SYNERTEC

Synertec Corporation Limited

ARBN 161 803 032

ASX Listing Rule 4.3A.
Appendix 4E Statement
Preliminary Final Report

For the Year Ended
30 June 2023

Current Reporting Period: Year Ended 30 June 2023
Previous Corresponding Period: Year Ended 30 June 2022

1. Company details

Name of entity:	Synertec Corporation Limited
ARBN:	161 803 032
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

	30 June 2023 $	30 June 2022 $	Up/ Down	Change $	Change %
Revenues from ordinary activities	15,558,759	12,088,794	Up	3,469,965	29%
Loss from ordinary activities after tax attributable to the owners of Synertec Corporation Limited	(5,862,539)	(3,981,234)	Down	(1,881,305)	47%
Loss for the period attributable to the owners of Synertec Corporation Limited	(5,862,539)	(3,981,234)	Down	(1,881,305)	47%

Comments – Review of Operations

Profit and Loss Performance

Summary Profit & Loss Performance	FY23 ($'000s)	FY22 ($'000s)	$ Change ($'000s)		% Change	
Total Revenue & Other Income	15,559	12,089	Up	3,470	Up	29%
External Engineering Revenue	14,597	10,886	Up	3,711	Up	34%
Normalised EBITDA	(2,429)	(1,364)	Down	1,065	Down	78%
EBITDA	(5,020)	(3,319)	Down	1,701	Down	51%
Normalised Net Profit / (Loss) After Tax	(3,013)	(1,871)	Down	1,142	Down	61%
Net Profit / (Loss) After Tax	(5,863)	(3,981)	Down	1,881	Down	47%

Synertec generated external revenue and other income for the year ended 30 June 2023 ("FY23", or "year") of $15.6 million, up 29% on the prior comparable period ("pcp") (30 June 2022: $12.1 million). This result was underpinned by growth in Engineering's external revenue of 34% to $14.6 million (30 June 2022: $10.9 million) and $0.3 million in revenue from the commercialisation of the Company's Powerhouse technology.

Specifically, the engineering consultancy services revenue category experienced further substantial growth, delivering $10.4 million at continued strong gross margins, an increase of 18% on pcp (30 June 2022: $8.8 million). This represents an increase of 100% since FY21 in this category of revenue. Consultancy services now represents over 70% of total engineering revenue from external customers and reinforces the success of our strategy to weight engineering services towards "programs" of work with our major customers, and have less revenue derived from fixed price projects. The ongoing shift from fixed price revenue to consultancy revenue significantly de-risks the business against project cost issues and provides for sustainably higher margins.

The Board assesses the underlying performance of the business based on measures of Earnings Before Income Tax Depreciation Amortisation ('EBITDA') and Normalised EBITDA which excludes the effect of non-operating and non-recurring items. A reconciliation between Net Profit / (Loss) After Tax and Normalised EBITDA is outlined in the table below.

Reconciliation of normalisations	**FY23 ($'000s)**	**FY22 ($'000s)**
Net Profit / (Loss) After Tax	**(5,863)**	(3,981)
Depreciation and amortisation	**668**	517
Net finance costs	**175**	145
EBITDA	**(5,020)**	(3,319)
Corporate development[1]	**525**	161
Transformation initiatives[2]	**308**	-
Profit on disposal of motor vehicles[3]	**(27)**	-
Share-based payments[4]	**-**	383
Redundancy payments[4]	**-**	56
Net Technology research and development ('R&D') costs[5]	**1,785**	1,356
Normalised EBITDA	**(2,429)**	(1,364)
Net Profit / (Loss) After Tax	**(5,863)**	(3,981)
EBITDA normalisations (refer above)	**2,590**	1,955
Amortisation of Greentech licence	**259**	156
Normalised Net Profit / (Loss) After Tax	**(3,013)**	(1,871)

(1) Included within Business and corporate development expenses in the statement of profit or loss.

(2) Included within Other expenses and Employee benefit expenses in the statement of profit or loss.

(3) Included within Other income in the statement of profit or loss.

(4) Included within Employee benefit expenses in the statement of profit or loss.

(5) Included within Other income and Technology research and development costs in the statement of profit or loss.

Normalised EBITDA excludes costs which are discretionary for the purposes of exploring strategic long term growth opportunities and/or activities and expenses which are not considered to be typical ongoing operational overheads for the business. Such items include corporate development costs of $0.5 million (30 June 2022: $0.2 million) which includes the costs of exploring the Powerhouse technology market opportunities in the United States ('US') and other growth opportunities for the Group throughout the year, as well as spend on transformation initiatives of $0.3 million (30 June 2022: nil) which includes the cost of transitioning IT managed services provider and associated system and cyber security upgrades, ISO 27001 Information Security Management Systems and Human Resources platform implementations, and one-off consulting engagements to support business transformation initiatives.

Technology development spend of $2.0 million, which relates to upfront investment made by the business up until commercialisation of the first Powerhouse unit in April 2023, has been removed to normalise the profit and loss impact of development on an ongoing basis given it is intended that future units will likely be capitalised on the balance sheet. This includes both claimable R&D and non-claimable development spend, noting that all spend up until April 2023 has been expensed. Refundable R&D credits amounted to $0.7m for the year (30 June 2022: $1.2 million). The Powerhouse development timeframe was accelerated in FY22 with most of the anticipated total outlay condensed into that year (circa $2.5 million).

Segment Performance

From 1 July 2021, as announced by the Company during the year, the Group restructured the business to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. This is the basis on which information is internally provided to the Chief Operating Decision Makers ('CODMs') for assessing performance and making operating decisions. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

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

	FY23			FY22		
	Engineering ($'000s)	**Technology ($'000s)**	**Total ($'000s)**	**Engineering ($'000s)**	**Technology ($'000s)**	**Total ($'000s)**
Revenue & Other Income	**19,051**	**927**	**19,978**	13,106	1,202	14,308
Segment Normalised EBITDA	**1,301**	**(1,086)**	**215**	(200)	(633)	(833)
Segment Operating Profit / (Loss)	**674**	**(4,280)**	**(3,606)**	(615)	(2,308)	(2,924)
Net Profit / (Loss) After Tax	**707**	**(4,450)**	**(3,742)**	(982)	(1,759)	(2,741)

Total revenue for the Engineering business grew 45% to $19.1 million (30 June 2022: $13.1 million). This includes services and materials provided to the Technology business of $4.4 million (30 June 2022: $2.2 million) contributing to the development of the Group's three key environmentally friendly technology solutions to help global industry transition to a low carbon future. All inter-segment services and materials are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

Synertec's Engineering business strengthens, protects and expedites important technology intellectual property development, which would otherwise be sourced through external service providers. It is an efficient and commercial relationship between the businesses which enables the Group to prioritise and focus on its growth-leading technology development and effectively accelerate the technology commercialisation process.

As a result of the continued change in mix of revenues in the Engineering business from predominantly fixed price solutions to consultancy services over the past three years, Engineering gross margins have strengthened and consolidated. Combined with strong revenue growth during the year, the Engineering business has demonstrated its ability to operate as a self-sustaining, profitable business line with a Normalised EBITDA of $1.3 million (30 June 2022: loss of $0.2 million).

Technology income includes $0.3 million (30 June 2022: nil) of income following commercialisation of the first Powerhouse unit with Santos Limited (ASX:STO) in April 2023. In addition, it includes $0.7 million (30 June 2022: $1.2 million) in R&D tax credits receivable under the federal government's Research and Development Tax Incentive program (R&DTI). Associated claimable R&D costs of $1.6 million (30 June 2022: $2.6 million) have been expensed as incurred. The Company is extremely pleased with the outcome of the Powerhouse technology development effort during the year and pleased to report that it has continually met its ambitious schedule of key milestones, ultimately commercialising the first unit in April 2023.

The significant organic growth in the Group over the past three years in particular, has required further investment in human resource systems and support processes to enable the continued rapid and controlled growth in the size of the team, which has expanded by over 100% during that time to approximately 120 people.

Most of this growth is being generated by increased demand for Synertec's expertise from within the Group's long-established existing customer base across the critical infrastructure, energy, water and advanced manufacturing sectors. Having established deep domain knowledge of customers' operations and their critical technology platforms including systems which collect and collate field data enabling operators to perform control tasks, Synertec has been invited to bid for larger opportunities within those organisations which support their technological development and expansion.

As a result, the Group's Business Development ('BD') effort has increased significantly over the past year, culminating in several major contract awards during this time. These awards are building a larger and longer work in hand and pipeline of opportunities which is in turn, is enabling BD to become more focused on generally larger and more strategic opportunities and therefore, more likely to succeed, as demonstrated this year.

Corporate development effort also expanded during the year as the Group identifies additional capability based on customer demand, and explores markets for its technologies. Forming part of this development and growth effort, as announced during the year, the Group engaged with strategic advisors in the United States ('US') to explore the market opportunity for its Powerhouse technology. The timing of this partnership was followed by the US Government's announcement of the Inflation Reduction Act which contains up to USD $380 billion of funding for the accelerated development of clean energy technology to support the US's rapid energy transition to an independent clean energy economy.

During the year, Synertec was invited to the US to meet with key Government departments and prospective commercial partners, which has since culminated in further constructive discussions with these parties, driving potential market opportunities and funding for Powerhouse applications.

Capital Management

Balance Sheet	FY23 ($'000s)	FY22 ($'000s)	$ Change ($'000s)		% Change	
Total Assets	**19,160**	10,903	Up	8,257	Up	76%
Cash at Bank	**10,654**	4,121	Up	6,533	Up	159%
Net Assets	**11,536**	5,161	Up	6,375	Up	124%
Current Ratio (Current Assets / Current Liabilities)	**2.8 times**	2.1 times	Up	0.7 times	Up	33%

Total Assets of $19.2 million (30 June 2022: $10.9 million) and Net Assets of $11.5 million (30 June 2022: $5.2 million) includes cash of $10.7 million (30 June 2022; $4.1 million). The increase in net assets reflects the Company's stronger cash balance driven by the successful share placements completed in September 2022 and May 2023 (refer below for further commentary on this), growth in the engineering business and associated customer receipts, and prudent management of working capital.

Synertec operates with no debt or covenants from its bank.

Cash Flow	FY23 ($'000s)	FY22 ($'000s)	$ Change ($'000s)		% Change	
Cash receipts from customers	**15,941**	11,824	Up	4,117	Up	35%
Net cash used in operating activities before COVID deferred payments related to prior years[(1)]	**(5,007)**	(4,256)	Up	751	Up	18%
Net cash used in operating activities	**(5,083)**	(4,826)	Up	257	Up	5%
Net increase in cash	**6,533**	1,495	Up	5,038	Up	337%

(1) COVID deferred payments related to prior years amounted to $0.3 million (30 June: $0.6 million).

The Group's cash receipts from customers was $15.9 million (30 June 2022: $11.8 million), up 35% on pcp and debtor-days remain within the Group's 30-40 day target range. The Company continues to manage cash prudently and maintains a strong working capital and liquidity position.

The overall net cash flow for the Period was an increase in cash held of $6.5 million. This included:

i) proceeds of $5.0 million (before costs) from a strategic Placement conducted in September 2022. The Placement of 31.25 million new shares at an issue price of $0.16 per share represented a 14% discount to the last closing price and 5-day VWAP, and was within the Company's existing placement capacity under ASX Listing Rule 7.1.

ii) proceeds of $8.0 million (before costs) from a strategic Placement conducted in May 2023. The Placement of 36.36 million new shares at an issue price of $0.22 per share represented a 12% discount to the last closing price and 5-day VWAP, and was within the Company's existing placement capacity under ASX Listing Rule 7.1.

Net proceeds from the placements provide balance sheet support for the execution of the Group's dual strategy of commercialising several large near term ESG-focused technology opportunities in the energy sector (including the purchase of long lead time components for its Powerhouse technology, Powerhouse technology development for new applications with new customers across industries and establishing a dedicated assembly facility in due course), as well as growing out its high-end engineering solutions business, which provides critical support to the Group's expanding technology arm. Both Placements were corner-stoned by existing high quality domestic institutional and sophisticated investors, proving a strong endorsement for the Company and its ESG technology-led growth strategy.

The net operating cash outflow of $5.1 million (30 June 2022: $4.8 million outflow) comprised net cash used in operations as follows:

Net operating cash flows ($'000s)	Engineering	Technology	Corporate	Total
FY23	**1,534**	**(4,735)**	**(1,882)**	**(5,083)**
FY22	(1,104)	(2,859)	(863)	(4,826)
Variance	2,638	(1,875)	(1,020)	(257)

Importantly, the Company's focus on moving both the Technology and Engineering businesses toward consistent sustainable positive operating cash flow has begun to materialise, as the Engineering business returned to positive operating cash flow for the year. This is being driven by the continued, largely organic growth in revenue and gross margins over the past two years, as well as managing cash prudently by keeping debtor-days minimised (a product of the transition to consultancy services, away from fixed price projects), and maximising working capital for the benefit of the Group's businesses.

The Technology business continues to avail of R&D tax credits where it can for its technology developments. To streamline this process and improve the Group's working capital, during the year the Group engaged an R&D tax credit funding provider who is providing a portion of the tax credits in cash to the Group throughout the year based on the strength of the Group's registered R&D eligibility.

As outlined in the table above, the combined net operating cash flow of Engineering and Corporate has improved by $1.6 million against the pcp, to a net cash outflow of $0.3 million (30 June 2022: outflow of $2.0 million). This is mainly attributed to the significant growth and improved performance in the Engineering business.

Operations

Technology Business

Synertec's Technology Business continues to progress its key environmentally friendly technology solutions (including Powerhouse, CTS and CDP) to help the global energy industry transition to a low carbon future and reduce its environmental footprint.

Synertec is committed to being an impact investment for shareholders and local communities, and to ensuring the Company is supporting its partners in the collective endeavour to improve ESG performance. FY23 saw a number of key milestones achieved, most notably related to the Powerhouse technology.

Powerhouse

Powerhouse, a Predictive Intelligence solar & battery system providing reliable continuous 100% renewable base load power for remote areas, achieved a significant milestone during the year. Having completed extensive field testing, it commenced commercial operations with Santos Limited (ASX: STO, "Santos") on 1 April 2023 in Queensland, Australia.

The Company and Santos have agreed a Goods and Services Contract ('GSC') that sets the framework under which Santos can provide future commercial Purchase Orders to Synertec for the supply of Powerhouse units. The structure of the GSC, which is for a 7-year term with the option to extend, facilitates a number of potential long term beneficial outcomes for the parties, including:

- A financial platform for Synertec that will enable the accelerated roll-out of Powerhouse units to Santos; and
- Flexibility and efficiency for Santos to direct the supply of new Powerhouse units, as well as rapid re-deployment of Powerhouse units in use to alternate sites in response to operational requirements.

Powerhouse is a novel 'smart' micro-grid system that involves the combination of a rapidly deployable and portable industrial-scale electrification power system including a foldable solar panel array, battery storage units, and sophisticated smart controls enabling Predictive Intelligence to optimise the continuous generation and consumption of renewable electricity from an appropriately scaled system with minimal footprint. At present, Santos and other Australian oil and gas operators rely on diesel, gas or hybrid powered generators for powering their well sites and other areas of their business.

Key benefits of Powerhouse include:

- Reduced carbon emissions through reliable continuous supply of 100% renewable energy
- Flexible, scalable, portable and re-deployable infrastructure
- Increased safety and operational efficiency with reduced maintenance and remote operability
- Potential for removal of, and/or reliance upon, mains power connections in remote areas
- Commercial, cost-effective solution

A number of key milestones, all within forecast timeframes, were achieved with Powerhouse during the Period, including:

- Site installation in remote Queensland, and successful completion of Site Acceptance Testing ('SAT');
- Successful "cutover" and integration of the system with Santos' production and operating systems, meaning Powerhouse is supplying continuous power, emission-free, to a remote cluster of eight gas wells spread across an area of approx. 10 square kilometres, replacing the existing bank of fossil-fuelled generators;
- Successful operation through a number of extreme weather events, delivering over 100-days of reliable emission-free 100% renewable continuous power supply;
- Completion of the commercial scale field trial, being final stage of the testing process for the Powerhouse prototype; and
- Advancement of plans for commercial scale production of Powerhouse units and component suppliers committing to key supply chain performance criteria.

This culminated in the first commercial order from Santos, with revenue commencing from 1 April 2023.

During the year the Group engaged with partners in the US to explore the potential market opportunity for Powerhouse. This investigation followed the US Government's announcement of the Inflation Reduction Act which contains up to USD $380 billion of funding for the accelerated development of clean technology to support US rapid transition to an independent clean energy economy. Synertec was invited to the US to meet with various key arms within the US Government Department of Energy, as well as various prospective commercial partners, which has since culminated in further constructive discussions with these parties.

Synertec continue to progress further interest and opportunities with various large global companies for the application of Powerhouse primarily across the energy and resources sectors.

Engineering Business

FY23 saw strong demand for Synertec's Engineering services enabling Synertec's Engineering business to grow significantly across its target industries of critical infrastructure, energy, water and advanced manufacturing. Over the year, Synertec was awarded over $25 million in new contracts and existing contract extensions across all four key target sectors with rail and water continuing to provide significant, secure long-term programs of work.

Most notably the Engineering business secured a new contract to continue our 15+ year relationship with Melbourne Water and further expand our scope beyond the Eastern Treatment Plant (ETP) to service their entire operational technology asset base. Effective from 1 January 2023 for 3 years, the contract provides for payments of approximately $3 - $4 million per annum for services on an ongoing basis (and if completed in full), and will run through to the end of 2025, with the option for the parties to extend for a further 2 years. In addition to the core work delivered under this new contract, this win re-enforces our position as a partner of choice for Melbourne Water and has already resulted in significant additional work through Melbourne Water's other delivery partners.

The contract award reflects Synertec's best-in-class automation and control engineering knowledge as well as our deep experience and expertise in Siemen's technologies. Synertec has been continuously engaged by Melbourne Water since 2007 providing 24/7 support to the ETP, along with additional significant automation project services.

In the rail sector a significant additional engagement with Metro Trains Melbourne was also announced by the Company during the year for the provision of services with an estimated price of circa $2.5 million (if completed in full), with provision for scope extensions. This important contract will see Synertec deliver upgrades of essential fire safety equipment and systems within Melbourne's City Loop and underground stations, including fire suppression systems, smoke ventilation and evacuation equipment. Synertec will leverage its extensive knowledge of advanced process control systems, functional safety and systems engineering to deliver this project for the benefit of Victoria's travelling public.

This contract award continues to demonstrate Synertec's growing reputation for addressing complex challenges with innovative solutions and strengthens Synertec's long-standing commercial relationship with Metro Trains Melbourne.

Other awards included :

- Two design projects for the upgrades of a Thales facility which produces advanced energetic materials to the Australian Defence Force.
- Engineering services work to improve gas supply infrastructure with APA and Woodside.

From the time it was founded over 26 years ago, Synertec has been consistently engaged by many blue-chip tier-1 customers such as CSL Limited (ASX: CSL) (1996), Melbourne Water (since 2007) and Metro Trains Melbourne (since 2017). These recent major contract awards reflect Synertec's best-in-class automation and control engineering expertise and extensive experience in global control technologies, coupled with deep domain knowledge of its customers' operations – all of which are contributing to a strong platform for profitable growth by improving key drivers such as work in hand, utilisation and sell rates.

Continued demand for our service and strong contract wins have resulted in significant growth of the Engineering business with over 50 new skilled and talented engineers joining the team over the course of the year, taking the total workforce to around 120 people. The net growth in workforce represents an increase in billable capacity on pcp of circa 30% and the largest workforce in the company's history. While current tight labour market conditions have presented challenges for human resourcing, Synertec is well placed to continue growing our team with our exciting customer base, values driven focus on ESG and leading-edge technology portfolio.

ESG Reporting

Synertec continues to demonstrate strong dedication to enhancing its Environmental, Social, and Governance ("ESG") initiatives. In the last year, Synertec has consistently been developing and disclosing its ESG efforts aligned with the World Economic Forum ("WEF") Stakeholder Capitalism framework, enabling integration of ESG into risk and opportunity identification, policy, processes and procedures throughout operations.

By aligning with this framework and adhering to ESG principles, the company consistently delivers ESG updates to stakeholders throughout the year. These updates serve to enhance transparency and accountability by focusing on a core set of 21 material topics that assist in assessing the company's environmental, social, and governance performance. Through this process, Synertec ensures that stakeholders are well-informed about the company's progress and achievements in these areas.

Synertec's ESG activity summary for the year is as follows:

Environment

- The Powerhouse Technology continues to strengthen its credentials as a reliable and commercial solution to reduce the carbon footprint of remote industrial operations with key milestones and targets met, including commercialisation of the technology announced in March 2023.
- Fleet asset upgrade replacing petrol vehicles with hybrid vehicles.
- Green waste/recycling initiatives were implemented in the Melbourne office.

Social

- Ongoing support of Social Enterprises through Social Traders, including charitable organisations, marginalised youth, prisoners, new migrants and refugee committees.
- Synertec has embedded ESG into the employee onboarding process, providing new employees understanding on our ESG commitment and how we involve our employees in ESG processes and improvement opportunities.
- Development and adoption of Synertec's Modern Slavery Policy, to create awareness of modern slavery and to provide insight into how Synertec seeks to mitigate modern slavery risks in the supply chain.

Governance

- Synertec are currently at end of Stage 2 of the Audit Path in implementing the global best practice ISO 27001 standard, 'Information Security Management Systems', to strengthen IT security, cyber security and privacy protection.
- Development and adoption of Synertec's Modern Slavery policy, with process due diligence updates made throughout our purchasing, contract management and vendor audit procedures.
- Review of the Synertec Board skills matrix, inclusive of incorporated ESG competencies, identified opportunities to further strengthen the current skill set with training in specific ESG topics.
- Ongoing periodic review of all key policies and procedures on a rotational basis from year to year.

As part of Synertec's ongoing ESG commitment, Synertec is considering the implementation, where relevant, of the TCFD recommendations (Task Force on Climate-related Financial Disclosures), to assess and disclose climate-related risks and opportunities in its operations and supply chain. By aligning with TCFD guidelines, the company would seek to not only create resilience against potential climate impacts but to use the process as an opportunity to further identify opportunities to create a positive impact for both the stakeholders of the company and the environment.

Outlook

Synertec's strong financial position as at 30 June 2023 supports the Company's technology-led growth strategy, including further commercialising large near-term ESG-focused technology opportunities in the energy sector; while also growing out its high-end Engineering solutions business.

Synertec will continue to focus on progressing the roll out of the Powerhouse technology over the coming year with various parties it is working with, primarily in the energy and mining sectors. The results from extensive field testing and live operation over the past year have proven the Powerhouse technology to be highly successful. This has provided Synertec with the confidence to more actively market Powerhouse as a field proven, scalable, and commercially beneficial product for large global markets, starting with a focus on decarbonisation of Australia's energy and mining sectors.

The Engineering business has recovered strongly since the major impacts of COVID-19, largely impacting FY20 and FY21 results, moving into profitability and positive operating cash flow, providing solid foundations to support continued growth across the Group. The business exited FY23 with a solid work in hand of ongoing projects and a promising, high-quality pipeline of opportunities. Management continues to focus on resourcing and a continuous improvement in the structure to support the increased demand from customers, and to continue to deliver ambitious revenue and earnings targets in the next year.

Dividends

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.03	0.01

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

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

7. Audit qualification or review

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

This Statement is based on the consolidated financial statements which were subject to an audit by the auditors and the audit report is attached as part of the Annual Financial Report.

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8. Attachments

Details of attachments (if any):

The Annual Financial Report of Synertec Corporation Limited for the year ended 30 June 2023 is attached.

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9. Signed

Date: 30 August 2023

Mr. Michael Carroll
Managing Director
Melbourne, Australia

Synertec Corporation Limited

ARBN 161 803 032

Financial Report

For the Year Ended
30 June 2023

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For the year ended 30 June 2023

Corporate Directory

Directors	Mr. Dennis Lin (Independent Non-Executive Director, Chair) Ms. Leeanne Bond (Independent Non-Executive Director) Mr. Michael Carroll (Managing Director) Mr. David Harris (Executive Director)
Company Secretary	Mr. David Harris 2-6 Railway Parade Camberwell VIC 3124 Australia
Principal registered office in Bermuda	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Registered agent office in Australia	Synertec Corporation Limited 2-6 Railway Parade Camberwell VIC 3124 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)
Corporate banker	ANZ ANZ Centre Level 9, 833 Collins Street Docklands VIC 3008 Australia
Website address	www.synertec.com.au

The Directors present their report together with the financial statements of the consolidated entity for the year ended 30 June 2023.

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:

Mr. Dennis Lin (Independent Non-Executive Director, Chair)
Ms. Leeanne Bond (Independent Non-Executive Director)
Mr. Michael Carroll (Managing Director)
Mr. David Harris (Executive Director)

1.1 Information on Directors

Mr. Dennis Lin - Independent Non-Executive Director, Chair

Mr. Lin practised as a solicitor, Chartered Accountant and corporate advisor on equity markets and mergers and acquisitions for over 20 years before retiring from professional services. He now focuses on high growth businesses that are looking to expand globally, and has been part of the Synertec Board since 27 August 2019, and becoming Independent Non-Executive Chair on 1 April 2021. He works closely with the team in setting strategic priorities for the business.

Mr. Lin founded, and is a director of, TAKE Global Pty Ltd, a boutique strategic advisory and project management firm with a focus on the fast-moving consumer goods (FMCG), food and agribusiness, and decarbonisation sectors.

Mr. Lin was appointed Non-Executive Director of ASX listed company Bubs Australia Ltd (ASX:BUB) on 22 December 2016 and became Chair on 16 August 2017, and then Executive Chair on 22 October 2019. Mr. Lin resigned from this position on 6 April 2023 and retired as a Director of the company on 30 May 2023.

Mr. Lin was appointed as a Non-Executive Director of Health and Plant Protein Group Limited on 3 November 2017, Executive Director from 1 July 2020 and Executive Chair on 4 August 2021, before retiring on 30 June 2022.

Ms. Leeanne Bond - Independent Non-Executive Director

Leeanne Bond has over 35 years corporate experience including 20 years as a professional company director and board member.

Leeanne is currently an independent Non-Executive Director of Aurecon Limited, Entyr Limited (ASX: ETR) and is a Non-Executive Director of Australian government's Snowy Hydro Limited, CRC OneBasin Limited and is chair of Mining3. She is also a member of the advisory boards of ANU's Battery Storage and Grid Integration Program and UQ's Master of Sustainable Energy Program.

Leeanne has previously served on the boards of public, private and government entities in engineering, innovation, energy, water and resources and recently retired from the board of the Clean Energy Finance Corporation after a 5 year term. Leeanne served as the first female President of Engineers Australia in Queensland in 2002 and is a past Deputy Chair of the Board of Professional Engineers.

Leeanne has a Bachelor of Chemical Engineering and an MBA from The University of Queensland. Leeanne is a Fellow of the Australian Institute of Company Directors and a Chartered Professional Engineer, an Honorary Fellow of Engineers Australia and a Fellow of the Australian Academy of Technology and Engineering.

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

1. Directors (continued)

Mr. Michael Carroll - Executive Director

Mr. Carroll is a founding principal and Managing Director and Chief Executive Officer of Synertec and a substantial 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.

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. David Harris - Executive Director

Mr. Harris is an Executive Director, Chief Financial Officer and Company Secretary of Synertec. Mr. Harris oversees Future Business and Technology, as well as corporate services including corporate development initiatives, investor relations, finance, information technology, business transformation and the company secretarial function for the Group.

Mr. Harris is a graduate of the Australian Institute of Company Directors, an Australian Chartered Accountant, and fellow of both the Financial Services Institute of Australasia and the Governance Institute of Australia. He has over 30 years of local and international experience in senior leadership and board positions for global and ASX-listed companies and is also an experienced Board member and Audit Risk Committee Chair.

1.2 Directors' interest in shares and options

	Interest in Ordinary Shares
Independent Non-Executive Directors:	
Dennis Lin (Chair)	2,173,913
Leeanne Bond	2,785,576
Executive Directors:	
Michael Carroll (Managing Director)	49,398,496
David Harris (Executive Director/Chief Financial Officer/Company Secretary)	6,485,559

Mr. Michael Carroll is the beneficial owner of 100% of the benefits and rights in the Pinnacle (MCGA) Retirement Fund, which in turn owns 100% of the ordinary shares in Kensington Trust Singapore Ltd which is the registered holder of 49,398,496 shares in Synertec Corporation Limited and is the largest individual shareholder in the Company.

During the year, Mr. Dennis Lin (Independent Non-Executive Director and Chair) and Mr. David Harris (Executive Director, Chief Financial Officer and Company Secretary) exercised the options (6,521,739) which were granted to them at the Company's Annual General Meeting in 2021.

2. Principal activities

Synertec is a technology design and development growth company enabling a low carbon future through innovative technology solutions. Commercialising scalable, environmentally friendly and energy efficient technology for global markets in energy, critical infrastructure and advanced manufacturing through innovative partnerships with a portfolio of blue-chip customers, Synertec is proactively participating in the world’s transition to a low carbon economy in a practical way for the benefit of future generations. In doing so, 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 2023.

4. Review of operations and results of those operations

Profit and loss performance

Summary Profit & Loss Performance	FY23 ($'000s)	FY22 ($'000s)	$ Change ($'000s)		% Change	
Total Revenue & Other Income	**15,559**	12,089	Up	3,470	Up	29%
External Engineering Revenue	**14,597**	10,886	Up	3,711	Up	34%
Normalised EBITDA	**(2,429)**	(1,364)	Down	1,065	Down	78%
EBITDA	**(5,020)**	(3,319)	Down	1,701	Down	51%
Normalised Net Profit / (Loss) After Tax	**(3,013)**	(1,871)	Down	1,142	Down	61%
Net Profit / (Loss) After Tax	**(5,863)**	(3,981)	Down	1,881	Down	47%

Synertec generated external revenue and other income for the year ended 30 June 2023 ("FY23", or "year") of $15.6 million, up 29% on the prior comparable period ("pcp") (30 June 2022: $12.1 million). This result was underpinned by growth in Engineering's external revenue of 34% to $14.6 million (30 June 2022: $10.9 million) and $0.3 million in revenue from the commercialisation of the Company's Powerhouse technology.

Specifically, the engineering consultancy services revenue category experienced further substantial growth, delivering $10.4 million at continued strong gross margins, an increase of 18% on pcp (30 June 2022: $8.8 million). This represents an increase of 100% since FY21 in this category of revenue. Consultancy services now represents over 70% of total engineering revenue from external customers and reinforces the success of our strategy to weight engineering services towards "programs" of work with our major customers, and have less revenue derived from fixed price projects. The ongoing shift from fixed price revenue to consultancy revenue significantly de-risks the business against project cost issues and provides for sustainably higher margins.

The Board assesses the underlying performance of the business based on measures of Earnings Before Income Tax Depreciation Amortisation ('EBITDA') and Normalised EBITDA which excludes the effect of non-operating and non-recurring items. A reconciliation between Net Profit / (Loss) After Tax and Normalised EBITDA is outlined in the table below.

Reconciliation of normalisations	FY23 ($'000s)	FY22 ($'000s)
Net Profit / (Loss) After Tax	**(5,863)**	(3,981)
Depreciation and amortisation	**668**	517
Net finance costs	**175**	145
EBITDA	**(5,020)**	(3,319)
Corporate development(1)	**525**	161
Transformation initiatives(2)	**308**	-
Profit on disposal of motor vehicles(3)	**(27)**	-
Share-based payments(4)	-	383
Redundancy payments(4)	-	56
Net Technology research and development ('R&D') costs(5)	**1,785**	1,356
Normalised EBITDA	**(2,429)**	(1,364)
Net Profit / (Loss) After Tax	**(5,863)**	(3,981)
EBITDA normalisations (refer above)	**2,590**	1,955
Amortisation of Greentech licence	**259**	156
Normalised Net Profit / (Loss) After Tax	**(3,013)**	(1,871)

(1) Included within Business and corporate development expenses in the statement of profit or loss.

(2) Included within Other expenses and Employee benefit expenses in the statement of profit or loss.

(3) Included within Other income in the statement of profit or loss.

(4) Included within Employee benefit expenses in the statement of profit or loss.

(5) Included within Other income and Technology research and development costs in the statement of profit or loss.

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

Profit and loss performance (continued)

Normalised EBITDA excludes costs which are discretionary for the purposes of exploring strategic long term growth opportunities and/or activities and expenses which are not considered to be typical ongoing operational overheads for the business. Such items include corporate development costs of $0.5 million (30 June 2022: $0.2 million) which includes the costs of exploring the Powerhouse technology market opportunities in the United States ('US') and other growth opportunities for the Group throughout the year, as well as spend on transformation initiatives of $0.3 million (30 June 2022: nil) which includes the cost of transitioning IT managed services provider and associated system and cyber security upgrades, ISO 27001 Information Security Management Systems and Human Resources platform implementations, and one-off consulting engagements to support business transformation initiatives.

Technology development spend of $2.0 million, which relates to upfront investment made by the business up until commercialisation of the first Powerhouse unit in April 2023, has been removed to normalise the profit and loss impact of development on an ongoing basis given it is intended that future units will likely be capitalised on the balance sheet. This includes both claimable R&D and non-claimable development spend, noting that all spend up until April 2023 has been expensed. Refundable R&D credits amounted to $0.7m for the year (30 June 2022: $1.2 million). The Powerhouse development timeframe was accelerated in FY22 with most of the anticipated total outlay condensed into that year (circa $2.5 million).

Segment performance

From 1 July 2021, as announced by the Company during the year, the Group restructured the business to form two key areas of operation, being Engineering Solutions ('Engineering') and Technology and Future Business ('Technology'). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. This is the basis on which information is internally provided to the Chief Operating Decision Makers ('CODMs') for assessing performance and making operating decisions. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

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

	FY23			**FY22**		
	Engineering	**Technology**	**Total**	**Engineering**	**Technology**	**Total**
	($'000s)	**($'000s)**	**($'000s)**	**($'000s)**	**($'000s)**	**($'000s)**
Revenue & Other Income	**19,051**	**927**	**19,978**	13,106	1,202	14,308
Segment Normalised EBITDA	**1,301**	**(1,086)**	**215**	(200)	(633)	(833)
Segment Operating Profit / (Loss)	**674**	**(4,280)**	**(3,606)**	(615)	(2,308)	(2,924)
Net Profit / (Loss) After Tax	**707**	**(4,450)**	**(3,742)**	(982)	(1,759)	(2,741)

Total revenue for the Engineering business grew 45% to $19.1 million (30 June 2022: $13.1 million). This includes services and materials provided to the Technology business of $4.4 million (30 June 2022: $2.2 million) contributing to the development of the Group's three key environmentally friendly technology solutions to help global industry transition to a low carbon future. All inter-segment services and materials are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

Synertec's Engineering business strengthens, protects and expedites important technology intellectual property development, which would otherwise be sourced through external service providers. It is an efficient and commercial relationship between the businesses which enables the Group to prioritise and focus on its growth-leading technology development and effectively accelerate the technology commercialisation process.

As a result of the continued change in mix of revenues in the Engineering business from predominantly fixed price solutions to consultancy services over the past three years, Engineering gross margins have strengthened and consolidated. Combined with strong revenue growth during the year, the Engineering business has demonstrated its ability to operate as a self-sustaining, profitable business line with a Normalised EBITDA of $1.3 million (30 June 2022: loss of $0.2 million).

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

Profit and loss performance (continued)

Segment performance (continued)

Technology income includes $0.3 million (30 June 2022: nil) of income following commercialisation of the first Powerhouse unit with Santos Limited (ASX:STO) in April 2023. In addition, it includes $0.7 million (30 June 2022: $1.2 million) in R&D tax credits receivable under the federal government's Research and Development Tax Incentive program (R&DTI). Associated claimable R&D costs of $1.6 million (30 June 2022: $2.6 million) have been expensed as incurred. The Company is extremely pleased with the outcome of the Powerhouse technology development effort during the year and pleased to report that it has continually met its ambitious schedule of key milestones, ultimately commercialising the first unit in April 2023.

The significant organic growth in the Group over the past three years in particular, has required further investment in human resource systems and support processes to enable the continued rapid and controlled growth in the size of the team, which has expanded by over 100% during that time to approximately 120 people. Most of this growth is being generated by increased demand for Synertec's expertise from within the Group's long-established existing customer base across the critical infrastructure, energy, water and advanced manufacturing sectors. Having established deep domain knowledge of customers' operations and their critical technology platforms including systems which collect and collate field data enabling operators to perform control tasks, Synertec has been invited to bid for larger opportunities within those organisations which support their technological development and expansion.

As a result, the Group's Business Development ('BD') effort has increased significantly over the past year, culminating in several major contract awards during this time. These awards are building a larger and longer work in hand and pipeline of opportunities which is in turn, is enabling BD to become more focused on generally larger and more strategic opportunities and therefore, more likely to succeed, as demonstrated this year.

Corporate development effort also expanded during the year as the Group identifies additional capability based on customer demand, and explores markets for its technologies. Forming part of this development and growth effort, as announced during the year, the Group engaged with strategic advisors in the United States ('US') to explore the market opportunity for its Powerhouse technology. The timing of this partnership was followed by the US Government's announcement of the Inflation Reduction Act which contains up to USD $380 billion of funding for the accelerated development of clean energy technology to support the US's rapid energy transition to an independent clean energy economy.

During the year, Synertec was invited to the US to meet with key Government departments and prospective commercial partners, which has since culminated in further constructive discussions with these parties, driving potential market opportunities and funding for Powerhouse applications.

Capital Management

Balance Sheet	**FY23 ($'000s)**	**FY22 ($'000s)**	**$ Change ($'000s)**	**% Change**
Total Assets	**19,160**	10,903	Up 8,257	Up 76%
Cash at Bank	**10,654**	4,121	Up 6,533	Up 159%
Net Assets	**11,536**	5,161	Up 6,375	Up 124%
Current Ratio (Current Assets / Current Liabilities)	**2.8 times**	2.1 times	Up 0.7 times	Up 33%

Total Assets of $19.2 million (30 June 2022: $10.9 million) and Net Assets of $11.5 million (30 June 2022: $5.2 million) includes cash of $10.7 million (30 June 2022; $4.1 million). The increase in net assets reflects the Company's stronger cash balance driven by the successful share placements completed in September 2022 and May 2023 (refer below for further commentary on this), growth in the engineering business and associated customer receipts, and prudent management of working capital.

Synertec operates with no debt or covenants from its bank.

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

Capital Management (continued)

Cash Flow	FY23 ($'000s)	FY22 ($'000s)	$ Change ($'000s)	% Change
Cash receipts from customers	**15,941**	11,824	Up 4,117	Up 35%
Net cash used in operating activities before COVID deferred payments related to prior years[(1)]	**(5,007)**	(4,256)	Up 751	Up 18%
Net cash used in operating activities	**(5,083)**	(4,826)	Up 257	Up 5%
Net increase in cash	**6,533**	1,495	Up 5,038	Up 337%

[(1)] COVID deferred payments related to prior years amounted to $0.3 million (30 June 2022: $0.6 million).

The Group's cash receipts from customers was $15.9 million (30 June 2022: $11.8 million), up 35% on pcp and debtor-days remain within the Group's 30-40 day target range. The Company continues to manage cash prudently and maintains a strong working capital and liquidity position.

The overall net cash flow for the year was an increase in cash held of $6.5 million. This included:

i) proceeds of $5.0 million (before costs) from a strategic Placement conducted in September 2022. The Placement of 31.25 million new shares at an issue price of $0.16 per share represented a 14% discount to the last closing price and 5-day VWAP, and was within the Company's existing placement capacity under ASX Listing Rule 7.1.

ii) proceeds of $8.0 million (before costs) from a strategic Placement conducted in May 2023. The Placement of 36.36 million new shares at an issue price of $0.22 per share represented a 12% discount to the last closing price and 5-day VWAP, and was within the Company's existing placement capacity under ASX Listing Rule 7.1.

Net proceeds from the placements provide balance sheet support for the execution of the Group's dual strategy of commercialising several large near term ESG-focused technology opportunities in the energy sector (including the purchase of long lead time components for its Powerhouse technology, Powerhouse technology development for new applications with new customers across industries and establishing a dedicated assembly facility in due course), as well as growing out its high-end engineering solutions business, which provides critical support to the Group's expanding technology arm. Both Placements were corner-stoned by existing high quality domestic institutional and sophisticated investors, proving a strong endorsement for the Company and its ESG technology-led growth strategy.

The net operating cash outflow of $5.1 million (30 June 2022: $4.8 million outflow) comprised net cash used in operations as follows:

Net operating cash flows ($'000s)	Engineering	Technology	Corporate	Total
FY23	**1,534**	**(4,735)**	**(1,882)**	**(5,083)**
FY22	(1,104)	(2,859)	(863)	(4,826)
Variance	2,638	(1,875)	(1,020)	(257)

Importantly, the Company's focus on moving both the Technology and Engineering businesses toward consistent sustainable positive operating cash flow has begun to materialise, as the Engineering business returned to positive operating cash flow for the year. This is being driven by the continued, largely organic growth in revenue and gross margins over the past two years, as well as managing cash prudently by keeping debtor-days minimised (a product of the transition to consultancy services, away from fixed price projects), and maximising working capital for the benefit of the Group's businesses.

The Technology business continues to avail of R&D tax credits where it can for its technology developments. To streamline this process and improve the Group's working capital, during the year the Group engaged an R&D tax credit funding provider who is providing a portion of the tax credits in cash to the Group throughout the year based on the strength of the Group's registered R&D eligibility.

As outlined in the table above, the combined net operating cash flow of Engineering and Corporate has improved by $1.6 million against the pcp, to a net cash outflow of $0.3 million (30 June 2022: outflow of $2.0 million). This is mainly attributed to the significant growth and improved performance in the Engineering business.

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

Operations

Technology Business

Synertec's Technology Business continues to progress its key environmentally friendly technology solutions (including Powerhouse, CTS and CDP) to help the global energy industry transition to a low carbon future and reduce its environmental footprint. Synertec is committed to being an impact investment for shareholders and local communities, and to ensuring the Company is supporting its partners in the collective endeavour to improve ESG performance. FY23 saw a number of key milestones achieved, most notably related to the Powerhouse technology.

Powerhouse

Powerhouse, a Predictive Intelligence solar & battery system providing reliable continuous 100% renewable base load power for remote areas, achieved a significant milestone during the year. Having completed extensive field testing, it commenced commercial operations with Santos Limited (ASX: STO, "Santos") on 1 April 2023 in Queensland, Australia.

The Company and Santos have agreed a Goods and Services Contract ('GSC') that sets the framework under which Santos can provide future commercial Purchase Orders to Synertec for the supply of Powerhouse units. The structure of the GSC, which is for a 7-year term with the option to extend, facilitates a number of potential long term beneficial outcomes for the parties, including:

- A financial platform for Synertec that will enable the accelerated roll-out of Powerhouse units to Santos; and
- Flexibility and efficiency for Santos to direct the supply of new Powerhouse units, as well as rapid re-deployment of Powerhouse units in use to alternate sites in response to operational requirements.

Powerhouse is a novel 'smart' micro-grid system that involves the combination of a rapidly deployable and portable industrial-scale electrification power system including a foldable solar panel array, battery storage units, and sophisticated smart controls enabling Predictive Intelligence to optimise the continuous generation and consumption of renewable electricity from an appropriately scaled system with minimal footprint. At present, Santos and other Australian oil and gas operators rely on diesel, gas or hybrid powered generators for powering their well sites and other areas of their business.

Key benefits of Powerhouse include:

- Reduced carbon emissions through reliable continuous supply of 100% renewable energy
- Flexible, scalable, portable and re-deployable infrastructure
- Increased safety and operational efficiency with reduced maintenance and remote operability
- Potential for removal of, and/or reliance upon, mains power connections in remote areas
- Commercial, cost-effective solution

A number of key milestones, all within forecast timeframes, were achieved with Powerhouse during the year, including:

- Site installation in remote Queensland, and successful completion of Site Acceptance Testing ('SAT');
- Successful "cutover" and integration of the system with Santos' production and operating systems, meaning Powerhouse is supplying continuous power, emission-free, to a remote cluster of eight gas wells spread across an area of approx. 10 square kilometres, replacing the existing bank of fossil-fuelled generators;
- Successful operation through a number of extreme weather events, delivering over 100-days of reliable emission-free 100% renewable continuous power supply;
- Completion of the commercial scale field trial, being final stage of the testing process for the Powerhouse prototype; and
- Advancement of plans for commercial scale production of Powerhouse units and component suppliers committing to key supply chain performance criteria.

This culminated in the first commercial order from Santos, with revenue commencing from 1 April 2023.

During the year the Group engaged with partners in the US to explore the potential market opportunity for Powerhouse. This investigation followed the US Government's announcement of the Inflation Reduction Act which contains up to USD $380 billion of funding for the accelerated development of clean energy technology to support US rapid transition to an independent clean energy economy. Synertec was invited to the US to meet with various key arms within the US Government Department of Energy, as well as various prospective commercial partners, which has since culminated in further constructive discussions with these parties.

Synertec continue to progress further interest and opportunities with various large global companies for the application of Powerhouse primarily across the energy and resources sectors.

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

Engineering Business

FY23 saw strong demand for Synertec's Engineering services enabling Synertec's Engineering business to grow significantly across its target industries of critical infrastructure, energy, water and advanced manufacturing. Over the year, Synertec was awarded over $25 million in new contracts and existing contract extensions across all four key target sectors with rail and water continuing to provide significant, secure long-term programs of work.

Most notably the Engineering business secured a new contract to continue our 15+ year relationship with Melbourne Water and further expand our scope beyond the Eastern Treatment Plant (ETP) to service their entire operational technology asset base. Effective from 1 January 2023 for 3 years, the contract provides for payments of approximately $3 - $4 million per annum for services on an ongoing basis (and if completed in full), and will run through to the end of 2025, with the option for the parties to extend for a further 2 years. In addition to the core work delivered under this new contract, this win re-enforces our position as a partner of choice for Melbourne Water and has already resulted in significant additional work through Melbourne Water's other delivery partners.

The contract award reflects Synertec's best-in-class automation and control engineering knowledge as well as our deep experience and expertise in Siemen's technologies. Synertec has been continuously engaged by Melbourne Water since 2007 providing 24/7 support to the ETP, along with additional significant automation project services.

In the rail sector a significant additional engagement with Metro Trains Melbourne was also announced by the Company during the year for the provision of services with an estimated price of circa $2.5 million (if completed in full), with provision for scope extensions. This important contract will see Synertec deliver upgrades of essential fire safety equipment and systems within Melbourne's City Loop and underground stations, including fire suppression systems, smoke ventilation and evacuation equipment. Synertec will leverage its extensive knowledge of advanced process control systems, functional safety and systems engineering to deliver this project for the benefit of Victoria's travelling public.

This contract award continues to demonstrate Synertec's growing reputation for addressing complex challenges with innovative solutions and strengthens Synertec's long-standing commercial relationship with Metro Trains Melbourne.

Other awards included :

- Two design projects for the upgrades of a Thales facility which produces advanced energetic materials to the Australian Defence Force.
- Engineering services work to improve gas supply infrastructure with APA and Woodside

From the time it was founded over 26 years ago, Synertec has been consistently engaged by many blue-chip tier-1 customers such as CSL Limited (ASX: CSL) (1996), Melbourne Water (since 2007) and Metro Trains Melbourne (since 2017). These recent major contract awards reflect Synertec's best-in-class automation and control engineering expertise and extensive experience in global control technologies, coupled with deep domain knowledge of its customers' operations – all of which are contributing to a strong platform for profitable growth by improving key drivers such as work in hand, utilisation and sell rates.

Continued demand for our service and strong contract wins have resulted in significant growth of the Engineering business with over 50 new skilled and talented engineers joining the team over the course of the year, taking the total workforce to around 120 people. The net growth in workforce represents an increase in billable capacity on pcp of circa 30% and the largest workforce in the company's history. While current tight labour market conditions have presented challenges for human resourcing, Synertec is well placed to continue growing our team with our exciting customer base, values driven focus on ESG and leading-edge technology portfolio.

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

ESG Reporting

Synertec continues to demonstrate strong dedication to enhancing its Environmental, Social, and Governance ("ESG") initiatives. In the last year, Synertec has consistently been developing and disclosing its ESG efforts aligned with the World Economic Forum ("WEF") Stakeholder Capitalism framework, enabling integration of ESG into risk and opportunity identification, policy, processes and procedures throughout operations.

By aligning with this framework and adhering to ESG principles, the company consistently delivers ESG updates to stakeholders throughout the year. These updates serve to enhance transparency and accountability by focusing on a core set of 21 material topics that assist in assessing the company's environmental, social, and governance performance. Through this process, Synertec ensures that stakeholders are well-informed about the company's progress and achievements in these areas.

Synertec's ESG activity summary for the year is as follows:

Environment

- The Powerhouse Technology continues to strengthen its credentials as a reliable and commercial solution to reduce the carbon footprint of remote industrial operations with key milestones and targets met, including commercialisation of the technology announced in March 2023.
- Fleet asset upgrade replacing petrol vehicles with hybrid vehicles.
- Green waste/recycling initiatives were implemented in the Melbourne office.

Social

- Ongoing support of Social Enterprises through Social Traders, including charitable organisations, marginalised youth, prisoners, new migrants and refugee committees.
- Synertec has embedded ESG into the employee onboarding process, providing new employees understanding on our ESG commitment and how we involve our employees in ESG processes and improvement opportunities.
- Development and adoption of Synertec's Modern Slavery Policy, to create awareness of modern slavery and to provide insight into how Synertec seeks to mitigate modern slavery risks in the supply chain.

Governance

- Synertec are currently at end of Stage 2 of the Audit Path in implementing the global best practice ISO 27001 standard, 'Information Security Management Systems', to strengthen IT security, cyber security and privacy protection.
- Development and adoption of Synertec's Modern Slavery policy, with process due diligence updates made throughout our purchasing, contract management and vendor audit procedures.
- Review of the Synertec Board skills matrix, inclusive of incorporated ESG competencies, identified opportunities to further strengthen the current skill set with training in specific ESG topics.
- Ongoing periodic review of all key policies and procedures on a rotational basis from year to year.

As part of Synertec's ongoing ESG commitment, Synertec is considering the implementation, where relevant, of the TCFD recommendations (Task Force on Climate-related Financial Disclosures), to assess and disclose climate-related risks and opportunities in its operations and supply chain. By aligning with TCFD guidelines, the company would seek to not only create resilience against potential climate impacts but to use the process as an opportunity to further identify opportunities to create a positive impact for both the stakeholders of the company and the environment.

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

Outlook

Synertec's strong financial position as at 30 June 2023 supports the Company's technology-led growth strategy, including further commercialising large near-term ESG-focused technology opportunities in the energy sector; while also growing out its high-end engineering solutions business.

Synertec will continue to focus on progressing the roll out of the Powerhouse technology over the coming year with various parties it is working with, primarily in the energy and mining sectors. The results from extensive field testing and live operation over the past year have proven the Powerhouse technology to be highly successful. This has provided Synertec with the confidence to more actively market Powerhouse as a field proven, scalable, and commercially beneficial product for large global markets, starting with a focus on decarbonisation of Australia's energy and mining sectors.

The Engineering business has recovered strongly since the major impacts of COVID-19, largely impacting FY20 and FY21 results, moving into profitability and positive operating cash flow, providing solid foundations to support continued growth across the Group. The business exited FY23 with a solid work in hand of ongoing projects and a promising, high-quality pipeline of opportunities. Management continues to focus on resourcing and a continuous improvement in the structure to support the increased demand from customers, and to continue to deliver ambitious revenue and earnings targets in the next year.

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

No matter or circumstance has arisen since 30 June 2023 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

8. Likely developments

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

9. Material business risks

The key challenges for the Group going into FY24 are:

- Maintaining and building balance sheet strength;
- Delivering commercialisation of the suite of technology solutions and profitability of its engineering projects and programs of work for its customers; and
- Selecting technology and projects that can deliver acceptable returns for commensurate risk.

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

9. Material business risks (continued)

Key Global events and associated market risk on the Company and its customers and other stakeholders

The ongoing impact of global events, such as COVID-19 and the war between Russia and the Ukraine, will continue to directly and indirectly impact on international supply chains and capital markets. In addition, the Company's projects and/or pipeline of opportunities may be impacted by our customers' decisions to delay existing work Synertec is involved in or defer or cancel projects for which Synertec has bid and/or positioned itself in anticipation of being awarded in the short-term.

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 State and Federal Governments 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

Our ability to execute projects successfully (quality, on time, to budget), meet contractual obligations and customer expectations and maintain core operations, while growing our strategic sustainability portfolio.

We have a diverse skill set. This enables us to deliver specialist consultancy advice through to large complex projects. We use our global capability to deliver value to our customers across all major energy sectors.

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.

Cyber security and information technology

Synertec relies on essential business systems for its core operations, emphasising the need to effectively manage data, information, and cyber risks. The Group's proficiency in safeguarding data using IT systems is essential in a dynamic landscape that presents heightened breach vulnerabilities whilst also providing security enhancement prospects. Various threats, including unauthorised access, cyber attacks, and errors, jeopardise both reliability and security, carry the potential for financial penalties and present business continuity risks. Our sophisticated technology platform serves as the backbone of operations and client services. Potential cyber threats against company and client data have the capacity to disrupt data flows, operations, and tarnish reputation, ultimately influencing future opportunities and revenue.

During FY23, the Company continued to implement many initiatives to address the risks above. These initiatives included:

- Streamlining of organisational structure and project delivery and contracting.

9. Material business risks (continued)

- Strengthened governance processes around 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.

- Project risk exposure assessments. These determine the level of management seniority we need to take part in the bidding decision-making process.

- Commercial management framework. This makes sure our contracts are fit for market conditions, including inflation pressures, supply shortages and other potentially disruptive events. It also makes sure our contracts are compliant, and that we manage and approve scope and contract variations effectively.

- Project governance structure. This supports monthly project performance reviews and identifies projects that will need more support.

- Employee learning and development and competency programs.

- Maintenance of dedicated State-based workforces in Victoria, Western Australia and Queensland to support projects in those and other states so as to minimise the need for interstate travel.

- Streamlined recruitment processes to speed up the hiring process.

- Competitive remuneration frameworks.

- Recognition, reward sponsorship and succession programs.

- Hybrid working arrangements involving a mix of working from home, office and/or site. This lets our people work flexibly, be productive and collaborative and supports their well-being.

- Commitment to invest within the business to deliver strategy through growth of specialist capability. This includes employee training programs. Many of our people's skills are transferable, and training supports a rapid shift.

- Diversity and inclusion programs, targets and regular employee-engagement surveys.

- De-risking our growth and opportunity pipeline through diversification of our service offering by targeting cross discipline and multi-disciplinary projects with new and existing clients. Diversification of our client and industry base continues through targeting adjacent industries such as mining and metals, road infrastructure and the broader trend to on-shoring of manufacturing.

- Balance sheet strengthening via share placements as required.

- Synertec management meets regularly with its banker, insurance brokers and insurers to discuss operations, performance and developments within the business.

- Implementation of an Information Security Management System (ISMS) which involves significant uplift in both procedural and technical elements of our cyber security defences. Our ISMS is being independently certified against ISO 27001, the world's leading standard for information security management systems, with the stage 1 audit passed in FY23. Full certification against the standard is expected in FY24.

- ISO 27001 certification is supported by investment in internal cyber security and IT resources as well as the transition to an independent external Managed Service Provider (MSP) incorporating 24/7 Security Operations Centre (SOC) monitoring of our IT environment and Security Information and Event Management (SIEM) services. It also incorporates significant employee education and training as well as the introduction of rigorous business continuity measures and incident response drills.

10. Environmental legislations

The Group’s operations are not currently subject to significant environmental regulations under either Commonwealth or State legislation.

11. Company Secretary

Mr. Harris is an Executive Director, Chief Financial Officer and Company Secretary of Synertec. Mr. Harris oversees Future Business and Technology, as well as corporate services including corporate development initiatives, investor relations, finance, information technology, business transformation and the company secretarial function for the Group.

Mr. Harris is a graduate of the Australian Institute of Company Directors, an Australian Chartered Accountant, and fellow of both the Financial Services Institute of Australasia and the Governance Institute of Australia. He has over 30 years of local and international experience in senior leadership and board 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 year 1 July to 30 June 2023, 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						
Dennis Lin	10	10	4	4	3	3
Leeanne Bond	10	9	4	4	3	3
Michael Carroll	10	10	4	4	3	3
David Harris	10	10	4	4	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

At the Company's 2021 Annual General Meeting, shareholders approved the grant of 10,000,000 unlisted options with an exercise price of $0.20 (a 100% premium to the share placement price of $0.10) and term expiry of 3 years, to its Joint Lead Managers and Brokers in the share placement conducted by the Company in August 2021. As a result, Taylor Collison's nominees received a total of 6,000,000 options and PAC Partners nominees received a total of 3,500,000 options.

At the Company's 2022 Annual General Meeting, shareholders approved the grant of 3,600,000 unlisted options with an exercise price of $0.32 (a 100% premium to the share placement price of $0.16) and term expiry of 2 years, to its Joint Lead Managers and Brokers in the share placement conducted by the Company in September 2022. As a result, Taylor Collison's nominees and PAC Partners nominees received a total of 3,600,000 options between them.

14. Remuneration report

The Directors present the Remuneration Report (the "Report"), which forms part of the Directors' Report, for the Group for the year ended 30 June 2023.

The Report details the remuneration arrangements for Key Management Personnel ("KMP") being the:

- Non-executive directors; and
- Executive directors and senior executives (the "Executives")

KMP are those, who directly, or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Group.

Details of KMP are set out below:

Name	**Position**	**Appointed as a Director**
Mr. Dennis Lin	Independent Non-Executive Director, Chair	27 August 2019
Ms. Leeanne Bond	Independent Non-Executive Director	08 August 2017
Mr. Michael Carroll	Managing Director and Chief Executive Officer	08 August 2017
Mr. David Harris	Executive Director, Chief Financial Officer and Company Secretary	01 April 2021

The remuneration report details the KMP remuneration arrangements for the consolidated entity, including all directors.

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 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;
- rewards superior performance within an objective and measurable incentive framework; and
- transparency.

The Board maintains 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, as well as the management team.

The Nomination and Remuneration Committee ('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 and Management team.

The Committee will also periodically review the composition of the Board and make necessary changes to ensure that it comprises persons who have the skill and experience appropriate for the business activities and operations undertaken by the Company.

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board will select and appoint the most suitable candidate. Any such appointee would be required under the Bye-Laws to retire at the next Annual General Meeting and is eligible for re-election by the shareholders at that meeting.

14. Remuneration report (continued)

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 Group's approach to remuneration is designed to ensure remuneration is competitive, performance-focused, clearly links appropriate reward with business objectives and is simple to administer and understand by Executives and shareholders.

All Executive KMP remuneration comprises the following:
• Fixed (base remuneration):
• At risk component:
  o Short-term incentive (STI) – described further in the table below; and
  o Long-term incentive (LTI) – described further in the table below.

Element	Purpose	Performance metrics	Potential value
Base (fixed) remuneration	Provide a market competitive salary, including superannuation.	Nil	Within industry averages for the position's required skill and responsibility
STI	Combination of cash and equity based reward for 12-month performance.	Corporate and project development objectives. Company strategy is set at the Board level and is used to determine the KPIs.	Up to 50% of base remuneration.
LTI	Alignment with growth in long-term shareholder value over a three-year period. Combination of cash and equity based reward.	Achievement of key company objectives, linked to long term performance such as technology and engineering milestones and share price performance.	Up to 50% of base remuneration.

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.

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. Fees for Non-Executive Directors are not linked to the performance of the Company.

Each of the Non-Executive Directors receives a fixed fee for their services as Directors. There is no direct link between remuneration paid to any of the Directors and corporate performance such as bonus payments for achievement of certain key performance indicators. There are no retirement benefits for Non-Executive Directors.

14. Remuneration report (continued)

Non-Executive Directors are encouraged to hold shares in the Company and align their interests with the Company's shareholders. The shares are purchased by the directors at the prevailing market share price.

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 not to exceed $300,000, which has not changed since the Company's ASX re-listing in 2017, and is subject to approval by shareholders at the Annual General Meeting.

Link between remuneration and performance

FY 2023 performance and impact on remuneration

The STI scheme operates to link performance and reward with key measurable financial and non-financial performance indicators to provide employees with clear and understandable targets that are aligned with the Group's objectives.

The STI performance objectives are communicated to KMPs at the beginning of the twelve-month performance period, with performance evaluations conducted during and following the end of the respective twelve-month performance period.

The Group's overall performance and return to shareholders remained strong across FY23 with the business continuing to achieve many key strategic objectives and KPIs despite difficult trading conditions brought about by the flow-on consequences in our Australian market of the global COVID-19 pandemic and war between Russia and Ukraine, which have directly and indirectly impacted key economic factors such as sharply rising interest rates to combat high inflation and record low unemployment amid an extremely tight labour market which has further driven up the cost of labour, recruitment and retention, particularly for people-based businesses such as Synertec.

Despite this, Synertec has delivered substantial growth in shareholder value over FY23 as follows:
• Share price growth of 175%
• Deployment and commercialisation of its key scalable environmental technology with a major global Australian-based energy company
• Revenue and other income growth of 29%, outperforming Budget and KPI threshold
• Normalised EBITDA in the Engineering business of $1.3 million (FY22 EBITDA loss of $0.2 million), outperforming Budget and KPI threshold
• Grew workforce by net 30%
• Achieved high rates of staff retention and low rates of staff turnover, outperforming Budget and industry benchmarks
• Grew work in hand and pipeline significantly, outperforming KPI threshold
• Nil Total Recordable Incident Frequency Rate and notifiable health and safety or environmental incidents

Both Company safety and financial performance is an embedded "gate opener" to any incentive award, with incentive plans operating and assessed on an annual basis, and ultimately subject to Board and/or shareholder approval.

For short term incentives to Executives, although the composition of any STI award is at the discretion of the Board, the incentive will be awarded as a mix of cash and shares and/or deferred equity in the form of Performance Rights vesting over one or two years.

For Executives, there is also a long term incentive to be awarded as a mix of cash and/or deferred equity in the form of Performance Rights vesting over three years. This incentive is based on continuous satisfactory employment and performance with the Company over a period of three years including achievement of annual STI targets. The first long term incentive period began in September 2022 and concludes in September 2025.

Further:
• eligibility for award is only achievable if both the safety and financial metrics within the annual STI plan for the year (in the case of STIs) and each of those respective years (in the case of LTIs) is achieved to the levels as outlined in the STI plan for eligibility to the STI for each respective year; and
• any Incentive award under the Company's plans is subject to the Board's assessment of performance against the Company KPI Performance Targets, an individual's performance, and an individual remaining employed (and not in a notice period) with the Company at the time of any Incentive award.

To assist in this assessment, the Committee receives detailed reports on performance from management which are based on KPIs established by the Board at the beginning of the financial year, independently verifiable data such as audited financial measures and independent market data. For more information on strategic priorities and 2023 performance and results, see the operating and financial review in the 2022 Annual General Meeting presentations.

14. Remuneration report (continued)

As a result of achieving key milestones in the growth of the business which contributed significant shareholder value, the continued performance and resulting strong shareholder returns over the past year, the Board awarded: executives cash incentives from a total pool of approximately $425,000; and management and key staff invited to participate in the Company's incentive plan cash and equity incentives (in the form of shares and performance rights) from a total pool of approximately $300,000. Their incentives are reflected in the financial results for FY23.

Maintaining sustainable performance – future approach

The Group is anticipating a period of substantial growth in key markets (including commercialisation and/or roll out of transformative technology currently in development and/or operation and continued growth in the Engineering business, which is integral to supporting the Technology business), but anticipates significant competition in those markets in the next 1-5 years.

In order to increase the focus on major milestones in the short term and sustainable performance over the long term, the Committee proposes to continue to pay short term incentives based on key milestones which are expected to bring significant increases in shareholder value each year, while progressively shifting the weighting from short term to long term in the Executives' pay mix. This will be done through awarding remuneration increases primarily in the form of incentive pay. Measures of performance will also be reviewed to place greater weight on those non-financial indicators of performance that will improve sustainability of operations.

Balancing short-term and long-term performance

Annual incentives are generally set at a maximum of 50% of fixed remuneration, in order to drive performance without encouraging undue risk-taking. Sustainability of results and talent retention is also ensured by the deferral of a portion of short-term incentives for at least one to two years. This also encourages talent retention. Long-term incentives are generally assessed over a three year period and are designed to promote long-term stability in shareholder returns.

Voting of shareholders at last year's annual general meeting

The Company received 99.7% of "yes" votes on its remuneration report for the 2022 financial year. The company did not receive any feedback at the AGM or throughout the year on its remuneration practices.

14. Remuneration report (continued)

Details of remuneration

Amounts of remuneration

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

	Short-term benefits		Post-employment benefits		Equity	Long-term benefits	Total
2023	**Cash salary and fees**	**Bonus**	**Super-annuation**	**Termi-nation****	**Options**	**Long service & annual leave**	
	$	$	$	$	$	$	$
Independent Non-Executive Directors							
Dennis Lin (Chair)	90,413	-	9,493	-	-	-	99,908
Leeanne Bond*	61,667	-	-	-	-	-	61,667
Executive Directors							
Michael Carroll (Managing Director)	389,648	225,000	27,918	-	-	42,940	685,505
David Harris (Executive Director/Chief Financial Officer/Company Secretary)	342,678	200,000	28,811	-	-	49,580	621,069
Total remuneration of key management personnel	**884,406**	**425,000**	**66,222**	**-**	**-**	**92,519**	**1,468,148**

* This was paid to Breakthrough Energy Pty Ltd

	Short-term benefits		Post-employment benefits		Equity	Long-term benefits	Total
2022	**Cash salary and fees**	**Bonus**	**Super-annuation**	**Termi-nation**	**Shares & share rights**	**Long service & annual leave**	
	$	$	$	$	$	$	$
Independent Non-Executive Directors							
Dennis Lin (Chair)	77,626	-	7,763	-	110,870	-	196,259
Leeanne Bond*	50,000	-	-	-	-	-	50,000
Executive Directors							
Michael Carroll (Managing Director)	348,101	31,818	25,967	-	-	1,793	407,679
David Harris (Executive Director/Chief Financial Officer/Company Secretary)	300,725	22,727	27,488	-	271,739	37,859	660,538
Other Key Management Personnel							
Joern Buelter - (Chief Operating Officer)	25,956	-	3,956	103,289	-	(4,443)	128,758
Total remuneration of key management personnel	**802,408**	**54,545**	**65,173**	**103,289**	**382,609**	**39,653**	**1,443,234**

The role of Chief Operating Officer was made redundant on 20 August 2021.

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 2022	Received as part of remuneration	Additions/ (Disposals)	Options Exercised	Balance at 30 June 2023
Independent Non-Executive Directors					
Dennis Lin	-	-	-	2,173,913	2,173,913
Leeanne Bond[1]	2,785,576	-	-	-	2,785,576
Executive Directors					
Michael Carroll (Managing Director)[2]	49,398,496	-	-	-	49,398,496
David Harris (Executive Director/Company Secretary/Chief Financial Officer)[3]	2,137,733	-	-	4,347,826	6,485,559

1. Shares held by Bondatron Pty Ltd ATF Bondatron Super Fund A/C.
2. Mr. Michael Carroll is the beneficial owner of 100% of the benefits and rights in the Pinnacle (MCGA) Retirement Fund, which in turn owns 100% of the ordinary shares in Kensington Trust Singapore Ltd which is the registered holder of 49,398,496 shares in Synertec Corporation Limited and is the largest individual shareholder in the Company.
3. Shares held by David Harris consist of 2,987,733 shares held by DDGG Harris Holdings Pty Ltd ATF DDGG Harris Superannuation Fund.

Options held by key management personnel

	Balance at 1 July 2022	Received as part of remuneration	Additions/ (Disposals)	Options Exercised	Balance at 30 June 2023
Independent Non-Executive Directors					
Dennis Lin	2,173,913	-	-	(2,173,913)	-
Leeanne Bond	-	-	-	-	-
Executive Directors					
Michael Carroll (Managing Director)	-	-	-	-	-
David Harris (Executive Director/Company Secretary/Chief Financial Officer)	4,347,826	-	-	(4,347,826)	-

During the year, Mr. Dennis Lin (Independent Non-Executive Director and Chair) and Mr. David Harris (Executive Director, Chief Financial Officer and Company Secretary) exercised the options (6,521,739) which were granted to them at the Company's Annual General Meeting in 2021.

Additional disclosures relating to key management personnel

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

This concludes the remuneration report.

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 (including Independence Standards), 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 28 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 the Directors.

For and on behalf of the Directors,

Mr. Michael Carroll
Managing Director
Melbourne, Australia
30 August 2023

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 fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council.

The Group's Corporate Governance Statement for the financial year ending 30 June 2023 is accurate and up to date as at 30 August 2023 and was approved by the Board on 30 August 2023. The Corporate Governance Statement is available on the Synertec Corporation Limited website www.synertec.com.au.

Synertec Corporation Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

In Australian dollars	***Note***	**30 June 2023**	**30 June 2022**
Revenue & other income			
Revenue	*5*	14,805,159	10,886,378
Other income	*6*	753,600	1,202,416
Total Revenue & other income		**15,558,759**	**12,088,794**
Expenses			
Materials and service expense		(1,389,990)	(1,222,623)
Employee benefit expenses	*7*	(13,959,437)	(9,676,081)
Depreciation and amortisation expense	*16,17*	(667,577)	(517,313)
Technology research and development costs		(1,652,290)	(2,531,213)
Business and corporate development expenses	*8*	(1,498,022)	(420,693)
Other expenses	*9*	(2,122,745)	(1,566,308)
Net interest expense		(131,237)	(135,797)
Total expenses		**(21,421,298)**	**(16,070,028)**
Loss before tax		**(5,862,539)**	**(3,981,234)**
Income tax expense	*10(i)*	-	-
Loss after tax		**(5,862,539)**	**(3,981,234)**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(5,862,539)**	**(3,981,234)**
Earnings per share (cents)			
Basic loss per share	*24*	(1.50)	(1.14)
Diluted loss per share	*24*	(1.50)	(1.14)

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 2023

In Australian dollars	*Note*	30 June 2023	30 June 2022
Assets			
Cash and cash equivalents	*11*	10,653,858	4,120,753
Trade and other receivables	*12*	2,278,104	2,519,135
Contract assets	*13*	1,843,966	1,339,443
Inventories	*14*	1,160,647	12,262
Other assets	*15*	1,123,618	501,662
Total current assets		**17,060,193**	**8,493,255**
Non-current assets			
Property, plant and equipment	*16*	1,738,263	1,788,498
Intangible assets	*17*	361,801	621,085
Total non-current assets		**2,100,064**	**2,409,583**
Total assets		**19,160,257**	**10,902,838**
Liabilities			
Trade and other payables	*18*	4,535,821	3,005,665
Employee benefits	*19*	1,118,121	855,427
Contract liabilities	*20*	261,573	50,053
Lease liabilities	*21*	180,294	86,985
Total current liabilities		**6,095,809**	**3,998,130**
Non-current liabilities			
Trade and other payables	*18*	171,519	151,241
Lease liabilities	*21*	1,175,588	1,431,459
Employee benefits	*19*	181,659	161,193
Total non-current liabilities		**1,528,766**	**1,743,893**
Total liabilities		**7,624,574**	**5,742,022**
Net assets		**11,535,683**	**5,160,816**
Equity			
Issued capital	*22*	20,952,119	8,518,510
Share option reserve	*25*	428,409	624,609
Retained earnings		(9,844,845)	(3,982,303)
Total equity		**11,535,683**	**5,160,816**

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 2023

In Australian dollars	***Note***	**Issued capital**	**Share option reserve**	**Retained earnings**	**Total**
		$	**$**	**$**	**$**
Balance at 1 July 2021		2,097,506	-	(1,069)	2,096,437
Issue of shares		7,147,211	-	-	7,147,211
Capital raising costs		(726,207)	-	-	(726,207)
Employee share-based payments	25	-	382,609	-	382,609
Broker options on issue	25	-	242,000	-	242,000
Loss for the year		-	-	(3,981,234)	(3,981,234)
Total comprehensive income		-	-	(3,981,234)	(3,981,234)
Balance at 30 June 2022		**8,518,510**	**624,609**	**(3,982,304)**	**5,160,816**
Balance at 1 July 2022		8,518,510	624,609	(3,982,304)	5,160,816
Issue of shares		13,000,000	-	-	13,000,000
Capital raising costs		(1,049,000)	-	-	(1,049,000)
Exercised options		482,609	(382,609)	-	100,000
Broker options on issue	*25*	-	186,409	-	186,409
Loss for the year		-	-	(5,862,539)	(5,862,539)
Total comprehensive income		-	-	(5,862,539)	(5,862,539)
Balance at 30 June 2023	*22*	**20,952,119**	**428,409**	**(9,844,845)**	**11,535,683**

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

Synertec Corporation Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

In Australian dollars	***Note***	**30 June 2023**	**30 June 2022**
Cash flows from operating activities			
Cash receipts from customers		15,940,743	11,824,270
Cash paid to suppliers and employees		(19,714,489)	(13,348,195)
Cash used in operations		(3,773,746)	(1,523,926)
Government grant received		1,114,643	88,426
Interest received		22,446	-
Payments for R&D activities		(1,652,290)	(2,558,249)
Payments for corporate development activities		(718,081)	(261,940)
Repayment of COVID deferred payments relating to prior year		(75,752)	(570,390)
Net cash used in operating activities	*11A(i)*	**(5,082,781)**	**(4,826,079)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		36,364	-
Payment for intangible asset associated costs		-	(176,705)
Purchase of property, plant and equipment		(366,877)	(196,628)
Loan funds repaid by technology partner		-	255,000
Net cash used in investing activities		**(330,514)**	**(118,334)**
Cash flows from financing activities			
Payments for capital raising costs		(862,585)	(484,207)
Proceeds from issue of shares		13,000,000	7,147,211
Proceeds from exercised options		100,000	-
Repayment of finance lease liabilities		(291,016)	(223,691)
Net cash from financing activities		**11,946,399**	**6,439,313**
Net increase in cash and cash equivalents		**6,533,104**	**1,494,900**
Cash and cash equivalent at beginning of the year		4,120,753	2,625,853
Cash and cash equivalents at end of the year	*11*	**10,653,858**	**4,120,753**

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

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 2023 (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 Ground Floor, 2-6 Railway Parade, Camberwell, VIC 3124, 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 30 August 2023.

2. Significant accounting policies

2.1 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.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated.

2.3 Functional and presentational currency

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

2.4 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2023. 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.

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.

2. Significant accounting policies (continued)

2.5 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.

The Group's main revenue streams are as follows:

Engineering services

The Group provides engineering services relating to the design and engineering of customised Systems, 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 and the performance obligation is satisfied. 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.

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 using the percentage complete basis as this provides the most accurate depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of costs 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.

Technology contracts

As the current contract has been assessed as an operating lease, the Group is recognising revenue over time on a straight line basis.

2. Significant accounting policies (continued)

2.5 Revenue and other income (continued)

Warranty period

The Group provides warranty on some of 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* .

Research and development tax credits

Research and development ('R&D') tax credits relate to technology projects, for which eligible R&D activities are being undertaken. The federal government's Research and Development Tax Incentive program (R&DTI) offers a tax offset for companies conducting eligible R&D activities. When management is able to calculate a reasonable estimate of the R&DTI refund likely to be received for a financial year, that amount is recognised in the financial year to which the refund relates. When a reasonable estimate cannot be determined, income from the R&DTI refund is recognised when it is received.

The Group is eligible for a 43.5% refundable R&D tax offset on applicable research and development activities given that its aggregate turnover is less than $20 million. The refundable tax offset is equal to the company's tax rate (25%) plus a premium of 18.5% provided the company is below the $20 million threshold. The Group has recognised the R&D credit on an accrual basis.

2.6 Operating expenses

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

2.7 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- lease finance costs as a result of IFRS 16.

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

2.8 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. Foreign currency differences are generally recognised in profit or loss.

2.9 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.

2. Significant accounting policies (continued)

2.9 Income taxes (continued)

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax liabilities are always provided for in full.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the 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 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.

2.10 Inventory

Inventories are measured at the lower of cost and net realisable value, and primarily relates to materials. The cost of inventories is based on the first-in, first out principle. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

2.11 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.

2. Significant accounting policies (continued)

2.11 Property, plant and equipment (continued)

(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.

2.12 Intangible assets

Research and development costs

Research costs are expensed as incurred.

Development costs are capitalised if they meet the criteria set out below, otherwise they are expensed as incurred.

Development expenditures on a project are only recognised as an intangible asset when the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit.

During the period of development, the asset is tested for impairment annually. Currently there are no such assets which meet the criteria.

Licences

As referenced in Note 17, Synertec entered into a perpetual, exclusive and royalty-free licence agreement with its Composite Dry Powder ('CDP') technology partner, GreenTech ("Licence Agreement"). The licence is for the use of intellectual property held by the Group and is granted for an initial period of 3 years, starting from November 2021. In accordance with the terms of the Licence Agreement, Synertec will make additional consideration milestone payments of 2.5 million fully paid ordinary shares each (at an equivalent value of 10 cents per share) after 3 and 5 years respectively, based on CDP revenue hurdles of $2 million by year 3 and $5 million by year 5 being achieved.

As a result, the licence is amortised over 3 years.

There are no ongoing royalty fees associated with the Licence Agreement. The Milestone Licence fees will be accounted at cost at each Milestone date, if achieved. They constitute contingent liabilities.

2. Significant accounting policies (continued)

2.13 Impairment

(i) Financial assets measured at amortised cost

The Group applies a simplified approach in calculating Expected Credit Losses (ECLs) for trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than 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 Cash Generating Units ('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.

2.14 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.

2. Significant accounting policies (continued)

2.15 Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(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.

(iv) Share-based payment

The Group operates an equity-settled, share-based compensation plan.

The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied. If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification. If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

2. Significant accounting policies (continued)

2.16 Leases

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. 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; or
3. the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses 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 statement of financial position. 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.

2. Significant accounting policies (continued)

2.16 Leases (continued)

Measurement and recognition of leases as a lessor

For new contracts entered into, the Group considers whether a contract is, or contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of their relative stand-alone prices.
When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or operating lease.

To classify a lease, the Group makes an overall assessment whether the lease transfers substantially all the risks and rewards incidental to ownersh ip of the underlying asset. If this is the case, then the lease is a finance lease. If is not the case, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance lease

When the Group assesses it has a finance lease, it accounts for these leases as a manufacturer in accordance with AASB 16. At the beginning of the lease the Group recognises the following for each of its finance leases:

(a) revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest;
(b) the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value; and
(c) selling profit or loss (being the difference between revenue and the cost of sale) in accordance with its policy for outright sales to which AASB 16 applies. The Group recognises its profit or loss on a finance lease at the commencement date, regardless of whether the lessor transfers the underlying asset as described in AASB 16.

Operating Lease

The Group recognises lease payments received under operating leases as revenue on a straight-line basis over the lease term.

2.17 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.

2. Significant accounting policies (continued)

2.18 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 may include 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

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

3. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

3.1 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 2.5 – Revenue and other income.

3. Use of judgements and estimates (continued)

3.1 Judgements (continued)

Technology contracts

Judgement is required to assess Technology contracts and account for them as either operating or finance leases depending on the terms of the contracts.

Judgement is required to determine whether development costs should be capitalised.

Deferred tax assets

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. 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.

The carrying amount of recognised and unrecognised deferred tax assets was reviewed at 30 June 2023. While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset, considering the current and potential pandemic and economic environment. No deferred tax assets have been recognised in the accounts of the Group.

3.2 Assumptions and estimation uncertainties

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.

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.

Research and Development tax credits

The Group has recognised Research and Development tax credits on an accrual basis. As the Company's return has not yet been submitted, the consolidated entity has made an estimate of the likely refund amount based on the preliminary number provided by the Company's external tax consultant.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or BlackScholes model taking into account the terms and conditions upon which the instruments were granted. A change in accounting estimates and assumptions relating to equity-settled share-based may impact profit or loss and equity in the future.

4. Operating segments

From 1 July 2021, as announced by the Company during the year, the Group restructured the business to form two key areas of operation, being Engineering Solutions (‘Engineering’) and Technology and Future Business (‘Technology’). These two divisions/segments are managed separately as each requires different skills, technologies, marketing approaches and other resources. This is the basis on which information is internally provided to the Chief Operating Decision Makers ('CODMs') for assessing performance and making operating decisions. All inter-segment transfers are conducted at arm's length prices based on prices charged to customers in stand-alone sales of identical goods or services.

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

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

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

The Group's revenue includes three customers who contributed more than 10% of the Group's total revenue in FY23, including customer 1 (contributing 27%), customer 2 (contributing 16%) and customer 3 (contributing 14%).

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

	1 July 2022 to 30 June 2023		
	Engineering	Technology	Total
Revenue and other income			
From external customers	14,631,661	207,699	14,839,360
From other segment[1]	4,419,401	-	4,419,401
Government incentives	-	719,399	719,399
Segment revenues and other income	**19,051,061**	**927,097**	**19,978,159**
Segment normalised EBITDA	**1,300,749**	**(1,085,609)**	**215,140**
Corporate development	-	(524,784)	(524,784)
Transformation initiatives	(251,297)	-	(251,297)
Profit on disposal of motor vehicles	27,201	-	27,201
Powerhouse net spend	-	(2,404,799)	(2,404,799)
Depreciation and amortisation	(402,751)	(264,826)	(667,577)
Redundancy payments	-	-	-
Share-based payments	-	-	-
Segment operating profit / (loss)	**673,902**	**(4,280,018)**	**(3,606,115)**
Assets and liabilities			
Segment assets	**8,608,748**	**10,103,010**	**18,711,759**
Segment liabilities	**6,841,208**	**390,086**	**7,231,295**

[1] The revenue recognised by the Engineering business includes the provision of services to the Technology business, primarily relating to the Powerhouse and CTS projects. In the Technology business, these costs were either recognised as an expense in the profit and loss statement or categorised as inventory or a prepayment in the balance sheet, where applicable.

4. Operating segments (continued)

	1 July 2021 to 30 June 2022		
	Engineering	**Technology**	**Total**
Revenue and other income			
From external customers	10,886,378	-	10,886,378
From other segment[1]	2,219,359	-	2,219,359
Government incentives	-	1,202,416	1,202,416
Segment revenues and other income	**13,105,737**	**1,202,416**	**14,308,153**
Segment normalised EBITDA	**(200,232)**	**(632,575)**	**(832,807)**
Corporate development	-	-	-
Transformation initiatives	-	-	-
Profit on disposal of motor vehicles	-	-	-
Powerhouse net spend	-	(1,355,832)	(1,355,832)
Depreciation and amortisation	(359,097)	(158,215)	(517,312)
Redundancy payments[2]	(55,846)	-	(55,846)
Share-based payments	-	(160,870)	(160,870)
Segment operating profit / (loss)	**(615,175)**	**(2,307,491)**	**(2,922,666)**
Assets and liabilities			
Segment assets	**6,180,767**	**4,553,649**	**10,734,417**
Segment liabilities	**5,247,029**	**236,483**	**5,483,513**

(1) The revenue recognised by the Engineering business includes the provision of services to the Technology business, primarily relating to the Powerhouse and CTS projects. In the Technology business, these costs were recognised as an expense in the profit and loss statement.

(2) This relates to redundancy payments paid to the Chief Operating Officer, whose role was made redundant on 20 August 2021.

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

	1 July 2022 to 30 June 2023	1 July 2021 to 30 June 2022
(i) Revenue and other income		
Total reportable segment revenues	19,978,159	14,308,153
Elimination of inter-segment revenues	(4,419,401)	(2,219,359)
	15,558,759	**12,088,795**
(ii) Segment operating profit/(loss)		
Segment operating profit /loss	(3,606,115)	(2,922,666)
Elimination of inter-segment profits	(239,952)	274,038
Corporate expenses	(1,885,234)	(1,187,763)
Group operating loss	**(5,731,302)**	**(3,836,391)**
Finance income	44,780	539
Finance costs	(176,017)	(145,383)
Group loss before tax	**(5,862,539)**	**(3,981,234)**
(iii) Segment assets	**30 June 2023**	**30 June 2022**
Segment assets	18,711,759	10,734,417
Corporate assets	448,498	168,421
Total assets	**19,160,257**	**10,902,838**
(iv) Segment liabilities		
Segment liabiliies	7,231,295	5,483,513
Corporate liabilities	393,279	258,509
Total liabilities	**7,624,574**	**5,742,022**

5. Revenue

Revenue from contracts with customers	**30 June 2023**	**30 June 2022**
Engineering services	10,441,110	8,847,611
Fixed price solutions	4,156,350	2,038,767
Technology contracts	207,699	-
	14,805,159	**10,886,378**

6. Other income

Government benefits - R&D tax credits	709,399	1,202,416
Government benefits - export market development grants scheme	10,000	-
Profit on disposal of motor vehicles	27,201	-
Other	7,000	-
	753,600	**1,202,416**

R&D tax credits relate to technology projects, for which eligible R&D activities are being undertaken. The federal government's Research and Development Tax Incentive program (R&DTI) offers a tax offset for companies conducting eligible R&D activities. When management is able to calculate a reasonable estimate of the R&DTI refund likely to be received for a financial year, that amount is recognised in the financial year to which the refund relates. When a reasonable estimate cannot be determined, income from the R&DTI refund is recognised when it is received.

The Group is eligible for a 43.5% refundable R&D tax offset on applicable research and development activities given that its aggregate turnover is less than $20 million. The refundable tax offset is equal to the company's tax rate (25%) plus a premium of 18.5% provided the company is below the $20 million threshold. The Group is entitled to a refundable benefit of 43.5% on all its eligible R&D expenditure.

The tax credits recognised for the year ended 30 June 2023 are expected to be refunded to the Group following lodgement of its annual income tax return.

7. Employee benefits expense

Recognised in profit or loss		
Gross employee benefits expense	12,849,150	8,542,295
Superannuation expense	1,110,287	751,177
Share-based payments	-	382,609
Employee benefits expense in the statement of profit or loss and other comprehensive income	**13,959,437**	**9,676,081**

8. Business and corporate development expenses

Business development costs(1)	777,991	259,974
Corporate development costs(2)	720,031	160,719
	1,498,022	**420,693**

(1) During the year, Synertec was awarded over $25 million in new contracts and existing contract extensions across all four key target sectors with Rail and Water. This is reflected in the increased business development costs in securing those contracts.

(2) Corporate development costs includes costs of exploring the Technology market opportunities in the US and Australia and other strategic growth opportunities for the Group throughout the year.

9. Other expenses

IT and telecommunication costs	590,513	343,304
Legal, professional fees and insurances	844,583	742,879
Administrative expenses	687,649	480,125
	2,122,745	**1,566,308**

10. Taxes

(i) Tax recognised in profit or loss

Deferred tax expense	**30 June 2023**	**30 June 2022**
Origination and reversal of temporary differences	-	-
Income tax expense	**-**	**-**

(ii) Reconciliation of effective tax rate

Loss before tax	**(5,862,539)**	**(3,981,234)**
Income tax benefit using the Group's domestic tax rate (25%, FY22:25%)	(1,465,635)	(995,308)
Non-deductible expenses	3,948	(201,184)
R&D net benefit	233,223	634,748
Current year DTA movement not recognised	1,228,465	561,743
Income tax expense/(benefit)	**-**	**-**

(iii) Movement in deferred tax assets

Opening balance	230,509	75,605
Charged to profit and loss	10,504	154,904
Closing balance	**241,013**	**230,509**

(iv) Movement in deferred tax liabilities

Opening balance	(230,509)	(75,605)
Charged to profit and loss	(10,504)	(154,904)
Closing balance	**(241,013)**	**(230,509)**

(v) Movement in net deferred tax asset/(liability)

Opening balance	-	-
Charged to profit and loss	-	-
Closing balance	**-**	**-**

The carrying amount of recognised and unrecognised deferred tax assets was reviewed at 30 June 2023. While the Board remains confident and optimistic about the long term strategy of the Company and the economic fundamentals of the target markets in which it operates delivering long term sustainable and profitable growth for its shareholders, the Board resolved to adopt a prudent approach with respect to the judgements involved in determining the carrying value of the deferred tax asset, considering the current and potential pandemic and economic environment. No deferred tax assets have been recognised in the accounts of the Group.

10. Taxes (continued)

(vi) Deferred tax assets not brought to account at reporting date	**30 June 2023**	**30 June 2022**
Temporary differences	659,376	396,119
Unused carry forward tax losses	3,086,239	1,863,175
	3,745,615	**2,259,294**

Deferred tax assets are not subject to any expiry date or limited to a certain type of taxable income and remain available to be deducted from any future taxable profits of the Company. This includes unused carry forward tax losses not brought to account as at 30 June 2023, which amount to $3,086,239. At the current Australian corporate income tax rate applicable to the Company of 25% (FY22: 25%), this equates to approximately $12.3 million in taxable profits that potentially could be earned by the Company before an income tax expense is incurred, subject to applicable laws and regulations.

(vii) Movement in deferred tax balances during the year

	Balance 30-Jun-2021	**Recognised in profit or loss**	**Recognised in other compre-hensive income**	**Balance 30-Jun-2022**	**Recognised in profit or loss**	**Recognised in other compre-hensive income**	**Balance 30-Jun-2023**
Deferred tax assets							
Employee benefits	75,605	154,904	-	230,509	10,504	-	241,013
Deferred income	-	-	-	-	-	-	-
Corporate transaction costs	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-
Carry forward tax losses	-	-	-	-	-	-	-
Total Deferred tax assets	**75,605**	**154,904**	**-**	**230,509**	**10,504**	**-**	**241,013**
Deferred tax liabilities							
Prepayments	(15)	15	-	-	-	-	-
Intangible asset	-	(155,271)	-	(155,271)	64,821	-	(90,450)
Fixed assets	(63,782)	(11,456)	-	(75,238)	(75,325)	-	(150,563)
Leases	-	-	-	-	-	-	-
Accrued interest	(11,808)	11,808	-	-	-	-	-
Total Deferred tax liabilities	**(75,605)**	**(154,904)**	**-**	**(230,509)**	**(10,504)**	**-**	**(241,013)**
Net Deferred taxes	**-**	**-**	**-**	**-**	**-**	**-**	**-**

11. Cash and cash equivalents

	Note	30 June 2023	30 June 2022
Bank balances		10,652,554	4,119,490
Cash on hand		1,304	1,263
Cash and cash equivalents		**10,653,858**	**4,120,753**

11A. Cash flow information

(i) Reconciliation of cash flows from operating activities

	Note	30 June 2023	30 June 2022
Cash flows from operating activities			
Loss for the year		(5,862,539)	(3,981,234)
Adjustments:			
Depreciation and amortisation	*16,17*	667,577	517,313
Interest costs		131,237	135,797
Gain on sale of motor vehicles		(27,201)	-
Share-based payments		-	382,609
		(5,090,926)	(2,945,515)
Change in contract assets		(504,523)	(684,273)
Change in other assets		(1,056,211)	(694,151)
Increase in non current assets		-	(776,705)
Change in trade and other receivables		(473,098)	705,540
Change in trade and other payables		1,550,435	(362,595)
Change in employee benefits		283,159	201,628
Change in finance liabilities		-	(77,596)
Change in contract liabilities		211,520	(151,056)
Cash used in operating activities		(5,079,645)	(4,784,724)
Interest paid net of interest received		-	(41,357)
Realised foreign currency gains		(3,136)	-
Net cash used in operating activities		**(5,082,781)**	**(4,826,079)**

(ii) Credit standby arrangement

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

	30 June 2023	30 June 2022
Bank guarantee [1]	700,000	700,000
Credit Card	100,000	100,000
Total	**800,000**	**800,000**
Utilised		
Bank guarantee	640,881	544,109
Credit Card	48,523	30,507
Total	**689,404**	**574,616**

[1] The Company is not subject to any covenants on its facilities with its corporate banker, ANZ.

12. Trade and other receivables

Current	***Note***	**30 June 2023**	**30 June 2022**
Trade receivables		1,535,388	1,062,290
Other receivables		742,716	1,456,845
		2,278,104	**2,519,135**

Included in other receivables is R&D tax credits amounting to $718,746 (2022:$1,113,989), recognised for the period ended 30 June 2023 expected to be refunded to the Group following lodgement of its annual income tax return.

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables, are disclosed in Note 29.

13. Contract assets

Work in progress	**1,843,966**	**1,339,443**

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 (input) 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 2023, aggregate costs incurred under open contracts and recognised profits earned, net of recognised losses, amounted to $1,843,966 (2022: $1,339,443).

14. Inventories

Stock on hand	**1,160,647**	**12,262**

Stock on hand primarily relates to key components for technology products. These are off-the-shelf components in nature, that have not been customised. Most of these items have long lead times for supply and therefore have been acquired in advance to enable timely response to customer orders.

15. Other assets

Prepayments and other debtors	1,077,731	458,893
Deposits	45,887	42,769
	1,123,618	**501,662**

The increase in prepayments primarily relates to the advance payment on inventories, representing key components for technology products, with long lead times for supply. Refer to note 14 for further detail on inventory.

16. Property, plant and equipment

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	Right-of-use assets	TOTAL
Cost						
Balance at 1 July 2021	417,653	30,041	299,507	163,096	1,874,827	2,785,124
Additions	147,620	-	28,198	20,810	51,660	248,288
Disposals	(70,067)	(686)	-	(51,322)	-	(122,075)
Balance at 30 June 2022	**495,206**	**29,355**	**327,706**	**132,584**	**1,926,487**	**2,911,338**
Balance at 1 July 2022	495,206	29,355	327,706	132,584	1,926,487	2,911,338
Additions	126,474	1,655	-	198,006	40,743	366,877
Disposals	-	-	-	(56,548)	-	(56,548)
Balance at 30 June 2023	**621,680**	**31,009**	**327,706**	**274,042**	**1,967,230**	**3,221,667**

	Computers	Furniture and equipment	Leasehold improvements	Motor vehicles	Right-of-use assets	TOTAL
Accumulated depreciation						
Balance at 1 July 2021	284,187	21,873	22,928	100,079	432,502	861,568
Disposals	(69,269)	(638)	-	(30,512)	-	(100,419)
Depreciation/amortisation expense	102,978	3,252	31,048	12,543	211,871	361,692
Balance at 30 June 2021	**317,896**	**24,487**	**53,976**	**82,110**	**644,373**	**1,122,841**
Balance at 1 July 2022	317,896	24,487	53,976	82,110	644,373	1,122,841
Disposals	-	-	-	(47,732)	-	(47,732)
Depreciation/amortisation expense	136,937	1,931	32,771	24,439	212,215	408,292
Balance at 30 June 2023	**454,833**	**26,419**	**86,746**	**58,818**	**856,587**	**1,483,401**
Carrying amounts						
at 1 July 2021	**133,466**	**8,168**	**276,579**	**63,017**	**1,442,325**	**1,923,555**
at 30 June 2022	**177,311**	**4,867**	**273,730**	**50,474**	**1,282,115**	**1,788,498**
at 1 July 2022	**177,311**	**4,867**	**273,730**	**50,474**	**1,282,115**	**1,788,498**
at 30 June 2023	**166,847**	**4,590**	**240,959**	**215,224**	**1,110,643**	**1,738,263**

17. Intangible asset

Details of the Group's intangible asset and its carrying amount is as follows:

	Acquired Licence
Gross carrying amount	
Balance at 1 July 2021	**-**
Additions, separately acquired	600,000
Additions, associated costs capitalised	176,705
Disposals	-
Balance at 30 June 2022	**776,705**
Balance at 1 July 2022	**776,705**
Additions, separately acquired	-
Additions, associated costs capitalised	-
Disposals	-
Balance at 30 June 2023	**776,705**
Amortisation and impairment	
Balance at 1 July 2021	-
Amortisation	155,620
Impairment losses	-
Disposals	-
Balance at 30 June 2022	**155,620**
Balance at 1 July 2022	**155,620**
Amortisation	259,284
Impairment losses	-
Disposals	-
Balance at 30 June 2023	**414,904**
Carrying amounts	
at 1 July 2022	**621,085**
at 30 June 2023	**361,801**

As announced by the Company on the ASX announcements platform on 24 November 2021, Synertec and its CDP technology partner, GreenTech, entered into a perpetual, exclusive and royalty-free Intellectual Property Licence Agreement ("Licence Agreement"), providing Synertec with the right to use GreenTech's CDP technology in the key global energy territories of the entire Americas, Canada, Australia and New Zealand. At the time of entering the agreement, the balance of the loan outstanding from GreenTech ($800,000) plus interest accrued over the term of the facility ($55,000), was repaid to Synertec as follows; $255,000 cash, with the balance of $600,000 offset as consideration for the licence payable by Synertec to GreenTech. The licence fee and costs directly attributable to obtaining the licence have been capitalised accordingly.

In accordance with the terms of the Licence Agreement, Synertec will make additional consideration milestone payments of 2.5 million fully paid ordinary shares each (at an equivalent value of 10 cents per share) after 3 and 5 years respectively, based on CDP revenue hurdles of $2 million by year 3 and $5 million by year 5 being achieved. There are no ongoing royalty fees associated with the Licence Agreement. The Milestone Licence fees will be accounted at cost at each Milestone date, if achieved. They constitute contingent liabilities. Refer to Note 26.

The Licence fee and attributable costs will be amortised over 3 years, the initial exclusivity period of the Licence Agreement and based on the timeframes of the milestones. The carrying value of the Licence will be reviewed for impairment at the end of each reporting period.

Management reviewed the Licence fee for impairment indicators at year end of which there were none and as such no recoverable amount test was required.

18. Trade and other payables

Current	***Note***	**30 June 2023**	**30 June 2022**
Trade payables		2,143,563	1,380,028
Other payables		2,308,073	1,182,347
Deferred tax obligations[1]		75,832	310,534
Fixed price project accruals		8,353	132,756
		4,535,821	**3,005,665**
Non-Current			
Other payables		171,519	75,489
Deferred tax obligations[1]		-	75,752
		171,519	**151,241**

[1] In response to the COVID-19 relief measures announced by the Federal Government, the Australian Taxation Office offered to Synertec the ability to defer and spread its Pay-As-You-Go (PAYG) and Business Activity Statement (BAS) payments related to the period April 2020 to September 2020 across 36 months commencing from October 2020, with no interest or penalties. Synertec accepted this offer and has accrued for this arrangement accordingly in the FY21 results and set aside the cash for this commitment. Subsequent to year end, this was fully paid.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

19. Employee benefits

Current		
Annual leave	791,397	624,865
Long service leave	326,724	230,562
	1,118,121	**855,427**
Non-Current		
Long service leave	181,659	161,193
	181,659	**161,193**

20. Contract liabilities

Billing in advance of work completed	**261,573**	**50,053**

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.

21. Leases

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

	30 June 2023	30 June 2022
Lease liabilities (current)	180,294	86,985
Lease liabilities (non-current)	1,175,588	1,431,459
	1,355,882	**1,518,444**

The Group has leases for its head office and warehouse in Camberwell, an office in Perth and a photocopier. The lease liabilities are secured by the related underlying assets.

The head office lease is a 5-year term lease and the Group has the option to renew the lease for a further 5-year term.

Future minimum lease payments at 30 June 2023 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	256,418	247,900	221,184	224,330	229,827	480,182	1,659,841
Finance charges	(76,124)	(65,576)	(55,077)	(44,719)	(33,512)	(28,950)	(303,958)
Net present values	**180,294**	**182,324**	**166,106**	**179,610**	**196,315**	**451,232**	**1,355,882**

Out of the total finance costs of $176,017, an amount of $87,365 was attributable to the lease liabilities during the year ending 30 June 2023.

22. Issued capital

	Shares	$
Balance at 1 July 2021	**285,888,449**	**2,097,506**
Issue of ordinary shares - fully paid	71,472,111	7,147,211
Capital raising costs	-	(726,207)
Balance at 30 June 2022	**357,360,560**	**8,518,510**
Balance at 1 July 2022	**357,360,560**	**8,518,510**
Issue of ordinary shares - fully paid	67,613,636	13,000,000
Exercised options	6,521,739	482,609
Capital raising costs	-	(1,049,000)
Balance at 30 June 2023	**431,495,935**	**20,952,119**

In May 2023, Synertec undertook a share placement to various institutional and sophisticated investors and successfully raised $8.0 million (before costs) through a placement of 36,363,636 new fully paid ordinary shares at $0.22 per share.

In September 2022, Synertec undertook a share placement to various institutional and sophisticated investors and successfully raised $5.0 million (before costs) through a placement of 31,250,000 new fully paid ordinary shares at $0.16 per share.

In November 2022, Mr. Dennis Lin (Independent Non-Executive Director and Chair) and Mr. David Harris (Executive Director, Chief Financial Officer and Company Secretary) exercised the options (6,521,739) which were granted to them at the Company's 2021 Annual General Meeting. The exercise of these options raised $0.1 million.

Dividends

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

23. Share based payments

During the year, at the Company's 2022 Annual General Meeting, shareholders approved the grant of 3,600,000 unlisted options with an exercise price of $0.32 and term expiry of 2 years, to its Joint Lead Managers and Brokers in the share placement conducted by the Company in September 2022.

23. Share based payments (continued)

During FY22, at the Company's 2021 Annual General Meeting, shareholders approved the grant of unlisted options with a 1-year expiry to the Company's Independent Non-Executive Director, Board and Nomination and Remuneration Committee Chair, Mr. Dennis Lin (2,173,913 options, strike price $0.023); and Executive Director, Chief Financial Officer and Company Secretary, Mr. David Harris (2,173,913 options, strike price $0.023; and 2,173,913 options, nil strike price); for their contribution to the achievement of various strategic objectives over preceding periods. The options were exercised in November 2022.

During FY22, at the Company's 2021 Annual General Meeting, shareholders approved the grant of 10,000,000 unlisted options with an exercise price of $0.20 (a 100% premium to the share placement price of $0.10) and term expiry of 3 years, to its Joint Lead Managers and Brokers in the share placement conducted by the Company in August 2021. As a result Taylor Collison's nominees received a total of 6,000,000 options and PAC Partners nominees received a total of 3,500,000 options.

A professional independent valuation of the options has been performed by accounting and advisory firm, RSM Australia.

The fair value of share-based payment transactions was determined using a ESO2 trinomial valuation model. The model requires certain inputs in order to determine an appropriate fair value. These inputs include share price at grant date, risk free rate, volatility factor, exercise price, time to maturity and expected dividend yield.

The above fair value calculation was based upon the following inputs.

	Tranche 1	Tranche 2
Grant date	16-Dec-21	29-Nov-22
Share price at grant date	$0.075	$0.180
Exercise price	$0.20	$0.32
Expiry Date	14-Jan-24	5-Jan-25
Expected Future Volatility	90%	80%
Risk Free Rate	0.90%	3.18%

24. 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.

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the year ended 30 June 2023 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.

24. Earnings per share (continued)

Earnings per share	**30 June 2023**
Loss after income tax (in Australian dollars)	(5,862,539)
Weighted average number of ordinary shares used in calculating basic earnings per share	391,403,551
Weighted average number of ordinary shares used in calculating diluted earnings per share	402,222,181
Basic loss per share (cents per share)	(1.50)
Diluted loss per share (cents per share)	(1.50)

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.

25. Share option reserve

		30 June 2023	**30 June 2022**
Balance at 1 July 2022		624,609	-
Exercised options	*23*	(382,609)	382,609
Broker options on issue	*23*	186,409	242,000
Balance at 30 June 2023		**428,409**	**624,609**

26. Contingent liabilities

The Group has potential contingent liabilities with respect to the perpetual and exclusive Intellectual Property Licence agreement ("Licence Agreement") with CDP technology partner, GreenTech.

The Licence Agreement is exclusive within the stated Territories, however if:

- on or before the date which is three years after November 2021, the Commencement Date ("First Milestone Date"), Synertec has not received an amount of revenue equal to more than $2 million from services or sales associated with the GreenTech IP within the Territories (or with the consent of GreenTech, from outside the Territories) ("First Milestone"); or
- on or before the date which is five years after the Commencement Date ("Second Milestone Date"), the licence is still an exclusive licence and Synertec has not received an amount of revenue equal to more than $5 million from services or sales associated with the GreenTech IP within the Territories (or with the consent of GreenTech, from outside the Territories) ("Second Milestone");

then GreenTech may convert the licence from an exclusive licence to a non-exclusive licence.

As additional consideration for the grant of the licence, Synertec will issue the following securities to GreenTech (or its nominee):
- 2.5 million fully paid ordinary shares in Synertec if the First Milestone is achieved by the First Milestone Date; and
- 2.5 million fully paid ordinary shares if the Second Milestone is achieved by the Second Milestone Date.

If a change of control of Synertec occurs or if the milestone fees are unable to be paid by way of issue of shares in Synertec when payable, the milestone fees will be paid in cash in the amount of $250,000 each.

27. Related parties

The key management personnel compensation comprised:

	30 June 2023	**30 June 2022**
Short-term employee benefits	1,309,406	856,953
Post-employment benefits	66,222	168,462
Equity	-	382,609
Other long-term employment benefits	92,519	35,209
	1,468,147	**1,443,233**

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

28. Auditor's remuneration

	30 June 2023	30 June 2022
Audit and review services - Grant Thornton Audit Pty Ltd		
Audit and review of financial statements	96,495	78,657
	96,495	78,657
Other services - Grant Thornton Australia Limited		
In relation to taxation	34,797	10,500
In relation to other services	2,060	-
	133,352	**89,157**

29. 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.

Synertec does not have any expected credit loss as debtor exposures primarily relate to blue-chip tier-1 customers. Further, all debtor balances remain current and debtor-days remain within the Group's 30-40 day target range. Furthermore, the company provides for all debtors aged greater than 180 days of which there were none at 30 June 2023.

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 2023	30 June 2022
Trade and other receivables	*12*	1,535,388	1,062,290
Cash and cash equivalents	*11*	10,653,858	4,120,753
Deposits	*15*	45,887	42,769
		12,235,133	**5,225,812**

29. Financial instruments (continued)

(i) Credit risk (continued)

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	
	Note	**30 June 2023**	**30 June 2022**
Australia		1,535,388	1,062,290
		1,535,388	**1,062,290**

The Group's most significant balance outstanding to an external single customer, accounts for $402,606 of the trade and other receivables carrying amount at 30 June 2023 (30 June 2022: $363,161). The amount was received subsequent to year end within the agreed terms.

Neither past due nor impaired	1,476,167	898,271
Past due 1 - 30 days	59,222	164,019
	1,535,388	**1,062,290**

Cash and cash equivalents (including deposits)

The Group held cash and cash equivalents of $10,653,858 at 30 June 2023 (30 June 2022: $4,120,753) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with a reputable bank and financial institution counterparties.

(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 2023, the expected cash flows from trade and other receivables maturing within two months are $1,535,388 (30 June 2022: $1,062,290). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. After the year end, $1,494,495 out of the amount due at 30 June 2023 has been received.

29. 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 2023

		Contractual cashflows			
Non-derivative financial liabilities	**Carrying amount**	**Total**	**0-1 years**	**1-2 years**	**2-5 years**
Lease liabilities	1,659,841	1,659,841	256,418	247,900	1,155,523
Trade and other payables	4,707,340	4,707,340	4,535,821	171,519	-
	6,367,181	**6,367,181**	**4,792,239**	**419,419**	**1,155,523**

30 June 2022

		Contractual cashflows			
Non-derivative financial liabilities	**Carrying amount**	**Total**	**0-1 years**	**1-2 years**	**2-5 years**
Lease liabilities	1,908,433	1,908,433	255,597	249,413	1,403,423
Trade payables	3,156,906	3,156,906	3,005,665	151,241	-
	5,065,339	**5,065,339**	**3,261,262**	**400,654**	**1,403,423**

(iii) Market risk

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

Currency risk

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

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

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.

29. Financial instruments (continued)

(iii) Market risk (continued)

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 2023		30 June 2022	
	USD	EURO	USD	EURO
Trade and other receivables	-	-	4,648	-
Cash and cash equivalents	15,414	3,791	-	5,259
Financial assets	15,414	3,791	4,648	5,259
Trade and other payables	151,284	83	-	28
Financial liabilities	151,284	83	-	28
Net exposure	166,698	3,874	4,648	5,287

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

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

	Profit or loss, net of tax		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
30 June 2023				
USD	(981)	1,199	(981)	1,199
Euro	(241)	295	(241)	295
Currency exchange risk (net)	**(1,222)**	**1,494**	**(1,222)**	**1,494**
30 June 2022				
USD	(446)	545	(446)	545
Euro	(222)	271	(222)	271
Currency exchange risk (net)	**(668)**	**816**	**(668)**	**816**

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 2023	30 June 2022
Variable rate instruments		
ANZ Chattel mortgage	10.88%	7.60%

29. Financial instruments (continued)

(iii) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity, net of tax	
	1% increase	1% decrease	1% increase	1% decrease
30 June 2023				
Variable rate instruments	31	(31)	31	(31)
Cash flow sensitivity (net)	**31**	**(31)**	**31**	**(31)**
30 June 2022				
Variable rate instruments	826	(826)	826	(826)
Cash flow sensitivity (net)	**826**	**(826)**	**826**	**(826)**

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.

30. 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 2023	30 June 2022
Synertec Holdings Pty Ltd	Australia	Holding company	100%	100%
Synertec Pty Ltd	Australia	Engineering products and solutions	100%	100%
Powerhouse (by Synertec) Pty Ltd	Australia	Technology solutions	100%	-
Powerhouse by Synertec, Inc	United States	Technology solutions	100%	-

31. Subsequent events

No matter or circumstance has arisen since 30 June 2023 that has significantly affected or may significantly affect the consolidated entity's operations, the results from those operations, or the consolidated entity's state of affairs in future years.

Synertec Corporation Limited
Directors' Declaration
For the year ended 30 June 2023

1. In the opinion of the Directors of Synertec Corporation Limited ("the Group"):

(a) the financial statements and notes thereto, set out on pages 26 to 58:
- (i) present fairly the financial position of the Group as at 30 June 2023 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 2 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 2023, 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:

For and on behalf of the Directors

Mr. Michael Carroll
Managing Director
Melbourne, Australia

30 August 2023

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 2023, 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 2023 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 Standards on Auditing. 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 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue (Notes 5, 13 and 20)	
Synertec Corporation Limited recognises a portion of their revenue using the percentage completion input method for fixed price solutions. 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 percentage completion method for fixed price projects. Due to the number and nature of the significant estimates over the life of the revenue contracts and the specific contract terms relating to each individual contract., the engagement team has determined this as a Key Audit Matter.	Our procedures included, amongst others: • Evaluated the Group's revenue recognition policy across all revenue streams to ensure it is in line with IFRS 15; • Evaluating the design of relevant processes and controls relating to revenue initiation, processing and recording in the ledger; • Tested a sample of project revenue contracts based on several quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue. We also selected a sample of contracts from the remaining population of contracts. For all items selected for testing the procedures undertaken included: – read the contract terms and conditions to evaluate how the individual characteristics of each contract were reflected in the contract profitability estimate; – evaluating historical accuracy of forecast costs to complete to corroborate discussions with project managers; – verifying the entitlement to contract modifications, variations and claims recognised within contract revenue to supporting documentation and the underlying contracts; – assessing the forecast costs to complete and contract accruals through discussion and challenge of project managers; – testing a sample of costs relating to revenue recognition, in particular reviewing the allocation to projects and approval of timesheets by the relevant project managers – traced key inputs into the revenue recognition calculation to underlying support and assessing the reasonableness of these inputs, including discussion of the project status with project managers and evaluating the accuracy of costs incurred to date; and • Assessed the adequacy of relevant financial statement disclosures for compliance in accordance with International Accounting Standards.

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 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the 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 International Standards of Auditing 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

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 30 August 2023