

APPENDIX 4E

Preliminary final report

1. Company Details

Name of entity

ENERGY TECHNOLOGIES LIMITED

ABN or equivalent company
reference

38 002 679 469

Financial year ended ('current
period')

30 June 2016

Financial year ended ('previous
period')

30 June 2015

2. Results for announcement to the market

\$A'000

2.1 Revenues from operating activities	Down	13%	to	11,235
2.2 Loss from operating activities after tax attributable to members	Down	377%	to	(2,052)
2.3 Loss for the period attributable to members	Down	377%	to	(2,052)
2.4 Dividends	Amount per security		Franked amount per security	
Final dividend	NIL		NIL	
Interim dividend	NIL		NIL	
2.5 Record date for determining entitlements to the dividend	Not applicable			
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:				
Energy Technologies Limited (EGY) has reported a consolidated loss for the year after tax and minority interests of \$2,052,216 (FY2015 loss of \$429,960). However the 2015 loss was substantially improved by a reduction in the vendor liability of \$1,139,039. Compared purely on an operating or like for like basis the loss this year is similar to that of last year and is brought on by extremely poor market conditions which has seen both major and minor competitors finally exit the industry over the last 6 months. The FY2016 results include a loss before tax of \$977,293 (FY2015 loss of \$1,070,501) reported by subsidiary Bambach Wires and Cables Pty Ltd (BWC). There will be further discussion of the result below.				

3. Details of Individual and Total Dividends

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	Final dividend:				
	Current year		-¢	-¢	-¢
	Previous year		-¢	-¢	-¢
	Interim dividend:				
	Current year		-¢	-¢	-¢
	Previous year		-¢	-¢	-¢

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	-¢	-¢
Preference securities	-¢	-¢

4. Dividend reinvestment plan

Details of any dividend reinvestment plans in operation:

<provide plan details, if any>

The last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan:

<date, if applicable>

5. Statement of retained earnings

	Current period - \$A'000	Previous corresponding period - \$A'000
Accumulated losses at the beginning of the financial year	(6,643)	(6,213)
Net profit/(loss) attributable to members	(2,052)	(430)
Accumulated losses at the end of the financial year	(8,695)	(6,643)

6.1 Net Tangible Asset backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(0.57c)	(0.08c)

6.2 Earnings per security (EPS)

	Current period	Previous corresponding period
Basic EPS (cents)	(0.74c)	(0.19c)
Net profit / (loss) after tax for the period attributable to members (\$'000s)	(2,052)	(430)
Weighted average number of ordinary securities	276,350,678	224,528,463

7. Details of entities over which control has been gained or lost during the period

7.1 A	Name of entity	No entities were acquired during the period
7.2 A	Date from which control was gained	
7.3 A	Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from operating activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	
7.1 B	Name of entities	No entities were disposed of during the period
7.2 B	Date from which control was gained / lost	
7.3 B	Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from operating activities during the period and the profit or loss of such entities during the whole of the previous corresponding period	

8. Details of Associates and Joint Ventures:

<i>Name of entity</i>	<i>Percentage holding</i>
Dulhunty Poles Pty Ltd	36%

8.1 Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period:

EGY has fully impaired its investment in Dulhunty Poles Pty Ltd (DPPL).

9 - Comments by directors

EGY has reported an increased consolidated loss in FY2016 of \$2,052,216, in comparison with FY2015 loss of \$429,960. The FY2015 result was however impacted by income recorded as a result of a reduction in BWC vendor liability of \$1,139,039. Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of \$1,035,248 (FY2015 loss \$1,054,574). Bambach reported a loss after tax of \$1,093,353 for the Half Year to 31 December 2015 and has had improved trading in the second half FY2016.

Despite expansion into the infrastructure and rail sector BWC continues to be impacted from the overall down turn in sector-wide trading conditions. Overall BWC revenue from operations has decreased to \$11,122,864 from previous \$11,650,278, in itself an achievement in a slow market, although at the expense of lower average margins. Overheads have been further cut and the impact of new equipment and continually expanded new branded product range is expected to improve trading results in FY2017. Included in FY2016 revenue is a further \$880,480 R&D Grant (FY2015 R&D Grant revenue \$843,020) which partially recovered the significant research and development expense undertaken by BWC in new product development, cable projects and testing.

The continuing loss position of the company is of great concern but the board and management is convinced that the Bambach Wires and Cables Pty Ltd (BWC) business plan in place is the correct plan to bring the company to a situation of sustained profitability. In summary the plan includes an expansion of the product offering, a focus on infrastructure and defence markets and the installation of new more efficient production equipment.

Losses for the year have largely been covered by the injection of debt and equity from Directors and a major shareholder and as such have not substantially impacted on the operations of the company or execution of the BWC business plan. Improved BWC sales in the second half FY2016, until the election was called, and a return to that improvement post-election, confirm that the product development strategy of the company is sound.

Anecdotal and factual evidence show that the market for electrical copper cable outside the building cables market is severely depressed but indicators show demand is picking up. The departure from the market of both major and minor competitors reflects the poor market conditions but also signals the start of an uptick for remaining players as less competition gives each remaining player the opportunity to obtain a larger piece of the "market pie".

This coupled with genuine demand improvement as major infrastructure and defence projects finally get going gives the board confidence that the seeds already sown in the execution of the current business plan will ultimately bear fruit.

Over the past 36 months the BWC business has completely re-developed all its most popular flexible and variable speed drive cables, developed a full range of Traffic signal cables for the Australian market and obtained approvals in all states except one (which is currently underway), developed and obtained approvals for a full range of rail signal and LV power cables and has begun winning major rail projects with those cables. BWC has also developed four further ranges of cables currently under testing and approval and developed various other secondary cables to suit certain niche markets such as audio, detonation and alarm control. In all, this amounts to the development, testing and approval of literally hundreds of new cables, a feat which takes time, but must be undertaken before sales can commence.

Hand in hand with product improvement and development is the need for the company to increase its production efficiency. Modelling has been undertaken which shows that even at the current revenue levels, the introduction of new equipment would bring the operating subsidiary into profit. This gain coupled with the increased sales due to quicker lead times and the ability to manufacture larger sized cables gives the board confidence that the business will become a very strong performer once the business plan is fully implemented.

The main limiting factor for BWC is the size of the existing manufacturing facility which will not allow all the desired expansion in the longer term.

EGY and Bambach are currently undertaking a refinancing program which will allow the completion of the upgrade of factory equipment and greatly improve margins. This funding is expected to be in place by end of September 2016 and in addition to facilitating the factory upgrade, it will assist sales through increased branch stock levels.

10. This report is based on accounts to which one of the following applies.

☐

The accounts have been audited.

☐

The accounts have been subject to review.

☒

The accounts are in the process of being audited or subject to review.

☐

The accounts have *not* yet been audited or reviewed.

11. Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review:

12. Description of dispute or qualification if the accounts have been audited or subject to review:



Sign here:

Print name: Alfred Chown
Managing Director

Date: 31 August 2016

ENERGY TECHNOLOGIES LIMITED

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

		CONSOLIDATED	
	Notes	2016 \$'000	2015 \$'000
CONTINUING OPERATIONS			
Sale of goods	2a	10,198	10,764
Cost of sales		(7,878)	(8,208)
Gross profit		2,320	2,556
Rendering of services	2a	45	43
Other revenue	2b	992	2,108
Marketing expenses		(44)	(52)
Occupancy expenses		(524)	(530)
Administrative expenses		(3,637)	(3,633)
Borrowing costs	3	(742)	(635)
Depreciation and amortisation expenses	3	(245)	(232)
Other expenses		(132)	(117)
LOSS FOR THE YEAR BEFORE INCOME TAX	3	(1,967)	(492)
Income tax benefit (expense)		(58)	16
LOSS FOR THE YEAR AFTER INCOME TAX		(2,025)	(476)
(PROFIT) LOSS ATTRIBUTABLE TO MINORITY INTEREST		(27)	46
PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF ENERGY TECHNOLOGIES LIMITED		(2,052)	(430)

The accompanying notes form part of these financial statements.

ENERGY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
PROFIT/(LOSS) FOR THE YEAR	(2,025)	(476)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX:		
(a) Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Movement in foreign exchange relating to translation of controlled foreign entities	(1)	(4)
Exchange difference on foreign exchange relating to minorities	(1)	(4)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(2)	(8)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(2,027)	(484)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Members of the parent entity	(2,053)	(434)
Minority equity interest	26	(50)
	(2,027)	(484)

The accompanying notes form part of these financial statements.

ENERGY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	CONSOLIDATED 2016 \$'000	2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents		11	99
Trade and other receivables		3,342	2,892
Inventories		3,609	3,503
Other		245	361
TOTAL CURRENT ASSETS		<u>7,207</u>	<u>6,855</u>
NON-CURRENT ASSETS			
Property, plant and equipment		2,049	2,024
Intangibles		842	290
Deferred tax assets		166	224
TOTAL NON-CURRENT ASSETS		<u>3,057</u>	<u>2,538</u>
TOTAL ASSETS		<u>10,264</u>	<u>9,393</u>
CURRENT LIABILITIES			
Trade and other payables		3,870	3,294
Financial liabilities		2,577	2,488
Provisions		577	565
TOTAL CURRENT LIABILITIES		<u>7,024</u>	<u>6,347</u>
NON-CURRENT LIABILITIES			
Financial liabilities		4,160	2,904
Provisions		95	35
TOTAL NON-CURRENT LIABILITIES		<u>4,255</u>	<u>2,939</u>
TOTAL LIABILITIES		<u>11,279</u>	<u>9,286</u>
NET (LIABILITIES) ASSETS		<u>(1,015)</u>	<u>107</u>
EQUITY			
Issued capital	5	9,279	8,374
Reserves		(1,051)	(1,050)
Accumulated losses		(8,695)	(6,643)
Parent interests		(467)	681
Minority interests		(548)	(574)
TOTAL (DEFICIENCY) EQUITY		<u>(1,015)</u>	<u>107</u>

The accompanying notes form part of these financial statements.

ENERGY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

	Issued Capital \$'000	Reserve \$'000	Accumulated Losses \$'000	Minority Interest \$'000	Total \$'000
Balance at 1 July 2014	8,374	(1,045)	(6,213)	(524)	592
Comprehensive income					
Loss for the year	-	-	(430)	(45)	(475)
Other comprehensive loss for the year	-	(5)	-	(5)	(10)
Total comprehensive loss for the year	-	(5)	(430)	(50)	(485)
Balance at 30 June 2015	8,374	(1,050)	(6,643)	(574)	107
Comprehensive income	-	-	-	-	-
Loss for the year	-	-	(2,052)	27	(2,025)
Other comprehensive loss for the year	-	(1)	-	(1)	(2)
Total comprehensive loss for the year	-	(1)	(2,052)	26	(2,027)
Transactions with owners, in their capacity as owners, and other transfers					
Equity contributions	905	-	-	-	905
Total transaction with owners, in their capacity as owners, and other transfers	905	-	-	-	905
Balance at 30 June 2016	9,279	(1,051)	(8,695)	(548)	(1,015)

The accompanying notes form part of these financial statements.

ENERGY TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	CONSOLIDATED 2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,609	12,081
Payments to suppliers and employees		(11,518)	(13,319)
Interest received		194	4
Borrowing costs		(695)	(635)
NET CASH (OUTFLOWS) FROM OPERATING ACTIVITIES	4	(1,410)	(1,869)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	23
Purchases of property, plant and equipment		(256)	(97)
Purchases of intangible development assets		(565)	(284)
Proceeds from sale of available for sale assets		-	6
Payment for subsidiary, net of cash acquired		-	(200)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(821)	(552)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of share issue		905	-
Proceeds of issue of convertible notes		-	2,100
Proceeds from borrowings		642	874
Repayment of borrowings		(84)	(525)
Loans from directors		680	-
NET CASH INFLOWS FROM FINANCING ACTIVITIES		2,143	2,449
NET INCREASE (DECREASE) IN CASH HELD		(88)	28
Add: Opening cash brought forward		99	66
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies		-	5
CLOSING CASH AT THE END OF THE YEAR		11	99

The accompanying notes form part of these financial statements.

ENERGY TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. BASIS OF PREPARATION

a) Basis of preparation

The preliminary final report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The preliminary final report should be read in conjunction with the half-year financial report of Energy Technologies Limited as at 31 December 2015. It is also recommended that the financial report be considered together with any public announcements made by Energy Technologies Limited and its controlled entities during the year ended 30 June 2016 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

This preliminary final report has been prepared in accordance with the requirements of the Australian Securities Exchange listing rules.

This preliminary final report does not constitute the full financial report for the year ended 30 June 2016.

b) Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards issued by the IASB.

c) Going Concern

The consolidated entity incurred a loss after tax of \$2,052,216 (2015: \$429,959 including a one-off gain from vendor liability reduction of \$1,139,039) and incurred negative cash flows from operations of \$1,410,807 for the year ended 30 June 2016 (2015: \$1,869,113).

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

- (a) achieving cash flow positive trading operations from its existing business;
- (b) continued financial support from its current financiers; and
- (c) raising further funding over the ensuing 12 months, in particular under a secured debenture note facility

Management have prepared a cash flow projection for the period ending 30 September 2017 that supports the ability of the consolidated entity to continue as a going concern. The FY2017 budget on which the cash flow projection is based forecasts a 75% increase in sales revenues for the FY2017 from the FY2016 actual year, including a new branch operation and identified infrastructure and rail projects. Subsequent to balance date, the company has entered into additional finance as set out in Note 7.

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.

ENERGY TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	CONSOLIDATED	
	2016	2015
	\$'000	\$'000
2. REVENUES FROM CONTINUING OPERATIONS		
a) Revenue from continuing operations		
Sale of goods	10,198	10,764
Services revenue	45	43
	<u>10,243</u>	<u>10,807</u>
b) Other revenues from continuing operations		
- Foreign exchange gains on unhedged transactions	-	86
- R&D Grant	880	843
- Finance revenue	72	34
- Reduction in liability	-	1,139
- Other income	40	6
Total other revenues from continuing operations	<u>992</u>	<u>2,108</u>
Total revenues from continuing operations	<u>11,235</u>	<u>12,915</u>
3. EXPENSES		
Included in the determination of net profit / (loss) before tax from continuing operations are the following expenses.		
Depreciation and amortisation of: non-current assets		
Plant and equipment	197	203
Building and leasehold improvements	3	3
Furniture, fixtures and fittings	6	2
Motor vehicles	20	14
Computer equipment	6	6
Intangibles	13	4
Total depreciation and amortisation of non-current assets	<u>245</u>	<u>232</u>
Borrowing costs expensed:		
Borrowing expense	30	100
Interest expense	712	535
	<u>742</u>	<u>635</u>
Superannuation contributions	<u>371</u>	<u>374</u>
Operating lease rental expense:		
Minimum lease payments	<u>729</u>	<u>869</u>

ENERGY TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	CONSOLIDATED	
	2016	2015
	\$'000	\$'000
4. STATEMENT OF CASH FLOWS		
Reconciliation of the net profit / (loss) after tax to the net cash flows from operations		
Net Profit / (Loss) from operating activities after income tax	(2,025)	(476)
Add / (less) Non-cash items		
Depreciation of non-current assets	232	228
Amortisation of intangible assets	13	4
Unrealised foreign exchange movements	43	85
Reduction in liability for acquisition of subsidiary	-	(1,139)
Non-operating cash flow cash items		
Loss on sale of assets	-	12
Convertible Notes issued in lieu of Director Fees	14	-
Convertible Notes issued in lieu of Director Interests	47	-
Changes in assets and liabilities		
(Increase) in inventories	(106)	(566)
(Increase) / decrease in trade and other receivables	(450)	508
(Decrease) / Increase in payables	577	(433)
(Increase) / decrease in deferred tax asset	58	(16)
(Increase) / decrease in other-current assets	115	(105)
Increase in provisions for employee entitlements	72	29
Net cash (used in) operating activities	(1,410)	(1,869)

ENERGY TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

5. CONTRIBUTED EQUITY

	\$	\$
Issued capital		
326,507,732 (224,528,463 – 2015) ordinary shares fully paid	<u>9,279,071</u>	<u>8,374,278</u>

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.

ENERGY TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. Segment Reporting

Primary reporting - Business segments

	Energy/Energy Infrastructure		Investment		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	11,235	11,732	-	1,183	11,235	12,915
Segment result before income tax	(883)	(910)	(1,084)	418	(1,967)	(492)
Income tax (expense)/benefit	(58)	16	-	-	(58)	16

The group's primary business segment is Energy/Energy Infrastructure products.

Secondary reporting - Geographic segments

	Asia		Australia		Eliminations		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	112	1	11,123	12,914	-	-	11,235	12,915
Assets	6	105	15,412	12,656	(5,154)	(3,368)	10,264	9,393
Other segment information								
Acquisition of property, plant and equipment, intangibles and others	-	-	256	97	-	-	256	97
Acquisition of intangibles and other non current assets	-	-	565	284	-	-	565	284

ENERGY TECHNOLOGIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

7. SUBSEQUENT EVENTS

Since the end of the financial period the Company has entered into a financing arrangement by means of a Secured Debenture Note Facility with a minimum value of \$3m. The notes have a maturity date of 31 December 2020 and interest is payable monthly in arrears at the rate of 12% per annum on funds drawn down. The facility will be used to retire existing bank facilities, for capital investment and for working capital. The notes are secured by a first ranking charge over the assets of the Company and Bambach Wires & Cables Pty Ltd.

There has not arisen since the end of the financial period any other matter of circumstance which, in the opinion of the directors of the Company, significantly affects the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years

Compliance statement

1. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards issued by the IASB.
2. This preliminary report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This preliminary report does give a true and fair view of the matters disclosed.
4. The accounts are in the process of being audited.
5. The entity has a formally constituted audit committee.



Sign here:

Print name: Alfred Chown
Managing Director

Date: 31 August 2016