

Annual Report
Synertec Pty Ltd
30 June 2014
ABN 91 114 707 050

Synertec Pty Ltd

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For the year ended 30 June 2014

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Synertec Pty Ltd
Directors' report
For the year ended 30 June 2014

The Directors present their report together with the financial report of Synertec Pty Ltd ("the Company") for the year ended 30 June 2014 and the auditor's report thereon.

1. Directors

The Directors were in office for this entire period unless otherwise stated.

Michael Carroll (Managing Director)

Gussan Abdallah (Director)

2. Principal activities

The principal activities of the Company during the course of the financial year were:

The engineering consultancy, design and construction of complex automated and highly instrumented systems including LNG online analyser systems, custody transfer systems and associated equipment and the provision, operation, commissioning and maintenance support activities to Melbourne Water and several LNG facilities.

3. Review of operations and results of those operations

Commentary on operating results

The Revenue of the Company for the FY14 period was \$12,780,817 (FY13 \$8,650,553).

The Net Profit of the Company (after tax) for the FY14 period was \$792,110 (FY13 \$961,321).

4. Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, noting the Company disposed of its investment in Synertec Asia during the 2013 financial year.

5. Litigation

There has been no litigation in the FY14 period and to the best of the Directors' knowledge there are no circumstances that would give rise to any potential litigation relating to this same period.

6. Dividends

No dividends were declared or paid by the Company to the shareholders.

7. Directors' interests and share options

Michael Carroll	(Managing Director)	438 shares
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Gussan Abdallah	(Director)	438 shares
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There are a total of 950 shares on issue.

There are no share options on offer.

8. Indemnification and insurance offices and auditors

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been made an officer or auditor of the Company.

9. Subsequent events

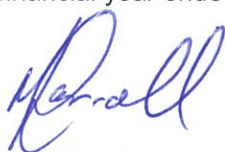
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

10. Environmental regulation

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

11. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the financial year ended 30 June 2014.



Michael Carroll
Managing Director

Melbourne
11 January 2017



Lead Auditor's Independence Declaration

To: the directors of Synertec Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Dana Bentley', with a stylized flourish at the end.

Dana Bentley
Partner

Melbourne

11 January 2017

Synertec Pty Ltd
Statement of financial position
As at 30 June 2014

In Australian dollars

	Note	30 June 2014	30 June 2013
Assets			
Cash and cash equivalents	10	12,892	737,395
Trade and other receivables	11	1,172,545	1,760,618
Other assets	12	896,837	1,898,083
Work in progress	13	2,503,945	466,893
Current tax assets	9	1,167,339	339,910
Total current assets		5,753,558	5,202,899
Deferred tax assets	9	386,583	302,543
Other assets	12	983,584	577,752
Property, plant and equipment	15	204,242	187,277
Total non-current assets		1,574,409	1,067,572
Total assets		7,327,967	6,270,471
Liabilities			
Bank overdraft	10	1,140,200	-
Trade and other payables	16	1,576,675	1,454,809
Loans and borrowings	17	17,058	33,772
Employee benefits	14	309,572	275,772
Other liabilities	18	1,183	3,851
Deferred income	19	270,886	1,325,163
Total current liabilities		3,315,574	3,093,367
Loans and borrowings	17	65,805	27,127
Employee benefits	14	31,561	27,060
Total non-current liabilities		97,366	54,187
Total liabilities		3,412,940	3,147,554
Net assets		3,915,027	3,122,917
Equity			
Share capital	21	950	950
Other equity contribution	21	132,904	132,904
Retained earnings		3,781,173	2,989,063
Total equity attributable to equity holders of the Company		3,915,027	3,122,917
Total equity		3,915,027	3,122,917

The Notes on pages 10 to 32 are an integral part of these financial statements.

Synertec Pty Ltd

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

In Australian dollars

	Note	2014	2013
Revenue			
Revenue	6	12,780,817	8,650,553
Other income	7	3,258,245	3,371,786
Expenses			
Materials and services expense		(9,486,614)	(5,107,219)
Employee benefits expense		(2,639,757)	(2,991,833)
Superannuation expense		(222,411)	(228,895)
Depreciation and amortisation expense		(60,514)	(54,944)
Occupancy expenses		(139,193)	(153,527)
Car and travelling expenses		(159,353)	(138,240)
Telecommunication costs		(67,136)	(82,394)
Legal and professional fees		(213,169)	(376,503)
Loss on disposal of motor vehicles		(13,107)	(32,342)
Other expenses		(183,298)	(279,869)
Results from operating activities		2,854,510	2,576,573
Finance income	8	110,046	74,355
Finance costs	8	(165,580)	(157,185)
Net finance costs		(55,534)	(82,830)
Profit before tax		2,798,976	2,493,743
Income tax expense	9	(2,006,866)	(1,532,422)
Profit from operations		792,110	961,321
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		792,110	961,321

The Notes on pages 10 to 32 are an integral part of these financial statements.

Synertec Pty Ltd
Statement of changes in equity
For the year ended 30 June 2014

<i>In Australian dollars</i>	<i>Note</i>	Share Capital \$	Other Contributed Equity	Retained Earnings \$	Total \$
Balance at 1 July 2012		950	132,904	2,227,742	2,361,596
Other comprehensive income		-	-	-	-
Profit for the year		-	-	961,321	961,321
Total comprehensive income		-	-	961,321	961,321
Transactions with owners of the Company					
Dividend paid	21	-	-	(200,000)	(200,000)
Total transactions with owners of the Company		-	-	(200,000)	(200,000)
Balance at 30 June 2013		950	132,904	2,989,063	3,122,917
Balance at 1 July 2013		950	132,904	2,989,063	3,122,917
Other comprehensive income		-	-	-	-
Profit for the year		-	-	792,110	792,110
Total comprehensive income		-	-	792,110	792,110
Total transactions with owners of the Company		-	-	-	-
Balance at 30 June 2014		950	132,904	3,781,173	3,915,027

The Notes on pages 10 to 32 are an integral part of these financial statements.

Synertec Pty Ltd
Statement of cash flows
For the year ended 30 June 2014

In Australian dollars

Cash flows (used in)/from from operating activities

Cash receipts from customers

Cash paid to suppliers and employees

Cash generated from operations

Interest paid

Interest received

Income taxes refunded

Net cash (used in)/ from operating activities

Cash flows from investing activities

Proceeds from sale of property, plant and equipment

Purchase of financial assets

Proceeds from exiting/(purchased) term deposit

Disposal of investment

Acquisition of property, plant and equipment

Net cash from/(used in) investing activities

Cash flows used in financing activities

Loans provided to directors

Payment of finance lease liabilities

Dividends paid

Net cash used in financing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents at 1 July

Cash and cash equivalents at 30 June

Note	2014	2013
	11,554,760	11,355,533
	(14,271,748)	(9,898,836)
	(2,716,988)	1,456,697
	(165,580)	(109,717)
	9,459	29,629
	339,910	1,079,736
10A	(2,533,199)	2,456,345
	19,172	(32,386)
	(706,671)	(41,920)
	1,116,632	(1,117,569)
	384,169	467,525
	(6,950)	(4,778)
	806,352	(729,128)
	(57,014)	(8,203)
	(80,842)	(39,221)
	-	(200,000)
	(137,856)	(247,424)
	(1,864,703)	1,479,793
	737,395	(742,398)
10	(1,127,308)	737,395

The Notes on pages 10 to 32 are an integral part of these financial statements.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

1. Reporting Entity

Synertec Pty Ltd (the 'Company') is a Company domiciled in Australia. The Company's registered office is at Level 1, 57 Stewart Street Richmond VIC 3121.

The Company is a for-profit entity that specialises in engineering consulting and technology for industries with high technical complexity and regulation such as pharmaceutical and oil and gas.

2. (a) Basis of accounting

The special purpose financial statements have been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

These financial statements were authorised for issue by the Directors on 11 January 2017.

The special purpose financial statements include only the disclosure requirements of the following AASBs and those disclosures considered necessary by the Directors to meet the needs of Directors:

AASB 101 Presentation of Financial Statements
AASB 107 Statement of Cash Flows
AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1048 Interpretation and Application of Standards
AASB 1054 Australian Additional Disclosures.

The financial statements do not comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

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

(c) Functional and Presentational Currency

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

3. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company'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.

(a) 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 [4H] – Revenue and other income.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

3. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2014 are included in note [11] – Trade and other receivables.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included note [26] – financial instruments.

4. Significant accounting policies

A. Income taxes

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 tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(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.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

4. Significant accounting policies (continued)

A. Income taxes (continued)

(ii) Deferred tax (continued)

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company 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 certain criteria are met.

B. 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 Company.

(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 Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

- | | |
|---------------------------|----------|
| • motor vehicles | 10 years |
| • furniture and equipment | 16 years |
| • computers | 3 years |
| • fixtures and fittings | 16 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

4. Significant accounting policies (continued)

C. Leases

Determining whether an arrangement is a lease

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

Leased assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease.

D. 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.

E. Financial instruments

The Company does not hold derivative financial assets. The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

4. Significant accounting policies (continued)

E. Financial instruments (continued)

(i) *Non-derivative financial assets and financial liabilities – recognition and derecognition*

The Company 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 Company 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 Company is recognised as a separate asset or liability.

The Company 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 Company 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, receivables and term deposits

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company'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.

Advance receipts

Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred income/revenue. Advances received from customers are presented as deferred income/revenue.

(iv) *Share capital*

Ordinary shares

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

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

4. Significant accounting policies (continued)

F. Impairment

(i) *Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security.

(ii) *Financial assets measured at amortised cost*

The Company considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(iii) *Non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

4. Significant accounting policies (continued)

F. Impairment (continued)
(iii) Non-financial assets (continued)

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.

G. Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company 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 Company'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 the corporate bond rate. Remeasurements are recognised in profit or loss in the period in which they arise.

H. Revenue and other income

The Company is involved in providing consulting engineering services on hourly rate, and also fixed rate projects where billing is made on pre-determined project milestones. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The Company recognises revenue from fixed price projects in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed. The revenue that is accrued but not yet invoiced is included as work in progress in note [13].

An unconditional government grant is recognised in profit or loss as other income when the grant becomes receivable.

I. Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities;

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

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

4. Significant accounting policies (continued)

J. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated

K. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable 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 Company 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.

L. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

M. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual period beginning 1 July 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company except for AASB 9 *Financial instruments* and AASB 15 *Revenue from contracts with customers*, which becomes mandatory for the Company's 2019 financial statements and AASB 16 *Leases* which becomes mandatory for the Company's 2020. The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

5. Operating Segments

The Company operates through one segment to provide engineering consulting services.

The financial results from this segment are consistent with the financial statements for the Company as a whole. The Company operates in one geographic region and accordingly no further analysis is provided.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

6. Revenue

In Australian dollars

	Note	2014	2013
Rendering of services		1,690,974	1,965,913
Fixed price projects		11,089,843	6,684,640
		<u>12,780,817</u>	<u>8,650,553</u>

7. Other income

In Australian dollars

	Note	2014	2013
Government benefits – research and development tax credits		3,258,245	2,112,797
Profit from sale of investment		-	1,258,989
		<u>3,258,245</u>	<u>3,371,786</u>

Synertec Asia was sold in the financial year ended 30 June 2013. The proceeds from the sale of investment includes contingent consideration payable over three years discounted by the Company's effective borrowing rate.

8. Finance income and finance costs

Recognised in profit or loss

In Australian dollars

	Note	2014	2013
Interest income		84,316	74,355
Foreign currency gains		25,730	-
Finance income		<u>110,046</u>	<u>74,355</u>
Facility interest		(144,034)	(97,444)
Foreign currency losses		-	(47,467)
Hire purchase charges		(7,864)	(7,864)
Interest expense		(13,682)	(4,410)
Finance costs		<u>(165,580)</u>	<u>(157,185)</u>
Net finance costs recognised in profit or loss		<u>(55,534)</u>	<u>(82,830)</u>

The interest income is comprised of interest on the deferred consideration from the sale of Synertec Asia, and the interest earned on deposits held as security by ANZ.

The Company incurred significant finance costs during the year due to obtaining finance guarantees and an export working capital guarantee from the Export and Finance Insurance Commission (EFIC). The financial security provided by EFIC is detailed in note [23].

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

9. Taxes

(i) Tax recognised in profit or loss

In Australian dollars

	Note	2014	2013
Current tax expense			
Current year		(2,090,906)	(1,772,887)
Adjustment for prior years		-	(967)
		(2,090,906)	(1,773,854)
Deferred tax benefit			
Origination and reversal of temporary differences	9(iv)	84,040	241,432
		84,040	241,242
Tax (expense)/benefit from continuing operations		(2,006,866)	(1,532,422)

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. The current tax asset is \$1,167,339 (2013: \$339,910).

(ii) Reconciliation of effective tax rate

In Australian dollars

	Note	2014	2013
Profit before tax from continuing operations		2,798,976	2,493,743
Tax using the Company's domestic tax rate	30%	839,693	30% 748,123
Non-deductible expenses		2,659	233
Tax exempt income		(30,176)	(390,840)
Non-deductible research and development expenditure		2,172,164	1,408,532
Non-assessable government benefits – research and development tax incentive		(977,474)	(633,839)
Feedstock adjustments relating to research and development commercialisation		-	399,246
Changes in estimates related to prior periods		-	967
Income tax expense/(benefit)		2,006,866	1,532,422

(iii) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In Australian dollars

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Work in progress	220,033	178,513	-	-	220,033	178,513
Employee benefits	102,340	90,849	-	-	102,340	90,849
Deferred income	24,899	-	-	-	24,899	-
Other payables	39,311	33,181	-	-	39,311	33,181
Tax (assets) liabilities before set off	386,583	302,543	-	-	386,583	302,543
Set off of tax	-	-	-	-	-	-
Net tax (assets) liabilities	386,583	302,543	-	-	386,583	302,543

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

9. Taxes (continued)

(iv) Movement in deferred tax balances during the year

<i>In Australian dollars</i>	Balance 1 July 2012	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30 June 2013	Recognised in profit or loss	Recognised in other compre- hensive income	Balance 30 June 2014
Work in progress	-	178,513	-	178,513	41,520	-	220,033
Employee benefits	41,630	49,219	-	90,849	11,491	-	102,340
Deferred income	-	-	-	-	24,899	-	24,899
Other payables	19,481	13,700	-	33,181	6,130	-	39,311
	61,111	241,432	-	302,543	84,040	-	386,583

10. Cash and cash equivalents

<i>In Australian dollars</i>	Note	2014	2013
Bank balances		11,798	736,293
Cash on hand		1,094	1,102
Cash and cash equivalents		12,892	737,395
Bank overdraft		(1,140,200)	-
Cash and cash equivalents in the statement of cash flows		(1,127,308)	737,395

Refer note [26(ii)] for details surrounding the bank overdraft available.

10A. Reconciliation of cash flows from operating activities

<i>In Australian dollars</i>		2014	2013
Cash flows from operating activities	Note		
Profit for the year		792,110	961,321
Adjustments for:			
Depreciation	15	60,514	54,944
Net interest costs	8	81,264	35,363
Loss on sale of property, plant and equipment		13,107	32,342
Gain on sale of investment	7	-	(1,258,989)
Research and development tax credits		(3,258,245)	(2,112,797)
Tax expense		2,006,866	1,532,422
		(304,384)	(755,394)
Change in work in progress		(2,037,052)	1,139,602
Change in other assets		(41,118)	(20,979)
Change in trade and other receivables		588,073	(624,840)
Change in trade and other payables		121,867	86,462
Change in other liabilities		(2,668)	3,851
Change in employee benefits		38,301	302,832
Change in deferred income/revenue		(1,054,277)	1,325,163
Cash generated from operating activities		(2,691,258)	1,456,697
Interest paid net of interest received		(156,121)	(80,088)
Realised foreign currency (gains)/losses recognised as investing activities		(25,730)	-
Income taxes refunded		339,910	1,079,736
Net cash (used in)/from operating activities		(2,533,199)	2,456,345

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

11. Trade and other receivables

<i>In Australian dollars</i>	<i>Note</i>	2014	2013
Sundry debtors		1,500	-
Trade receivables		1,171,045	1,760,618
		<u>1,172,545</u>	<u>1,760,618</u>
Current		1,172,545	1,760,618
		<u>1,172,545</u>	<u>1,760,618</u>

The Company's exposure to credit and market risks, and impairment losses related to trade and other receivables, are disclosed in Note [26].

12. Other assets - current

<i>In Australian dollars</i>	<i>Note</i>	2014	2013
Amounts due from related parties		303,669	303,669
Loans to directors		57,014	-
Prepayments		63,954	35,979
Deposits		27,644	26,763
Contingent consideration receivable		401,426	384,172
Stock on hand		12,262	-
ANZ term deposits		27,700	1,144,332
Other receivables		3,168	3,168
Current		<u>896,837</u>	<u>1,898,083</u>

Other assets – non-current

<i>In Australian dollars</i>	2014	2013
Contingent consideration receivable	234,993	535,832
EFIC deposits	748,591	41,920
Non current	<u>983,584</u>	<u>577,752</u>

The Company has a \$96,688 (2013: \$96,688) non-interest bearing loan receivable from Synertec Malaysia and a \$206,981 (2013: \$206,981) non-interest bearing loan receivable from Synertec Asia. The Company has \$748,591 (2013: \$41,920) in deposits with EFIC as per note [23]. This replaced the short term ANZ term deposit in 2013 as the guarantee security. The contingent consideration is contingent amounts to be received from the sale of Synertec Asia.

13. Work in progress

<i>In Australian dollars</i>	<i>Note</i>	2014	2013
Work in progress		2,503,945	466,893
		<u>2,503,945</u>	<u>466,893</u>

At 30 June 2014 aggregate costs incurred under open contracts and recognised profits, net of recognised losses, amounted to \$2,503,945 (2013: \$466,893).

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

14. Employee benefits

In Australian dollars

	Note	2014	2013
Current			
Annual leave		105,764	100,013
Long service leave		203,808	175,759
		<u>309,572</u>	<u>275,772</u>
Non-current			
Long service leave		31,561	27,060
		<u>31,561</u>	<u>27,060</u>

15. Property, plant and equipment

In Australian dollars

	Computers	Furniture and Equipment	Leasehold improvements	Motor vehicles	TOTAL
Cost					
Balance at 30 June 2012	261,845	94,204	21,157	238,979	616,185
Additions	1,589	3,189	-	36,902	41,680
Disposals	-	-	-	(10,815)	(10,815)
Balance at 30 June 2013	<u>263,434</u>	<u>97,393</u>	<u>21,157</u>	<u>265,066</u>	<u>647,050</u>
Additions	22,391	5,720	-	102,644	130,755
Disposals	-	-	-	(169,550)	(169,550)
Balance at 30 June 2014	<u>285,825</u>	<u>103,113</u>	<u>21,157</u>	<u>198,160</u>	<u>608,255</u>
Accumulated Depreciation					
Balance at 30 June 2012	212,533	54,862	13,416	134,789	415,600
Disposals	-	-	-	(10,771)	(10,771)
Depreciation expense	21,349	5,601	1,548	26,446	54,944
Balance at 30 June 2013	<u>233,882</u>	<u>60,463</u>	<u>14,964</u>	<u>150,464</u>	<u>459,773</u>
Disposals	-	-	-	(116,274)	(116,274)
Depreciation expense	22,270	6,500	1,239	30,505	60,514
Balance at 30 June 2014	<u>256,152</u>	<u>66,963</u>	<u>16,203</u>	<u>64,695</u>	<u>404,013</u>
Carrying amounts					
at 01 July 2012	<u>49,312</u>	<u>39,342</u>	<u>7,741</u>	<u>104,190</u>	<u>200,585</u>
at 30 June 2013	<u>29,552</u>	<u>36,930</u>	<u>6,193</u>	<u>114,602</u>	<u>187,277</u>
at 01 July 2013	<u>29,552</u>	<u>36,930</u>	<u>6,193</u>	<u>114,602</u>	<u>187,277</u>
at 30 June 2014	<u>29,673</u>	<u>36,150</u>	<u>4,954</u>	<u>133,465</u>	<u>204,242</u>

Leased plant and machinery

The Company leases motor vehicles under a number of finance lease agreements. Some leases provide the Company with the option to purchase the vehicles at an agreed price. The leased equipment secures lease obligations (see Note [17]). At 30 June 2014 the net carrying amount of leased motor vehicles was \$75,878 (2013: \$81,445). Non cash acquisitions of motor vehicles during the year amount to \$123,805 (2013: \$36,902) and non cash sales of motor vehicles amount to \$21,000 (2013: \$0).

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Notes to the financial statements
For the year ended 30 June 2014

16. Trade and other payables

In Australian dollars

Current

	Note	2014	2013
Trade payables		1,297,597	1,397,803
Other payables		206,689	57,006
Fixed price project accruals		72,389	-
		1,576,675	1,454,809

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note [26].

17. Loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows.

	Liability		Interest		Present value of minimum lease payments	
<i>In Australian dollars</i>	2014	2013	2014	2013	2014	2013
Less than one year	17,058	33,772	5,185	5,382	22,243	39,154
Between one and five years	65,805	27,127	6,677	3,920	72,482	31,047
	82,863	60,899	11,862	9,302	94,725	70,201

The items currently under finance leases are all motor vehicles.

18. Other liabilities

In Australian dollars

	Note	2014	2013
Loans from Directors		-	1,898
Amounts due to related parties		1,183	1,953
		1,183	3,851

19. Deferred income / revenue

In Australian dollars

	Note	2014	2013
Billing in advance of work completed		270,886	1,325,163
		270,886	1,325,163

Where progress billings and recognised losses exceed costs incurred plus recognised profits earned, the Company recognises these amounts as billing in advance of work completed.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

20. Operating leases

Leases as lessee

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows.

<i>In Australian dollars</i>	2014	2013
Less than one year	146,048	120,438
Between one and five years	317,994	408,515
	<u>464,042</u>	<u>528,953</u>

The Company leases the head office and a factory facility under operating leases. The head office lease expires December 2017. Lease payments are increased every year as indexed to CPI. The factory facility is under a 1 year lease. During the year \$139,193 was recognised as an expense in profit or loss in respect of operating leases (2013: \$153,527).

The factory lease was entered into as a combined lease of land and buildings. The Company determined that the land and building elements of the factory lease are operating leases. The rent paid to the landlord is increased to market rent at regular intervals, and the Company does not participate in the residual value of the land and buildings. As a result, it was determined that substantially all the risks and rewards of the land and buildings are with the landlord.

21. Capital and reserves

(a) Share capital

	Ordinary shares	
Note	2014	2013
In issue at 1 July	950	950
Movement	-	-
In issue at 30 June	<u>950</u>	<u>950</u>

Ordinary shares

The Company's share capital is \$950 (2013: \$950).

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

(b) Other equity contribution

Note	2014	2013
Other contributed equity	132,904	132,904
	<u>132,904</u>	<u>132,904</u>

Other contributed equity represent additional capital contributed by the shareholders on rollover from a Unit Trust to a Company.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

21. Capital and reserves (continued)

(c) Dividends

There was no dividend paid for the year ended 30 June 2014.

2013	Cents per share	Total amount	Date of payment
Final 2013 ordinary - partially franked at 90%	210.53	200,000	30/06/13
		<u>200,000</u>	

After 30 June 2014 no dividends were proposed by the Directors.

Due to the use of the Research and Development tax incentive the Company has a negative franking account balance. The nature of the debits to the franking account do not attract Franking Deficit Tax.

Dividend franking account

Amount of franking credits available to shareholders of Synertec Pty Ltd for subsequent financial years

2014	2013
(339,959)	-

22. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

23. Contingencies and capital commitments

The Company has contingent liabilities to Bechtel which is covered by two bonds provided by the Australia Export and Finance Insurance Commission (EFIC). The Company as part of the terms for two separate contracts were required to provide bonds to Bechtel, initially as performance guarantees, and on delivery of the equipment the bonds converted to warranty bonds, for the warranty period of the contracts. Should there be defects in the work or the contracts not completed Bechtel had recourse to;

- the APLNG bond on issue is for \$1,125,906 expiring at 31/7/2017; and
- the QCLNG bond on issue is for \$420,000 expiring at 31/3/2017.

The bonds secured by EFIC have cash deposits of \$748,591 (2013: \$41,920). During the financial year, the Company transferred the bonds from being provided by ANZ to EFIC. As such the term deposits held by ANZ were \$27,700 (2013: \$1,144,332). Refer to note [12].

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

24. Related parties

Key management personnel compensation

The key management personnel compensation comprised:

In Australian dollars

	2014	2013
Short-term employee benefits	349,017	334,709
Post-employment benefits	25,863	22,532
	374,880	357,241

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

Details regarding loans receivable / (payable) by the Company at the end of the reporting period to key management personnel and their related parties, are as follows:

In Australian dollars

Directors

Michael Carroll

Gassan Abdallah

Entities under the control of Gassan Abdallah

Synertec Asia

Synertec Malaysia

Management personnel

Ted Perkins

	Balance 1 July 2013 \$	Balance 30 June 2014 \$
Michael Carroll	(949)	53,348
Gassan Abdallah	(949)	3,666
Synertec Asia	206,981	206,981
Synertec Malaysia	96,688	96,688
Ted Perkins	(1,953)	(1,183)

Loans to the Directors were unsecured and provided to their respective Family Trusts as disclosed above. Loans to Synertec Asia and Synertec Malaysia are detailed in Note [12], and are considered related as Gassan Abdallah is the Managing Director. Synertec Malaysia is a subsidiary of Synertec Asia.

25. Auditor's remuneration

In Australian dollars

Audit and review services

Auditors of the Company - KPMG

Audit and review of financial statements

Other services

Auditors of the Company - KPMG

In relation to taxation

	2014	2013
Audit and review of financial statements	30,000	15,000
	30,000	15,000
In relation to taxation	202,858	369,403
	232,858	384,403

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

26. Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk Management framework

The Company's Directors have overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

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.

<i>In Australian dollars</i>	Note	Carrying amount 2014	2013
Trade and other receivables	11	1,172,545	1,760,618
Cash and cash equivalents	10	12,892	737,395
ANZ deposit	12	27,700	1,144,332
Contingent consideration receivable	12	636,419	920,004
EFIC deposits	12	748,591	41,920
Loans to directors	12	57,014	-
Deposits	12	27,644	26,763
Amounts due from related parties	12	303,669	303,669
		2,986,474	4,934,701

Trade and other receivables (including contingent consideration receivable)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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 Company provides services under contract, each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

The Company historically has had very few bad debts, and as such does not establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

26. Financial instruments (continued)

(i) Credit risk (continued)

The Company 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.

In Australian dollars

	Carrying amount 2014	2013
Australia	1,172,545	1,760,618
	<u>1,172,545</u>	<u>1,760,618</u>

The Company's most significant balance outstanding to a single customer, accounts for \$792,199 of the trade receivables carrying amount at 30 June 2014 (2013: \$746,040).

Impairment losses

The aging of the trade and other receivables at the end of the reporting period that were not impaired was as follows.

In Australian dollars

	2014	2013
Neither past due nor impaired	1,057,397	1,626,242
Past due 1 - 30 days	36,086	2,297
Past due 31 - 90 days	20,501	102,701
Past due 91 - 120 days	58,561	29,378
	<u>1,172,545</u>	<u>1,760,618</u>

Cash and cash equivalents (including deposits)

The Company held cash and cash equivalents of \$12,892 at 30 June 2014 (2013: \$737,395) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with reputable bank and financial institution counterparties.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company uses detailed project plans, which assists it in monitoring cash flow requirements and optimising its cash return on projects delivered. The Company 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 Company 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 2014, the expected cash flows from trade and other receivables maturing within two months were \$1,172,545 (2013: \$1,760,618). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

26. Financial instruments (continued)

(ii) Liquidity risk (continued)

In addition, the Company maintains the following lines of credit:

- \$1,250,000 overdraft facility from ANZ. Interest would be payable at the rate of 8.36% (2013: 8.56%). The overdraft facility is secured by an EFIC working capital guarantee. Interest is payable on the working capital guarantee of 4% per annum in addition to the bank overdraft rate paid to ANZ. The facility was available in 2013 but not in use at 30 June 2013.

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 2014

In Australian dollars

	Carrying amount	Total	Contractual cash flows		
			0-1 years	1-2 years	2-5 years
Non-derivative financial liabilities					
Finance lease liabilities	82,863	94,725	22,243	22,208	50,274
Trade and other payables	1,576,675	1,576,675	1,576,675	-	-
Deferred revenue	270,886	270,886	270,886	-	-
Bank overdraft	1,140,200	1,189,777	1,189,777	-	-
	3,070,624	3,132,063	3,059,581	22,208	50,274

30 June 2013

	Carrying amount	Total	Contractual cash flows		
			0-1 years	1-2 years	2-5 years
Non-derivative financial liabilities					
Finance lease liabilities	60,899	70,201	39,154	31,047	-
Trade and other payables	1,454,809	1,454,809	1,454,809	-	-
Deferred revenue	1,325,165	1,325,163	1,325,163	-	-
	2,840,873	2,850,173	2,819,126	31,047	-

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates– will affect the Company'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 Company 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 Company holds EUR and USD in anticipation of future purchase orders. The Company 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 Company 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.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

26. Financial instruments (continued)

(iii) Market risk (continued)

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk as reported to the management of the Company is as follows.

	30 June 2014		30 June 2013	
	USD	EURO	USD	EURO
Other assets	636,419	-	920,004	-
Cash and cash equivalents	-	-	-	-
Financial assets	636,419	-	920,004	-
Trade and other payables	-	(15)	-	-
Financial liabilities	-	(15)	-	-
Net exposure	636,419	(15)	920,004	-

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 2014				
USD	(40,499)	49,499	(40,499)	49,499
Euro	-	-	-	-
Currency exchange risk (net)	(40,499)	49,499	(40,499)	49,499
30 June 2013				
USD	(58,546)	71,556	(58,546)	71,556
Euro	-	-	-	-
Currency exchange risk (net)	(58,546)	71,556	(58,546)	71,556

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows.

	Nominal amount	
	2014	2013
Variable-rate instruments		
ANZ interest expense	17.76%	17.76%
Interest on ANZ deposits	3.15%	3.15%
Related party interest rates	6.2%	7.05%

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

26. Financial instruments (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, net of tax		Equity, net of tax	
	1% increase	1% decrease	1% increase	1% decrease
30 June 2014				
Variable rate instruments	(7,388)	7,388	(7,388)	7,388
Cash flow sensitivity (net)	(7,388)	7,388	(7,388)	7,388
30 June 2013				
Variable rate instruments	8,010	(8,010)	8,010	(8,010)
Cash flow sensitivity (net)	8,010	(8,010)	8,010	(8,010)

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 Company's approach to capital management during the year.

Synertec Pty Ltd
Notes to the financial statements
For the year ended 30 June 2014

26. Financial instruments (continued)

Accounting classifications and fair values

Fair values vs carrying amount

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows, it does not include the carrying amounts for financial assets and liabilities are not measured at fair value if the carrying amount is a reasonable approximation of value.

<i>In Australian dollars</i>	<i>Note</i>	Loans and receivables	Other financial assets	Other financial liabilities	Total carrying amount
30 June 2014					
Cash and cash equivalents	10	12,892	-	-	12,892
Trade and other receivables	11	1,172,545	-	-	1,172,545
Related party loans	12	-	303,669	-	303,669
Director loans	12	-	57,014	-	57,014
Contingent consideration receivable	12	-	636,419	-	636,419
ANZ deposits	12	-	27,700	-	27,700
EFIC deposits	12	-	748,591	-	748,591
Deposits	12	-	27,644	-	27,644
		1,185,437	1,801,037	-	2,986,474
Finance lease liabilities	17	-	-	82,863	82,863
Trade and other payables	16	-	-	1,576,675	1,576,675
Loans from related parties	18	-	-	1,183	1,183
Bank overdraft	10	-	-	1,140,200	1,140,200
		-	-	2,800,921	2,800,921
30 June 2013					
Cash and cash equivalents	10	737,395	-	-	737,395
Trade and other receivables	11	1,760,618	-	-	1,760,618
Related party loans	12	-	303,669	-	303,669
Contingent consideration receivable	12	-	920,004	-	920,004
ANZ deposits	12	-	1,144,332	-	1,144,332
EFIC deposits	12	-	41,920	-	41,920
Deposits	12	-	26,763	-	26,763
		2,498,013	2,436,688	-	4,934,701
Finance lease liabilities	17	-	-	60,899	60,899
Trade and other payables	16	-	-	1,454,809	1,454,809
		-	-	1,515,708	1,515,708

Directors' declaration

1. In the opinion of the Directors of Synertec Pty Ltd ("the Company"):
 - (a) the Company is not a reporting entity;
 - (b) the financial statements and notes, set out on pages 6 to 32:
 - (i) present fairly the financial position of the Company as at 30 June 2014 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes [1] to [4]; and
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note [2(a)]; and
 - (c) 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 2014 the Company has:
 - (a) kept such accounting records as correctly record and explain its transactions and financial position;
 - (b) kept its accounting records that financial statements of the Company that are presented fairly can be prepared from time to time; and
 - (c) kept its accounting records in accordance with the *Corporations Act 2001* so that the financial statements of the Company can be conveniently and properly audited.

Signed in accordance with a resolution of the Directors:

Dated at.....11th January 2017.....



Michael Carroll
Director

Independent auditor's report to the members of Synertec Pty Ltd

We have audited the accompanying financial report of Synertec Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the special purpose financial report and have determined that the basis of preparation described in Notes 1 to 4 to the financial statements is appropriate to assist the Directors of Synertec Pty Ltd in relation to their due diligence in preparation for the potential acquisition of the Company by an ASX listed entity. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1 to 4 to the financial statements so as to present a view which is consistent with our understanding of the Company's financial position, and of its performance and cash flows.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Independent auditor's report to the members of Synertec Pty Ltd (continued)

Auditor's opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Synertec Pty Ltd as of 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Notes 1 to 4 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist the Directors of Synertec Pty Ltd in relation to their due diligence in preparation for the potential acquisition of the Company by an ASX listed entity. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Directors of Synertec Pty Ltd and should not be used by or distributed to parties other than those Directors. We will therefore disclaim any assumption of responsibility for any reliance on our report, or on the Financial Report to which it relates, to any person other than the Directors of Synertec Pty Ltd, or for any purpose other than that for which it was prepared.

Other Matter

The financial report for the year ended 30 June 2013 was not audited. We have performed opening balance audit procedures at 1 July 2013 to enable us to form our opinion for the year ended 30 June 2014.



KPMG



Dana Bentley
Partner

Melbourne

11 January 2017