

SINETECH LIMITED

ABN 56 125 943 240

ASX Preliminary Final Report –

30 June 2019

Lodged with the ASX under Listing Rule 4.3A

Appendix 4E: Preliminary final report for year ending 30 June 2019

Name of entity	Sinetech Limited
ABN	56 125 943 240
Financial year ended	30 June 2019
Previous corresponding reporting period	30 June 2018

Results for announcement to the market

Revenue from ordinary activities – discontinued operations ¹	down	100%	to	nil
Loss from ordinary activities after tax attributable to the owners of Sinetech Limited	up	652%	to	(\$4,764,330)
Loss for the period attributable to the owners of Sinetech Limited	up	652%	to	(\$4,764,330)

¹ Revenue for 2018 is for the period 1 July 2017 – 11 May 2018, when the operating businesses were sold.

Dividends

No dividends were paid or proposed to members during the year ended 30 June 2019 or in the previous year.

Review of consolidated financial results

A net loss after tax of \$4,764,330 is reported by the Group for the year ended 30 June 2019 (30 June 2018: loss of \$633,889).

The 2019 loss included \$932,986 profit on discontinued operations, \$3,700,000 fair value loss in relation to the shares acquired as part of the sale of business in 2018 and \$1,005,225 fair value loss on sale of financial assets. The 2018 loss included \$742,728 profit on discontinued operations, \$875,000 fair value loss on financial assets received in consideration for the sale of businesses, and \$348,435 income tax expense primarily relating to the recognition of deferred tax assets.

At 30 June 2019, cash and cash equivalents totalled \$62,648 (2018: \$233,120).

Discontinued operations

On 11 May 2018, Sinetech completed the sale of its business assets, including its shares in Blackglass Pty Ltd, Gruden Pty Ltd and MobileDen Pty Ltd, to IncentiaPay Limited (ASX: INP).

Under the sale agreement, Sinetech was issued 25 million IncentiaPay shares that were worth \$7 million at the acquisition price of \$0.28 per share, and \$500,000 cash consideration. Subject to standard working capital adjustments, up to a further 2.68 million shares (worth \$0.75 million at the acquisition price of \$0.28 per share) have the potential to be issued. The fair value of contingent consideration has been recorded at \$120,535 (2018: \$525,000). The shares are not subject to escrow.

Events occurring after the balance sheet date

There are no matters or circumstances that have arisen since 30 June 2019 that have affected or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2019

	Note	Consolidated for year ended 30 June 2019 \$	Consolidated for year ended 30 June 2018 \$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		-	54,054
Operating expenses		(915,726)	(194,566)
Operating loss		(915,726)	(141,512)
Finance income		5,332	1,330
Finance expenses		(81,697)	(13,000)
Fair value loss on financial assets at fair value through profit or loss		(3,700,000)	-
Loss on sale of investments		(1,005,225)	(875,000)
Loss before income tax		(5,697,316)	(1,028,182)
Income tax expense		-	(348,435)
Loss after tax from continuing operations		(5,697,316)	(1,376,617)
Profit after tax from discontinued operations	1	932,986	742,728
Loss for the year		(4,764,330)	(633,889)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,764,330)	(633,889)
Loss and total comprehensive loss attributable to:			
Owners of the parent		(4,764,330)	(633,889)
		Cents	Cents
Earnings per share			
Basic loss per share (weighted average)		(0.68)	(0.09)
Diluted loss per share (weighted average)		(0.68)	(0.09)
Earnings per share for continuing operations			
Basic loss per share (weighted average)		(0.81)	(0.20)
Diluted loss per share (weighted average)		(0.81)	(0.20)

Statement of Financial Position
As at 30 June 2019

	Note	Consolidated 30 June 2019 \$	Consolidated 30 June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents		62,648	233,120
Trade and other receivables		5,342	-
Other financial assets	2	953,035	6,887,265
Total current assets		1,021,025	7,120,385
Non-current assets			
Trade and other receivables		60,000	60,000
Total non-current assets		60,000	60,000
Total assets		1,081,025	7,180,385
LIABILITIES			
Current liabilities			
Trade and other payables		57,528	392,558
Borrowings	3	-	1,000,000
Total current liabilities		57,528	1,392,558
Total liabilities		57,528	1,392,558
Net assets		1,023,497	5,787,827
EQUITY			
Contributed equity		29,785,414	29,785,414
Reserves		725,460	725,460
Accumulated losses		(29,487,377)	(24,723,047)
Total equity		1,023,497	5,787,827

**Statement of Changes in Equity
For the year ended 30 June 2019**

**Attributable to owners of
Sinetech Limited**

	Contributed equity \$	Accumulated losses \$	Option reserve \$	Performance share reserve \$	Total \$
Balance at 1 July 2018	29,785,414	(24,723,047)	31,090	694,370	5,787,827
Loss for year	-	(4,764,330)	-	-	(4,764,330)
Total comprehensive loss for year	-	(4,764,330)	-	-	(4,764,330)
Balance 30 June 2019	29,785,414	(29,487,377)	31,090	694,370	1,023,497
Balance at 1 July 2017	29,785,414	(24,089,158)	31,090	694,370	6,421,716
Loss for year	-	(633,889)	-	-	(633,889)
Total comprehensive loss for year	-	(633,889)	-	-	(633,889)
Balance 30 June 2018	29,785,414	(24,723,047)	31,090	694,370	5,787,827

Statement of Cash Flows

For the year ended 30 June 2019

	Note	Consolidated for year ended 30 June 2019 \$	Consolidated for year ended 30 June 2018 \$
Cash inflow / (outflow) from operating activities			
Receipts from customers		-	11,879,983
Government grant receipts related to operating activities		1,018,722	1,352,697
Payments to suppliers and employees		(943,662)	(15,224,514)
Interest received		15,420	11,399
Interest paid		(48,227)	(106,261)
Net cash outflow from operating activities	4	42,253	(2,086,696)
Cash inflow / (outflow) from investing activities			
Proceeds from sale of Australian listed securities		587,275	-
Proceeds from sale of business assets		-	250,000
Cash transferred to purchaser in sale of business assets		-	(1,238,135)
Payments for plant and equipment		-	(8,745)
Payments for intangible assets		-	(590,497)
Government grant receipts related to capitalised software		-	315,017
Net cash outflow from investing activities		587,275	(1,292,360)
Cash inflow / (outflow) from financing activities			
Drawdown of borrowings		120,194	2,700,000
Repayment of borrowings		(920,194)	(1,700,000)
Net cash inflow from financing activities		(800,000)	1,000,000
Net decrease in cash and cash equivalents		(170,472)	(2,379,056)
Cash and cash equivalents at beginning of year		233,120	2,612,176
Cash and cash equivalents at end of year		62,648	233,120

Notes to the Financial Statements For the year ended 30 June 2019

Note 1: Discontinued operations

On 11 May 2018, Sinetech completed the sale of its business assets, including its shares in Blackglass Pty Ltd, Gruden Pty Ltd and MobileDen Pty Ltd, to IncentiaPay Limited (ASX: INP).

Under the sale agreement, Sinetech was issued 25 million IncentiaPay shares that were worth \$7 million at the acquisition price of \$0.28 per share, and \$500,000 cash consideration. Subject to standard working capital adjustments, up to a further 2.68 million shares (worth \$0.75 million at the acquisition price of \$0.28 per share) have the potential to be issued. The fair value of contingent consideration has been recorded at \$120,535 (2018: \$525,000). The shares are not subject to escrow.

The results of Blackglass Pty Ltd, Gruden Pty Ltd and Mobile Den Pty Ltd for the period ended 30 June 2019 are presented below:

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Revenue	-	11,614,009
Cost of sales	-	(10,126,268)
Gross profit	-	1,487,741
Other income	1,018,722	1,367,817
Operating expenses	-	(5,377,969)
Operating profit / (loss)	1,018,722	(2,522,411)
Finance income	-	9,598
Finance costs	-	(106,261)
Impairment of goodwill	-	-
Profit / (loss) before income tax	1,018,722	(2,619,074)
Income tax benefit	-	-
Profit / (loss) after tax of discontinued operations prior to sale	1,018,722	(2,619,074)
(Loss) / profit on sale of discontinued operations	(85,736)	3,361,802
Profit for the year from discontinued operations	932,986	742,748

The net cash flows of Blackglass Pty Ltd, Gruden Pty Ltd and Mobile Den Pty Ltd are as follows:

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Net cash outflow from operating activities	1,018,722	(2,237,423)
Net cash outflow from investing activities	-	(1,315,183)
Net cash inflow from financing activities	-	1,000,000
Net cash outflows from sold entities	1,018,722	(2,552,606)

Notes to the Financial Statements For the year ended 30 June 2019

Note 1: Discontinued operations (continued)

Profit on sale of discontinued operations is calculated as follows:

	Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
Consideration		
Financial assets	-	7,000,000
Fair value of contingent consideration	(404,465)	525,000
Cash consideration received	250,000	250,000
Total consideration	(154,465)	7,775,000
Plus:		
Interest	68,729	-
Less:		
Fair value of net assets transferred (a)	-	(4,894,192)
Selling expenses	-	(161,879)
Profit on sale of discontinued operations	(85,736)	2,718,929

Fair values of the assets and liabilities sold:

(a)	\$
Assets	
Cash	1,258,135
Trade and other receivables	2,175,922
Plant & equipment	126,934
Intangible assets	5,181,480
Deferred tax assets	94,851
Liabilities	
Payables	(2,621,000)
Provisions	(657,383)
Deferred revenue	(664,747)
Net assets sold	4,894,192

No tax is payable on the profit on sale of discontinued operations as the Group has utilised capital and revenue tax losses previously not recognised.

Earnings per share from discontinued operations:

	Year ended 30 June 2019 Cents	Year ended 30 June 2018 Cents
Basic profit / (loss) per share	0.13	0.11
Diluted profit / (loss) per share	0.13	0.11

Notes to the Financial Statements For the year ended 30 June 2019

Note 2: Current assets – other financial assets

	Consolidated 30 June 2019 \$	Consolidated 30 June 2018 \$
Term deposits	-	237,265
Held-for-trading financial assets at fair value through profit or loss:		
Australian listed equity securities	832,500	6,125,000
Contingent consideration	120,535	525,000
Total	953,035	6,887,265

The fair value of listed shares has been determined directly by reference to published price quotations in an active market for identical securities. They are deemed to be Level 1 securities in accordance with the AASB 7 fair value measurement hierarchy and hence there is no subjectivity in relation to their fair value.

The fair value of contingent consideration was estimated by reference to share price less the estimated discount to working capital for amounts currently being negotiated.

The fair values of the non-current other financial assets are not significantly different to their carrying amounts.

Note 3: Current liabilities – borrowings

	Consolidated 30 June 2019 \$	Consolidated 30 June 2018 \$
Loan from INP	-	1,000,000

The loan from INP incurred interest at 10%, was secured against Sinetech's assets and was repaid upon receipt of the R&D Tax Offset during the year ended 30 June 2019.

Notes to the Financial Statements For the year ended 30 June 2019

Note 4: Cash Flow Reconciliation

	Consolidated 30 June 2019 \$	Consolidated 30 June 2018 \$
Reconciliation of loss after tax to net cash flows from operating activities:		
Loss after tax for the year	(4,764,330)	(633,889)
Depreciation and amortisation expense	-	1,073,057
Profit on sale of businesses, net of cash selling costs	-	(2,880,808)
Loss on financial assets	4,705,225	875,000
Changes in operating assets and liabilities net of sale of businesses:		
- (Increase) / decrease in trade and other receivables	7,486	(329,042)
- (Increase) / decrease in other financial assets	201,725	66,877
- (Decrease) / increase in payables and deferred revenue	(107,853)	144,421
- (Decrease) / increase in provisions for employee benefits	-	(116,055)
- Movement in deferred tax assets	-	(286,257)
Net cash outflow from operating activities	42,253	(2,086,696)

Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year. In the 2018 year, under the agreement for the sale of the Group's business assets, Sinetech received 25 million IncentiaPay shares that were worth \$7 million at the acquisition price of \$0.28. Subject to standard working capital adjustments, up to a further 2.68 million shares (worth \$0.75 million at the acquisition price of \$0.28 per share) have the potential to be issued. The fair value of contingent consideration has been recorded at \$120,535 (2018: \$525,000). The shares are not subject to escrow.

Supplementary Appendix 4E information

Dividend reinvestment plans

There are no dividend reinvestment plans in operation.

Net tangible assets per security

NTA backing	Current period	Previous period
Net tangible asset backing per ordinary security (undiluted)	0.15 cents	0.82 cents

Control gained or lost during the period

Control gained

There were no transactions entered into by the group during the year ended 30 June 2019 that resulted in control being gained over any entities.

Control lost

On 21 August 2018, 49% shareholding in First People Digital were transferred to Jarrak Nominees for nil consideration.

Subsidiaries

The consolidated results incorporate the assets, liabilities and results of the following subsidiaries.

Name of entity	Country of incorporation	Class of Share	Equity Holding 30 June 2019	Equity Holding 30 June 2018
Controlled entity			%	%
Longreach Number 2 Pty Ltd	Australia	Ordinary	100%	100%
First People Digital Pty Ltd (previously Ixion Interactive Pty Ltd)	Australia	Ordinary	-	49%

The proportion of ownership interest is equal to the proportion of voting power held.

Supplementary Appendix 4E information continued

Associates and joint venture entities

Nil

Report based on unaudited accounts

This report has been based on accounts which have been audited.