

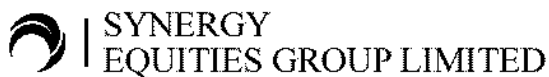


ABN 44 009 148 529

**Half Yearly Financial Report  
31 December 2002**

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## Corporate Directory

**SYNERGY EQUITIES GROUP LIMITED**  
ABN 44 009 148 529

### **DIRECTORS**

Ronald G. Moir  
Managing Director

Jeremy M. Thew B.Econ; Dip.Ed; Aff. A.I.I.  
Non-Executive Director

Russell D. Miln  
Non-Executive Director

### **COMPANY SECRETARY**

Mark H. Popham FCPA

### **AUDITORS**

K. Westaway & Associates  
Chartered Accountants  
121 Colin Street  
West Perth, Western Australia 6005

### **SOLICITORS & CORPORATE ADVISORS**

Bennett & Co.  
Barristers and Solicitors  
1st Floor BGC Centre  
28 The Esplanade  
Perth, Western Australia 6000

### **STRATEGY, FINANCIAL & TECHNOLOGY CONSULTANTS**

Deloitte Touche Tohmatsu  
Management Solutions  
Level 16 Central Park  
152-158 St Georges Terrace  
Perth Western Australia 6000

### **BANKERS**

Australia & New Zealand Banking Group Limited  
Cnr Hay & Outram Streets  
West Perth, Western Australia 6005

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2  
Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000

### **STOCK EXCHANGE**

Listed on the Australian Stock Exchange  
The Home Exchange is in Perth, Western Australia

### **ASX CODE**

SYG – Fully Paid Ordinary Shares  
SYGO – Options expiring 30 June 2004

### **HEAD OFFICE (REGISTERED OFFICE) AND PRINCIPAL PLACE OF BUSINESS**

Level 1  
Westcentre  
1260 Hay Street  
West Perth, Western Australia 6005  
AUSTRALIA

Postal Address: Private Box 1288  
West Perth WA 6872  
AUSTRALIA

Telephone: (+61 8) 9415 2212  
Facsimile: (+61 8) 9415 2221  
Email: [info@synergylimited.com.au](mailto:info@synergylimited.com.au)  
Website: [www.synergylimited.com.au](http://www.synergylimited.com.au)

## Glossary in brief

<b>SYNERGY</b>	is Synergy Equities Group Limited
<b>the Company</b>	is Synergy Equities Group Limited
<b>SYNERGY Australia</b>	is Synergy Business Solutions Australia Pty Ltd the Company's wholly owned subsidiary
<b>the group</b>	is SYNERGY and SYNERGY Australia.

### MISSION STATEMENT

*To enable organisations globally to enhance their data and transaction management systems, by providing solutions that integrate and add value to their mission critical business applications and processes*

*to this end*

*SYNERGY has created a group of world-class business professionals and technical specialists to implement a range of world-class electronic business solutions to exceed customer expectations*

Your Directors present their interim report for the half year ended 31 December 2002 for SYNERGY and its controlled entities pursuant to Chapter 2M.3 of the Corporations Act 2001 (Cth).

## **DIRECTORS**

The names of the directors in office at the date of this report are:

<b>Director</b>	<b>Qualifications &amp; Experience</b>	<b>Special Responsibilities</b>
Ronald G. Moir	35 years experience	Managing Director
Jeremy M. Thew	B.Econ; Dip.Ed; Aff. A.I.F. 22 years experience	Executive Director
Russell D. Miln	8 years experience	Executive Director

## **REVIEW OF OPERATIONS**

The principal activities of the Company focused primarily on corporate issues and the development of its technology assets. During the last financial year the Company, as a matter of corporate planning, initially resolved to separate its technology assets from its mining assets and then to divest the Company of its mining assets, leaving the Company principally focussed on technology development. The Company is still working towards achieving this divestment.

Progress in the development of the technology assets continues to be methodically undertaken over the period in question, although results have been slower to achieve than anticipated. The consolidated entity incurred an operating loss after tax of \$1,029,835.

Following is a summary of the Corporate and Technology highlights for the half year. **For further detail of the consolidated entity's activities during the half year, we refer the Company's members to the comprehensive quarterly reports previously submitted to the Australian Stock Exchange, being the quarters ended 30 September 2002 and 31 December 2002.**

### **Corporate**

- Company wins Supreme Court litigation and receives funds from stakeholder;
- Successful fully paid ordinary share placement to private investors; and
- Change of Company name to Synergy Equities Group Limited (ABN 44 009 148 529).

### **Technology**

- Formal execution of contract for the provision of a Purchase Order Delivery Solution to J. Blackwood & Son Limited ("Blackwoods"), a division of the Wesfarmers Group, successful completion of development and commencement of "rollout";
- Formal execution of contract for the provision of the KHG Extranet Solution for Wesfarmers Kleenheat Gas Pty Ltd ("KHG"), successful completion of development and commencement of "rollout".
- Formal execution of contract for the development of the www.nocustomerservice.com.au website with nocustomerservice.com Pty Ltd ("NCS"), successful completion of development and launch of website;

## **REVIEW OF OPERATIONS (Cont.)**

### **Technology (Cont.)**

- Formal execution of a Strategic Alliance Agreement with 360id Pty Ltd ("360id"); and Comprehensive re-development of SYNERGY Business Solutions Australia Pty Ltd's ("SYNERGY Australia") website;
- Microsoft® Certified Partner 2002 Program acceptance.
- Formal execution of Memorandum of Understanding ("MOU") for the provision of an "online website ticketing and payment authorisation solution" ("SYNERGY Ticketing") for Royal Perth Yacht Club of Western Australia (Inc.) and completion of development of solution;
- Re-commencement of the Purchase Order Delivery Solution "rollout" to the 200+ locations by and for J. Blackwood & Son Limited.
- Completion of formal Corporate Business & Marketing Plan ("Business Plan") for the "online website ticketing & payment authorisation solution" ("SYNERGY Ticketing").

### **Residual Exploration Projects**

#### **Exploration Activities**

The Company did not undertake any exploration on its tenements during the half year

#### **Plaints**

A number of the Company's tenements continued to be the subject of complaints during the half year. The complaints largely relate to the fact that the Company was required to apply for exemptions from expenditure requirements due to the previous board of the Company not meeting minimum expenditure requirements.

On 07 November 2002, the complaint lodged by Mr Morellini on 29 August 2002 against Mining Lease 70/815 was dismissed by the Perth Warden's Court with the consent of Mr Morellini (as announced to the ASX on 15 November 2002 and again in the second quarter activities report for the period ended 31 December 2002).

On 08 November 2002, Mr Morellini applied to have his earlier complaint lodged against Mining Lease 15/621 (which was dismissed by the Perth Warden on 09 August 2002) reheard on the basis that Mr Morellini had not attended the original hearing due to illness. The Company consented to an order that the complaint be reheard by the Perth Warden on 30 December 2002, on the basis that Mr Morellini pay the Company the sum of \$3,000 in costs and that the transcript of the evidence taken at the original hearing of 09 August 2002 be tendered by consent at the rehearing (as announced to the ASX on 15 November 2002 and again in the second quarter activities report for the period ended 31 December 2002).

The Company confirms that the re-hearing of the complaint lodged against Mining Lease 15/621 commenced on 30 December 2002, and continued on 02 January 2003, and that after the taking of evidence and the hearing of submissions His Worship Warden Calder reserved his decision.

Mr Morellini's complaint against mining lease 70/816 which was previously adjourned part heard was re-listed for hearing on 06 and 07 February 2003 for the hearing of the Company's application for a partial exemption from the expenditure requirements for the year ended 12 August 2001 (as announced to the ASX on 15 November 2002 and again in the second quarter activities report for the period ended 31 December 2002).

The Company is confident that the complaints lodged by Mr Morellini will be dismissed.

## **REVIEW OF OPERATIONS (Cont.)**

### **Residual Exploration Projects (Cont.)**

#### **Disposal of Mining Assets**

The Company continues to evaluate various offers and expressions of interest it has received in relation to its residual mining assets with a view to accepting one or more of them. Whilst the presence of the plaintiffs continues to deter a number of parties from making formal offers in relation to the mining assets, their presence does not represent a legal impediment to the transfer of the assets, and as such the Company is confident it will not need to wait until all of the plaintiffs have been dismissed before it can finalise the sale of the assets.

## **MATTERS SUBSEQUENT - CORPORATE**

### **Sale of Marketable Securities**

As part of the Company's ongoing capital management the Company sold a parcel of marketable securities and will continue to monitor its remaining investments in this area.

### **Newco Mining NL**

The Company lodged a deregistration application with the Australian Securities and Investments Commission ("ASIC") on 30 January 2003, for the voluntary deregistration of Newco Mining NL ("Newco"). The terms and conditions under which Newco can be deregistered by the ASIC in this manner were satisfied without the requirement for the Company to proceed with a liquidation or wind up of Newco. As the Company was the sole member (shareholder) of Newco a Director's Resolution was passed unanimously agreeing to the voluntary deregistration of Newco.

## **MATTERS SUBSEQUENT - TECHNOLOGY**

### **Wilson Parking Australia 1992 Pty Ltd – Payments Gateway Solution**

As announced to the ASX on 30 April 2002, in the Company's Third Quarter Activities Report for the period ended 31 March 2002, (Review of Operations: Technology) other Wilson Parking Australia 1992 Pty Ltd ("Wilson Parking") projects utilising the SYNERGY TradeCentre / DataCentre had been identified and were to be considered in due course by Wilson Parking.

In December 2002, a SYNERGY Australia proposal to provide a "Payments Gateway Solution" was submitted to Wilson Parking. The "Payments Gateway Solution" will facilitate the authorisation of credit card transactions (currently estimated to be 600,000 per annum), originating from a portion of Wilson Parking automated car parks throughout Australia, via the SYNERGY TradeCentre / DataCentre.

The Company was pleased to announce on SYNERGY Australia's behalf, Wilson Parking's acceptance and sign-off of the proposal. A formal contract is to be executed during March/April 2003, after which development will commence and implementation of the Payments Gateway Solution will occur.

### **Research & Development Tax Concession**

SYNERGY Australia lodged its Research and Development Tax Concession application with the Australian Taxation Office ("ATO") in December 2002. The claim was in relation to its "Research and Development Tax Offset" for the financial year ending 30 June 2002 and amounted to \$228,891.30. SYNERGY Australia received the sum of \$229,316.22 from the ATO in February 2003 (\$424.92 more than the application amount – the differential being interest owing to SYNERGY Australia).

## **MATTERS SUBSEQUENT - RESIDUAL EXPLORATION PROJECTS**

### **Plaints**

Mr Morellini's complaint against Mining Lease 70 / 816 (Tampia Hill), which was previously adjourned part heard, was listed for hearing in Perth on 06 and 07 February 2003, (as announced to the ASX on 06 January 2003 and again in the Second Quarter Activities Report for the period ended 31 December 2002, as announced to the ASX on 31 January 2003). On 03 February 2003, the Company became aware that the Minister for Mines had issued an Exemption Certificate for Mining Lease 70 / 816, notwithstanding the fact that the objection to the exemption had not been heard by the Warden. A question then arose as to the status of that Certificate and as to what, if any, action the Department of Mineral and Petroleum Resources ("Department") may take in respect of it. As no decision had been made by the Department by 06 February 2003, the matter was adjourned at the request of the solicitors for both the plaintiff and the Company so that the status of the Certificate could be clarified and the intention of the Department in respect of it determined. On this occasion the complaint was listed for mention before the Warden in Perth on 06 March 2003. Again, this mention date has been re-listed for 20 March 2003, due to the absence of a decision by the Department.

With regard to the outcome of the re-hearing of Mr Morellini's complaint lodged against Mining Lease 15 / 621 (Geko), the Company anticipates the handing down of the decision (originally reserved) by His Worship Warden Calder, to be imminent. The ASX announcement of 06 January 2003 and the Second Quarter Activities Report for the period ended 31 December 2002, as announced to the ASX on 31 January 2003, also refers.

The Company is confident that all complaints lodged by Mr Morellini will be dismissed.

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Except for the matters discussed above, there is at the date of this report no other matter or circumstance which has arisen since 31 December 2002, that has significantly affected or may significantly affect -

- a) the Company's operations in future financial years;
- b) the results of those operations in future financial years; or
- c) the Company's state of affairs in future financial years.

Pursuant to section 306 Corporations Act 2001 (Cth) this Directors' Report:

- a) is made in accordance with a resolution of the directors;
- b) is dated 14 March 2003; and
- c) is signed by Ronald Moir, a director.

**RG MOIR**  
Managing Director  
Perth, Western Australia  
14 March 2003



**INDEPENDENT REVIEW REPORT**  
**TO THE MEMBERS OF**  
**SYNERGY EQUITIES GROUP LIMITED**

**Scope**

We have reviewed the financial report of Synergy Equities Group Limited for the half-year ended 31 December 2002 as set out on pages 8 to 13. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: "Interim Financial Reporting" and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Synergy Equities Group Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position at 31 December, 2002 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: "Interim Financial Reporting" and the Corporations Regulations, and
- (b) other mandatory professional reporting requirements.

**Inherent Uncertainty Regarding Carrying Value of Non Current Assets**

Without qualification to the review statement expressed above, attention is drawn to the following matters. The financial report includes as non current assets:

- intangible assets of \$6,436,636 representing capitalised research and development costs comprising Synergy Business Solutions Australia Pty Ltd's technologies.
- mining exploration and development expenditure of \$1,820,000.

The ultimate recoupment of the above book values for the respective non current assets is dependent upon the successful development and commercial exploitation, or alternatively the sale of the assets for a consideration equal to or greater than book value.

Dated at Perth this fourteenth day of March, 2003.

-----  
**K. WESTAWAY**  
**PRINCIPAL**

**K. WESTAWAY & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

In accordance with section 303(4) Corporations Act 2001, the Directors of the Company declare:

- a) that the financial statements, and the notes to the financial statements comply with the accounting standards;
- b) that the financial statements and notes give a true and fair view; and
- c) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

In accordance with section 303(5) Corporations Act 2001, this declaration:

- a) is made in accordance with a resolution of the directors;
- b) is dated 14 March 2003; and
- c) is signed by Ronald Moir, a director.

**RG MOIR**  
Managing Director  
Perth, Western Australia  
14 March 2003



	31 December 2002 \$	30 June 2002 \$
<b>Current Assets</b>		
Cash assets	737,987	1,336,320
Receivables	22,998	16,824
Other financial assets	199,426	275,626
Tax assets	-	34,515
<b>Total Current Assets</b>	<b>960,411</b>	<b>1,663,285</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	1,103,195	1,297,835
Intangible assets	6,436,636	6,436,636
Other	1,820,000	1,820,000
<b>Total Non-Current Assets</b>	<b>9,359,831</b>	<b>9,554,471</b>
<b>Total Assets</b>	<b>10,320,242</b>	<b>11,217,756</b>
<b>Current Liabilities</b>		
Payables	269,330	316,912
Tax liabilities	-	49,176
Provisions	35,301	56,722
<b>Total Current Liabilities</b>	<b>304,631</b>	<b>422,810</b>
<b>Total Liabilities</b>	<b>304,631</b>	<b>422,810</b>
<b>Net Assets</b>	<b>10,015,611</b>	<b>10,794,946</b>
<b>Equity</b>		
Contributed equity	31,684,055	31,433,556
Reserves	900,000	900,000
Accumulated losses	(22,568,444)	(21,538,610)
<b>Total Equity</b>	<b>10,015,611</b>	<b>10,794,946</b>

See accompanying notes (pages 12 & 13) which form an integral part of this consolidated Statement of Financial Position.



	Notes	Consolidated	
		31 December 2002 \$	31 December 2001 \$
Sales revenue	2	70,778	45,388
Other revenue	2	22,160	53,831
		<u>92,938</u>	<u>99,219</u>
Loss from ordinary activities before income tax expense		<u>(1,029,835)</u>	<u>(1,480,547)</u>
Income tax expense relating to ordinary activities		-	-
Net Loss from ordinary activities after income tax expense attributable to members of the parent entity		<u>(1,029,835)</u>	<u>(1,480,547)</u>
Net loss attributable to outside equity interests		-	212,207
Acquisition of outside equity interests		-	162,175
Net loss attributable to members of the parent entity		<u>(1,029,835)</u>	<u>(1,106,165)</u>
Basic earning per share (cents)		(0.24)	(0.03)
Diluted earnings per share (cents)		(0.24)	(0.03)

See accompanying notes (pages 12 & 13) which form an integral part of this consolidated Statement of Financial Performance.



	Consolidated	
	31 December 2002 \$	31 December 2001 \$
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>		
Receipts from customers	71,251	23,489
Interest received	22,298	50,526
Payments to suppliers and employees	(1,005,599)	(1,544,591)
Payments for exploration	-	(53,463)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	(912,050)	(1,524,039)
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		
Bank guarantee repayment	-	250,000
Payment for purchase of property, plant and equipment	(10,738)	(339,332)
Proceeds from sale of property, plant and equipment	-	1,370
Payments for the purchase of investments	-	(196,450)
Payments for the purchase of subsidiary	-	(150,000)
Proceeds from sale of investments	74,175	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	63,437	(434,412)
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
Repayment of borrowings	(220)	-
Proceeds from issue of shares	250,500	6
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	250,280	6
Net (decrease)/increase in cash held	(598,333)	(1,958,445)
Cash balance at beginning of year	1,336,320	2,741,978
<b>CASH BALANCE AT END OF YEAR</b>	737,987	783,533

See accompanying notes (pages 12 & 13) which form an integral part of this consolidated Statement of Cash Flow.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. Basis of Preparation**

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: "Interim Financial Reporting", Urgent Issues Group Consensus Views and other mandatory professional reporting requirements. It is recommended that this financial report be read in conjunction with the 2002 Annual Report and any public announcements made by SYNERGY during the half-year ended 31 December 2002 in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies have been consistently applied by SYNERGY and are consistent with those applied in the 2002 Annual Report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

	<b>31 December 2002 \$</b>	<b>31 December 2001 \$</b>
<b>2. LOSS FROM ORDINARY ACTIVITIES</b>		
Included in the loss from ordinary activities are the following items:		
<b>Sales revenues:</b>		
Sales	70,778	45,388
<b>Other revenues:</b>		
Interest from other unrelated persons:	22,160	51,655
Proceeds from sale of non current assets	-	1,370
Other	-	806
Total other revenues	21,160	53,831
<b>Total revenues</b>	<b>92,938</b>	<b>99,219</b>
<b>Depreciation and amortisation:</b>		
Depreciation of:		
- geological plant and equipment	314	1,027
- motor vehicles	-	732
- plant and equipment	164,887	210,005
- software	35,077	66,905
Total depreciation	200,278	278,669
<b>Borrowing costs:</b>		
Interest paid or payable to other unrelated parties	193	642
<b>Other expense items:</b>		
Net loss on disposal of non current assets	-	5,196
Loss from sale of equity investments	750	-
Provision for employee entitlements	35,301	39,455
Provision for diminution in value - equity investments	-	66,080



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Cont.)

## 3. SEGMENT INFORMATION

The principal activities of SYNERGY during the period were technology, mineral exploration for gold and base metals, diamonds and corporate investment in equities. All activities are undertaken in Australia.

	Total Revenue		Operating Loss		Total Assets	
	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$
<b>Technology</b>						
External customers	70,778	45,388	1,087,665	1,164,489	7,678,378	7,734,176
<b>Exploration</b>						
External customers	-	-	4,244	43,433	1,820,000	4,361,001
<b>Corporate</b>	22,160	53,831	(62,074)	(101,757)	821,864	1,848,020
<b>Total</b>	<u>92,938</u>	<u>99,219</u>	<u>1,029,835</u>	<u>1,106,165</u>	<u>10,320,242</u>	<u>13,943,197</u>

## 4. CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liability at the date of these financial statements.

