

# **ENERGY TECHNOLOGIES LIMITED (ASX: EGY)**

**ABN 38 002 679 469**

## **Half-Year Financial Report**

**for the half-year ended 31 December 2017**

# Corporate Information

**ABN 38 002 679 469**

## **Directors**

Alfred J. Chown (Chairman, Managing Director)

Gary A. Ferguson (Non-Executive Director)

Philip W. Dulhunty (Non-Executive Director)

Yulin Hu (Non-Executive Director)

Matthew Driscoll (Non-Executive Director)

Meiping Hu (Alternate Director to Yulin Hu)

## **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

## **Share Register**

Computershare Investor Services Pty Ltd

Level 3, 60 Carrington Street

Sydney NSW 2000

Telephone:- (02) 8234 5000

Facsimile:- (02) 8234 5050

## **Auditors**

Nexia Sydney Audit Pty Ltd

Chartered Accountants

Level 16

1 Market Street

SYDNEY NSW 2000

Telephone: - (02) 9251 4600

## Contents

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|                                                                                         |    |
|-----------------------------------------------------------------------------------------|----|
| Directors' Report .....                                                                 | 4  |
| Lead Auditor's Independence Declaration .....                                           | 6  |
| Condensed Consolidated Statement of Profit or Loss .....                                | 7  |
| Condensed Consolidated Statement of Other Comprehensive Income .....                    | 8  |
| Condensed Consolidated Statement of Financial Position .....                            | 9  |
| Condensed Consolidated Statement of Changes in Equity .....                             | 10 |
| Condensed Consolidated Statement of Cash Flows .....                                    | 11 |
| Notes to the Half –Year Financial Statements .....                                      | 12 |
| Directors' Declaration .....                                                            | 19 |
| Independent Auditor's Review Report To The Members of Energy Technologies Limited ..... | 20 |

## Directors' Report

Your Directors submit their report for the half-year ended 31 December 2017

### DIRECTORS

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

Alfred J. Chown (Chairman, Managing Director) Appointed 4 July 1997.  
Gary A. Ferguson (Non-Executive Director) Appointed on 1 October 2012.  
Philip W. Dulhunty (Non-Executive Director) Appointed 3 December 2014.  
Yulin Hu (Non-Executive Director) Appointed 25 November 2015.  
Meiping Hu (Alternate Director to Yulin Hu) Appointed 25 November 2015.  
Matthew Driscoll (Non-Executive Director) Appointed 20 December 2016.

### PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities during the half-year of entities within the economic entity were the manufacture and sale of specialist industrial cables.

### REVIEW AND RESULTS OF OPERATIONS

Despite continuing to report a loss the group half year result for the period ended 31 December 2017 was improved when compared to the previous period. EGY reported a consolidated loss after tax and minorities of \$1,579,107 (FY2016 Half Year \$1,819,383).

On an EBITDA basis EGY reported a consolidated Half Year EBITDA loss of \$692,711 against an EBITDA loss of \$1,264,030 for the previous corresponding period. The consolidated loss after tax and minorities for the current period is impacted by an increase in interest expense for the Half Year, primarily related to EGY's increase in debenture debt which has been used to fund productivity upgrades and current and anticipated growth.

With revenue growth levels of 45% experienced in its operating subsidiary over the past 6 months and strong growth in both sales (24%) and order intake (27%) continuing in the first two months of this calendar year it is expected that profitability will further improve on an NPAT basis as productivity improvements implemented in the third and fourth quarters impact.

EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of \$654,935, much improved on the FY2016 Half Year loss of \$1,205,344. BWC Revenue from continuing operations was \$8,902,291, an increase of 45.8% on the previous corresponding FY2016 Half Year of \$6,104,757. EBITDA improved to a loss of \$353,104 (FY2016 Half Year \$991,515). Until 30 November EBITDA for BWC was close to breakeven but the short December month with only 14 production days and an unforeseen disruption to copper supply in the first week of the month impacted the BWC December result reducing anticipated invoiced sales and recovery.

BWC rebounded in January on the back of strong order intake and reported sales in excess of \$1.4 million for the month in line with expectations and experienced a 16% increase on the previous corresponding period. Sales in February month to date as of 27 February 2018 are 35% above last year, and it is expected that the full month's sales will be substantially higher than February 2017.

New order intake for the 6 months to 31 December 2017 was 33% up on the previous comparable period and in January this trend continued with new order intake growth of 25% compared to the same period last year. In February month to date new order intake is up 29%.

BWC continues to experience improved efficiencies in the factory as a result of equipment upgrades and the company continues to invest in new equipment to improve factory recovery and develop new ranges of cables.

Significant margin improvement due to more efficient equipment has also occurred and is ongoing. BWC will continue to improve margins as new more advanced and more efficient equipment is introduced to the business.

Importantly there remains large room for improvement in margins.

Management expects the financial performance of the company to continue to improve as more new products are brought on stream. Having achieved substantial growth in the past year the company will now focus even more carefully on margin and cost control over the remaining six months of the financial year.

## Directors' Report (Cont'd)

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

Whilst it is disappointing that the company is still reporting losses, the strong growth in BWC finally shows that the business plan implemented some three years ago is impacting as initially envisaged. The company is now winning substantial business from infrastructure projects with its full range of Australian made, rail power and signaling cables and significant business from sales of its all states range of Australian made road traffic cables. The company has also invested heavily in the development of cables related to the coming defence projects and in cables for rolling stock applications. The continued growth in demand for rail and road related cables will continue to propel growth for Bambach's products over the next three years whilst anticipated demand from the defence sector will drive Bambach's growth after that and lead it into developing a viable and sustainable export market for its products.

Central to Bambach's continued rapid growth will be a benign AUD/USD rate of no greater than 85 USD to the AUD, with less being preferable. That said, the gathering impact of "buy Australian" provisions and rhetoric is an important hedge against less favorable exchange rates and appears to be gaining traction across all states.

### AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2017.

**Signed in accordance with a resolution of the Directors.**



**Alfred J Chown**  
**Managing Director**  
**Sydney, 28 February 2018**

## Lead Auditor's Independence Declaration

28 February 2018

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

To the Board of Directors of Energy Technologies Limited

### **Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit director for the review of the financial statements of Energy Technologies Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely

**Nexia Sydney Audit Pty Ltd**  
Chartered Accountants



Stephen Fisher  
Director

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## Condensed Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2017

|                                                 |       | CONSOLIDATED        |                     |
|-------------------------------------------------|-------|---------------------|---------------------|
|                                                 |       | 31 December<br>2017 | 31 December<br>2016 |
|                                                 | Note  | \$                  | \$                  |
| <u>Continuing Operations</u>                    |       |                     |                     |
| Sales revenue                                   | 3(i)  | 8,175,361           | 5,607,350           |
| Other revenues                                  | 3(i)  | 735,438             | 513,301             |
| <b>Total revenue from continuing operations</b> |       | <b>8,910,799</b>    | <b>6,120,651</b>    |
| Cost of sales                                   |       | (7,057,028)         | (5,008,743)         |
| Marketing expenses                              |       | (25,116)            | (27,943)            |
| Occupancy expenses                              |       | (338,309)           | (276,315)           |
| Administration expenses                         |       | (2,055,900)         | (1,895,881)         |
| Depreciation and amortisation expenses          |       | (178,916)           | (138,136)           |
| Other expenses                                  |       | (76,137)            | (109,701)           |
| <b>(LOSS) BEFORE FINANCE COSTS, INCOME TAX</b>  |       | <b>(820,607)</b>    | <b>(1,336,068)</b>  |
| Finance costs                                   | 3(ii) | (760,303)           | (509,802)           |
| <b>(LOSS) BEFORE INCOME TAX</b>                 |       | <b>(1,580,910)</b>  | <b>(1,845,870)</b>  |
| <b>INCOME TAX (EXPENSE)/ BENEFIT</b>            |       | <b>(9,640)</b>      | <b>18,145</b>       |
| <b>(LOSS ) FOR THE PERIOD</b>                   |       | <b>(1,590,550)</b>  | <b>(1,827,725)</b>  |
| <b>(LOSS) ATTRIBUTABLE TO:</b>                  |       |                     |                     |
| Owners of the parent                            |       | (1,579,107)         | (1,819,383)         |
| Non-controlling interest                        |       | (11,443)            | (8,342)             |
|                                                 |       | <b>(1,590,550)</b>  | <b>(1,827,725)</b>  |

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

# Condensed Consolidated Statement of Other Comprehensive Income

for the half-year ended 31 December 2017

|                                                                                     | CONSOLIDATED        |                     |
|-------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                     | 31 December<br>2017 | 31 December<br>2016 |
| <b>(LOSS) FOR THE PERIOD</b>                                                        | <b>(1,590,550)</b>  | <b>(1,827,725)</b>  |
| <b><u>OTHER COMPREHENSIVE INCOME</u></b>                                            |                     |                     |
| Items that may be reclassified subsequently to profit or loss                       |                     |                     |
| Movement in foreign exchange relating to translation of controlled foreign entities | 598                 | (742)               |
| Exchange differences on foreign exchange relating to minorities                     | 598                 | (742)               |
|                                                                                     | <b>1,196</b>        | <b>(1,484)</b>      |
| <b>TOTAL COMPREHENSIVE (LOSS)</b>                                                   | <b>(1,589,354)</b>  | <b>(1,829,209)</b>  |
| <b>TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:</b>                                  |                     |                     |
| Owners of the parent                                                                | <b>(1,578,509)</b>  | <b>(1,820,125)</b>  |
| Non-controlling interest                                                            | <b>(10,845)</b>     | <b>(9,084)</b>      |
|                                                                                     | <b>(1,589,354)</b>  | <b>(1,829,209)</b>  |
| <b>Earnings per Share</b>                                                           |                     |                     |
| From continuing operations:                                                         |                     |                     |
| • Basic loss per ordinary share (cents)                                             | <b>(0.49)</b>       | <b>(0.56)</b>       |
| • Diluted loss per ordinary share (cents)                                           | <b>(0.49)</b>       | <b>(0.56)</b>       |

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Condensed Consolidated Statement of Financial Position

as at 31 December 2017

| CONSOLIDATED                         |      |                           |                       |
|--------------------------------------|------|---------------------------|-----------------------|
|                                      | Note | 31 December<br>2017<br>\$ | 30 June<br>2017<br>\$ |
| <b>ASSETS</b>                        |      |                           |                       |
| <b>CURRENT ASSETS</b>                |      |                           |                       |
| Cash and cash equivalents            |      | 584,462                   | 698,518               |
| Trade and other receivables          |      | 3,350,023                 | 3,957,127             |
| Inventories                          |      | 5,220,660                 | 4,657,187             |
| Financial Assets                     | 5    | -                         | -                     |
| Other current assets                 |      | 152,867                   | 107,838               |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>9,308,012</b>          | <b>9,420,670</b>      |
| <b>NON CURRENT ASSETS</b>            |      |                           |                       |
| Plant & equipment                    | 4    | 3,093,986                 | 3,017,855             |
| Intangible assets                    |      | 1,682,065                 | 1,726,636             |
| Deferred tax asset                   |      | 177,709                   | 187,349               |
| Other receivables                    |      | 73,901                    | 73,901                |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>5,027,661</b>          | <b>5,005,741</b>      |
| <b>TOTAL ASSETS</b>                  |      | <b>14,335,673</b>         | <b>14,426,411</b>     |
| <b>CURRENT LIABILITIES</b>           |      |                           |                       |
| Trade and other payables             |      | 5,730,662                 | 5,062,306             |
| Financial liabilities                | 6    | 11,711,040                | 8,045,062             |
| Short-term provisions                |      | 668,030                   | 675,288               |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>18,109,732</b>         | <b>13,782,656</b>     |
| <b>NON-CURRENT LIABILITIES</b>       |      |                           |                       |
| Financial liabilities                | 6    | 1,691,420                 | 4,507,541             |
| Long-term provisions                 |      | 93,659                    | 105,998               |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>1,785,079</b>          | <b>4,613,539</b>      |
| <b>TOTAL LIABILITIES</b>             |      | <b>19,894,811</b>         | <b>18,396,195</b>     |
| <b>NET LIABILITIES</b>               |      | <b>(5,559,138)</b>        | <b>(3,969,784)</b>    |
| <b>EQUITY</b>                        |      |                           |                       |
| Issued capital                       | 7    | 9,279,071                 | 9,279,071             |
| Reserves                             |      | (1,049,419)               | (1,050,017)           |
| Accumulated losses                   |      | (13,215,978)              | (11,636,871)          |
| Parent interest                      |      | (4,986,326)               | (3,407,817)           |
| Non-controlling interest             |      | (572,812)                 | (561,967)             |
| <b>TOTAL DEFICIENCY</b>              |      | <b>(5,559,138)</b>        | <b>(3,969,784)</b>    |

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2017

|                                                              | Issued<br>Capital<br>\$ | Reserves<br>\$ | Accumulated<br>Losses<br>\$ | Non-<br>Controlling<br>Interest<br>\$ | Total<br>\$ |
|--------------------------------------------------------------|-------------------------|----------------|-----------------------------|---------------------------------------|-------------|
| <b>Balance at 1.7.2016</b>                                   | 9,279,071               | (1,050,955)    | (8,695,668)                 | (548,000)                             | (1,015,552) |
| <b>Comprehensive income</b>                                  |                         |                |                             |                                       |             |
| Loss for the period                                          | -                       | -              | (1,819,383)                 | (8,343)                               | (1,827,726) |
| Other comprehensive (loss) for the period, net of income tax | -                       | (742)          | -                           | (742)                                 | (1,484)     |
| <b>Total comprehensive (loss) for the period</b>             | -                       | (742)          | (1,819,383)                 | (9,085)                               | (1,829,210) |
| <b>Balance at 31.12.2016</b>                                 | 9,279,071               | (1,051,697)    | (10,515,051)                | (557,085)                             | (2,844,762) |
| <b>Balance at 1.7.2017</b>                                   | 9,279,071               | (1,050,017)    | (11,636,871)                | (561,967)                             | (3,969,784) |
| <b>Comprehensive income</b>                                  |                         |                |                             |                                       |             |
| Loss for the period                                          | -                       | -              | (1,579,107)                 | (11,443)                              | (1,590,550) |
| Other comprehensive income for the period, net of income tax | -                       | 598            | -                           | 598                                   | 1,196       |
| <b>Total comprehensive income/(loss) for the period</b>      | -                       | 598            | (1,579,107)                 | (10,845)                              | (1,589,354) |
| <b>Balance at 31.12.2017</b>                                 | 9,279,071               | (1,049,419)    | (13,215,978)                | (572,812)                             | (5,559,138) |

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2017

|                                                                                          | CONSOLIDATED        |                     |
|------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                          | 31 December<br>2017 | 31 December<br>2016 |
|                                                                                          | \$                  | \$                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                              |                     |                     |
| Receipts from customers                                                                  | 9,528,168           | 6,254,317           |
| Payments to suppliers and employees                                                      | (10,135,517)        | (7,844,656)         |
| Borrowing costs                                                                          | (72,140)            | (738,452)           |
| <b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>                                     | <b>(679,489)</b>    | <b>(2,328,791)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                              |                     |                     |
| Purchase of property, plant and equipment                                                | (210,476)           | (302,948)           |
| <b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>                                     | <b>(210,476)</b>    | <b>(302,948)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                              |                     |                     |
| Proceeds from borrowings                                                                 | 920,000             | 4,916,000           |
| Repayment of borrowings                                                                  | (144,027)           | (1,901,235)         |
| <b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>                                   | <b>775,973</b>      | <b>3,014,765</b>    |
| <b>NET (DECREASE)/INCREASE IN CASH HELD</b>                                              | <b>(113,992)</b>    | <b>383,026</b>      |
| Cash at beginning of the financial period                                                | 698,517             | 10,724              |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies | (63)                | 140                 |
| <b>CLOSING CASH BALANCE AT END OF FINANCIAL PERIOD</b>                                   | <b>584,462</b>      | <b>393,890</b>      |

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Half –Year Financial Statements

31 December 2017

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## 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

### (a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 “Interim Financial Reporting”. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The half-year financial report is intended to provide users with an update on the latest annual financial statements of Energy Technologies Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the Annual Financial Report of Energy Technologies Limited as at 30 June 2017 together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 1(b) below.

The interim financial statements have been approved and authorized for issue by the Board of Directors on 28 February, 2018.

### (b) Going Concern

The consolidated entity incurred a loss after tax and non-controlling interest of \$1,579,107 (2016:\$1,819,383) and incurred negative cash flows from operations of \$679,489 (2016:\$2,328,791) for the half year ended 31 December 2017. However, there was a 46% increase in sales revenue from the comparative half year.

At 31 December 2017 the consolidated entity had a net deficiency of \$5,559,138 (June 2017: \$3,969,784) including the recognition of deferred tax assets of \$177,709 and intangible assets of \$1,682,065. At balance date, current liabilities exceeded current assets by \$8,801,720, including Debenture Notes of \$6,582,460 and the reclassification of \$2,700,000 of Convertible Notes as current. In February 2018, the maturity date of these reclassified Convertible Notes has been extended to 31 December 2020, making these Convertible Notes again non-current - refer Note 6(c). Although the Debenture Notes are classified as current because they may be redeemed after 30 June 2017, the Directors do not expect they will be redeemed within the twelve month period following balance date. Subsequent to 31 December 2017, \$300,000 has been raised through an unsecured loan which further improves the Group's financial position.

Nevertheless, these matters give rise to a continuing 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) continuing to achieve higher sales and achieving positive cash flow trading operations from its existing business;
- (b) continued financial support from its current financiers and directors; and
- (c) raising further equity or long term funding over the ensuing 12 months.

The company continues to increase its range of cable products and to this end has brought new product lines to market and has further lines undergoing development and testing to be ready for sale later in FY2018. It is expected that these new offerings will further support the increase experienced in sales and generate a significant improvement in overall revenues.

Management have prepared a cash flow projection for the period to 28 February 2019 that supports the ability of the consolidated entity to continue as a going concern.

## Notes to the Half –Year Financial Statements

31 December 2017

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### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (Cont'd)

#### (b) Going Concern (Continued)

The sales to date for the current half year fell short of budget by 11% however, based on unfilled orders and job quotes submitted the Directors expect this to be a timing difference only which will be made good in subsequent months. The Directors are still confident of achieving the calendar 2018 sales budget including expected sales from tendering to existing major suppliers and contractors, and winning major project works in NSW and later Western Australia and Victoria with respect to announced infrastructure projects.

Apart from the introduction of new products into both existing and new market segments, the company continues the upgrade of its manufacturing capabilities. The Business Plan of the company calls for the installation of new equipment that will cut existing manufacturing costs by between 10-15% and simultaneously expand the size of cables able to be manufactured. The company has installed some of this equipment.

As a consequence of these matters, 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.

#### (c) New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

# Notes to the Half –Year Financial Statements

31 December 2017

## 2. SEGMENT INFORMATION

### Business segments

Management identifies its operating segments based on the Group's service lines, which represent the main products provided by the Group. The Group's main operating segments are specialist and industrial cables and investment.

During the half-year period to 31 December 2017, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. The revenues and profit/(loss) generated by each of the Group's operating segments and segment assets are summarised as follows:

|                                  | Cables     |             | Investment |            | Total       |             |
|----------------------------------|------------|-------------|------------|------------|-------------|-------------|
|                                  | 31/12/2017 | 31/12/2016  | 31/12/2017 | 31/12/2016 | 31/12/2017  | 31/12/2016  |
|                                  | \$         | \$          | \$         | \$         | \$          | \$          |
| Revenue                          | 8,902,291  | 6,104,757   | 8,508      | 15,894     | 8,910,799   | 6,120,651   |
| Segment result before income tax | (662,182)  | (1,234,172) | (918,728)  | (611,698)  | (1,580,910) | (1,845,870) |
| Income tax expense/(benefit)     | 9,640      | (18,145)    | -          | -          | 9,640       | (18,145)    |
| Loss after income tax            | (671,822)  | (1,216,027) | (918,728)  | (611,698)  | (1,590,550) | (1,827,725) |
| Segment Assets                   | 14,175,741 | 11,145,100  | 159,932    | 120,955    | 14,335,673  | 11,266,055  |
| Segment Liabilities              | 13,187,448 | 9,190,856   | 6,707,363  | 4,919,961  | 19,894,811  | 14,110,817  |

## 3. REVENUE, INCOME AND EXPENSES

### (i) Revenue from continuing operations

|                        | 31 December 2017 | 31 December 2016 |
|------------------------|------------------|------------------|
|                        | \$               | \$               |
| Sale of goods          | 8,175,361        | 5,607,350        |
| Other Revenues:        |                  |                  |
| Federal R&D Grant      | 720,000          | 480,000          |
| Foreign exchange gains | 7,126            | 18,001           |
| Finance revenue        | 68               | -                |
| Other income           | 8,244            | 15,300           |
| Total Other Revenues   | 735,438          | 513,301          |
|                        | 8,910,799        | 6,120,651        |

### (ii) Finance costs

|                             |         |         |
|-----------------------------|---------|---------|
| Loans and convertible notes | 716,477 | 474,008 |
| Borrowing costs             | 43,826  | 35,794  |
|                             | 760,303 | 509,802 |

## Notes to the Half –Year Financial Statements

31 December 2017

### 4. PLANT AND EQUIPMENT

#### Acquisitions and disposals

During the half-year ended 31 December 2017 the group acquired fixed assets at a cost of \$210,476 (2016: \$302,948).

Plant and equipment disposals during the half year ended 31 December 2017 provided net proceeds of \$Nil (2016: \$Nil).

### 5. FINANCIAL ASSETS

|                                                        | Consolidated        |                 |
|--------------------------------------------------------|---------------------|-----------------|
|                                                        | 31 December<br>2017 | 30 June<br>2017 |
|                                                        | \$                  | \$              |
| <b>CURRENT</b>                                         |                     |                 |
| Financial assets at fair value through profit and loss | -                   | -               |
|                                                        | -                   | -               |

The investment in Dulhunty Poles Pty Ltd has been re-classified as an available for sale financial asset upon cessation of equity accounting of this asset. The fair value of the investment at the date of this reclassification and at reporting date is nil.

# Notes to the Half –Year Financial Statements

31 December 2017

## 6. FINANCIAL LIABILITIES

|                                                                 | Note | 31 December<br>2017<br>\$ | 30 June<br>2017<br>\$ |
|-----------------------------------------------------------------|------|---------------------------|-----------------------|
| <b>CURRENT</b>                                                  |      |                           |                       |
| <b>Secured liabilities:</b>                                     |      |                           |                       |
| Debenture Notes                                                 | (a)  | 6,816,000                 | 6,816,000             |
| Less: transaction costs                                         |      | (233,540)                 | (277,365)             |
|                                                                 |      | <b>6,582,460</b>          | 6,538,635             |
| Hire purchase and finance lease liability                       |      | 328,580                   | 326,427               |
| Convertible Notes                                               | (c)  | 2,800,000                 | 100,000               |
|                                                                 |      | <b>9,711,040</b>          | 6,965,662             |
| <b>Unsecured liabilities</b>                                    |      |                           |                       |
| Directors and executive loans                                   | (b)  | 1,500,000                 | 580,000               |
| Other loan                                                      |      | 500,000                   | 500,000               |
|                                                                 |      | <b>2,000,000</b>          | 1,080,000             |
|                                                                 |      | <b>11,711,040</b>         | 8,045,062             |
| <b>NON CURRENT</b>                                              |      |                           |                       |
| <b>Convertible Notes</b>                                        |      |                           |                       |
| 2,700 notes of \$1,000 each convertible on or before 31/12/2018 | (c)  | -                         | 2,700,000             |
| 1,270 notes of \$1,000 each convertible on or before 31/12/2020 |      | 1,270,000                 | 1,270,000             |
| Non-Current Convertible Notes at 31 December 2017               |      | <b>1,270,000</b>          | 3,970,000             |
| <b>Hire purchase liabilities</b>                                |      |                           |                       |
| Amount due greater than 12 months                               |      | 421,420                   | 537,541               |
|                                                                 |      | <b>1,691,420</b>          | 4,507,541             |

- (a) Debenture Notes previously issued have a maturity date of 31 December 2020. The Debenture Notes may be redeemed at any time after 30 June 2017. However, Directors do not expect the Debenture Notes will be redeemed within the twelve month period following balance date. The notes are interest bearing and interest is calculated on the face value of each note at a rate of 12% paid monthly in arrears.
- (b) The group raised \$920,000 of interest bearing debt through an unsecured loan associated with a Director, refer Note 9.
- (c) 2,700 Convertible Notes have been reclassified as current as at 31 December 2017. Documents formally extending the maturity date of these notes from 31 December 2018 to 31 December 2020 were executed in February 2018, which will result in the Convertible Notes being again classified as non-current at the year end.
- (d) During the half-year ended 31 December 2017 the group repaid \$144,027 of short term interest bearing debt.

## Notes to the Half –Year Financial Statements

31 December 2017

### 7. CONTRIBUTED EQUITY

|                                                                                       | 31 December<br>2017<br>\$ | 30 June<br>2017<br>\$ |
|---------------------------------------------------------------------------------------|---------------------------|-----------------------|
| Ordinary shares                                                                       |                           |                       |
| (i) Ordinary shares                                                                   | <b>9,279,071</b>          | <b>9,279,071</b>      |
| Fully paid ordinary shares carry one vote per share and carry the right to dividends. |                           |                       |
|                                                                                       | <b>No. of shares</b>      | <b>No. of shares</b>  |
| Movement in ordinary shares on issue                                                  |                           |                       |
| At 1 July 2017                                                                        | <b>326,507,732</b>        | 326,207,732           |
| At 31 December 2017                                                                   | <b>326,507,732</b>        | <b>326,507,732</b>    |
| At 1 July 2017                                                                        | <b>326,507,732</b>        | 326,507,732           |
| Shares issued during the period                                                       | -                         | -                     |
| At 31 December 2017                                                                   | <b>326,507,732</b>        | <b>326,507,732</b>    |

### 8. CONTINGENT LIABILITIES

Contingent liabilities of the group are materially as disclosed in the 30 June 2017 Annual Report.

Under the Secured Debenture Note Facility Deed, upon redemption of a Note to any Noteholder, if the Group's net profit after tax has exceeded \$2 million for any annual period (measured at the end of any calendar quarter) between the issue date and redemption date of the Note that Noteholder is entitled to a premium payment of 25% of the value of the Note. At the balance date no redemption premium would be payable if a Redemption Notice had been received.

## Notes to the Half –Year Financial Statements

31 December 2017

### 9. RELATED PARTIES

#### Loans by Directors and Key Management

During the half year to 31 December 2017 Director Mr Alfred Chown (AJ and DM Chown) loaned subsidiary Bambach Wires and Cables Pty Ltd \$920,000 for working capital and to facilitate the purchase of new equipment. This loan ranks under the secured creditors as defined in the Debenture Note Deed of Priority and is repayable on demand.

A key management personnel has a short term loan of \$15,000 (2016:\$10,000) to subsidiary Bambach Wires and Cables Pty Ltd. This loan is unsecured and repayable on demand.

### 10. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date subsidiary Bambach Wires and Cables Pty Ltd has executed an unsecured loan agreement to raise \$300,000. The loan will have a maturity date of one year with an option to convert to Convertible Notes subject to shareholder approval, and an interest rate of 10% per annum.

2,700 Convertible Notes have been reclassified as current as at 31 December 2017. Documents formally extending the maturity date of these notes from 31 December 2018 to 31 December 2020 were executed in February 2018, which will result in the Convertible Notes being again classified as non-current at the year end.

Other than as disclosed above, there has not arisen since the end of the financial period any matter or circumstance which, in the opinion of the directors of the Company, will significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

## Notes to the Half –Year Financial Statements

31 December 2017

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### Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 18 are in accordance with the Corporations Act 2001, including:
  - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - b) giving a true and fair view of the economic entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. 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**  
**Director**  
**28 February 2018**

# **Independent Auditor's Review Report To The Members of Energy Technologies Limited**

## **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Energy Technologies Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Energy Technologies Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

## **Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Energy Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. As review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Independence**

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 has been given to the directors of Energy Technologies Limited.

## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Energy Technologies Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

## **Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1(b) in the financial report, which advises that during the half year ended 31 December 2017 the consolidated entity incurred a net loss after tax and non-controlling interest of \$1,579,107 (2016:\$1,819,383) and incurred negative cash flows from operations of \$679,489 (2016:\$2,328,791). In addition, at 31 December 2017 current liabilities exceeded current assets by \$8,801,720 and net liabilities at that date were \$5,559,138 (June 2017: \$3,969,784). These conditions, along with the other matters set forth in Note 1(b), indicate the existence of material uncertainties which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

**Nexia Sydney Audit Pty Ltd**  
Chartered Accountants



**Stephen Fisher**  
Director  
Sydney, 28 February 2018