



**ENERGY TECHNOLOGIES LIMITED**

**ABN 38 002 679 469**

**Annual Financial Report**

**for the year ended 30 June 2013**

## Corporate Information

**ABN 38 002 679 469**

### **Directors**

Alfred J. Chown (acting Chairman/Managing Director)

Gary A. Ferguson (Non-executive Director)

Michael D. Butcherine (Non-executive Director)

### **Company Secretary**

Gregory R. Knoke

### **Registered Office**

102 Old Pittwater Road

BROOKVALE NSW 2100

### **Bankers**

National Australia Bank Limited

NAB House, 255 George Street

SYDNEY NSW 2000

Australia and New Zealand Banking Group Limited

347 Kent Street

SYDNEY NSW 2000

### **Share Register**

Computershare Investor Services Pty Ltd

Level 3, 60 Carrington Street

Sydney NSW 2000

Telephone:- (02) 8234 5000

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### **Auditors**

Gould Ralph Assurance

Chartered Accountants

Level 42, Suncorp Place

259 George Street

SYDNEY NSW 2000

## Contents

Chairman’s Report	4
Directors’ Report	5
Remuneration Report (audited)	15
Corporate Governance Statement	19
Auditor’s Independence Declaration	27
Consolidated Income Statement	28
Consolidated Statement of Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Financial Statements	33
Directors’ Declaration	79
Independent Auditor’s Report	80
ASX Additional Information	82

## Chairman's Report

Whilst the Board is very disappointed and indeed embarrassed by the performance of the company in FY2012/13 it looks enthusiastically ahead to the future. Early this year, recognising that the company's main asset Bambach Wire and Cable (BWC) was not performing well against a backdrop of poor market conditions, a high dollar and a large post-acquisition management learning curve the board initiated a turnaround plan which has since seen greatly improved and so far continually improving results. The plan to a large extent has been communicated to the market via the Investor Guide released on 4 September 2013 but refinements to the plan continue as more analysis occurs and ideas percolate to the surface.

As a result of this plan and its success to date the company has obtained debt funding and is continuing to negotiate for further funds to alleviate cash constraints as the order book grows. The board is confident that these negotiations will be successful. For the current financial year future orders on hand (Orders due for delivery beyond the current month) exceed \$800,000 which is the highest level of future orders in the recent (past ten years) history of the company. This trend is expected to continue and future orders are expected to build as the newly created tender team bid and win more and more project-related business, an area of the market in which the company has not previously participated. Day-to-day sales continue to improve as well due to an increased sales and marketing effort focused on relationship development and product education amongst the traditional wholesaler channel to market. Sales in this area will gain further momentum as BWC ramps up its marketing activities and expands its product offering. A great amount of effort has recently been put into securing competitively priced products from quality overseas suppliers for products outside BWC's existing product range. The addition of these new products to the BWC range should see substantial interest from the wholesaler market and result in markedly more sales via this existing and substantial channel to market.

As part of the turnaround plan, factory efficiency has been closely scrutinised. The result is that existing processes have been greatly improved and productivity increased by between 3-5%. Further gains have been identified and dependent on equipment choice the board anticipates further productivity gains of some 10-15% could be made with modest investment. Happily due to the capital intensive nature of the industry successful production is not dependent on low labour costs and as such the competitive advantage of any one manufacturer rests not on its geographic location but on its efficiency of production. In a nutshell, copper, the main product ingredient, is pretty much the same price across the globe and the best latest equipment only requires one operator. There is no reason why cable manufacturing cannot thrive in Australia.

There is no doubt that the business environment in Australia suffered as a result of the protracted election campaign. Essentially nine months of the calendar year were wiped out as uncertainty stifled economic activity. Coming as that did on the back of already deteriorating economic conditions, it impacted heavily on the profitability not only of BWC but of many Australian businesses to which BWC is a supplier. Whilst there is no joy in losses, provided a company does not let the situation overwhelm it, what losses do drive is an intense focus on efficiency and costs, on creativity and ideas, on the need to sell and create a sense of urgency. That is where BWC and by default EGY now sits.

Directors have a positive view of emerging economic growth prospects and will actively drive the company to extract maximum value from its business activities.



**Alfred J Chown**  
Acting Chairman

Sydney, 30 September 2013

## Directors' Report

Your Directors submit their report for the year ended 30 June 2013.

### DIRECTORS

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### Names, qualifications, experience and special responsibilities

**Alfred J. Chown**, B.Econ, (Age 52) (acting Chairman/Managing Director) Appointed 4 July 1997.

Born in 1960, in Sale, Victoria, Mr Chown returned in 2012 from residing in Hong Kong. In 1987 he co-founded E.L. Consult Ltd an executive search provider that prior to being sold to the Clarius group (ASX:CND) and renamed Lloyd Morgan in March 2007, had an extensive network of offices throughout Hong Kong, China, Singapore and Malaysia. Mr Chown continues to provide his services to Lloyd Morgan in a regional role. In the early 1990's Mr Chown also co-founded Dulhunty Engineering Ltd and in 1997 this company established Dulhunty Yangzhou Line Fittings Co Ltd, a manufacturer of line fittings for the electric power transmission and distribution industry. In 2003 Mr Chown was the driving force to merge these businesses together with Dulhunty Industries Pty Limited of Australia to form Energy Technologies Limited. Mr Chown is a former Chairman of the Australian Chamber of Commerce in Hong Kong and has extensive commercial experience in both Australia and Asia. Mr Chown is also a member of the Remuneration and Nomination Committees of the company.

**Michael D. Butcherine** (BEC (Hons)/LLB (Hons)) (Age 46) (Non-executive Director). Appointed 14 December 2009

Mr Butcherine was born in Dubbo, New South Wales in 1967. He graduated from the University of Sydney with Honours in Economics in 1989 and Honours in Law in 1991. During his studies, he worked for the Commonwealth Bank and for a top-tier Sydney law firm. After graduation, he travelled overseas, including working for two legal firms in the City of London. On his return to Australia, Mr Butcherine practiced with a commercial firm in Cairns, North Queensland. He returned to Dubbo in 1995 where he joined and subsequently became a principal of a local firm. His work was mainly in commercial property and business structuring and transactions. Since 2007, Mr Butcherine has conducted a private practice, acting for a very limited number of clients, providing highly specific revenue, structuring, commercial and financial advice, both strategic and transaction-specific. Mr Butcherine has completed the Graduate Diploma of Legal Practice, and the Graduate Diploma of In-house Legal Practice. He is a solicitor of the Supreme Court of New South Wales and the High Court, and a member of the Law Society of New South Wales, the Australian Corporate Lawyers Association and a Graduate Member of the Australian Institute of Company Directors. Mr. Butcherine is a member of the Audit, Nomination and Remuneration Committees of the company

**Gary A Ferguson CA** (Age 70) (Non-executive Director). Appointed 1 October 2012

Mr Ferguson is a qualified accountant. During his career, he has worked for manufacturing companies as a cost accountant, lectured in accounting (post-certificate Cost Accounting) with the then Department of Technical Education, developed the methodology associated with risk analysis profiles for capital expenditure projects in both the cable and abrasive sectors and providing consultant services to these companies. Mr Ferguson relocated to Mid-North Coast NSW in 1975 and gained a very broad level of experience, owning and operating businesses in the construction, hospitality, heavy transport and earthmoving and quarry industries. In 1992 he acquired a public practice in Kempsey, specializing in providing commercial clients with advice in corporate structure, taxation, reporting and financial management areas, including providing associated legal services from in house partners. Mr Ferguson is a Member of both the Institute of Chartered Accountants in Australia (CA) and Certified Practising Accountants in Australia (CPA). Mr. Ferguson is also Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the company.

## Directors' Report (Cont'd)

**Martin H. Thomas AM FTSE HonFIEAust** (Age 79) (Chairman) Appointed 13 October 2005. Resigned 1 October 2012

Mr Thomas gained his degree in Mechanical Sciences from Cambridge University in 1957. He came to Australia in 1967 joining Merz Australia. Following a merger he became a Principal of Sinclair Knight Merz. Mr Thomas founded and served as chairman of Austenergy (1988-1994), chairman of the New South Wales Electricity Council (1988-1995), deputy chairman of Australian Inland Energy and Water (1996-2003) and chairman of the Sydney 2000 Olympic Energy Panel (1995-2000). With Austenergy Mr Thomas led missions through the Asia Pacific region to establish technological, institutional and potential export relationships. From 1995-1998 he was Managing Director of the Cooperative Research Centre for Renewable Energy (ACRE). He is a past Director of the Tyree Group, EnviroMission Limited and Alecto Energy Plc. He was President of the Institution of Engineers, Australia from 1991-1992 and elected a Fellow of the Australian Academy of Technological Sciences and Engineering in 1991. From 1992 to 1994 he was President of the Federation of Engineering Institutions of South East Asia and the Pacific. He was President of the Australian Institute of Energy from 2000 to 2002. He was awarded the James Kirby Memorial Award of the Institution of Electrical Engineers, Australasian Region in 1992 and in 2008 the Peter Nicol Russell Memorial Medal of Engineers Australia, its highest award. He was appointed a Member of the Order of Australia in 1993 for services to engineering and energy management and was awarded an Australian Centenary Medal in 2003. Mr Thomas was appointed to the Advisory Panel 1 October 2012.

**Philip W. Dulhunty OAM** (Age 89) (Non-Executive Director) Appointed 31 March 2003. Resigned 1 October 2012

Founder of Dulhunty Power (Aust) Pty Limited, importers, exporters and distributors of electrical power transmission equipment. Honorary Life Member and distinguished member of the international electrical transmission industry body, CIGRE and Honorary Life Senior member of IEEE. Holder of Centenary Medal for Contribution to Australian Industry. Mr Dulhunty was also the recipient of the Institute of Engineering and Technology (IET) James N Kirby Medal in 2007. Mr Dulhunty was appointed to the Advisory Panel 1 October 2012.

**Richard K. Llewellyn**, (Age 62) (Non-Executive Director) Appointed 20 September 2005. Resigned 1 October 2012

Company Director with 36 years experience in many senior marketing and management roles primarily in the financial services and IT&T sectors. CEO of an Australian IT company that grew 10 fold in five years. Vice president and member of the Executive Committee of a NYSE listed IT&T company. Over the past fifteen years involved in managing numerous corporate advisory and funding projects with a total value in excess of \$A1 billion. National judge Telstra Small Business Awards. Founding fellow of the AICD and Fellow of AIM. Director and founder of Nextec Strategic Capital. Executive Director of Howitt & Co.

### COMPANY SECRETARY

**Gregory R. Knoke**, B. Com, CA (Age 60) (Company Secretary and Chief Financial Officer) Appointed 30 April 2003.

Director of Cogenic Pty Limited. Mr Knoke was a director of Energy Technologies Limited from May 2000 until 30 April 2003, resigned upon acceptance of the position of CFO. Born in 1952, educated at University of NSW and graduated in 1973 with major in accountancy, he holds a Bachelor of Commerce degree with merit. Mr Knoke is a Chartered Accountant and Associate member of the Institute of Chartered Accountants in Australia since 1979, an affiliate member of Chartered Secretaries of Australia and member of the Australia China Business Council. Business consultant and advisor, with extensive work experience throughout Asia and Europe, Mr Knoke spent 13 years in Hong Kong as Asian Group Financial Controller and Director for BIL Asia Holdings Limited and subsidiaries of the Brierley Investments Limited Group.

## Directors' Report (Cont'd)

### PRINCIPAL ACTIVITIES

EGY's principal activities during the year were:

- The manufacture and sale of specialist industrial cables.
- Completing the purchase of Bambach Wires and Cables Pty Limited (BWC);
- Managing BWC and integrating its operations into the Group;
- Driving organic growth and organisational change in BWC;
- Investing in Dulhunty Poles Pty Limited (DPPL), by providing financial and administrative support;
- Developing energy co-generation technology and seeking opportunities to participate in alternate and off-grid generation projects;
- Seeking other products, businesses and opportunities for the Group;

### REVIEW AND RESULTS OF OPERATIONS

The financial year ended 30 June 2013 was a very challenging one for the group.

On 2 July 2012, EGY settled the purchase of 100% of the shares of BWC.

BWC is a long-established Australian business which manufactures and sells wires and cables. The business was established in 1936 by its namesake, Mr Bambach. The company operates a factory at its Brookvale head office, and it had branch offices and warehouse facilities in Newcastle, Brisbane and Melbourne. At its factory, BWC manufactures cables and wires from copper and other raw materials. BWC has an extensive catalogue of products, and also manufactures bespoke to specified requirements for its customers.

In addition to those that it manufactures, BWC also imports and sells cables which are outside its capacity to manufacture, or which it cannot manufacture economically. Cable sales are broadly about 70% manufactured and 30% purchased. BWC has a broad range of customers, with applications in rail, mining, defence and manufacturing.

BWC carries a substantial amount of cable stock, partly of its own manufacture, and partly from purchases.

EGY appointed a new General Manager of BWC, and proceeded to integrate the affairs of EGY and BWC so far as possible to reduce the costs of the combined group. EGY moved its office to the BWC head office.

Leading up to and at the time of purchase, the sales and activities of BWC were established and sustainable, but susceptible to improvement. BWC had made a small profit in the year ended 30 June 2011, and it was expected that it would do the same for the year ended 30 June 2012. The purchase agreement for BWC contained the usual provisions which would adjust for rise and fall in relation to this. In fact, during the 2012 year, BWC made a small loss.

EGY planned enhancements to the business, changes to the method and scope of operations and the introduction of new products, but in a steady manner, taking into account the well-established business operations. It was planned, during the second half of the financial year, to engage in some fund-raising to expand the scope of the business.

The improvement strategy was to improve the marketing and sales strategy of the business. There would be small investments in factory machines, to enhance the capacity of the factory and reduce costs. A new office was planned for Western Australia, which represented a big but largely untapped market for BWC. BWC planned to introduce new suppliers, which would increase the range of products that BWC would be able to offer. BWC budgeted to increase its sales during 2013 (\$13M) from the 2012 (\$10.8M) year, which would have resulted in a modest profit.

External economic conditions impacted on this strategy. Towards the end of the first half of the financial year, beginning in about November 2012, BWC's sales fell away significantly. This decline in sales activity appeared to be shared across the cable industry as a whole, with particular impacts on mining and domestic manufacturing. It seems to have been the result of general economic uncertainty and pessimism, as well as the high Australian dollar and its impact on local manufacturing operations to whom BWC was a supplier.

## Directors' Report (Cont'd)

### REVIEW AND RESULTS OF OPERATIONS (Cont'd)

The decline in sales was such that, if it continued, it would have had a significant effect on the business, and would have required a change in its business model. Although this was an alternative that was considered, directors felt that the potential benefits to shareholders of continuing to execute the planned strategy exceeded the benefits of a change.

As a result of this unwelcome development, it was necessary to accelerate the pace of change within BWC. Aspects of the planned development of BWC were brought forward, and the scope of review and change was expanded.

The opening of the Western Australian office proceeded as planned. This involved a substantial amount of expense in the establishment of an office, warehouse and sales staff, but the most significant element of the expansion was the increase in stock manufacture and purchasing which was required to meet the expected demand. Much of this had been undertaken in the months leading up to the end of the first half of the financial year in preparation for the opening of the branch. A very ambitious budget had been set for the growth of the Perth branch, starting from scratch.

The branch opened in January 2013. The sales activity of the Perth branch has been very effective, and sales have been broadly in accordance with the budget. The Perth branch has reached break-even trading earlier than expected, and, post-balance-date, contributes to the profit of BWC and is expected to continue to do so. We expect that sales in Western Australia will continue to grow. Western Australian sales are significantly exposed to the mining sector, and we expect to benefit from any increase in activity.

Significant changes were made in relation to the sales and marketing processes in BWC. A new company website was created, and a new catalogue printed. BWC has developed an App, available for iPhone, Android and web, called the Bambach Wire Wizard, which is for the benefit of the end users of the company's products. Uptake of the App has been good, and we expect it to contribute to more visibility for BWC's brand.

The sales processes in the company have been enhanced, to better take advantage of the considerable technical expertise which resides within the company. As a manufacturer of cables and wires, BWC has developed very extensive knowledge of materials and processes. The company's manufacturing and sales staff have been able to combine their skills and knowledge for the benefit of BWC's customers.

There was an increased focus on reduction of costs in the head office and manufacturing activities of BWC. The operations of BWC consist of manufacturing and sales. In both cases, the operations are fairly lean, and costs are not susceptible to substantial reduction without impacting the effectiveness of the teams. This is a factor in deciding that the way to deal with an economic downturn was by working to grow sales rather than cut costs. Nevertheless, there has been some change in personnel by natural attrition during the year, and, despite some appointments of new people to new positions, the overall costs have remained about the same as in previous years. Apart from raw material costs and purchased product, it is not expected that an increase in sales will impact on the underlying costs of maintaining the business operations.

New products and product lines, from new suppliers, have been brought into the BWC lineup. This has required substantial investment in stock product, which has consumed working capital, but has generated an improvement in sales, and we expect it to continue to do so. The new products introduced add to the total range of products. In addition to the sales of these particular products, the new products also have a flow-on effect as they raise the profile of the company generally, and introduce BWC as a supplier to a broader range of customers.

The second half of the financial year has been a difficult but exhilarating period. The staff of BWC has risen to the challenge with a degree of enthusiasm which reflects their long commitment to the company and to each other.

Happily, the process has achieved positive and measurable results.

Management has adopted the measure of sales per trading day as a useful shorthand measurement of the achievements towards turning around the decline in sales. During the second half of the financial year, there has been a sustained improvement in the level of sales per trading day. The dollar amount of sales per trading day almost doubled between December 2012 (\$23,980 per trading day) and June 2013 (\$46,933 per trading day). During that time, the underlying costs of the business remained contained, although a higher level of purchases of raw materials and finished products was required. Further, it is apparent that customers new to the business have made a significant contribution to sales over that time (\$700K of sales between January and June to customers who were not customers of the business before that time).

## Directors' Report (Cont'd)

### REVIEW AND RESULTS OF OPERATIONS (Cont'd)

Despite the improvement in sales, BWC did not achieve profitability during the second half of the year, and recorded a substantial loss for the financial year as a whole. Total sales for the year were \$9.5M. Sales at this level are not enough to sustain the operating costs of the company. The operating loss of BWC for the whole year was \$1.7M.

Post-balance date, the increase in sales per trading day has continued, reaching \$52,217 per trading day in August, and, at the time of writing (24 September) being in excess of \$59,000 per trading day in September. Combined sales for the first quarter of the 2014 are already in excess of \$3.1M, which compares very favourably with the year under review, and augurs well for the 2014 results.

A fuller discussion of the changes in BWC, and their effects, is set out in the group's Investor Briefing which was released to the market on 4 September 2013.

Some of the operating loss arises from the post-acquisition management and organisational changes. BWC has introduced a standard cost-accounting system. We expect this to provide significant benefits in the short to medium term, as it permits a better control of the manufacturing function.

The sudden decline in sales, the build-up of stock for the Perth branch opening and the sizable stock purchases from new suppliers have meant that the company's overall stock levels have risen over the year, from \$2.28m on 2 July 2012 to \$3.01m as at 30 June 2013. Cable stock does not decay (in the medium term, at least) and the company maintains an active review of its stock levels and composition. BWC actively manages its inventory to minimise excess, and the level of slow-moving or dead stock is not high.

In addition, the steadily increasing level of sales in the second half has also placed demands on working capital. Purchases of raw materials, and finished stock have, of necessity, increased.

The resources of EGY, and its directors and executive were applied almost exclusively in the intensive management of BWC.

EGY has obligations remaining to the former owners of BWC in accordance with the purchase contract. It had been EGY's intention to refinance these obligations to the former owners with conventional bank finance. The financial performance of the Group made this course of action impossible. EGY has enjoyed the support of the former owners, and has been able to renegotiate its obligations to them, pending the raising of appropriate finance, for which it is grateful.

EGY's ability to raise funds was severely impacted by dramatic decline in BWC's sales in the first half, which impacted the group's results. This, and the general economic climate, led to a decision to delay attempts to raise funds externally. Nevertheless, the group had a requirement for funds, for the reasons set out above. Accordingly, a funding structure was established, intending to attract in due course a total of about \$2.5M. Funds are to be sought on a loan basis, and, in the future, by agreement and in accordance with the relevant laws, might be converted to equity in the company.

During the year, about \$478K has been loaned under the facility from private lenders. No new equity has been issued. Directors considered that EGY's share price would make the terms of any capital raising too diluting to existing shareholders. Improvements in trading during the second half have permitted an increase in fund-raising activity. A further \$100,000 has been committed post-balance date, and discussions continue with other groups. Funds raised have been applied in the satisfaction of some of EGY's commitments to the vendors of BWC. Future funds raised will also be used for that purpose, and for some factory capital expenditure and to meet working capital requirements. Recent improvements in EGY's share price mean that equity issues can be contemplated on a more realistic basis. The short- to medium-term aim of the directors is to rebuild the balance sheet of the group.

On 1 October 2012, three long-serving directors of EGY resigned, as part of the company's renewal strategy. All of the directors remain interested in the company, and some assist the company by forming part of its Advisory Panel. Some former directors of EGY are directors of Dulhunty Poles Pty Ltd (DPPL). Mr. Gary Ferguson joined the EGY Board at that time.

During the year, EGY has continued to be a shareholder in DPPL, the pole manufacturing company. Although that company continues to manufacture and sell from its Geelong factory, it hasn't yet reached profitability. In accordance with accounting standards, EGY is obliged to write off its investment in DPPL, and take up its share of DPPL's losses. This has resulted in an increase of reported group loss of \$418,125.

## Directors' Report (Cont'd)

### REVIEW AND RESULTS OF OPERATIONS (Cont'd)

At an EGM held on 17 October 2012, the shareholders of EGY approved a return of capital, the first tranche of which was paid shortly thereafter.

The capital position of the group has significantly altered during the course of the year. The net assets of the EGY group were at 30 June slightly more than \$50,000, down from about \$4.8M the year before. As a result of the payment of the first tranche of the capital return, about \$2.4M was returned to shareholders of EGY. The trading loss of BWC (which was not anticipated at the time of the capital return) has resulted in a further decrease of about \$1.7M. Finally, there was a significant impact from the adjustments relating to DPPL, refer above.

The financial resources of the group are, of necessity, being managed very carefully. Relationships with BWC's suppliers are important, and the improved trading results has allowed discussions with our major suppliers in relation to improving trading terms, which in turn allows more market access. BWC enjoys the support of its bank, which greatly assists in the efficient management of its working capital cycle.

The directors have resolved that it is not appropriate at this stage to pay the final tranche of the return of capital approved by shareholders on 17 October 2012.

Outside of the management of its main operating subsidiary, the activities of EGY were very limited during the 2013 year. There are certain unavoidable costs associated with the administration of the group. These have been minimized by integration of the administration of EGY with the administration of BWC.

In the face of the trading conditions, and the group's financial results, directors have had to give consideration during the course of the year to the related questions of whether the group ought to continue to trade, and whether it could. The financial figures of BWC are one aspect of this consideration. Directors have also taken into account the enormous potential of the business, the expected effects of the improvements being made and the support available to the group from its suppliers, shareholders and staff. Much of the financial support which has been obtained during the year has come from these sources.

In simple terms, directors expect that the trading activity of BWC will 'wash its own face'. The trading results have improved significantly, and continue to improve, and are expected to be a source of cash during the upcoming year. This be used to improve the working capital position of the company, which is nevertheless expected to remain tight for the short term. An injection of working capital is desirable, and some of the funds to be raised during the 2014 year will be used for this purpose.

While the organic improvement in sales is welcome, directors intend that this will be the basis for the continual improvement in BWC's fortunes. The product range, both manufactured and purchased, will be enhanced during the 2014 year. Discussions are underway with new suppliers in this regard. Preliminary steps are being taken in relation to some capital expenditure for the factory, which will have the effect of enhancing production capacity and reducing overall factory costs. Some funds raised will be devoted to these purposes.

Directors intend however that the principal use for funds raised will be to meet EGY's obligations to the vendors of BWC. During 2013, by agreement, the repayments of that part of the purchase price which remains outstanding were rescheduled. Directors expect to meet the revised payment schedule, and the group will obtain some benefit if the payments are accelerated. During 2014, most of the remaining part of the working capital payment will be repaid, with the balance in the following year. There are some further contract payments which will arise based on trading for the 2014 and 2015 years, and these are expected to be met from cash flow.

As a result of the improved trading results, and the rise in share price, directors have been able to approach the fund-raising task with some confidence. Post-balance date some funds (\$100K) have been raised, and discussions continue with other groups. Directors expect that their fund raising will meet its targets this year. Developments in this regard will be announced as and when they can be.

The fortunes of the EGY group depend on the trading success of BWC. While the sales growth of BWC in the second half of 2013 has been remarkable, it brings its own risks, such as a requirement for further working capital. Economic conditions have probably improved since last November, and this will have assisted BWC, but directors are confident that most of the improvement in BWC's performance is as a result of internal factors. Further, improvements have continued post-balance date, and sales, quoting and tender activity gives confidence that a higher level of sales will become established and is sustainable.

## Directors' Report (Cont'd)

### REVIEW AND RESULTS OF OPERATIONS (Cont'd)

Working capital is very tight, and continues to require careful management. There are several significant suppliers to BWC, and the loss of a major supplier would be significant to the group. All of BWC's customers are important, and some very significant in financial terms, and sales would be impacted by the loss of one or more of them. Some of BWC's major suppliers are foreign, and changes in the Australian dollar impact on costs of supply. BWC manages these risks by employing a diversity of sources of supply, and continuing to build sales in a broad range of industries.

During the 2014 financial year, the EGY Group intends to:

- continue the organic growth of BWC's sales, by capitalising on recent marketing activities, the new products and suppliers introduced and by employing some new sales staff;
- introduce new product lines, in both cables and related products, which are complementary to existing ones;
- judiciously invest in manufacturing capacity at BWCs Brookvale factory, in order to make existing products more efficient to produce and to permit the production of a broader range of products.

### DIVIDENDS AND CAPITAL RETURN

No dividends were paid or recommended by the parent company EGY this financial year. On 17 October 2012, the shareholders of EGY authorised a return of the capital of the company at the rate of 2 cents per share. The company returned 1.5 cents per share in October 2012 as the first tranche of this payment. Directors have resolved that it is not appropriate to pay the balance of this payment at this time.

### NON-AUDIT SERVICES

During the year Gould Ralph Pty Limited, an associate of the Company's auditor performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

The reasons for this are that all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor and their associates for audit and non-audit services provided during the year are set out in note 6 to the financial statements. In addition, amounts paid to other auditors for the statutory audit have been disclosed in that note.

A copy of the lead auditors' independence declaration as required under Section 307C of the Corporations Act is included in the Directors' Report.

### EVENTS SUBSEQUENT TO REPORTING DATE

Since 30 June 2013 EGY has raised \$100,000 under a loan facility. Refer Note 33.

Other than the above there are no other matters or circumstances that have arisen since 30 June 2013 that have significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial years.

## Directors' Report (Cont'd)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors expect that BWC will return to profitability in the 2014 financial year. The trend of improvement in sales has continued since the reporting date, and, if it is maintained, will mean BWC achieves budget for the year.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The group operates a factory in Brookvale, Sydney which is required to comply with local planning laws, and with State and Commonwealth Environmental laws. The company considers that the factory's operation is currently compliant, and is not expecting any adverse impact as a result of the environmental regulation.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

#### Indemnification

The Company has entered into Deeds of Indemnity and Access with persons who are an Officer or Director of the Company or a related body corporate, indemnifying such persons against a liability incurred by them in their capacity as an Officer or Director, including costs and expenses of defending legal proceedings and providing them with access to company records where a claim is made or threatened against such Officer or Director.

#### Insurance Premiums

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability for costs or expenses of defending legal proceedings.

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for Directors and Officers of the Company. In accordance with subsection 300(9) of the Corporations Act 2001, further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### EMPLOYEES

The consolidated entity employed 71 employees as at 30 June 2013 (2012: 5 employees).

### REMUNERATION REPORT

The remuneration report is set out on page 15 and forms part of the Directors' Report for the financial year ended 30 June 2013.

## Directors' Report (Cont'd)

### DIRECTORS' MEETINGS

The numbers of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each director were as follows:

	Board of Directors	Remuneration Committee	Audit Committee	Nomination Committee
<b>Number of meetings held:</b>	7	1	4	-
<b>Number of meetings attended:</b>				
Alfred J. Chown	7	1	-	-
Michael D. Butcherine	7	1	4	-
Gary A Ferguson (Appointed 1 October 2012)	5	-	3	-
Martin H. Thomas (Resigned 1 October 2012)	2	-	1	-
Philip W. Dulhunty (Resigned 1 October 2012)	1	-	-	-
Richard K. Llewellyn (Resigned 1 October 2012)	2	-	-	-

#### Committee Membership

At the date of this report, the company's committees were comprised as follows:

Audit Committee:

- Michael D. Butcherine
- Gary A. Ferguson

Nomination Committee:

- Alfred J. Chown
- Michael D. Butcherine
- Gary A. Ferguson

Remuneration Committee:

- Alfred J. Chown
- Michael D. Butcherine
- Gary A. Ferguson

## Directors' Report (Cont'd)

### INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The relevant interest of each director in the shares, and options over such instruments, issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Energy Technologies Limited		D Power International Ltd
	Ordinary Shares	Options	Ordinary Shares
Alfred J. Chown	25,410,691	-	59,724
Michael D. Butcherine	1,486,187	-	-
Gary A. Ferguson	5,591,949	-	-

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance principles are contained in the Corporate Governance Statement.

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 27 and forms part of the Director's Report for the year ended 30 June 2013.

Signed in accordance with a resolution of the Directors.



**Alfred J. Chown**  
**Acting Chairman/Managing Director**

Sydney, 30 September 2013

## Remuneration Report (audited)

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. Remuneration levels are set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. The Remuneration Committee also assesses the appropriateness of the nature and amount of emolument of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Executive remuneration packages include a mix of fixed remuneration and performance based remuneration.

### Fixed Remuneration

Fixed remuneration consists of base remuneration as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated and operating entity. A senior executive's remuneration is also reviewed on promotion.

### Performance – linked Remuneration

The Remuneration Committee links the nature and amount of directors' and executives' emoluments to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Employee Bonus Plan, which currently provides incentives where specified criteria are met including criteria relating to profitability.

Performance linked remuneration includes both short term and long term incentives and is designed to reward executive directors and senior executives for meeting or exceeding financial and personal objectives. The short term incentive is an at-risk bonus provided in the form of cash, and is based on the relevant operating subsidiaries' results and on achieving a preset target. The long term incentive is provided as ordinary shares of Energy Technologies Limited or options over ordinary shares of Energy Technologies Limited under the rules of the Energy Technologies Limited Share Option Plan.

The remuneration structures result in and took into account:

- The overall level of remuneration for each director and executive
- The executive's ability to control performance
- The amount of incentives within each executive's remuneration.

### Short term incentive

Each half year the remuneration committee sets the key performance indicators, which generally include measures relating to the operating group, the relevant segment and the individual, and are based on financial, customer and strategy measures. The measures directly align the reward to the key performance indicators and the operating group performance. The financial performance objectives are operating group turnover and EBIT to working capital ratio analyses compared to budgeted amounts on a regional and consolidated basis. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and business development.

The remuneration committee approves the cash incentive to be paid to the individuals.

### Long term incentive

Options are available to be issued under the Energy Technologies Share Option Plan (made in accordance with thresholds set in plans approved by shareholders at the 2011 AGM), and it provides for directors, executives and employees to receive options in total limited to 15% of the issued ordinary capital and exercisable strictly under the terms of the Plan.

## Remuneration Report (audited)

The Board considers that the above remuneration structure is generating the desired result. The evidence for this was growth in turnover for the applicable controlled entities, and secondly, the performance linked element appears to be appropriate because the executives strive to achieve a level of performance which qualifies them for bonuses.

The remuneration for all non-executive directors, last voted upon by shareholders at the 2007 AGM, is not to exceed \$500,000 per annum. Director's base fees are presently up to \$20,000. Directors receive additional cash benefit of \$2,500 for participation and attendance at each board approved committee, up to a maximum \$5,000.

Details of the nature and amount of each element of the emolument of each director of the company and each of the executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are disclosed in the table on next page.

## Remuneration Report (audited)

### Remuneration of key management personnel (audited)

The following table provides the details of all directors of the Company ("specified directors") and the executives of the consolidated entity with the greatest authority ("specified executives"), and the nature and amount of the elements of their remuneration for the year ended 30 June 2013.

2013	Specified Directors	Position (s) Held	Date Left	Date Appointed	Short-term benefits			Post Employment Benefits	Share-based payment	Total
					Cash, salary, fees & commissions \$	Cash Bonus <sup>3</sup> \$	Other \$	Superannuation \$	Equity \$	\$
	Alfred J. Chown	Acting Chairman/Managing Director of EGY and Director of BWC	-	-	210,115	-	-	16,390	-	226,505
	Michael D. Butcherine	Non-executive Director of EGY and Director of BWC	-	-	70,800	-	-	900	10,000	81,700
	Gary A Ferguson	Non-executive Director of EGY	-	1 October 2012	-	-	-	-	18,750	18,750
	Martin H. Thomas	Non-executive Director/Chairman of EGY	1 October 2012	-	-	-	2,500	-	18,500	21,000
	Philip W. Dulhunty	Non-executive Director of EGY	1 October 2012	-	-	-	-	-	18,750	18,750
	Richard K. Llewellyn	Non-executive Director of EGY	1 October 2012	-	28,125	-	-	2,531	-	30,656
	<b>Specified executives</b>									
	Gregory R. Knoke	CFO/Company Secretary of EGY and BWC	-	-	170,146	-	16,337	14,910	5,000	206,393
	Malcolm J. Munro	CEO of EGY	13 July 2012	-	12,904	-	576	987	-	14,467
	Ralph F. Stevens	General Manager of BWC	-	2 July 2012	124,409	15,000	14,013	13,021	-	166,443
					<b>616,499</b>	<b>15,000</b>	<b>33,426</b>	<b>48,739</b>	<b>71,000</b>	<b>784,664</b>

1. The bonus portion of specified executives' remuneration that is performance based varies between 7% and 15% of the fixed salary portion of remuneration.

2. Revised bonus structures for executives and key staff have been put in place and will result in performance based payments to a maximum of 30% of fixed salary.

3. Bonus paid for successfully meeting key performance indicators.

## Remuneration Report (audited)

### Remuneration of key management personnel (audited)

The following table provides the details of all directors of the Company ("specified directors") and the executives of the consolidated entity with the greatest authority ("specified executives"), and the nature and amount of the elements of their remuneration for the year ended 30 June 2012.

2012	Specified Directors	Position (s) Held	Date Left	Short-term benefits			Post Employment Benefits	Share-based payment	Total	
				Cash, salary, fees & commissions \$	Cash Bonus <sup>3</sup> \$	Cash Bonus <sup>4</sup> \$	Other \$	Superannuation \$		Equity \$
	Martin H. Thomas	Non-executive Director/Chairman of EGY	-	33,750	10,000	-	-	9,250	53,000	
	Alfred J. Chown	Managing Director of EGY	-	251,833	70,000	-	-	12,500	334,333	
	Anthony J. Wingrove	Managing Director of EGY	31 March 2012	116,750	30,000	-	1,688	-	148,438	
	Richard K. Llewellyn	Non-executive Director of EGY	-	-	-	-	-	22,500	22,500	
	Philip W. Dulhunty	Non-executive Director of EGY	-	20,577	-	-	-	12,500	33,077	
	Michael D. Butcherine	Non-executive Director of EGY	-	-	80,000	-	-	20,000	100,000	
	<b>Specified executives</b>									
	Gregory R. Knoke	CFO/Company Secretary of EGY	-	164,520	-	-	13,037	36,607	20,000	234,164
	Malcolm J. Munro	CEO of D Power International Limited	13 July 2012	105,769	50,000	31,050	-	12,314	-	199,133
	Tee Hock Lee	Manager Dulhunty Power (Malaysia) Sdn Bhd	30 September 2011	45,778	-	-	944	6,867	-	53,589
	John C. Roughan	Executive Director of D Power International Limited	30 September 2011	50,346	-	-	-	4,531	-	54,877
	Peter W. Dulhunty	Sales Manager Dulhunty Power (Aust) Pty Limited	30 September 2011	35,365	-	10,008	-	3,932	-	49,305
				<b>824,688</b>	<b>240,000</b>	<b>41,058</b>	<b>13,981</b>	<b>65,939</b>	<b>96,750</b>	<b>1,282,416</b>

1. The bonus portion of specified executives' remuneration that is performance based varies between 7% and 24% of the fixed salary portion of remuneration.
2. Revised bonus structures for executives and key staff have been put in place and will result in performance based payments to a maximum of 30% of fixed salary.
3. Bonus paid 17 October 2011 on successful completion of sale of the assets of subsidiaries and on completion of due diligence.
4. Bonus paid 27 September 2011 for successfully meeting key performance indicators.

## Corporate Governance Statement

The Company’s corporate governance practices are discussed below. The discussion is organised in accordance with the recommendations of the Corporate Governance Council.

The Board of Directors guides and monitors the business and affairs of Energy Technologies Limited and its subsidiaries (“the Group”) on behalf of the shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for the overall corporate governance of the Group. To assist the Board in discharging its responsibilities the Board has adopted principles of corporate governance that are considered appropriate for the present size of the Group.

The information in this statement is current as at 31 August 2013.

### Principle 1: Lay solid foundations for management and oversight

1.1	Establish the functions reserved to the Board and those delegated to senior executives, and disclose those functions	Adopted the recommendation
1.2	Disclose the process for evaluating the performance of senior executives	Adopted the recommendation
1.3	Provide information reporting on principle 1	Adopted the recommendation

Certain functions and roles are reserved to the Board, and certain others are delegated to the senior executives of the Group.

The Board is responsible for:

- formulating the vision and strategic direction and monitoring performance objectives of the Group
- overseeing and fostering an appropriate culture for the Group that is aligned to its values
- developing and monitoring adoption of the most appropriate principles of corporate governance
- reviewing and ratifying systems of risk management and internal control, codes of conduct and legal compliance
- approving and monitoring the progress of major capital expenditure projects, funding programmes, acquisitions and divestments
- reviewing and approving annual business plans and budgets
- ensuring appropriate resources are available to senior executives
- reviewing and ratifying systems for health, safety and environmental management and controls
- appointing and evaluating the performance of senior executives
- appointing and creating succession policies for directors
- appointing, removing and creating succession policies for senior executives
- approving and monitoring financial and other reporting.
- ensuring corporate accountability to the shareholders primarily through an effective communications strategy and through the Chairman adopting the key interface role between the Company and its shareholders.

A schedule of directors’ meetings and attendances is detailed in the directors’ report.

The Board has delegated responsibility for operation and day to day administration of the company to the Managing Director, the Chief Financial Officer and executive management.

## Corporate Governance Statement (Cont'd)

The Managing Director is responsible for the achievement of the Company's goals, in accordance with the strategies and policies approved by the Board and with support from executive management. The specific duties of the Managing Director include:

- assisting the Board to develop the Company's Business Plan and goals
- responsibility for the achievement of these goals
- development in conjunction with senior management of short, medium and long term strategies to enable the Company to achieve its objectives
- preparation and update of business plans and relevant reports with senior management and implementation of those plans
- assessment of business opportunities including acquisitions
- proposing and controlling with Board approval items of material capital expenditure
- maintaining positive relationships with Board members, shareholders, trading partners and the investment community, including accepting the role of key spokesperson
- recommending and seeking appropriate approval for delegations of authority, key performance incentives and organizational changes, including key staff appointments, in conjunction with established board committees
- ensuring legal and regulatory compliance, in conjunction with senior management
- overall control of the staff appraisal process

The Board undertakes a review of the Managing Director and of senior executive performance at least annually, together with the Remuneration Committee, including setting targets. The performance evaluation is carried out in accordance with the policy and procedure set out in the Company's Corporate Governance documents, which are available on the Company's website.

### Principle 2: Structure the board to add value

2.1	A majority of the Board should be independent directors	Adopted the recommendation
2.2	The chair should be an independent director	Not adopted
2.3	The roles of the chair and the chief executive office should not be exercised by the same individual	Not adopted
2.4	Establish a nomination committee	Adopted the recommendation
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors	Adopted the recommendation
2.6	Provide information reporting on principle 2	Adopted the recommendation

### Board Composition

The composition of the Board is determined in compliance with the Company's constitution. The names of the directors of the company in office at the date of this report, their term of office and their skills, experience and relevant expertise are detailed in the directors' report.

The names of independent directors of the company are:

Gary A. Ferguson

Michael D. Butcherine

## Corporate Governance Statement (Cont'd)

An independent director is a director who is not a member of management and who:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- has not within the last three years been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal or employee of a material professional advisor or a material consultant to the company or another group member
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated with a material supplier or customer
- has no material contractual relationship with the company or another group member other than as a director of the company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company

The Company has a majority of independent directors on the board.

During the 2103 financial year, Mr Alfred Chown was appointed as the Managing Director of EGY. After the resignation of former Board members, Mr Chown also adopted the position of acting Chairman of the Board. The company accepts that, as a principle, these roles should be separate. At present, however, there are factors which have made it desirable that they be exercised by the same person for the time being.

EGY and its subsidiary BWC encountered difficult trading conditions during the year. It was necessary that EGY's Managing Director devote a great deal of time and energy to the operations of BWC, and its internal processes. The Managing Director and the other directors have been in frequent and informal contact during the year, in addition to the formal Board meetings. The strategy of the company, and the execution of the strategy, has been under frequent review, and the results under close scrutiny.

Directors have worked as an effective team, with close liaison. In the circumstances, directors have not felt it necessary to address the appointment of a new Chairman.

The policies and procedures in relation to the Board are set out in the Company's Corporate Governance documents.

### Board Processes

The Board has established a number of committees, including a nomination committee, a remuneration committee and an audit committee. The Board has also established a framework for the management of the Group including regular management committee meetings, internal control systems and the establishment of appropriate ethical standards.

The Charters and procedures of the various committees are set out in the Company's Corporate Governance documents.

### Nomination Committee

The names and qualifications of those appointed to the nomination committee for the year ended 30 June 2013 and their attendance at meetings of the committee are included in the directors' report. This committee is involved in the overseeing of the appointment and induction process for new directors, committee members and senior management.

### Evaluation of Board Performance

The Board monitors and evaluates its performance on an informal but regular basis. In particular, the composition of the Board is kept under regular review to ensure that the appropriate mix of skills and experience is available to the Board. Further, the size of the Board is under constant review, to ensure that it is commensurate with the scale of operations of the Group.

## Corporate Governance Statement (Cont'd)

### Principle 3: Promote ethical and responsible decision making

3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>•the practices necessary to maintain confidence in the company's integrity</li> <li>•the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>•the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	Adopted the recommendation
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and the progress in achieving them	Adopted the recommendation in part only. The company has not adopted particular targets, for the reasons set out below.
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	The company has not adopted particular targets, for the reasons set out below.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	Adopted the recommendation
3.5	Provide information reporting on principle 3	Adopted the recommendation

#### Code of Conduct

The Company has developed a Code of Conduct, an Employee Handbook and a comprehensive suite of policies which have been approved by the Board and apply to all employees, officers and Directors. This set of policies is regularly reviewed and may be amended as necessary to ensure it continues to reflect the best practices necessary to take into account legal obligations, maintain the Company's integrity and comply with the reasonable expectations of the Company's shareholders. The Code of Conduct is disclosed in the Company's Corporate Governance documents.

#### Trading Policy

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Company's policy regarding directors and employees trading in its securities is set by the Board, and is disclosed in the Company's Corporate Governance documents. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's price.

#### Diversity

The Company has adopted policies in relation to employment and recruitment which require the introduction of new staff and management of the Group's employees on a non-discriminatory basis. Hiring policies are backed by policies in relation to Sexual Harassment and Grievance and Dispute Handling.

The Group is quite small. Some new employees have been employed by BWC since its purchase, but only very few. The small scale of the company's hiring means that it is difficult to target new employees on a gender basis.

The Company's policies are intended to ensure that equal opportunity is given to all potential employees, and that increasing gender diversity at all levels will not be discouraged. The Board will keep the gender composition of its workforce under review.

Fifteen per cent (15%) of all the Group's employees are women. Forty two per cent (42%) of the Group's executives (including senior executives) are women. There are no women at a senior executive level or on the Board.

## Corporate Governance Statement (Cont'd)

### Principle 4: Safeguard integrity in financial reporting

4.1	Establish an audit committee	Adopted the recommendation
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>•consists of only non-executive directors</li> <li>•consists of a majority of independent directors</li> <li>•is chaired by an independent chair, who is not chair of the Board</li> <li>•has at least three members</li> </ul>	Adopted the recommendation in part
4.3	The audit committee should have a formal charter	Adopted the recommendation
4.4	Provide information reporting on principle 4	Adopted the recommendation

### Audit Committee

The Board has established an audit committee. The names and qualifications of those appointed to the audit committee for the year ended 30 June 2013 and their attendance at meetings of the committee are included in the directors' report. The audit committee consists of a majority of independent directors. During the year, after the size of the Board of the company was reduced, the audit committee was constituted with only two members. The Board of the company has only three members, but the Board has decided not to appoint Mr Alfred J. Chown, the Managing Director, to the audit committee. Thus the audit committee currently has only two members, consisting entirely of non-executive and independent directors. The Chief Financial Officer is invited to audit committee meetings at the discretion of the committee. The external auditor met with members of the committee at least twice during the year.

The charter of the audit committee is disclosed in the Company's Corporate Governance documents.

The responsibilities of the audit committee include:

- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review.
- Providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

### Financial Reporting

To assist the Board in approving the Company's financial statements, the Managing Director and the Chief Financial Officer are required to present a declaration with regard to the integrity of the financial statements to confirm to the Board that the Company's financial statements present a true and fair view in all material respects of the Company's financial condition and that operational results are in accordance with applicable accounting standards and the Corporations Act.

### Principle 5: Make timely and balanced disclosure and respect the rights of shareholders

5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Adopted the recommendation
5.2	Provide information reporting on principle 5	Adopted the recommendation

## Corporate Governance Statement (Cont'd)

### Disclosure

The Company has a Continuous Disclosure policy to ensure compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of any information which may have material effect on the price or value of its securities. The policy is disclosed in the Company's Corporate Governance documents. All ASX announcements are linked to the Company's website as soon as possible after confirmation from ASX, including financial statements.

### Principle 6: Respect the rights of shareholders

6.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Adopted the recommendation
6.2	Provide information reporting on principle 6	Adopted the recommendation

### Disclosure

The Company takes advantage of electronic communication for investor relations. The Company's website contains extensive information about the Board and management globally. It includes relevant press releases and media announcements in relation to the Company's operations, relevant announcements made to the market via the ASX, Company presentations and copies of financial statements. The Company has recently upgraded its website and further development to ensure continuous and full disclosure is currently under way.

The Board encourages full participation of attending shareholders at the Annual General Meeting to maintain a high level of accountability and allow shareholders to identify the Company's strategies and goals. The Company completes the Notice of Meeting and Explanatory Notes so that they provide clearly and concisely all of the information relevant to shareholders to enable them to make decisions on matters to be voted on at the meeting. The General Meetings are viewed as a tool to communicate with shareholders and the Company encourages and allows time for participation in the meetings. The external auditors are requested to attend each Annual General Meeting and be available for shareholder questions regarding the audit and the content of the audit report.

### Principle 7: Recognise and manage risk

7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	Adopted the recommendation
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to the Board on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Adopted the recommendation
7.3	Disclose whether it has received assurance from the Managing Director and the CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Adopted the recommendation
7.4	Provide information reporting on principle 7	Adopted the recommendation

## Corporate Governance Statement (Cont'd)

### Risk Management

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to particular issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Regular shareholder open days in addition to the AGM, attended by the Board and specified executives, which ensure that the Board is cognizant of the diverse needs of various stakeholders and assist in identifying the risks the business may face if those needs are not met. The Board holds ongoing discussion of issues raised in these meetings, to specifically review and update the corporate strategy as necessary.
- Board approval of a strategic business plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Implementation of Board-approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators (KPI's) of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, such matters as occupational health and safety.
- Regular management meetings involving executive directors, specified executives, and staff during which reports are given on production, sales, financial, compliance and strategic issues and decisions taken on operating matters, or referred to the Board.
- Regular reports and cash forecasts from the CFO which assist in discharging the Board's responsibility to manage the Group's financial risks. The Board is advised on such matters as the Group's liquidity, available credit and currency exposures and monitors actions to ensure they are in line with Company policy.

To assist the Board in approving the Company's financial statements, the Managing Director and the Chief Financial Officer are required to present a declaration with regard to the integrity of the financial statements to confirm to the Board that the Company's financial statements present a true and fair view in all material respects of the Company's financial condition and that operational results are in accordance with applicable accounting standards and the Corporations Act. The Board receives assurance from the Managing Director and the Chief Financial Officer that the declaration they make is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to reporting of financial risks.

### Principle 8: Remunerate fairly and responsibly

8.1	Establish a remuneration committee	Adopted the recommendation
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>•consists of a majority of independent directors</li> <li>•is chaired by an independent chair</li> <li>•has at least three members</li> </ul>	Adopted the recommendation
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Adopted the recommendation
8.4	Provide information reporting on principle 8	Adopted the recommendation

## Corporate Governance Statement (Cont'd)

### Remuneration Committee

The Board has established a remuneration committee. The remuneration committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and staff and directors themselves. It is also responsible for share option schemes, incentive performance packages, and compliance with superannuation requirements, termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies as applicable.

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report. The remuneration committee in place for the year ended 30 June 2013 consisted of three directors but did not have majority of independent directors. The Chief Financial Officer is invited to remuneration committee meetings, as required, to discuss senior executives and staff performance and remuneration packages.

The charter in relation to the remuneration committee is disclosed in the Company's Corporate Governance documents.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

### Remuneration Policies

Remuneration levels are set to attract and retain appropriately qualified and experienced directors, senior executives and staff to run the consolidated entity. The board considers that the remuneration structure will be able to attract and retain the best executives with the necessary incentives to work to grow long-term shareholder value.

The remuneration committee obtains independent advice as necessary on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration includes a mix of fixed remuneration and performance-based remuneration. All senior executives receive a base salary, superannuation, fringe benefits and performance incentives. The remuneration committee reviews executive packages semi-annually by reference to company performance, executive performance, comparative industry information and relevant independent advice. The performance of executives is measured against criteria agreed half-yearly which is based on the forecast growth of the Company's turnover and profits and shareholders' value.

A revised Directors Equity Plan was established in 2008 and approved by shareholders at the 2008 Annual General Meeting.

Executives and employees are also entitled to participate in the EGY Share Option Plan also approved by shareholders at the 2008 Annual General Meeting.

The Company's non-executive directors are paid directors' fees for their normal performance of duties as a director. Where there is a significant and sustained requirement for work by a director in excess of that considered normal for the Company, the Company will pay a one-off bonus in respect of that work.

The amount of remuneration for all directors and the five highest paid executives, including all monetary and non-monetary components, are detailed in the note 5 to the financial statements.

## Auditor's Independence Declaration



30 September 2013

The Board of Directors  
Energy Technologies Limited  
102 Old Pittwater Road  
BROOKVALE NSW 2100

**Chartered Accountants**  
ABN 74 632 161 298  
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Dear Members of the Board

### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the audit of Energy Technologies Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- (b) No contraventions of any applicable Code of Professional Conduct in relation to this audit.

This declaration is in respect of Energy Technologies Limited and any entities it controlled during the year.

GOULD RALPH ASSURANCE  
Chartered Accountants



GREGORY RALPH, M.Com., F.C.A.  
Partner

# Consolidated Income Statement

for the year ended 30 June 2013

		Consolidated	
	Note	2013	2012
		\$	\$
<b>Continuing Operations</b>			
Sales Revenue	2(a)	9,579,649	318,774
Cost of Sales	3	<u>(7,184,494)</u>	<u>(322,680)</u>
Gross Margin		2,395,155	(3,906)
Rendering of services	2(a)	99,632	48,890
Other revenue	2(b)	875,823	544,624
Marketing expenses		(35,226)	-
Occupancy expenses		(436,690)	(46,501)
Administrative expenses		(4,233,389)	(1,474,765)
Finance costs	3	(75,497)	(28,743)
Depreciation and amortisation expenses	3	(251,137)	(12,214)
Impairment goodwill	17	-	(545,473)
Other expenses		(310,232)	(60,430)
Share of Net (Loss) of associate	15(b)	<u>(390,585)</u>	<u>(764,955)</u>
<b>Loss from continuing operations before income tax</b>		<b>(2,362,146)</b>	<b>(2,343,473)</b>
Income tax expense	4	<u>(2,417)</u>	-
<b>Loss from continuing operations after income tax</b>		<b>(2,364,563)</b>	<b>(2,343,473)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations after tax	9	-	9,487,831
<b>Profit/(Loss) for the year</b>		<b>(2,364,563)</b>	<b>7,144,358</b>
(Profit)/Loss attributable to non-controlling interest		<u>132,386</u>	<u>(3,466,318)</u>
<b>Profit/(Loss) attributable to members of the parent entity</b>		<b><u>(2,232,177)</u></b>	<b><u>3,678,040</u></b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	8	<u>(1.35)</u>	2.27
Diluted earnings per share (cents per share)	8	<u>(1.35)</u>	2.27
Basic earnings per share from continuing operations (cents per share)	8	<u>(1.35)</u>	(1.37)
Basic earnings per share from discontinued operations (cents per share)	8	-	3.65

The accompanying notes form part of these financial statements.

## Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

	Consolidated	
	2013	2012
	\$	\$
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(2,364,563)</b>	7,144,358
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX:</b>		
Movement in foreign exchange relating to translation of controlled foreign entities	12,422	581,450
Realised foreign exchange gains on disposal of controlled entities	-	(2,332,752)
Exchange differences on foreign exchange relating to minorities	12,422	(575,874)
<b>TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>24,844</b>	<b>(2,327,176)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>	<b>(2,339,719)</b>	<b>4,817,182</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:</b>		
Members of the parent entity	(2,219,754)	1,926,738
Non-controlling interest	(119,965)	2,890,444
	<b>(2,339,719)</b>	<b>4,817,182</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position

as at 30 June 2013

		Consolidated	
	Note	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	68,465	4,707,988
Trade and other receivables	11	1,710,803	496,451
Inventories	12	3,014,275	-
Financial assets	13	5,367	6,262
Current tax assets	21(a)	-	84,855
Other current assets	18	357,368	160,650
<b>TOTAL CURRENT ASSETS</b>		<b>5,156,278</b>	<b>5,456,206</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	1,381,969	21,458
Investments accounted for using the equity method	15	-	-
Deferred tax assets	21(b)	215,595	-
Intangible assets	17	14,482	1,934
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,612,046</b>	<b>23,392</b>
<b>TOTAL ASSETS</b>		<b>6,768,324</b>	<b>5,479,598</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	2,623,069	573,457
Financial liabilities	20	1,889,305	-
Short-term provisions	23	492,864	38,420
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,005,238</b>	<b>611,877</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	20	1,127,738	-
Other non-current liabilities	22	521,520	-
Other long-term provisions	23	61,904	30,526
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,711,162</b>	<b>30,526</b>
<b>TOTAL LIABILITIES</b>		<b>6,716,400</b>	<b>642,403</b>
<b>NET ASSETS</b>		<b>51,924</b>	<b>4,837,195</b>
<b>EQUITY</b>			
Issued capital	24	7,717,528	10,163,080
Reserves	25	(1,980,423)	(1,992,845)
Accumulated losses		(5,226,085)	(2,993,908)
Parent interest		511,020	5,176,327
Non-controlling interest		(459,096)	(339,132)
<b>TOTAL EQUITY</b>		<b>51,924</b>	<b>4,837,195</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Issued Capital \$	Reserves \$	Accumulated losses \$	Non- Controlling Interest \$	Total \$
<b>Consolidated</b>					
<b>Balance at 01 July 2011</b>	<b>10,074,580</b>	<b>(241,543)</b>	<b>(6,671,948)</b>	<b>4,222,512</b>	<b>7,383,601</b>
<b>Comprehensive income</b>					
Profit for the year	-	-	3,678,040	3,466,318	<b>7,144,358</b>
Other comprehensive income for the year	-	(1,751,302)	-	(575,874)	<b>(2,327,176)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,751,302)</b>	<b>3,678,040</b>	<b>2,890,444</b>	<b>4,817,182</b>
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Equity contribution	56,000	-	-	-	<b>56,000</b>
Shares issued in lieu of directors fees	32,500	-	-	-	<b>32,500</b>
Dividends paid	-	-	-	(6,638,726)	<b>(6,638,726)</b>
Derecognition of non-controlling interest upon disposal of subsidiary	-	-	-	(813,362)	<b>(813,362)</b>
<b>Total transactions with owners, in their capacity as owners, and other transfers</b>	<b>88,500</b>	<b>-</b>	<b>-</b>	<b>(7,452,088)</b>	<b>(7,363,588)</b>
<b>Balance at 30 June 2012</b>	<b>10,163,080</b>	<b>(1,992,845)</b>	<b>(2,993,908)</b>	<b>(339,132)</b>	<b>4,837,195</b>
<b>Balance at 01 July 2012</b>	<b>10,163,080</b>	<b>(1,992,845)</b>	<b>(2,993,908)</b>	<b>(339,132)</b>	<b>4,837,195</b>
<b>Comprehensive income</b>					
Loss for the year	-	-	(2,232,177)	(132,386)	<b>(2,364,563)</b>
Other comprehensive income for the year	-	12,422	-	12,422	<b>24,844</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>12,422</b>	<b>(2,232,177)</b>	<b>(119,964)</b>	<b>(2,339,719)</b>
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Equity contribution	-	-	-	-	-
Shares issued in lieu of directors fees	52,250	-	-	-	<b>52,250</b>
Capital return	(2,497,802)	-	-	-	<b>(2,497,802)</b>
<b>Total transactions with owners, in their capacity as owners, and other transfers</b>	<b>(2,445,552)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,445,552)</b>
<b>Balance at 30 June 2013</b>	<b>7,717,528</b>	<b>(1,980,423)</b>	<b>(5,226,085)</b>	<b>(459,096)</b>	<b>51,924</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Note	Consolidated	
		2013	2012
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		9,849,222	5,343,314
Interest received		48,639	136,453
Payments to suppliers and employees		(11,696,652)	(7,300,327)
Finance costs		(75,497)	(70,741)
Income tax paid		-	(46,012)
Net cash inflow /(outflow) from operating activities	30	(1,874,288)	(1,937,313)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of subsidiaries		-	16,701,443
Transaction costs disposal of subsidiaries		-	(1,310,316)
Proceeds from sale of property, plant and equipment		58,836	-
Purchase of property, plant and equipment		(295,218)	(101,336)
Advances (to) from related parties		(3,934)	(970,892)
Payment for subsidiary, net of cash acquired		(1,510,000)	-
Payment for additional shares in associate		(218,191)	-
Capital Return		(2,432,285)	-
Net cash inflow /(outflow) from investing activities		(4,400,792)	14,318,899
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	56,000
Proceeds from borrowings		1,236,664	-
Repayment of borrowings		(109,340)	(1,682,047)
Dividends paid		-	(6,811,965)
Loans from Directors		478,314	-
Net cash inflow /(outflow) from financing activities		1,605,638	(8,438,012)
<b>Net increase/(decrease) in cash held</b>		(4,669,442)	3,943,574
Cash at beginning of financial year		4,707,988	700,384
Effect of exchange rates on cash holdings in foreign currencies		29,919	64,030
<b>Cash at end of financial year</b>	10	68,465	4,707,988

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2013

## Note 1 Summary of Significant Accounting Policies

### (a) Basis of Preparation

The financial statements are a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements are presented in Australian dollars unless otherwise stated.

The financial statements were authorised for issue on 30 September 2013 by the directors of Energy Technologies Limited.

Energy Technologies Limited is a listed public company, incorporated and domiciled in Australia.

### (b) Statement of compliance

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (c) Going Concern

The consolidated entity incurred a loss after tax and non-controlling interests of \$2,232,177 after including a one-off gain from a premium on consolidation of \$785,029 and incurred negative cash flows from operations of \$1,874,288 for the year ended 30 June 2013.

These matters give rise to a material uncertainty that may cast doubt upon the consolidated entity's ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon it:

- (i) achieving cash flow positive trading operations from its existing business;
- (ii) receiving continued financial support from its current financiers and directors; and
- (iii) raising further funding over the ensuing 12 months.

Management have prepared cash flow projections that support the ability of the consolidated entity to continue as a going concern. The cash flow projections for the period to 30 September 2014 assume a 36% increase in sales revenues from the 2012/13 year and \$875,000 of new external borrowings. Certain Directors and major shareholders have undertaken to underwrite that funding and provide further financial support if required.

Sales results for July and August 2013 are in line with the projected increase in sales revenues. The Directors are confident of raising the necessary additional funds and have formalised their personal financial support. Consequently the Directors believe the consolidated entity will continue as a going concern and it is appropriate to prepare these financial statements on that basis.

In the event that the consolidated entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (Cont'd)

#### (d) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Energy Technologies Limited (EGY) at the end of the reporting period. A controlled entity is any entity over which EGY has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is included in Note 14 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in the subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie. transactions with owners in their capacity as owners).

#### (e) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

Where measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in the profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase. A gain from a bargain purchase is accounted for in the income statement at the acquisition date.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (Cont'd)

#### (f) Foreign currencies

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars (A\$), which is the parent entity's functional currency.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the year-end exchange rate. Non-monetary items measured at fair value are reported at the exchange rate as at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- (i) Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates for the period; and
- (iii) Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

The functional currencies of the overseas subsidiaries are:

D Power International Limited – Hong Kong Dollars

Dulhunty Yangzhou Line Fittings Co. Limited – Chinese RenMinBi

Dulhunty Power Inc – US Dollars

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

#### (g) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on both a straight-line and diminishing value basis over the estimated useful life of the asset as follows:

Buildings & Leasehold Improvements 10% to 25%

Plant and equipment 9% to 66.6%

Leased plant & Equipment 13% to 16.7%

##### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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.

Impairment losses are recognised in the income statement.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (Cont'd)

#### (h) Intangible assets

Intangible assets acquired separately are capitalised at cost as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of Patents, Computer Software and Licenses are assessed and amortised over their useful lives and amortisation charged is taken to the income statement.

Intangible assets are tested for impairment where an indicator of impairment exists either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

#### (i) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

#### (j) Inventories

##### *Manufacturing*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials — valued on a rolling average cost;
- Finished goods and work-in-progress — cost of raw materials and standard cost of labour and a proportion of manufacturing overheads based on estimated machine man minute.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (Cont'd)

#### (k) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are 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.

#### (l) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

A provision for doubtful debts will be made against specific trade receivables where collection of the debt, either in full or in part, remains uncertain. Bad debts are written off when identified.

#### (m) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand, in banks and money market investments readily convertible to cash within 2 working days.

#### (n) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. The interest in an associate is the carrying amount of the investment together with any long term interests that in substance form part of the investors' net investment in the associate. In addition, the Group's share of the profit or loss of the associated company is included in the Group's profit or loss.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses until it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investment in associates are provided in Note 15.

# Notes to the Financial Statements

for the year ended 30 June 2013

## Note 1 Summary of Significant Accounting Policies (Cont'd)

### (o) Financial Instruments

#### (i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately

#### (ii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### (p) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

### (q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying consolidated benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### (r) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### (s) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (Cont'd)

#### (s) Revenue (Cont'd)

##### *Rendering of services*

Revenue is recognised only when services are completed.

##### *Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

##### *Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

#### (t) Income tax

The income tax expense for the year comprises current income tax expense/(income) and deferred tax expense/(income). Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### (u) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of 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.

#### (v) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

# Notes to the Financial Statements

for the year ended 30 June 2013

## Note 1 Summary of Significant Accounting Policies (Cont'd)

### (w) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### (x) Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

### (y) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

#### Key Estimates

##### i) Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

##### ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

##### iii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturer's warranties (for plant and equipment), lease terms (for leased equipment), and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

##### iv) Associate Entity DPPL

The board of EGY has applied the following tests under AASB 127 in determining that it does not control the operations of DPPL:

- EGY does not own 50% or more of the voting power of DPPL.
- EGY does not have the power to govern the financial and operating policies under a statute or agreement.
- EGY is a party only to a shareholders agreement. The power to govern the finance and operating policies rests with the board of DPPL.
- EGY does not have the power to appoint or remove the majority of the board of DPPL.
- EGY does not have the power to cast the majority of votes at meetings of the board of directors.

Accordingly its investment in DPPL is accounted for under AASB 128 Investments in Associates.

##### v) Contingent consideration – refer Note 14.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 2 Revenues from Continuing Operations

	Consolidated	
	2013	2012
	\$	\$
<b>(a) Revenue from Continuing Operations</b>		
Sale of goods	9,579,649	318,774
Rendering of services	99,632	48,890
	<b>9,679,281</b>	<b>367,664</b>
<b>(b) Other Revenues from Continuing Operations</b>		
Foreign exchange gains on unhedged transactions	2,191	298,187
Management Fees	33,661	111,428
Discount on acquisition of subsidiary	785,029	-
Interest revenue	48,639	134,821
Other	6,303	188
Total Other Revenue from Continuing Operations	<b>875,823</b>	<b>544,624</b>

### Note 3 Profit/(Loss) for the Year from Continuing Operations

#### Expenses

Cost of sales	7,184,494	322,680
Finance costs:	75,497	28,743
Rental expense on operating leases:		
- minimum lease payments	716,614	55,346
Foreign Exchange Losses	65,374	73,536
Research and Development expenses	86,174	-
Depreciation and amortisation expenses	<b>251,137</b>	<b>12,214</b>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 4 Income Tax Expense from Continuing Operations

	Consolidated	
	2013	2012
	\$	\$
<b>(a) The components of income tax expense comprise:</b>		
Current tax	-	-
Deferred tax	<b>2,417</b>	-
	<b>2,417</b>	-
<b>(b) Reconciliation of the prima facie tax on profit/(loss) from continuing operations to income tax expense:</b>		
Prima facie tax on (loss) from continuing operations before income tax at 30% (2012: 30%)	<b>(708,644)</b>	(703,042)
Add:		
Tax effect of:		
- other non-allowable items	<b>149,933</b>	429,057
- unrealised foreign exchange loss	<b>15,667</b>	-
- tax losses not brought to account *	<b>788,784</b>	268,483
- revaluation of investments	<b>269</b>	5,502
- deferred income tax	<b>2,417</b>	-
	<b>957,070</b>	703,042
Less:		
Tax effect of:		
- provision for doubtful debts	<b>10,500</b>	-
- discount on acquisition not assessable	<b>235,509</b>	-
	<b>246,009</b>	-
Income tax expense on continued operations	<b>2,417</b>	-

\*Current year tax losses unable to be offset within the group and not brought to account.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 5 Key Management Personnel Compensation

(a) Names and positions held of consolidated entity key management personal in office at any time during the financial year are:

Key Management Person	Position (s) Held during the Year
Alfred J. Chown	Acting Chairman/Managing Director of EGY and Director of BWC
Michael D. Butcherine	Director – Non-executive of EGY and Director of BWC
Gary A. Ferguson	Director – Non-executive of EGY
Martin H. Thomas (Resigned 1 October 2012)	Chairman – Non executive of EGY
Richard K. Llewellyn (Resigned 1 October 2012)	Director – Non-executive of EGY
Philip W. Dulhunty (Resigned 1 October 2012)	Director – Non-executive of EGY
Malcolm J. Munro (Resigned 13 July 2012)	CEO of EGY
Gregory. R. Knoke	CFO/Company Secretary of EGY and BWC
Ralph F. Stevens	General Manager of BWC

### (b) Compensation of Key Management Personnel

	Consolidated	
	2013	2012
	\$	\$
Short-term employee benefits	664,925	1,119,727
Post-employment benefits	48,739	65,939
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	71,000	96,750
	784,664	1,282,416

Information regarding individual directors and executives' compensation and some equity instrument disclosures as permitted by the Corporations Regulations 2M 3.03 and 2M 6.04 are provided in the Remuneration Report section of the Directors' Report.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 5 Key Management Personnel Compensation (Cont'd)

#### (c) Options and Rights Holdings

No Options are currently held by Key Management Personnel (FY2012 Nil)

#### (d) Shareholdings

	Balance 1 July 2012	Received as Remuneration	Purchases	Disposals	Balance 30 June 2013
<b>Number of Shares held by Key Management Personnel</b>					
<b>Specified directors</b>					
Alfred J Chown	25,410,691	-	-	-	25,410,691
Michael D. Butcherine	1,183,157	303,030	-	-	1,486,187
Gary A. Ferguson (Appointed 1 October 2012)	2,008,616	-	1,500,000	-	3,508,616
Martin H. Thomas (Resigned 1 October 2012)	3,609,557	560,606	-	-	4,170,163
Philip W. Dulhunty (Resigned 1 October 2012)	3,160,286	568,182	-	-	3,728,468
Richard K Llewellyn (Resigned 1 October 2012)	1,179,222	-	-	(1,179,222)	-
<b>Specified executives</b>					
Gregory R. Knoke	6,810,900	151,515	-	-	6,962,415
Ralph F. Stevens	-	-	311,000	-	311,000
	<u>43,362,429</u>	<u>1,583,333</u>	<u>1,811,000</u>	<u>(1,179,222)</u>	<u>45,577,540</u>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 6 Auditors' Remuneration

	Consolidated	
	2013	2012
	\$	\$
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial statements	93,133	34,692
— other services	7,682	16,963
	100,815	51,655
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial report of subsidiaries	9,760	16,184
— other services	1,580	1,299
	11,340	17,483

### Note 7 Dividends

No dividends have been paid or proposed by the Parent for the year ended 30 June 2013 (2012: Nil)

(a) Balance of franking account at end of year

-	-
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The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 8 Earnings per Share

	Consolidated	
	2013	2012
	\$	\$
<b>(a) Reconciliation of earnings to profit or loss:</b>		
Profit (loss)	(2,364,563)	7,144,358
(Profit)/Loss attributable to non-controlling entity interest	<b>132,386</b>	(3,466,318)
Earnings used to calculate basic and dilutive EPS	<b>(2,232,177)</b>	3,678,040
<b>(b) Reconciliation of earnings to profit or loss from continuing operations:</b>		
Loss from continuing operations	(2,364,563)	(2,343,473)
Loss attributable to non-controlling entity interest in respect of continuing operations	<b>132,386</b>	122,158
Earnings used to calculate basic and dilutive EPS from continuing operations	<b>(2,232,177)</b>	(2,221,315)
<b>(c) Reconciliation of earnings to profit or loss from discontinued operations:</b>		
Profit from discontinued operations	-	9,487,831
Profit attributable to non-controlling entity interest	-	(3,588,476)
Earnings used to calculate basic EPS from discontinued operations	-	5,899,355
<b>(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS</b>		
	<b>165,404,625</b>	161,771,994
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>165,404,625</b>	161,771,994

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 9 Discontinued Operations

On 12 October 2011, the consolidated group announced its decision to dispose of substantially all of its business assets held by D Power International Limited (formerly Dulhunty Power International Limited). The assets were sold based on a completion date of 30 September 2011.

This announcement was made subsequent to approval by the Company's shareholders.

Financial information relating to the discontinued operation to the date of disposal is set out below. The financial performance of the discontinued operation to the date of sale, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

	Note	Consolidated	
		2013 \$	2012 \$
Revenue		-	5,556,943
Expenses		-	(6,128,371)
(Loss) Profit before income tax		-	(571,428)
Income tax expense	(c),(d)	-	(106,407)
(Loss) Profit attributable to the discontinued operation		-	(677,835)
Profit on sales of assets	(a)	-	10,165,666
Income tax expense	(d)	-	-
Profit on sales of assets after income tax	30(a),31	-	10,165,666
Total profit attributable to the discontinued operation		-	9,487,831
The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flow, are as follows:			
Net cash inflow /(outflow) from operating activities		-	(1,005,973)
Net cash inflow /(outflow) from investing activities	(b)	-	15,344,417
Net cash inflow /(outflow) from financing activities		-	(1,120,129)
Net cash increase (decrease) in cash generated by the discontinued operation		-	13,218,315
(a) The gain on disposal of the controlled entities has been included in gain from discontinued operations per the consolidated Income Statement.			
(b) Proceeds from disposal of subsidiaries		-	16,701,443
Transaction costs disposal of subsidiaries		-	(1,310,316)
Purchase of property, plant and equipment		-	(81,023)
Advances from (to) related parties		-	34,313
Dividends Paid by subsidiaries		-	-
		-	15,344,417

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 9 Discontinued Operations (Cont'd)

	Note	Consolidated	
		2013	2012
		\$	\$
<b>(c) Income tax expense from discontinuing operations comprise:</b>			
Current tax		-	91,645
Under (over) provision in respect of prior years		-	14,762
		-	106,407
<b>(d) Reconciliation of the prima facie tax on profit/(loss) from discontinued operations to income tax expense:</b>			
Prima facie tax on profit from discontinuing operations before income tax at 30% (2012: 30%)		-	2,878,271
Add:			
Tax effect of:			
- other non-allowable items		-	13,707
- unrealised foreign exchange loss		-	118,150
- tax losses not brought to account		-	162,770
- Sundry items		-	1,513
- Under provision for income tax in prior year		-	14,762
		-	310,902
Less:			
Tax effect of:			
- foreign currency exchange profit not subject to tax		-	-
- gain on disposal of subsidiary not assessable		-	(3,049,700)
- research and development allowance		-	-
- Effect of lower rates of tax on overseas income		-	(33,066)
- Over provision for income tax in prior year		-	-
- deferred income tax		-	-
		-	(3,082,766)
Income tax expense on discontinued operations		-	106,407

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 10 Cash and Cash Equivalents

	Note	Consolidated	
		2013	2012
		\$	\$
Cash at bank and on hand		68,465	1,918,329
Short term deposits		-	2,789,659
		<b>68,465</b>	<b>4,707,988</b>

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents		<b>68,465</b>	4,707,988
		<b>68,465</b>	<b>4,707,988</b>

### Note 11 Trade and Other Receivables

#### CURRENT

Trade receivables	(a)	1,540,951	68,503
Other receivables		169,852	231,948
Amounts receivable from:			
— Associated entity	(b)	-	196,000
		<b>1,710,803</b>	<b>496,451</b>

(a) Trade debtors are based on normal terms of trade, typically 30 days from end of month. Retention of title terms exist on sales.

(b) Loan to Associated entity		328,211	324,277
Losses applied against loan		(328,211)	(128,277)
		-	196,000

### Note 12 Inventories

At cost

Raw materials and stores		494,593	-
Work in progress		82,874	-
Finished goods		2,436,808	-
		<b>3,014,275</b>	-

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 13 Financial Assets

	Note	Consolidated	
		2013	2012
		\$	\$
<b>CURRENT</b>			
Financial assets at fair value through profit or loss		<u>5,367</u>	<u>6,262</u>
		<b>5,367</b>	<b>6,262</b>

Financial assets at fair value through profit or loss comprise investments in the ordinary shares of Firstfolio Ltd (ASX Code: FFF).

#### Reconciliation of Movements in Assets at Fair Value:

Opening Balance		<b>6,262</b>	24,601
Net (loss) gain through Profit and Loss		<u>(895)</u>	<u>(18,339)</u>
Closing Balance		<b>5,367</b>	<b>6,262</b>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 14 Controlled Entities

(a) Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) <sup>*</sup>	
		2013	2012
<b>Parent Entity:</b>			
Energy Technologies Limited	Australia		
<b>Subsidiaries of Energy Technologies Limited :</b>			
Bambach Wires & Cables Pty Limited	Australia	100	-
Cogenic Pty Limited	Australia	100	100
D Power International Limited (previously Dulhunty Power International Limited)	British Virgin Islands	51	51
D Power International Limited (Hong Kong Branch)	Hong Kong	51	51
Dulhunty Yangzhou Line Fittings Co Limited	China	51	51
Dulhunty Power, Inc	USA	51	51

\* Percentage of voting power is in proportion to ownership

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 14 Controlled Entities (Cont'd)

#### (b) Acquisition of Controlled Entities

On 2 July 2012 the parent entity acquired 100% in Bambach Wires and Cables Pty Limited (BWC). BWC is a long established and well respected Australian company manufacturing specialised and industrial cables at its Brookvale factory. EGY had been working towards the acquisition of this company for some time. BWC provides an opportunity for the Group to apply its experienced management to generate growth for the benefit of the Group. In addition to its own manufactured products, BWC supplies products imported from international suppliers. There is scope to increase the range of products and the geographical sales area. BWC is synergistic with investments held in the power pole and electricity generation.

	Fair Value
	\$
<b>Purchase Consideration:</b>	
-Cash	1,000,000
-Working Capital Adjustment	1,812,065
-Contingent Consideration <sup>1</sup>	521,520
	<u>3,333,585</u>
<b>Less:</b>	
-Receivables <sup>2</sup>	1,692,509
-Inventories	2,276,935
-Property, Plant and equipment	1,398,536
-Deferred Tax Assets	218,013
-Payables	(831,042)
-Provisions	(526,996)
-Financial Liabilities	(109,341)
<b>Identifiable Assets acquired and liabilities assumed</b>	<u>4,118,614</u>
<b>Discount on acquisition<sup>3</sup></b>	<u>785,029</u>

- Contingent consideration consists of additional contract payments made up of a deferred consideration of 2% of all sales of cable products, net of discounts and rebates for each of the years beginning 12 months after and 24 months after completion date (2 July 2012). This has been estimated at between \$500,000 and \$550,000 based on current conditions at reporting date. Refer to Note 22.
- The directors believe receivables are fully recoverable and no provision for impairment is required.
- The initial accounting for the business combination remains incomplete at the date of this report. In accordance with Australian Accounting Standards provisional amounts have been disclosed and these may be amended during the measurement period.
- The discount on acquisition is included in the income statement within Other Revenue.
- Included within administration expenses in the income statement are acquisition related costs totalling \$43,040. The costs include stamp duty, legal and other professional fees
- Revenue of Bambach Wires and Cables Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 2 July 2012 amounted to \$9,625,373. Losses of Bambach Wires and Cables Pty Ltd included in the consolidated losses of the Group since the acquisition date amounted to \$1,725,387.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 15 Investment Accounted for Using the Equity Method

				Consolidated		
				2013	2012	
				\$	\$	
<b>Associated Company</b>				-	-	
An Interest is held in the following associated company				-	-	
Name	Principal Activity	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment
Unlisted:				%	%	\$
				<b>2013</b>	2012	
Dulhunty Poles Pty Limited	Manufacture & Sale of Glass Fibre Reinforced Cement Composite Power Poles	Australia	Ordinary	<b>45.00</b>	39.85	-
						-

		Note	Consolidated	
			2013	2012
			\$	\$
<b>(a) Movements During The Year in Equity Accounted Investment in Associated Company</b>				
Balance at beginning of the financial year			-	-
Subscription for Convertible Notes			-	710,500
Increase in ownership interest			<b>218,191</b>	-
Loans to Associates			<b>199,934</b>	128,277
Share of associated company loss before income tax			<b>(418,125)</b>	(838,777)
Balance at end of the financial year			-	-

#### (b) Equity Accounted Loss of Associate is as follows:

Share of Associate (Loss) before income tax	<b>(418,125)</b>	(838,777)
Management Fees Charged	<b>27,540</b>	73,822
Share of Associate Income Tax expense	-	-
Share of Associate (Loss) after income Tax	<b>(390,585)</b>	(764,955)

Share of loss from associate has been accounted for after adjustment of management fee

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 15 Investment Accounted for Using the Equity Method (Cont'd)

(c) EGY invested a total of \$710,500 in convertible notes issued by associated entity Dulhunty Poles Pty Limited. Convertible notes were offered at the rate of one note per share held. Convertible Notes were issued at \$1.00 per note. EGY has recorded start-up losses incurred in DPPL against the carrying value of these convertible notes

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
(d) Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Current Assets	<b>1,115,769</b>	1,064,759
Non-current assets	<b>2,748,940</b>	2,911,429
Total Assets	<b>3,864,709</b>	3,976,188
Current Liabilities	<b>1,609,834</b>	1,862,681
Non-current liabilities	<b>2,933,998</b>	714,831
Total Liabilities	<b>4,543,832</b>	2,577,512
Net Assets	<b>(679,123)</b>	1,398,676
Revenues	<b>2,051,769</b>	964,714
Loss after income Tax of Associate	<b>(2,077,799)</b>	(2,175,469)

The share of associates losses not recognised at 30 June 2013 was \$970,431 (30 June 2012 \$453,547)

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 16 Property, Plant and Equipment

	Consolidated	
	2013	2012
	\$	\$
<b>Leasehold Improvements</b>		
Leasehold Improvements at cost:	35,377	-
Less: Accumulated depreciation	(4,399)	-
	30,978	-
<b>Plant and Equipment</b>		
Plant and equipment at cost:	3,684,300	51,511
Less: Accumulated depreciation	(2,504,102)	(30,053)
	1,180,198	21,458
<b>Leased Plant and Equipment</b>		
Capitalised Leased Assets	180,020	-
Less: Accumulated depreciation	(9,227)	-
	170,793	-
<b>Total Plant and Equipment</b>	1,350,991	21,458
<b>Total Property, Plant and Equipment</b>	1,381,969	21,458

#### Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold Improvements \$	Plant and Equipment \$	Leased Plant and Equipment \$	Total \$
<b>Consolidated Entity:</b>				
Carrying amount at the beginning of year	-	21,458	-	21,458
Acquisition of subsidiary BWC	-	1,167,256	231,280	1,398,536
Additions	35,377	64,660	180,020	280,057
Disposals	-	(79,035)	-	(79,035)
Depreciation expense	(4,399)	(230,451)	(13,673)	(248,523)
Write-back on disposals	-	9,330	-	9,330
Transfer from Lease plant and equipment	-	226,834	-	226,834
Transfer to Plant and equipment	-	-	(226,834)	(226,834)
Foreign exchange differences on translation of overseas operation	-	146	-	146
Carrying amount at the end of year	30,978	1,180,198	170,793	1,381,969

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 17 Intangible Assets

	Consolidated	
	2013	2012
	\$	\$
Trademarks, computer software and licenses at cost	17,686	2,525
Accumulated amortisation and impairment	(3,204)	(591)
Net carrying value	14,482	1,934
Total intangibles	14,482	1,934

#### Consolidated Entity:

Trademarks,  
Software & Licenses  
\$

#### Year ended 30 June 2013

Balance at the beginning of the year	1,934
Additions	15,161
Disposals	-
Amortisation	(2,613)
Balance at the end of the year	14,482

Intangible assets have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 18 Other Assets

	Note	Consolidated	
		2013 \$	2012 \$
<b>CURRENT</b>			
Prepayments		357,368	160,650
		<u>357,368</u>	<u>160,650</u>

### Note 19 Trade and Other Payables

<b>CURRENT</b>			
Unsecured liabilities:			
Trade payables		1,916,476	189,024
Sundry payables and accrued expenses		706,593	384,433
		<u>2,623,069</u>	<u>573,457</u>

Trade payables are based on normal terms of trade, typically 60 days from end of month.

### Note 20 Financial Liabilities

<b>CURRENT</b>			
Secured liabilities:			
Invoice finance facility	(a)	1,056,446	-
Hire Purchase liability	(a)	52,859	-
Deferred acquisition consideration		780,000	-
<b>Total Current Financial Liabilities</b>		<u>1,889,305</u>	-

#### NON CURRENT

Secured liabilities:			
Hire Purchase liability	(a)	127,359	-
Deferred acquisition consideration		522,065	-
		<u>649,424</u>	-
Unsecured liabilities:			
Directors loans		478,314	-
		<u>478,314</u>	-
<b>Total Non-Current Financial Liabilities</b>		<u>1,127,738</u>	-
<b>Total Financial Liabilities</b>		<u>3,017,043</u>	-

Total current and non-current secured liabilities:

Invoice finance facility		1,056,446	-
Hire purchase liability		180,218	-
Deferred acquisition consideration		1,302,065	-
Directors loans		478,314	-
		<u>3,017,043</u>	-

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 20 Financial Liabilities (Cont'd)

(a) The parent entity (EGY) has guaranteed the obligations of subsidiary Bambach Wires and Cables Pty Ltd (BWC) under a financial accommodation facility arranged with the National Australia Bank (NAB). The facility is secured by a security interest and a charge held by NAB over all of the present and future rights, property and undertaking of BWC. It is also a condition of the financial accommodation that EGY provide a guarantee and indemnity for the maximum amount of \$2,360,000 supported by a charge over the rights, property and undertaking of EGY.

(b) The parent entity (EGY) has agreed to a second fixed and floating charge being put in place over all of the present and future rights, property and undertaking of BWC to secure the Deferred Acquisition consideration.

### Note 21 Tax

	Note	Consolidated	
		2013	2012
		\$	\$
<b>(a) Assets</b>			
<b>CURRENT</b>			
Income tax credit		-	84,855
		-	84,855
<b>(b) Deferred Tax Assets</b>			
Deferred tax assets comprise:			
Provisions		159,223	-
Property, plant and equipment		42,410	-
Unrealised foreign exchange loss		13,962	-
		215,595	-
<b>(c) Reconciliations</b>			
<b>(i) Gross Movements</b>			
The overall movement in the deferred tax account is as follows:			
Opening balance		-	118,102
Charge to the income statement	4	(2,417)	-
Acquisitions/(Disposals)		218,012	(118,102)
Closing balance		215,595	-

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 21 Tax (Cont'd)

	Note	Consolidated	
		2013	2012
		\$	\$
<b>(ii) Deferred Tax Assets</b>			
The movement in deferred tax assets for each temporary difference during the year is as follows:			
<b>Provisions</b>			
Opening balance		-	118,102
Charge to the income statement		(14,149)	-
Acquisitions/(Disposals)		173,372	(118,102)
Closing Balance		159,223	-
<b>Property, plant and equipment</b>			
Opening balance		-	-
Charge to the income statement		(2,230)	-
Acquisitions/(Disposals)		44,640	-
Closing Balance		42,410	-
<b>Unrealised foreign exchange loss</b>			
Opening balance		-	-
Credited to the income statement		13,962	-
Closing Balance		13,962	-
Total Deferred Tax Assets		215,595	-
<b>(d) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(t) occur are:</b>			
Temporary differences		24,909	27,007
Tax losses: operating losses		3,720,290	3,016,130
Tax losses: capital losses		1,368,908	1,368,908

## Notes to the Financial Statements

for the year ended 30 June 2013

<b>Consolidated</b>	
<b>2013</b>	<b>2012</b>
\$	\$

### Note 22 Other Liabilities

#### NON CURRENT

Royalty Component acquisition of subsidiary	521,520	-
	521,520	-

### Note 23 Provisions

#### CURRENT

##### Employee Entitlements

Opening balance at beginning of year	38,420	325,323
Additional provisions raised/(paid) during year	(34,953)	31,374
Acquisitions/(Disposals)	489,397	(318,277)
Balance at end of the year	492,864	38,420

##### Dividend provision

Opening balance at beginning of year	-	172,504
Provision raised/(paid) during the year	-	(172,504)
Balance at end of the year	-	-
Total current provisions	492,864	38,420

#### NON CURRENT

##### Employee Entitlements

Opening balance at beginning of year	30,526	72,976
Additional provisions raised/(paid) during year	(6,221)	8,333
Acquisitions/(Disposals)	37,599	(50,783)
Balance at end of the year	61,904	30,526

#### Analysis of Total provisions

Current	492,864	38,420
Non-current	61,904	30,526
	554,768	68,946

#### Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 24 Issued Capital

	Consolidated	
	2013	2012
	\$	\$
Number of Ordinary shares fully paid 165,847,091 (2012: 164,263,758):	<b>7,717,528</b>	10,163,080
	<b>7,717,528</b>	10,163,080

### Ordinary Shares

	No.	No.
At the beginning of reporting period	<b>164,263,758</b>	160,135,186
Shares issued during year		
- 24 October 2011	-	928,572
- 9 December 2011	-	1,750,000
- 26 June 2012	-	1,450,000
- 9 October 2012	<b>1,583,333</b>	-
At reporting date	<b>165,847,091</b>	164,263,758

On 9 October 2012, the company issued 1,583,333 ordinary shares at \$0.033 per share for payment of director's fees under the director's equity plan.

#### Terms and conditions:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

### Note 25 Reserves

#### (a) Reserves

Consolidated reserves are exchange differences arising on translation of foreign controlled subsidiaries.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 26 Parent Entity Disclosures

#### (a) Financial Position

	2013	2012
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	12,582	4,416,432
Trade and other receivables	370,819	345,869
Financial Assets	5,367	6,262
Other Current Assets	38,444	123,160
<b>TOTAL CURRENT ASSETS</b>	<b>427,212</b>	<b>4,891,723</b>
<b>NON CURRENT ASSETS</b>		
Financial Assets	3,400,839	187,219
Property, plant and equipment	12,484	18,475
Intangible assets	14,482	1,934
<b>TOTAL NON CURRENT ASSETS</b>	<b>3,427,805</b>	<b>207,628</b>
<b>TOTAL ASSETS</b>	<b>3,855,017</b>	<b>5,099,351</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	486,894	379,742
Financial liabilities	780,000	-
Short-term provisions	141,029	38,420
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,407,923</b>	<b>418,162</b>
<b>NON CURRENT LIABILITIES</b>		
Financial liabilities	1,000,379	-
Other non-current liabilities	521,520	-
Other long-term provisions	-	30,525
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>1,521,899</b>	<b>30,525</b>
<b>TOTAL LIABILITIES</b>	<b>2,929,822</b>	<b>448,687</b>
<b>NET ASSETS</b>	<b>925,195</b>	<b>4,650,664</b>
<b>EQUITY</b>		
Issued capital	7,717,528	10,163,080
Accumulated Losses	(6,672,368)	(5,512,416)
Asset Revaluation Reserve	(119,965)	-
<b>TOTAL EQUITY</b>	<b>925,195</b>	<b>4,650,664</b>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 26 Parent Entity Disclosures (Cont'd)

#### (b) Financial Performance

	2013 \$	2012 \$
Profit (Loss) for the year	(1,159,952)	1,288,278
Other comprehensive Income/(Loss)	(119,965)	(824,994)
Total Comprehensive Income (Loss)	<u>(1,279,917)</u>	<u>463,284</u>

(c) Parent entity result includes impairment of loan and investment in associated entity of \$418,125 (2012 \$838,777)

(d) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries \$2,360,000 (2012: \$NIL). Refer Note 20(a)

(e) Contingent Liabilities of the Parent Entity – Refer to Note 28

(f) Commitments for the acquisition of Property, Plant and Equipment by the parent entity \$NIL (2012 \$NIL)

(g) The directors of the Parent Entity have undertaken to ensure that the Company has sufficient funds to meet its financial obligations and maintain solvency.

### Note 27 Capital and Leasing Commitments

	Consolidated	
	2013 \$	2012 \$
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	725,701	-
— between 12 months and 5 years	877,395	-
— more than 5 years	-	-
	<u>1,603,096</u>	<u>-</u>
<b>(b) Finance Lease Commitments</b>		
— not later than 12 months	52,859	-
— between 12 months and 5 years	127,359	-
— more than 5 years	-	-
Payable — minimum lease payments	180,218	-
Less future finance charges	23,354	-
Present value of minimum lease payments	<u>156,864</u>	<u>-</u>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 28 Contingent Liabilities

#### (a) John Fielding Limited

Previous financial statements of the company have noted a contingent liability to John Fielding Limited for services carried out prior to 30 June 1995 in regards to amendments to income tax returns. However in accordance with the contract no fee is payable until a cash benefit is received by the Company. At this stage no cash benefit has been received by the Company. The maximum liability is \$130,241.

#### (b) Bank Guarantee

- (i) The controlled entity indemnities previously provided by D Power International Limited (DPIL) to bankers in respect of bank guarantees given by the bank to third parties have now been removed.
- (ii) The parent entity (EGY) has guaranteed the obligations of the associated entity, Dulhunty Poles Pty Limited (DPPL), under a \$750,000 Asset Finance Facility arranged with the National Australia Bank (NAB). The Asset Finance Facility is secured by pole manufacturing plant and equipment owned by DPPL in excess of \$1.5 million and a Fixed and Floating Charge held by NAB over all of the present and future rights, property and undertaking of DPPL. It is also a condition of the Asset Finance Facility that EGY provide a guarantee and a Fixed and Floating Charge over the rights, property and undertaking of EGY. In consideration of EGY having provided the guarantee and charge, DPPL has indemnified EGY against any loss and charge EGY may suffer or incur arising out of the guarantee or charge. The current maximum liability of DPPL under the facility including term charges is \$423,939.
- (iii) Since 30 June 2013 the parent entity (EGY) has guaranteed the obligations of newly acquired subsidiary Bambach Wires and Cables Pty Limited (BWC), under a financial accommodation facility arranged with the National Australia Bank (NAB). The Facility is secured by a security interest and a Charge held by NAB over all of the present and future rights, property and undertaking of BWC. It is also a condition of the financial accommodation that EGY provide a guarantee and indemnity for the maximum amount of \$2,360,000 supported by a Charge over the rights, property and undertaking of EGY.

#### (c) Lease Guarantee

The parent entity (EGY) has guaranteed the obligations of the associated entity, Dulhunty Poles Pty Limited (DPPL), as tenant under the terms of a lease over premises Lot 1, 35-39 Buckley Grove, Moolap, Victoria. The lease is for a period of ten years, with rent payments commencing 1st August 2010. Rent is subject to fixed annual review and the total rental per the lease agreement for the third year excluding outgoings is \$305,965. DPPL was entitled to rental incentive rebates over the first three years of the lease.

#### (d) Sale of Assets of DPIL

Some contractual obligations between the company and the purchaser of DPIL assets remain post completion. This includes the winding up entities no longer required. No material cash impact on the company is expected.

#### (e) Return of Capital

On 17 October 2012, shareholders of EGY approved the return of excess capital at the rate of 2c per share to the owners of those shares on 24 October 2012, in one or more tranches as the directors see fit. Soon after 24 October, the first tranche of 1.5 cents per share was paid.

As a result of a the dramatic decline in the trading conditions for BWC beginning in about November 2012, and the resulting decline in sales, it was necessary to devote the financial resources of the EGY group to supporting BWC. Accordingly, directors have not yet resolved to pay the balance of the payment.

This amount remains to be returned to shareholders when conditions permit. The total amount remaining to be returned to shareholders amounts to \$829,235, and will be paid when the financial position of the group permits it.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 29 Segment Reporting

#### Primary reporting - Business segments

The group's primary business segment is Specialist and Industrial Cables. Therefore the segment details are fully reflected in the results and balances reported in the Income Statement and Statement of Financial Position.

#### Segment accounting policies

Inter-segment pricing is determined on an arms-length basis and are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### Secondary reporting - Geographic segments

	Segment Revenues from External Customers		Carrying Amount of Segment assets		Acquisitions of Non-current Segment Assets	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Geographical location:						
Asia	3,362	4,642,143	111,871	567,318	-	44,586
Australia	10,579,282	2,514,557	11,303,820	6,541,196	295,218	56,471
New Zealand	-	556,725	-	-	-	235
USA	-	324,817	-	-	-	44
Eliminations	(27,540)	(1,569,011)	(4,647,367)	(1,628,916)	-	-
	<b>10,555,104</b>	<b>6,469,231</b>	<b>6,768,324</b>	<b>5,479,598</b>	<b>295,218</b>	<b>101,336</b>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 30 Cash Flow Information

	Note	Consolidated	
		2013 \$	2012 \$
<b>(a) Reconciliation of Cash Flow from Operations with Net Profit/(Loss) after Income Tax</b>			
Net profit/(loss) after income tax		(2,364,563)	7,144,358
<u>Non-cash flows in profit/(loss)</u>			
Depreciation of non-current assets		248,523	86,220
Amortisation of intangibles		2,614	22,573
Unrealised foreign exchange movements		(5,220)	(41,615)
Discount on acquisition		(785,029)	-
Net loss on disposal of property, plant and equipment		10,869	19,888
Management fees associate		27,540	73,822
Share of loss from associate		390,585	764,955
Impairment losses		-	545,473
Profit from sale discontinued operation	31	-	(10,165,666)
<u>Non-Operating Cash Flow Cash Items</u>			
Shares issued in lieu of directors fees		52,250	32,500
<u>Changes in assets and liabilities</u>			
Working Capital at date of acquisition of new subsidiary		2,829,419	-
Working Capital at date of disposal of discontinued operations	31	-	(5,339,838)
(Increase)/decrease in trade and other receivables		(1,410,352)	4,974,130
(Increase)/decrease in inventories		(3,014,275)	4,331,297
Increase/(decrease) in trade payables and accruals		1,984,093	(4,178,318)
Increase/(decrease) in income taxes payable		84,854	(191,206)
(Increase)/decrease in deferred tax asset		(215,595)	118,102
Decrease in value of current financial asset		895	18,339
Net (increase) /decrease in value of other current assets		(196,718)	177,027
Increase/(decrease) in provisions for current/non-current employee entitlements		485,822	(329,354)
Cash flow (outflows) from operations		<b>(1,874,288)</b>	<b>(1,937,313)</b>

### (b) Non-cash Financing and Investing Activities

Share issues:

On 9 October 2012, the company issued 1,583,333 ordinary shares at \$0.033 per share for payment of directors' fees under the director's equity plan.

(c) The Group has in place an invoice financing facility with a limit of \$2,000,000 and a current interest rate of 11.77%. At balance date \$1,056,446 of this facility had been utilised.

## Notes to the Financial Statements

### for the year ended 30 June 2013

#### Note 31 Cash Flow Information – Disposal of Entities

During the comparative period, the controlled entity DPIL sold substantially all of its business assets. Aggregate details of this transaction are:

	<b>Consolidated 30 June 2012</b>
	<b>\$</b>
Cash Consideration	16,701,443
Settlement adjustments	298,557
Gross Proceeds	<u>17,000,000</u>
Assets and liabilities disposed of :	
Receivables	8,575,829
Inventories	4,288,226
Payables	<u>(7,524,217)</u>
Working Capital	5,339,838
Cash	119,647
Receivables - Other	3,002,575
Property, plant and equipment	1,335,988
Goodwill	1,799,507
Payables - Other	(823,243)
Interest Bearing Liabilities	(2,104,180)
Non-controlling equity interests	<u>(813,362)</u>
	<u>7,856,770</u>
Net gain on disposal of assets	9,143,230
Realised Foreign exchange gains on disposal of controlled entities	2,332,752
Transaction costs	<u>(1,310,316)</u>
Profit on sales of assets	<u><u>10,165,666</u></u>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 32 Share-Based Payments

(a) On 9 October 2012, the company issued 1,583,333 ordinary shares at \$0.033 per share for payment of director's fees under the director's equity plan.

(b) The following share-based payment arrangements expired during the prior year:

On 15 December 2008, Energy Technologies Limited, the Parent entity issued 3,250,000 options at an exercise price of \$0.032 to the directors and key management under the Energy Technologies (formerly Dulhunty Power) Share Option Plan. The options were exercisable on or before 15 December 2011. The options hold no voting or dividend rights. In addition the options are not transferable.

	Consolidated			
	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	-	-	3,250,000	3.20 cents
Granted	-	-	-	
Expired	-	-	(1,500,000)	-
Exercised	-	-	(1,750,000)	3.20 cents
Outstanding at year-end	-	-	-	

All options were issued over unissued ordinary shares in Energy Technologies Limited, the Parent Entity.

The weighted average fair value of the options granted was \$0.003.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.032
Weighted average life of option	2.46 years
Underlying share price at grant date	\$0.034
Expected share price volatility	30%
Risk free interest rate	3.00%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future behaviour, which may not eventuate.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 33 Events After the Reporting Period

During the 2013 year, EGY developed a funding facility arrangement, which it had originally intended would be used to raise funds for the purposes of the group, starting in the second half of the financial year. The structure of the funding arrangement is that EGY borrows funds. By agreement, and in accordance with relevant laws, it may be possible in the future for the loans to be rolled into new issues of EGY shares. There is no commitment on either party for this to occur, but there is a mechanism in the facility by which it can be done by mutual agreement, within the appropriate regulatory guidelines.

As a result of the trading results of BWC and the share price of EGY, it was difficult to raise funds under this arrangement. During the year \$478,314 was raised, as loans from close associates of the company.

As the trading results of BWC improved during the year, directors were able to approach fund-raising from external investors with more confidence. It has been possible to announce the improved results, which in turn has assisted the market in better understanding the activities of EGY, resulting in a rise in the share price post-balance date.

The directors have been able to continue their discussions with potential investors. Since 30 June 2013 EGY has raised \$100,000 under the loan facility. Directors are confident that further funds will be committed in the near future.

Other than the above there are no other matters or circumstances that have arisen since 30 June 2013 that have significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial years.

### Note 34 Related Party Transactions

No loans were made, guaranteed or secured by any entity in the consolidated entity to any group of specified directors and specified executives during the financial year.

#### Loans by Directors to the company

During the 2013 year, EGY has been seeking to raise funds under a loan facility document. As a result of poor trading conditions (for BWC) and a low share price (for EGY) fund-raising has been extremely difficult. During the year a total of \$478,314 was raised. Of this amount, directors and related parties of directors have advanced \$328,314 to EGY as at 30 June 2013. These loans are unsecured. Interest is payable to and lender (including the directors and related parties) at the rate which is 8% above the RBA cash rate from time to time. During the 2013 year, a total of \$13,438 was accrued as interest on these loans from directors or their related parties. Refer also Note 20.

#### Dulhunty Poles Pty Ltd (DPPL) – Associated Entity

##### (i) Bank Guarantee

Refer Note 28 Contingent Liabilities. EGY has guaranteed some of the obligations of DPPL.

##### (ii) Management fee

During the financial year EGY received management fees from DPPL in return for services provided. These fees totalled net \$33,660 after application of share of losses of associate.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 34 Related Party Transactions (Cont'd)

#### Other transactions with the company or its controlled entities and director related entities

A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis.

Details of these transactions are as follows:

Mr Alfred Chown is a director of NLP International Limited. A subsidiary company, D Power International Limited (DPIL), formerly Dulhunty Power International Limited, during the period employed the services of NLP International Limited as consultants. The consideration paid for these services was \$28,000 (2012: \$156,000) and is included in director's emoluments.

Mr Michael Butcherine is principal of legal practice Michael Butcherine Solicitor. During the period Energy Technologies Limited received legal advice from this entity and paid \$3,909 (2012: \$14,014) in fees. Mr Butcherine is also a director of The Western Division Pty Limited which received consulting fees totalling \$60,800 (2012 \$80,000) during the period. The balance outstanding as at 30 June 2013 to Michael Butcherine Solicitor was \$NIL and the balance outstanding to The Western Division Pty Limited \$NIL.

The transactions above are on normal commercial terms and conditions.

### Note 35 Financial Risk Management Disclosures

#### (a) Capital Risk Management

Energy Technologies Limited (EGY) manages its capital to ensure that entities in the EGY Group will be able to continue as a going concern while maximising the potential return to stakeholders through the optimum balance of debt and equity. This strategy remains unchanged from FY2012.

The capital structure of the EGY Group consists of cash and cash equivalents, debt and equity attributable to equity holders of the EGY parent and to its operating subsidiary.

The EGY Group operates internationally through its subsidiary company DPIL based in Hong Kong. The EGY Group senior management monitors all externally imposed capital requirements in each jurisdiction to ensure compliance.

Operating cash flows are used to maintain and expand the Group manufacturing and distribution asset base as well as to meet routine outflows including tax and the repayment of maturing debt. The EGY Group Board and senior management consider the costs of capital and monitor the gearing ratio in line with the industry custom determined as a proportion of net debt to equity.

The gearing ratio at year end was as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Financial Assets		
Debt (i)	<b>3,017,043</b>	-
Cash and cash equivalents	<b>(68,465)</b>	(4,707,988)
Net Debt	<b>2,948,578</b>	(4,707,988)
Equity (ii)	<b>51,924</b>	4,837,195
Net Debt to Equity ratio	<b>5679%</b>	N/A

- (i) Debt is defined as long-term and short-term borrowings.
- (ii) Equity includes all capital and reserves and minority interest.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 35 Financial Risk Management Disclosures (Cont'd)

#### (b) Financial Risk Management

In common with other businesses the EGY Group is exposed to risks that arise from the use of financial instruments. This note describes the objectives, policies and processes for managing those risks and the methods used to measure them. The EGY Group's financial instruments consist mainly of facilities with banks, short term loans, accounts receivable and payable, loans to and from subsidiaries, leases and derivatives. There have been no substantive changes in the EGY Group level of exposure to financial instrument risks or the objectives and processes for managing those risks from previous periods unless otherwise stated in this note.

##### (i) Financial Risk Management Objectives

The Board of Directors has overall responsibility for the determination of the EGY Group financial risk management framework and, whilst retaining ultimate responsibility for them, it has delegated authority for the design and implementation of operating processes ensuring effective risk management to the EGY Group's corporate treasury and finance function, which provides services to the business including negotiation and co-ordination of finance facilities, and the monitoring and management of the financial risks as they relate to the operations of the Group. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the set objectives to control risk.

Overall the risk management strategy seeks to assist the Group in meeting its financial targets as well as minimizing the potential adverse effects on financial performance. The main exposures to financial instrument risk experienced by the EGY Group are credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The EGY Group does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

##### (ii) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a loss to the EGY Group. This arises principally from the Group's trade receivables. For the EGY Group this risk has been determined as low.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries and associates (Refer Note 20 (a) and (b) for details).

The Group has a general policy of only dealing with creditworthy counterparties. As well, a credit check system is also in place and credit checks are obtained from a reputable external source for selected new and overseas customers. Overseas customers' trade terms include use of documentary credit bank facilities in customer locations deemed at risk, as well as collateral payment. There are no material amounts of collateral held as security at 30 June 2013.

##### (iii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management vests with the EGY Board of Directors and the main subsidiary Board of Directors, who apply an appropriate liquidity risk management framework to the Group's short, medium and long term funding requirements. The EGY Group manages liquidity risk by the retention of adequate reserves, banking facilities and reserve borrowing facilities and by monitoring forecast and actual cash flows, which are updated regularly by the treasury and finance function, and matching the maturity profiles of financial assets and liabilities.

##### (iv) Liquidity and interest rate tables

The following table details the EGY Group contractual maturity for non-derivative financial liabilities and are based on undiscounted cash flows of financial liabilities on the earliest date on which repayment can be required.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 35 Financial Risk Management Disclosures (Cont'd)

CONSOLIDATED ENTITY	Effective Weighted Average Interest Rate - %		Floating Interest Rate \$		Fixed Rate Within One Year \$		Fixed Rate Over 1-5 Years \$		Non-interest Bearing \$		Total \$	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Financial Assets:</b>												
Cash and cash equivalents	3.10	3.85	68,465	4,707,988	-	-	-	-	-	-	68,465	4,707,988
Receivables	-	-	-	-	-	-	-	-	1,710,803	496,451	1,710,803	496,451
Investments	-	-	-	-	-	-	-	-	5,367	6,262	5,367	6,262
<b>Total Financial Assets</b>			<b>68,465</b>	<b>4,707,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,716,170</b>	<b>502,713</b>	<b>1,784,635</b>	<b>5,210,701</b>
<b>Financial Liabilities:</b>												
Trade payables	-	-	-	-	-	-	-	-	1,916,476	189,024	1,916,476	189,024
Sundry payables	-	-	-	-	-	-	-	-	641,076	384,433	641,076	384,433
Invoice finance facility	11.00	-	1,056,446	-	-	-	-	-	-	-	1,056,446	-
Hire purchase liability	8.33	-	-	-	52,859	-	127,359	-	-	-	180,218	-
Deferred acquisition consideration	-	-	-	-	-	-	-	-	1,302,065	-	1,302,065	-
Loans from directors	12.00	-	-	-	-	-	478,314	-	-	-	478,314	-
<b>Total Financial Liabilities</b>			<b>1,056,446</b>	<b>-</b>	<b>52,859</b>	<b>-</b>	<b>605,673</b>	<b>-</b>	<b>3,859,617</b>	<b>573,457</b>	<b>5,574,595</b>	<b>573,457</b>
<b>Net financial assets (liabilities)</b>			<b>(987,981)</b>	<b>4,707,988</b>	<b>(52,859)</b>	<b>-</b>	<b>(605,673)</b>	<b>-</b>	<b>(2,143,447)</b>	<b>(70,744)</b>	<b>(3,789,960)</b>	<b>4,637,244</b>

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 35 Financial Risk Management Disclosures (Cont'd)

(v) Maturity analysis

Trade and other payables are expected to be paid within a period of 6 months from year end for the consolidated entity for 2013 and 2012.

(vi) Market Risk

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

(vii) Foreign currency risk management

The EGY Group is exposed to currency risk on investments that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD) and Hong Kong Dollar (HKD). The Group's investments in, and loans to, its subsidiaries are not hedged as these positions are considered to be long term in nature.

The carrying amount of the EGY Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
US Dollars	146	-	36	3
Euros	466	-	-	-
Thai Baht	2	-	-	-
Chinese RMB	-	-	60	-
Hong Kong Dollars	-	232	-	151
Swiss Francs	5	-	-	-
<b>Total</b>	<b>619</b>	<b>232</b>	<b>96</b>	<b>154</b>

(viii) Forward exchange contracts

The EGY Group policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency, cash already denominated in that currency will, where possible, be used from within the Group.

The Groups' primary operating exposure is where trade receivables and payables are not denominated in their functional currency. The overall treasury function is based in Australia where the primary banking facilities are maintained, including a trade facility denominated and repayable in the currency as drawn. The Group also enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates, with the objective of protecting the Group against unfavourable exchange rate movements for contracted sales and purchases in foreign currencies, primarily EUR.

At 30 June 2013 the details of outstanding forward exchange contracts are:

	Average exchange rate		Foreign currency amount		Contract value in \$A		Fair Value In \$A	
	2013	2012	2013	2012	2013	2012	2013	2012
Consolidated – less than 3 months								
Buy Euros	0.6887	-	50,833	-	73,806	-	73,806	-

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 35 Financial Risk Management Disclosures (Cont'd)

#### (b) Financial Risk Management (Cont'd)

##### (ix) Foreign currency sensitivity analysis

The following table details the EGY Groups' sensitivity to a 10% increase or decrease in the Australian Dollar against relevant foreign currencies. This sensitivity represents management's assessment of the reasonable possible change in foreign currency rates. Its analysis includes cash assets plus outstanding foreign currency denominated trade receivables and payables and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency, there would be an equal and opposite impact on the profit.

Profit or Loss/Equity	Consolidated	
	2013 \$'000	2012 \$'000
US Dollars	(12)	-
Euros	(52)	-
Chinese RMB	7	-
Hong Kong Dollars		(9)
Swiss Francs	(1)	-
Total	<b>(58)</b>	<b>(9)</b>

##### (x) Interest Rate Risk Management

The EGY Group is exposed to interest rate risk on cash and cash equivalents, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The EGY Group does not use derivatives to mitigate these exposures.

The EGY Group's fixed rate financial instruments represent short term borrowings, at fixed rates maturing over periods less than one year and long term borrowings at fixed rates maturing over periods of between 1 to 5 years. The Groups' variable rate financial securities consist of bank facilities managed in Australia.

##### (xi) Interest rate sensitivity analysis

The following analysis indicates the effect of a 2% or 200 basis point increase or decrease in nominal interest rates, based on exposures in existence at the reporting date, and holding all other variables constant. This represents management's assessment of the reasonably possible change in interest rates as at that date.

Change in Net Profit:	Consolidated	
	2013 \$'000	2012 \$'000
Interest rise by 2% (200 basis points)	(59)	94
Interest cut by 2% (200 basis points)	59	(94)
Change in Equity:		
Interest rise by 2% (200 basis points)	(59)	94
Interest cut by 2% (200 basis points)	59	(94)

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 35 Financial Risk Management Disclosures (Cont'd)

#### (b) Financial Risk Management (Cont'd)

##### (xii) Price Risk

The EGY Group is exposed to commodity price risk on the purchase of raw materials through its manufacturing operations in Australia. Futures markets and Economic Forecasts are monitored to determine whether to implement a commodity hedging policy.

##### (xiii) Fair value of financial instruments

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year Ended 30 June 2013				Year Ended 30 June 2012			
	Quoted Market Price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total	Quoted Market Price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>								
Available for sale investments								
•Listed investments	<b>5,367</b>	-	-	<b>5,367</b>	6,262	-	-	6,262
	<b>5,367</b>			<b>5,367</b>	6,262	-	-	6,262
<b>Financial Liabilities</b>								
Derivative instruments								
•Foreign exchange contracts	<b>73,806</b>	-	-	<b>73,806</b>	-	-	-	-
	<b>73,806</b>	-	-	<b>73,806</b>	-	-	-	-

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

#### Transfer between categories

There were no transfers between Level 1 and Level 2 during the year

# Notes to the Financial Statements

for the year ended 30 June 2013

## Note 36 New Accounting Standards for Application in Future Periods

### New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value.
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 31 December 2015. These changes are not expected to significantly influence the financial statements.

- AASB 10: Consolidated Financial Statement, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and other Amendments), and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 36 New Accounting Standards for Application in Future Periods (Cont'd)

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associates. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group’s financial statements.

To facilitate the application of AASB 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group’s financial statements.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosure about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the amounts recognised in the Group’s financial statements.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 127: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group’s financial statements.

AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting period commencing on or after 1 January 2013).

AASB 2012-2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

This Standard is not expected to significantly impact the Group’s financial statements.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual report periods commencing on or after 1 January 2014).

## Notes to the Financial Statements

for the year ended 30 June 2013

### Note 36 New Accounting Standards for Application in Future Periods (Cont'd)

This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group’s financial statements.

- AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (applicable for annual reporting period commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009-2011 Cycle by the International Accounting Standards Board, including:

- AASB 1: Financial Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment.
- AASB 132 and Interpretation 2: Members’ Share in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of entity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected significantly impact the Group’s financial statements.

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## Directors' Declaration

The directors of Energy Technologies Limited declare that:

1. the financial statements and notes, as set out on pages 28 to 78, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001;
  - (b) comply with International Financial Reporting Standards as disclosed in Note 1; and
  - (c) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and consolidated entity;
  
2. the Managing Director and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
  
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



**Alfred J. Chown**  
**Acting Chairman/Managing Director**

Sydney, 30 September 2013

# Independent Auditor's Report

## GouldRalph

ASSURANCE

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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ENERGY TECHNOLOGIES LIMITED

### Report on the financial statements

We have audited the accompanying financial statements of Energy Technologies Limited which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the company comprising the Company and the entities it controlled at the year-end or from time to time during the financial year.

#### *Directors' responsibility for the financial statements*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on the financial statements 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 statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. 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 statements. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

#### *Matters Relating to Electronic Publication of the Audited Financial Report*

This audit report relates to the financial report of Energy Technologies Limited for the year ended 30 June 2013 included on the website of Energy Technologies Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ENERGY TECHNOLOGIES LIMITED (Cont'd)

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### Auditors' opinion

In our opinion:

1. the financial statements of Energy Technologies Limited is in accordance with the *Corporations Act* 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1(b).

### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(c) in the financial report, which indicates that the consolidated entity incurred a net loss of \$2,232,177 and negative cash flows from operations of \$1,874,288 during the year ended 30 June 2013. These conditions, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Report on The Remuneration Report

We have audited the Remuneration Report included on pages 15 to 18 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion on The Remuneration Report

In our opinion the Remuneration Report of Energy Technologies Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

GOULD RALPH ASSURANCE  
Chartered Accountants



GREGORY RALPH, M.COM., FCA  
Partner

Sydney, 30 September, 2013

## ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2013.

### (a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

#### Ordinary shares

		Number of holders	Number of shares
1	- 1,000	103	59,966
1,001	- 5,000	261	638,191
5,001	- 10,000	118	882,697
10,001	- 100,000	198	7,420,193
100,001	and over	131	156,846,044
		811	165,847,091
		657	6,829,199

The number of shareholders holding less than a marketable parcel of shares are:

### (b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

No	Name	No. of shares	%
1	A.J. Chown	<b>25,410,691</b>	15.32%
2	Electric Super Cats P/L - BAWD Holdings	<b>12,600,000</b>	7.60%
3	Zurich Square Investments Limited	<b>9,498,375</b>	5.73%
4	Peter Dulhunty	<b>6,001,000</b>	3.62%
5	Anthony C. Wilson	<b>5,800,000</b>	3.50%
6	Brendon A. Park	<b>5,310,194</b>	3.20%
7	Edmund Lacis	<b>5,103,286</b>	3.08%
8	Gregory R. Knoke - The Knoke Super Fund A/C	<b>5,085,945</b>	3.07%
9	Alex Hill	<b>4,548,582</b>	2.74%
10	Philip W Dulhunty	<b>3,628,468</b>	2.19%
11	JP Morgan Nominees Australia Limited	<b>3,322,709</b>	2.00%
12	Elliott Fuller Pty Ltd – Elliott Family Super Fund A/C	<b>3,100,254</b>	1.87%
13	Richcreek Pty Ltd – GA & CJ Ferguson S/F A/C	<b>2,883,704</b>	1.74%
14	Martin Thomas	<b>2,686,946</b>	1.62%
15	Forsyth Barr Custodians Ltd	<b>2,577,723</b>	1.55%
16	Granic Pty Ltd	<b>2,451,379</b>	1.48%
17	HSBC Custody Nominees	<b>2,382,061</b>	1.44%
18	Preen Holdings Pty Ltd – Preen Employees Super Fund A/C	<b>2,115,000</b>	1.28%
19	Kexby Finance	<b>2,100,000</b>	1.27%
20	Mrs Liliana Teofilova	<b>1,941,536</b>	1.17%
		<b>108,547,853</b>	65.45%

**ASX Additional Information (Cont'd)****(c) Substantial shareholders**

The number of shares held by substantial shareholders are:

	<b>Number of Shares</b>
A.J. Chown	25,410,691
Electric Super Cats Pty Ltd	12,600,000
Zurich Square Investments Limited	9,498,375

**(d) Voting rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.