the work in progress (Contract Asset) or deferred revenue (Contract Liability) and ensuring that the appropriate amount of revenue has been recognised under IFRS 15 *Revenue from Contracts with Customers*. The engagement team has identified this area as a significant risk due to the significant judgement involved in estimating the stage of completion for fixed price projects and appropriately capturing the time and material costs for hourly rate projects to recognise revenue under IFRS 15. Due to the significant estimation involved and recognition under IFRS 15, the engagement team has determined this as a Key Audit Matter.	Our procedures included, amongst others: • Analytically assessing revenue for all significant revenue categories; • Testing a sample of revenue transactions to supporting documentation and assessment whether revenue has been accurately recorded in the correct period; • Testing a sample of contracts to ensure compliance with IFRS 15; • Reviewing the progress of fixed price contracts to gain an understanding of the stage of completion and progress against project budget through discussions with project managers; and • Assessing the adequacy of disclosures for compliance in accordance with International Accounting Standards.
Recoverability of deferred tax assets (note 10)	
International Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. The Group recognised gross deferred tax assets of $1,062,631 at 30 June 2020, of which $746,905 arises from tax losses carried forward. Due to the significant judgement involved and recognition under IAS 12 *Income taxes*, the engagement team has determined this as a Key Audit Matter.	Our procedures included, amongst others: • Reviewing the tax calculations and associated support for recovery of carried forward losses prepared by the Group; • Evaluating the assessment of the recoverability of its deferred tax assets through the availability of its future taxable income, including a critical assessment of historical forecasting and analysis of the Group's 2021 budget; and • Assessing the adequacy of the related disclosures in 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 2020, 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.

Synertec Corporation Limited

INDEPENDENT AUDITOR'S REPORT
For the year ended 30 June 2020

GrantThornton

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Accounting Standards as issued by the International Accounting Standards Board 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's ability 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: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.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, 28 August 2020

SHAREHOLDER INFORMATION
As at August 25 2020

Securities
Fully Paid Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	69	15,955	0.010
1,001-5,000	37	85,050	0.030
5,001-10,000	17	130,565	0.050
10,001-100,000	319	12,448,081	4.510
100,001-9,999,999,999	162	263,593,930	95.410
Totals	**604**	**276,273,581**	**100.000**

The number of unmarketable parcel holders as at 25 August 2020 based upon a share price of $0.056 (5.6 cents) is 117 shareholders holding in aggregate 176,912 ordinary shares.

The number of unmarketable parcel holders as at 23 August 2019 (date of last report) based upon a share price of $0.046 (4.6 cents) was 123 shareholders holding in aggregate 251,663 ordinary shares.

Top 20 Holdings

Name/Holder	Number held	%
NEW CONCEPT CORPORATION LIMITED	94,796,992	34.313%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	39,375,000	14.252%
KIPBERG PTY LTD <EDP FAMILY A/C>	7,582,240	2.744%
TRANSACTION SERVICES PTY LTD	7,095,065	2.568%
CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C>	5,000,000	1.810%
MR STEPHEN HAROLD BAKER	5,000,000	1.810%
LONGRIDGE PARTNERS PTY LTD	3,444,546	1.247%
GP SECURITIES PTY LTD	3,136,620	1.135%
MR GOO TONG ANG	3,100,000	1.122%
MISS XIAOYING LIU	2,616,154	0.947%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,573,189	0.931%
PUNTERO PTY LTD	2,500,000	0.905%
SAILORS OF SAMUI PTY LTD	2,496,060	0.903%
MR KIAT POH & MISS JU-LYNN POH	2,423,417	0.877%
SPOTTED CHOOK INVESTMENTS PTY LTD <THE AYSH TR A/C>	2,200,000	0.796%
BONDATRON PTY LTD <BONDATRON SUPER FUND A/C>	2,097,702	0.759%
MR YUKUN QIU	2,021,953	0.732%
OCTIFIL PTY LTD	2,000,000	0.724%
MR PETER SCARF & MRS IDA SCARF <SCARF SUPER FUND ACCOUNT>	2,000,000	0.724%
NATJAD & ASSOCIATES PTY LTD <CC & C SUPER A/C>	2,000,000	0.724%
Total Securities of Top 20 Holdings	193,458,938	70.024%
Total of Securities	**276,273,581**	

Substantial shareholders of the Company are set out below:

NEW CONCEPT CORPORATION LIMITED	94,796,992	34.313%
NORTHWEST NONFERROUS AUSTRALIA MINING PTY LTD	39,375,000	14.252%

Voting rights attached to ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon poll each share shall have one vote.

Unissued equity securities
There were no unissued securities at the date of this report.

Securities exchange
The Company is listed on the Australian Securities Exchange (ASX: SOP).


EXCELLENCE
We are passionate and deliver the highest value outcomes, always striving to do things in the best way possible
LEADERSHIP
Our people have the courage totake ownership and responsibility for new challenges
SAFETY
We value the health and personal well being of people before all else.
SYNERTEC VALUES
INTEGRITY
Our people have the resolve to do the right thing, even when nobody is looking
RELATIONSHIPS
We work with trust and respect to build strong, positive relationships with our Clients, Stakeholders and each other