

ENERGY TECHNOLOGIES LIMITED (ASX: EGY)

ABN 38 002 679 469

Half-Year Financial Report

for the half-year ended 31 December 2013

Corporate Information

ABN 38 002 679 469

Directors

Alfred J. Chown (Acting Chairman, Managing Director)

Michael D. Butcherine (Non-Executive Director)

Gary A. Ferguson (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

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Sydney NSW 2000

Telephone:- 1300 850 505 or +61 (0)2 8234 5000

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Auditors

Gould Ralph Assurance

Chartered Accountants

Level 42, Suncorp Place

259 George Street

SYDNEY NSW 2000

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Directors' Report

Your Directors submit their report for the half-year ended 31 December 2013

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 (Acting Chairman, Managing Director) Appointed 4 July 1997.

Michael D. Butcherine (Non-Executive Director) Appointed 14 December 2009.

Gary A. Ferguson (Non-Executive Director) Appointed on 1 October 2012.

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
- development of energy generation technology

REVIEW AND RESULTS OF OPERATIONS

Energy Technologies Limited (EGY) has reported a consolidated loss of \$395,374 after tax and minority interest for the half year period to 31 December 2013. EGY's wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of \$258,023 (December 2012 \$446,668).

The EGY parent entity net loss was \$125,391, down from previous corresponding period loss of \$444,043 as a result of significant cost cutting and the transfer of key executives to BWC, the main operating company and focus of the group. The group result for the half year to 31 December 2012 included a one off discount on acquisition of BWC of \$785,029.

BWC recovered \$458,090 of expenses as a result of the Federal R&D Grant. This was received during the half year to 31 December 2013. As a result of the establishment of a new laboratory and testing facility and a focus on the development of new markets and products the company expects to recover an amount in excess of this for the FY2014 claim. An amount of \$240,000 has been accrued to date. The overall cable industry in Australia continues to experience tough economic conditions with various competitors reporting a drop in revenue up to 30% year on year. However despite BWC reporting a loss the company has improved sales month on month and in comparison to the previous corresponding period is able to report a 20% increase in sales.

In November 2013 the former General Manager of BWC was replaced by EGY Director Alfred Chown. Mr Chown has implemented a series of overhead cost reductions which will impact from 1 March 2014 and deliver savings in excess of \$50,000 per month from that point. He has also targeted raw material supply and it is anticipated that production costs as a result will be reduced across the board by 10% over time.

These savings will greatly enhance margins and reverse the margin erosion experienced over the past 12 months due to poor trading conditions and a high Australian dollar.

The company will seek to raise up to 1.5 million dollars over the next three months to replenish working capital and fund modern cable manufacturing equipment.

The company is enjoying significant market opportunity in the road and rail sector, and currently has its strongest forward order book for many years.

It is anticipated that further savings will be found in the coming months especially in the area of raw materials.

The board is confident that the business will continue to experience strong sales growth and that subject to a successful capital raising will be able to dramatically improve productivity by the addition of selected new equipment to the Sydney factory.

Directors' Report (Cont'd)

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 2013.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Alfred J Chown', with a long horizontal flourish extending to the right.

Alfred J Chown
Managing Director
Sydney, 28 February 2014

28 February 2014

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

Dear Members of the Board

**Lead Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

As the lead audit partner for the review of the financial statements of Energy Technologies Limited for the half year ended 31 December 2013, I declare that, to the best of my knowledge and belief there have been no contraventions of:

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

Yours Sincerely
GOULD RALPH ASSURANCE



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

Condensed Consolidated Statement of Profit or Loss

Half-year Ended 31 December 2013

		CONSOLIDATED	
		31 December	31 December
		2013	2012
		\$	\$
<u>Continuing Operations</u>			
Sales revenue	3(i)	6,150,376	5,140,757
Other revenues	3(i)	821,168	874,406
Total revenue from continuing operations		6,971,544	6,015,163
Cost of sales		(4,785,738)	(3,643,833)
Marketing expenses		(14,639)	(18,641)
Occupancy expenses		(231,265)	(198,570)
Administration expenses		(2,051,006)	(2,207,640)
Depreciation and amortisation expenses		(118,993)	(118,777)
Other expenses		(40,094)	(127,732)
Share of net loss of associate		-	(397,779)
(LOSS) BEFORE FINANCE COSTS, INCOME TAX		(270,191)	(697,809)
Finance costs	3(ii)	(120,414)	(15,649)
(LOSS) BEFORE INCOME TAX		(390,605)	(713,458)
INCOME TAX EXPENSE		16,653	4,969
(LOSS) FOR THE PERIOD		(407,258)	(718,427)
(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		(395,374)	(617,574)
Non-controlling interest		(11,884)	(100,853)
		(407,258)	(718,427)
Earnings per Share			
From continuing operations:			
• Basic earnings per ordinary share (cents)		(0.23)	(0.37)
• Diluted earnings per ordinary share (cents)		(0.23)	(0.37)

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Half-year Ended 31 December 2013

	CONSOLIDATED	
	31 December 2013	31 December 2012
(LOSS) FOR THE PERIOD	(407,258)	(718,427)
<u>OTHER COMPREHENSIVE INCOME</u>		
Items that may be reclassified subsequently to profit or loss		
Movement in foreign exchange relating to translation of controlled foreign entities	2,226	(2,801)
Exchange differences on foreign exchange relating to minorities	2,226	(2,801)
Income tax relating to items that may be reclassified subsequently	-	-
	4,452	(5,602)
Items that will not be reclassified subsequently to profit or loss	-	-
TOTAL COMPREHENSIVE (LOSS)	(402,806)	(724,029)
TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:		
Owners of the parent	(393,148)	(620,375)
Non-controlling interest	(9,658)	(103,654)
	(402,806)	(724,029)

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 2013

	CONSOLIDATED	
	31 December 2013	30 June 2013
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	123,956	68,465
Trade and other receivables	3,171,969	1,710,803
Inventories	3,124,276	3,014,275
Financial assets	9,393	5,367
Other current assets	356,075	357,368
TOTAL CURRENT ASSETS	6,785,669	5,156,278
NON CURRENT ASSETS		
Property, plant & equipment	1,368,516	1,381,969
Intangible assets	12,460	14,482
Deferred tax asset	198,942	215,595
Investments Accounted for Using the Equity Method	-	-
TOTAL NON-CURRENT ASSETS	1,579,918	1,612,046
TOTAL ASSETS	8,365,587	6,768,324
CURRENT LIABILITIES		
Trade and other payables	3,475,674	2,623,069
Financial liabilities	3,303,019	1,889,305
Provisions	515,501	492,864
TOTAL CURRENT LIABILITIES	7,294,194	5,005,238
NON-CURRENT LIABILITIES		
Financial liabilities	211,306	1,127,738
Provisions	32,699	61,904
Other non-current liabilities	521,520	521,520
TOTAL NON-CURRENT LIABILITIES	765,525	1,711,162
TOTAL LIABILITIES	8,059,719	6,716,400
NET ASSETS	305,868	51,924
EQUITY		
Issued capital	8,374,278	7,717,528
Reserves	(1,978,197)	(1,980,423)
Accumulated losses	(5,621,459)	(5,226,085)
Equity attributable to owners of the parent	774,622	511,020
Non-controlling interest	(468,754)	(459,096)
TOTAL EQUITY	305,868	51,924

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 2013

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- Controlling Interest \$	Total \$
Balance at 1.7.2012	10,163,080	(1,992,845)	(2,993,908)	(339,132)	4,837,195
Comprehensive income					
Loss for the period	-	-	(617,574)	(100,853)	(718,427)
Other comprehensive income for the period, net of income tax	-	(2,801)	-	(2,801)	(5,602)
Total comprehensive income for the period	-	(2,801)	(617,574)	(103,654)	(724,029)
Transactions with owners, in their capacity as owners, and other transfers					
Capital Return	(2,497,802)	-	-	-	(2,497,802)
Shares issued in lieu of directors fees	52,250	-	-	-	52,250
Balance at 31.12.2012	7,717,528	(1,995,646)	(3,611,482)	(442,786)	1,667,614
Balance at 1.7.2013	7,717,528	(1,980,423)	(5,226,085)	(459,096)	51,924
Comprehensive income					
Loss for the period	-	-	(395,374)	(11,884)	(407,258)
Other comprehensive income for the period, net of income tax	-	2,226	-	2,226	4,452
Total comprehensive income for the period	-	2,226	(395,374)	(9,658)	(402,806)
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of Equity	638,000	-	-	-	638,000
Shares issued in lieu of directors fees	18,750	-	-	-	18,750
Balance at 31.12.2013	8,374,278	(1,978,197)	(5,621,459)	(468,754)	305,868

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 2013

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	5,496,539	5,419,996
Payments to suppliers and employees	(6,351,894)	(6,416,842)
Interest received	5	48,034
Borrowing costs	(120,414)	(15,648)
Income taxes paid	-	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	(975,764)	(964,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(112,081)	(184,336)
Proceeds from sale of property, plant and equipment	6,955	47,985
Payment for subsidiary	(260,000)	(1,250,000)
Payment for additional shares in associate	-	(218,191)
Capital return	-	(2,396,038)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(365,126)	(4,000,580)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of issue of shares	638,000	-
Proceeds of issue of Convertible Notes	518,000	-
Proceeds from borrowings	745,573	96,795
Repayment of borrowings	(506,292)	(109,340)
Loans and advances (made) received	-	(430)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,395,281	(12,975)
NET INCREASE/(DECREASE) IN CASH HELD	54,391	(4,978,015)
Cash at beginning of the financial period	68,465	4,707,988
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	1,100	(4,407)
CLOSING CASH BALANCE AT END OF FINANCIAL PERIOD	123,956	(274,434)

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 2013

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 2013 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 2013 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(c) below.

(b) Going Concern

The consolidated entity incurred a loss after tax of \$407,258 and negative cash flows from operations of \$975,764 for the half-year ended 31 December 2013.

These matters give rise to a material uncertainty that may cast significant doubt about 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 working capital funding during the current half-year.

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 31 March 2015 assume a 15% increase in daily sales revenues compared to the last half-year and a 7% increase in gross margin; together with \$1,000,000 of new convertible note funding for working capital purposes, and no notes are redeemed during the period.

Certain Directors and major shareholders have formally undertaken to provide further financial support if required up to 30 September 2014.

Sales results for the current half-year to date are in line with the projected increase in sales revenues. The Directors are confident of achieving the forecast performance and raising the necessary additional funds. 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 Half –Year Financial Statements

31 December 2013

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

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

(i) Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements*;
- AASB 128: *Investments in Associates and Joint Ventures*;
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and
- AASB 2012-10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

- Consolidated financial statements:

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012-2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

- Disclosure of interest in other entities:

AASB12 is the standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128.

In general, the application of AASB 12 has resulted in more extensive in the consolidated financial statements.

Notes to the Half –Year Financial Statements

31 December 2013

2. SEGMENT INFORMATION

Primary reporting - Business segments

	Cables/Energy Infrastructure		Investment		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	\$	\$	\$	\$	\$	\$
Revenue	6,926,942	5,161,236	44,602	853,927	6,971,544	6,015,163
Segment result before income tax	(175,140)	(609,405)	(215,465)	(104,053)	(390,605)	(713,458)
Income tax expense(credit)	16,653	4,969	-	-	16,653	4,969
Segment Assets	8,046,567	6,452,501	319,020	361,429	8,365,587	6,813,930
Segment Liabilities	5,796,170	2,613,427	2,263,549	2,532,889	8,059,719	5,146,316

The group's primary business segment is Specialist and Industrial Cables.

3. REVENUE, INCOME AND EXPENSES

(i) Revenue from continuing operations

	31 December 2013 \$	31 December 2012 \$
Sale of goods	6,150,376	5,140,757
<u>Other Revenues:</u>		
Federal R&D Grant	698,090	-
Foreign exchange gains	-	20,707
Finance revenue	9,971	48,034
Management Fees	30,600	16,830
Discount on acquisition of subsidiary	-	785,029
Other income	82,507	3,806
Total Other Revenues	821,168	874,406
	6,971,544	6,015,163
(ii) Finance costs		
Bank loans and overdrafts	120,414	15,649
	120,414	15,649

Notes to the Half-Year Financial Statements

31 December 2013

4. CONTROLLED ENTITIES

(a) Acquisition of Controlled Entities

On 2 July 2012 the parent entity acquired 100% of Bambach Wires and Cables Pty Limited (BWC).

	Fair Value \$
Purchase Consideration:	
- Cash	1,000,000
- Working Capital Adjustment	1,812,065
- Contingent Consideration ¹	521,520
	<u>3,333,585</u>
Less:	
- Receivables	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)
	<u>4,118,614</u>
Identifiable Assets acquired and liabilities assumed	<u>4,118,614</u>
Discount on acquisition²	<u>785,029</u>

1. Contingent consideration consists of additional contract payments made up of a deferred consideration of a small percentage of all sales of cable products, net of discounts and rebates for each of the year beginning 12 months after and 24 months after completion date (2 July 2012). This was estimated at \$521,520 based on current conditions.

2. The discount on acquisition was included within other revenues in the income statement for the half year ended 31 December 2012.

Notes to the Half –Year Financial Statements

31 December 2013

5. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2013, the group acquired fixed assets at a cost of \$112,081 (2012: \$184,336).

Property, plant and equipment disposals during the period ended 31 December 2013 amounted to net proceeds from disposal of \$6,955 (2012: \$47,985).

6. INTEREST-BEARING LOANS AND BORROWINGS

During the half-year ended 31 December 2013 the group repaid \$506,292 (2012: \$109,340) of both long and short term interest bearing debt.

During the half year ended 31 December 2013 the group raised \$606,439 (2012: \$96,795) of both long and short term interest bearing debt. This consists of Hire Purchase loans of \$88,439 (Refer Note 9 – Related Parties) and \$518,000 made up from the issue of 518 convertible notes, each with a face value \$1,000, as approved at the 2013 Annual General Meeting. The notes are interest bearing and have a maturity date of 1 November 2016 although may be redeemed after 12 months from issue at the note holders discretion. Accordingly, whilst Directors do not envisage any early redemption, notes issued prior to balance date have been classified as current liabilities in these financial statements. Each note may be converted to ordinary shares at any time up to maturity date. The interest is calculated on the face value of each note at the rate which is eight percentage points higher than the RBA cash rate from time to time, paid monthly in arrears, until the earlier of the Maturity Date or the conversion of the Convertible Note

7. CONTRIBUTED EQUITY

	31 December 2013 \$	30 June 2013 \$
Ordinary shares		
(i) Ordinary shares	8,374,278	7,717,528
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	No. of shares	\$
Movement in ordinary shares on issue		
At 1 January 2013	165,847,091	7,717,528
At 30 June 2013	165,847,091	7,717,528
At 1 July 2013	165,847,091	7,717,528
Shares issued during the period		
- 18 September 2013 (at \$0.009 per share)	2,083,333	18,750
- 5 December 2013 (at \$0.0085 per share)	11,764,705	100,000
- 20 December 2013 (at \$0.012 per share)	44,833,334	538,000
At 31 December 2013	224,528,463	8,374,278

Notes to the Half –Year Financial Statements

31 December 2013

8. CONTINGENT LIABILITIES

Bank Guarantees

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.

Other contingent liabilities of the group are as disclosed in the 30 June 2013 Annual Report.

9. RELATED PARTIES

During the half year ended 31 December 2013, the group purchased new fixed assets by way of Hire Purchase agreement from an entity related to Mr Gary Ferguson. The amount borrowed was \$88,439 commencing November 2013 for a term of 48 months. The terms and conditions are 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.

During the half year ended 31 December 2013, entities related to Mr Gary Ferguson participated in an issue of Convertible Notes for an amount of \$200,000 as approved at the 2013 Annual General Meeting. The total number of notes issued was 200 and the face value of each note was \$1,000. The notes are interest bearing and have a maturity date of 1 November 2016 and each note may be converted at any time up to maturity date.

During the half year ended 31 December 2013, loans from directors or related entities totalling \$484,000 were converted to ordinary shares under a convertible note raising as approved at the Annual General Meeting.

10. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial period any matter of circumstance which, in the opinion of the directors of the Company, will significantly affects the operation 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 2013

11. 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.

	Half Year Ended 31 December 2013				Year Ended 30 June 2013			
	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
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Available for sale investments								
• Listed investments	9,393	-	-	9,393	5,367	-	-	5,367
	9,393	-	-	9,393	5,367	-	-	5,367
Financial Liabilities								
Derivative instruments								
• Foreign exchange contracts	-	-	-	-	73,806	-	-	73,806
• Contingent consideration	-	-	521,520	521,520	-	-	521,520	521,520
	-	-	521,520	521,520	73,806	-	521,520	595,326

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 and percentage of sales calculated as disclosed in Note 4.

Transfer between categories

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

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 2013 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
Sydney 28 February 2014

Chartered Accountants

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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 condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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.

Directors' Responsibility for the Half-year Financial Report

The directors of Energy Technologies Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 an Interim Financial Report 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 company's financial position as at 31 December 2013 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 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 for 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 a 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. Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters Relating to Electronic Publication of the Reviewed Financial Report

This review report relates to the financial report of Energy Technologies Limited and its controlled entity's for the half-year period ended 31 December 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 reviewed financial report to confirm the information contained in this website version of the financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred a net loss of \$407,258 and negative cash flows from operations of \$975,764 during the half-year ended 31 December 2013. These conditions, together with other matters set forth in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

GOULD RALPH ASSURANCE
Chartered Accountants



GREG RALPH M.Com., F.C.A.
Partner
Sydney, 28 February 2014