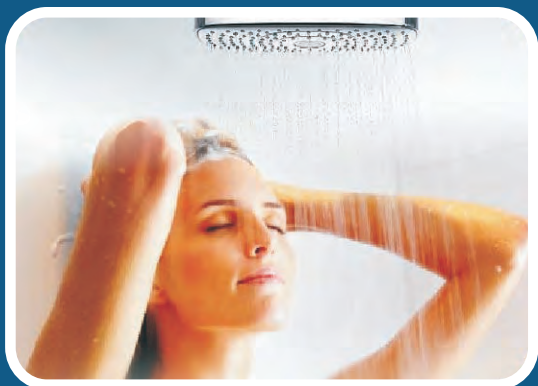


# ENDLESS SOLAR CORPORATION LTD

## ANNUAL REPORT

### 2013



ESC Hot Water

#### OUR VISION:



Cool Solar



Space Heating



ESC  
Evacuated  
Tubes



[www.endless-solar.com](http://www.endless-solar.com)

# **Endless Solar Corporation Limited**

A.C.N 122 708 061

## **CORPORATE DIRECTORY**

### **Registered Office**

Level 10, 406 Collins Street  
Melbourne VIC 3000 Australia

### **Directors:**

David H.A .Craig - Chairman  
Kevin L. Thomas - Director  
Chris Baring-Gould - Director

### **Secretary:**

Kevin L Thomas

### **Patent Attorneys:**

Griffith Hack  
Level 19, 109 St Georges Terrace,  
Perth WA 6000 Australia

### **Intellectual Property Adviser:**

Dr. Andreas Hartmann  
Principal  
Griffith Hack

### **Lawyers:**

Gadens Lawyers  
Level 25, Bourke Place, 600 Bourke Street  
Melbourne VIC 3000 Australia

### **Auditor:**

John Wheller F.C.A.  
Chartered Accountant  
1190 Dandenong Road  
Murrumbeena VIC 3163 Australia

### **Share Registry:**

Boardroom Pty Ltd  
Level 8, 446 Collins Street  
Melbourne VIC 2000 Australia

# **ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 51 122 708 061**

## **Financial Report For The Year Ended 30 June 2013**

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## ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES

ABN: 51 122 708 061

### DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of Endless Solar Corporation Limited (ESC) for the financial year ended 30 June 2013.

#### Principal Activities and Significant Changes in The Nature of Activities

The principal activities of the Group during the course of the financial year were the supply and design of evacuated tube solar hot water systems, as well as related research and development activities. No significant changes have occurred in the nature of these activities during the financial year.

#### Operating Results and Review of Operations for the year

##### Operating Results

The Endless Solar Board is pleased to report to shareholders that the company has made significant progress during the 2013 financial year. The audited result for the year to 30 June 2013 is a net profit after tax of \$150,982 (2012: loss after tax: \$223,686).

##### Review of Operations

Our sales and installation operations have found the market place in Australia challenging. However, we believe that the hard work and persistence in communicating the benefits, both economical and environmental, of evacuated tube technology to the Australian market is slowly but surely starting to pay off. Our range of industry contacts, both in distribution and installation, are now steadily increasing, and our work comparing the evacuated tube benefits to that of other renewable energy competitors is producing compelling cost benefits in favour of evacuated tubes. For information regarding our products please refer to our website [www.endless-solar.com](http://www.endless-solar.com).

We expect the current year will show improved results in this part of the ESC Group's business.

We have also continued to make pleasing progress in our Research and Development activities, as outlined in the information forwarded to you on 26 August 2013 (for a copy of this report, please refer to our website: [www.endless-solar.com](http://www.endless-solar.com)). "CoolSolar", Endless Solar's primary research project, is an affordable technology providing **solar air-conditioning, space heating and water heating** in a single device. The device is expected to be commercialised in 2014 with a mass-manufacturing technique of its key component to be finalised shortly. A smaller project developing a smart sensor technology was also awarded Federal Government funding with completion due in December 2013.

It is also relevant to announce that Dr Andreas Hartmann, a Partner in our Patent Attorney, Griffith Hack, has agreed to provide advice to the ESC Board with regard to the ESC patent portfolio.

#### Financial Position

The Financial Position of Endless Solar Corporation Ltd remains healthy, with an overall increase in net assets from the previous year to \$2,570,800 at 30 June 2013 (2012: \$2,038,318). The increase is largely due to an increase in value of available-for-sale financial assets and capitalised Research and Development costs during the year.

The Group has maintained its policy of having no external debt.

#### Significant Changes in State of Affairs

There were no other significant changes in the State of Affairs of the parent entity or controlled entities during the financial year ended 30 June 2013.

#### Dividends Paid or Recommended

There were no Dividends paid or declared for payment during the financial year.

#### Events after the Reporting Period

The company is finalising a 1:5 Rights Issue at 10 cents per share with an attached option for both Limited Voting Ordinary Shares (LVO) and Voting Ordinary Shares (VO).

In addition, the Board has resolved to grant up to 10 million options at an exercise price of 22 cents per option over ordinary shares (limited voting). These are being granted to staff and appropriate parties. These options lapse at 5pm on 31 July 2018 (Melbourne time).

The company is also in the process of applying for a listing of the Limited Voting Ordinary Shares (LVO) on the National Stock Exchange of Australia (NSX).

No other significant events were noted after the reporting period at 30 June 2013.

## ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES

ABN: 51 122 708 061

### DIRECTORS' REPORT

#### Environmental Issues

The consolidated Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### Information on Directors

##### Name, qualifications and responsibilities

Mr David H. A. Craig  
Bachelor of Economics (Monash)  
Executive Director

##### Experience

David has over 30 years experience in management of property and investment companies, and is a member of the Financial Services Institute of Australasia (FINSIA). David is also a Director of ASX-listed company - Authorised Investment Fund Limited.

Mr Kevin L. Thomas  
CPA  
Executive Director  
Company Secretary

Kevin has a depth of experience in financial and corporate management in companies of varying size. He has a broad industry background comprising timber, forestry, tissue and paper, packaging plastics, food services, clothing, road construction and solar. He is also a Director of ASX listed company - Authorised Investment Fund Limited, and Masport Australia Pty Ltd.

Mr Chris Baring-Gould  
BBusAcc, MBA, CPA  
Non-executive Director

Chris's professional experience is diverse. He has served as Group Financial Controller at JB Were & Son, General Manager of a stock broking subsidiary of the Equity and Property Investment Group and since 1999 has served as Chief Finance Officer at Anglicare Victoria. He also is an independent member of the Funds-in-Court Audit Committee (Victoria Supreme Court).

#### Company Secretary

Mr Kevin L. Thomas is the company secretary.

#### Meetings of Directors

During the financial year, 6 meetings of directors were held.

Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr David H.A Craig	6	6
Mr Kevin L. Thomas	6	6
Mr Chris Baring-Gould	6	6

#### Indemnifying Officers

Indemnities have been given and insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer of the consolidated group.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES****ABN: 51 122 708 061****DIRECTORS' REPORT****Options**

Option holders do not have any rights to participate in any share issues.

**1. Endless Solar Option Scheme:**

At the date of this report, the ordinary (limited voting) shares of Endless Solar Corporation Limited under its option scheme are as follows:

Start Date	Date of expiry	Exercise Price	Total Options Grants	Options Released	Less Options Exercised	Options available for exercise as at 30/6/2013
2/09/2008	31/08/2014	\$0.12	4,305,000	4,305,000	(370,000)	3,935,000
2/09/2008	31/08/2014	\$0.20	695,000	695,000	0	695,000
2/09/2008	31/08/2014	\$0.30	1,000,000	1,000,000	(5,000)	995,000
<b>Total</b>			<b>6,000,000</b>	<b>6,000,000</b>	<b>(375,000)</b>	<b>5,625,000</b>

**2. Options attached to the March 2012 Rights Issue are available for exercise at any time:**

Grant Date	Date of expiry	Exercise Price	Options over ordinary share (LVO)	Options over ordinary share (VO)	Total
4/03/2012	31/03/2017	\$0.10	10,225,616	471,966	10,697,582

**Proceedings on Behalf of Company**

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

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

**Non-audit Services**

The Board of Directors, are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 4 of the Financial Report.



.....  
**Mr David H.A Craig**

Dated: 20th September 2013



**JOHN WHELLER, F.C.A.**

CHARTERED ACCOUNTANT

**Auditor's Independence Declaration  
To the Directors of Endless Solar Corporation Limited**

In relation to my audit of the financial report of Endless Solar Corporation Limited for the year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



John Wheller  
Director

Dated this        20th        day of        September        2013

Liability limited by a scheme approved under Professional Standards Legislation

Registered Company Auditor No.9003

PO Box 933, Carnegie Vic 3163  
1190 Dandenong Road, Murrumbeena Vic 3163

Tel: +61 3 9568 0188 Fax: +61 3 9569 6265  
Email: [twb@twb.com.au](mailto:twb@twb.com.au) Web: [www.twb.com.au](http://www.twb.com.au)

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR**  
**ENDED 30 June 2013**

		2013	2012
	<b>Note</b>	\$	\$
Sales Revenue	2	540,719	642,523
Cost of Sales		<u>(321,885)</u>	<u>(472,226)</u>
Gross Profit		218,834	170,297
Other income		522,633	138,283
Administration expenses		(488,701)	(533,614)
Depreciation Expense		(14,682)	(10,096)
Finance costs	3	(1,732)	(5,796)
Other expenses		-	(1,914)
<b>Net (Loss) / Profit before income tax</b>		<u>236,352</u>	<u>(242,840)</u>
Income tax benefit	4	(85,369)	19,153
<b>Net (Loss) / Profit for the year</b>		<u><u>150,983</u></u>	<u><u>(223,687)</u></u>
<b>Other comprehensive income:</b>			
Gain on investment revaluation		114,000	-
<b>Total comprehensive income for the year</b>		<u><u>264,983</u></u>	<u><u>(223,687)</u></u>

The accompanying notes form part of these financial statements.



**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**

**ABN: 51 122 708 061**

**STATEMENT OF FINANCIAL POSITION AS AT 30 June 2013**

	<b>Note</b>	2013 \$	2012 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	333,413	344,722
Trade and other receivables	9	253,429	65,256
Inventories	10	142,165	143,370
Other assets	14	17,275	44,294
<b>TOTAL CURRENT ASSETS</b>		<u>746,282</u>	<u>597,641</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	9	69,344	69,345
Other financial assets	11	503,560	389,560
Property, plant and equipment	12	63,404	34,715
Deferred tax assets	17	21,910	107,278
Intangible assets	13	1,467,872	1,009,646
<b>TOTAL NON-CURRENT ASSETS</b>		<u>2,126,090</u>	<u>1,610,543</u>
<b>TOTAL ASSETS</b>		<u><u>2,872,372</u></u>	<u><u>2,208,185</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	217,907	106,183
Borrowings	16	17,133	13,212
Current tax liabilities	17	-	5,770
Provisions	18	66,532	44,701
<b>TOTAL CURRENT LIABILITIES</b>		<u>301,572</u>	<u>169,867</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	17	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>301,572</u>	<u>169,867</u>
<b>NET ASSETS</b>		<u><u>2,570,800</u></u>	<u><u>2,038,318</u></u>
<b>EQUITY</b>			
Issued capital	19	1,771,775	1,504,274
Reserves		265,812	265,812
Retained earnings		533,213	268,232
<b>TOTAL EQUITY</b>		<u><u>2,570,800</u></u>	<u><u>2,038,318</u></u>

The accompanying notes form part of these financial statements.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 June 2013**

	Ordinary Shares	Retained Earnings	Capital Development Reserve*	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	576,700	491,917	265,812	1,334,429
<b>Comprehensive income</b>				
Loss for the year	-	(223,687)	-	(223,687)
Other comprehensive income for the year				-
<b>Total comprehensive income for the year</b>	-	(223,687)	-	(223,687)
<b>Transactions with owners, in their capacity as owners and other transfer</b>				
Shares issued during the year	927,575			927,575
<b>Total transactions with owners and other</b>	927,575	-	-	927,575
<b>Balance at 30 June 2012</b>	1,504,275	268,230	265,812	2,038,317
<b>Balance at 1 July 2012</b>	1,504,275	268,230	265,812	2,038,317
<b>Comprehensive income</b>				
Profit for the year		150,983	-	150,983
Other comprehensive income for the year		114,000		114,000
<b>Total comprehensive income for the year</b>	-	264,983	-	264,983
<b>Transactions with owners, in their capacity as owners and other transfer</b>				
Payments received	7,500	-	-	7,500
<b>Total transactions with owners and other</b>	7,500	-	-	7,500
<b>Other</b>				
Advance payments on Right Issues	260,000			260,000
<b>Total Other</b>	260,000	-	-	260,000
<b>Balance at 30 June 2013</b>	1,771,775	533,213	265,812	2,570,800

\* The purpose of the capital development reserve is for research and development work in the climate ready project in association with the Australian National University in Canberra.

The accompanying notes form part of these financial statements.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 June 2013**

	Note	2013 \$	2012 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers		765,827	728,068
Payment to suppliers and employees		(833,269)	(1,214,798)
Interest received		2,509	12,678
Government grant received		-	54,021
Finance costs		-	(4,490)
Taxes refund/(paid)		11,999	(58,424)
Net cash provided by/(used in) operating activities	23	<u>(52,934)</u>	<u>(482,945)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Government subsidies received		275,431	-
Purchase of property, plant and equipment		(43,080)	(11,891)
Payment for rental bond		-	(29,750)
Payment for investment in listed companies		-	(18,667)
Payment for Research & Development activities		(400,592)	(361,668)
Payment for patents		(51,291)	(41,090)
Payment for trademark		(6,344)	-
Net cash provided by/(used in) investing activities		<u>(225,876)</u>	<u>(463,066)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contribution received		7,500	940,787
Advance payments for proposed Rights Issue		260,000	550
Net cash provided by/(used in) financing activities		<u>267,500</u>	<u>941,337</u>
Net increase/(decrease) in cash held		(11,310)	4,673
Cash and cash equivalents at beginning of financial year	8	344,723	349,396
Cash and cash equivalents at end of financial year	8	<u><u>333,413</u></u>	<u><u>344,723</u></u>

The accompanying notes form part of these financial statements.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013**

This financial report includes the financial statements and notes of Endless Solar Corporation Limited & Controlled Entities.

**Note 1      Summary of Significant Accounting Policies**

**Basis of Preparation**

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

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

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

**(a) Business Combinations**

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

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

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

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognized in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Company holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Company can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Company determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Company's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

**(b) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013**

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation: Endless Solar Corporation Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. The periodic inventory method is used, in which the ending inventory is determined by a physical count of every item, and its cost of goods sold is subtracted from the sum of purchases and the beginning inventory of the accounting period.

**(d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Furniture & Fittings	10%
Computer Software	25%
Plant and equipment	10%
Motor Vehicle	10%-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**(e) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013**

**(f) Financial Instruments**

**Recognition and Initial Measurement**

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

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

**Classification and Subsequent Measurement**

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

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

**(iv) Available-for-sale investments**

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

**(v) Financial Liabilities**

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

**Preferred Shares**

Preferred share capital is classified as equity if it is non-redeemable or redeemable only at the discretion of the parent company, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Preferred share capital is classified as a liability if it is redeemable on a set date or at the option of the shareholders, or where the dividends are mandatory. Dividends thereon are recognised as interest expense in the statement of comprehensive income.

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**(g) Impairment of Assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**(h) Intangibles Other than Goodwill**

**Patents and trademarks**

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life.

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

**(i) Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the Company's functional currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

**(j) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

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**Options Scheme**

The Group operates an option scheme for eligible employees, directors, consultants and other participants approved by the ESC Board of Directors. The number of options expected to vest is to be reviewed and adjusted at each reporting date so that the amount recognised for services received as consideration for the options granted will be based on the number of options that eventually vest. The entitlement to Options is determined by the Board and options vest over a period ending at 31 August 2014 at the discretion of the Board. Options may be conditional on service conditions and performance hurdles. A total of 6,000,000 options have been granted, subject to meeting these hurdles.

ESC Limited is an unlisted company. As such, it would be highly subjective to value the options fairly, in particular, given the absence of data relating to a listed share price, and historical and implied option volatilities. Having regard to these factors, the Directors have determined that the cost of options expensed would not be material, and therefore not recognised in the Statement of Comprehensive Income for the current year; nor has an offsetting Reserve been established in the Balance Sheet of the same amount. The relevant expense will be included in future financial periods as these variables become capable of more accurate determination.

**(k) Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**(l) Provision for Warranties**

Provision is made in respect of the Company's best estimate of the liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the entity's history of warranty claims.

**(m) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**(n) Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

**(o) Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

**(p) Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(q) Borrowing Costs**

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.



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**(s) Government Grants and Subsidies**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**(t) Comparative Figures**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the Company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

**(u) Critical Accounting Estimates and Judgments**

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

**Key Estimates**

*(i) Impairment - General*

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

**(v) New Accounting Standards for Application in Current Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt any of the new and amended pronouncements. The Company has adopted the following Accounting Standards for application on or after 30 June 2013:

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*AASB 2011-9: this standard amends AASB 101 to require the grouping of items presented in OCI on the basis of whether they give rise to potential reclassification adjustments through profit or loss. The Company has incorporated this change to the standard within its reporting requirement.*

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**Note 2      Revenue and Other Income**

	2013 \$	2012 \$
<b>Revenue from continuing operations</b>		
Sales revenue		
— Sale of goods	540,719	583,604
— Government grants	-	58,919
Total sales revenue	<u>540,719</u>	<u>642,523</u>
Other revenue		
— interest received	2,509	12,681
— rental revenue	27,182	14,628
— royalties	-	110,974
Total other revenue	<u>29,691</u>	<u>138,283</u>
Total sales revenue and other revenue	<u>570,410</u>	<u>780,805</u>
Other income		
— Government subsidies for Research and Development	492,344	-
— Foreign exchange gain	598	-
Total other income	<u>492,942</u>	<u>-</u>
Interest revenue from:		
— other corporations	2,509	12,681
Total interest revenue on financial assets not at fair value through profit or loss	<u>2,509</u>	<u>12,681</u>
<b>(b) Total revenue and other income from continuing operations</b>	<u>1,063,352</u>	<u>780,805</u>

**Note 3      Profit for the Year**

	2013 \$	2012 \$
Expenses		
Cost of sales	321,885	472,226
Interest expense on financial liabilities not at fair value through profit or loss:		
— Insurance funding	1,732	5,796
Total interest expense	<u>1,732</u>	<u>5,796</u>
Foreign currency translation losses	598	1,914
Bad and doubtful debts:		
— trade receivables	10,329	2,649
Total bad and doubtful debts	<u>10,329</u>	<u>2,649</u>
Employee benefits expense:		
— contributions to defined contribution superannuation funds	24,121	28,042
Rental expense on operating leases		
— minimum lease payments	107,414	59,859

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**Note 4      Income Tax Expense**

	2013 \$	2012 \$
(a) The components of tax expense comprise:		
Current tax	70,906	(72,852)
Recoupment of prior year tax losses		
Under (over) provision in respect of prior years	14,463	53,699
	<u>85,369</u>	<u>(19,153)</u>
(b) Prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at [30]% (2012: [30]%)	70,906	(72,852)
	<u>70,906</u>	<u>(72,852)</u>
Add:		
Tax effect of:		
— Under/over provision for income tax - R&D claim	14,463	-
	<u>85,369</u>	<u>(72,852)</u>
Less:		
Tax effect of:		
— Under/over provision for income tax - R&D claim	-	53,699
Income tax attributable to entity	<u>85,369</u>	<u>(19,153)</u>

**Note 5      Key Management Personnel Compensation**

KMP are defined as any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (executive or otherwise) of the entity.

The totals of remuneration paid to KMP of the company during the year are as follows:

	2013 \$	2012 \$
Short-term employee benefits	-	23,109
Retirement benefits	-	2,080
Total KMP compensation	<u>-</u>	<u>25,189</u>

**Other KMP Transactions**

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 24: Related Party Transactions. For details of loans to KMP, refer to Note 9: Trade and Other Receivables.

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**Note 6 Auditors' Remuneration**

	2013 \$	2012 \$
Remuneration of the auditor for:		
— auditing the financial report	25,350	17,835
— taxation services	4,990	2,911
	<u>30,340</u>	<u>20,746</u>

**Note 7 Franking Account Balance**

	2013 \$	2012 \$
Balance of franking account at year end adjusted for franking credits arising from:		
— balance brought forward from previous year	202,440	141,297
— payment/(refund) of income tax	-	61,143
	<u>202,440</u>	<u>202,440</u>

**Note 8 Cash and Cash Equivalents**

	2013 \$	2012 \$
Cash at bank and on hand	333,413	344,722
	<u>333,413</u>	<u>344,722</u>

**Note 9 Trade and Other Receivables**

	2013 \$	2012 \$
<b>CURRENT</b>		
Trade receivables	253,429	60,165
	<u>253,429</u>	<u>60,165</u>
Other receivables	-	5,091
Total current trade and other receivables	<u>253,429</u>	<u>65,256</u>
<b>NON-CURRENT</b>		
Rental bond	38,749	38,750
	<u>38,749</u>	<u>38,750</u>
Amounts receivable from related parties		
— Other related parties	30,595	30,595
Total non-current trade and other receivables	<u>69,344</u>	<u>69,345</u>

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**Note 10 Inventories**

2013  
\$

2012  
\$

**CURRENT**

Solar hot water systems and parts at the lower of cost and net realisable value.

142,165

143,370

142,165

143,370

**Note 11 Other Financial Assets**

2013  
\$

2012  
\$

**NON CURRENT**

Available-for-sale financial assets

Total Non-current Assets

503,560

389,560

503,560

389,560

**Available-for-sale financial assets**

**NON CURRENT**

Listed investments, at fair value

— shares in listed corporations

338,653

338,653

338,653

338,653

Unlisted investments, at fair value

— shares in other corporations

114,000

-

114,000

-

Unlisted investments, at cost

— shares in other corporations

50,907

50,907

50,907

50,907

Total non-current available-for-sale financial assets

-

-

503,560

389,560

**Note 12 Property, Plant and Equipment**

2013  
\$

2012  
\$

**PLANT AND EQUIPMENT**

Furniture and fittings

At cost

(Accumulated depreciation)

3,912

3,912

(2,018)

(1,594)

1,894

2,318

Computer Equipment and Software

At cost

(Accumulated depreciation)

50,623

47,114

(47,661)

(41,732)

2,962

5,382

Equipment

At cost

(Accumulated depreciation)

19,711

19,324

(9,022)

(7,139)

10,689

12,185

Motor Vehicle

At cost

(Accumulated depreciation)

28,182

28,182

(16,896)

(13,352)

11,286

14,830

Leased plant and equipment

At cost

(Accumulated depreciation)

39,185

-

(2,612)

-

36,573

-

Total plant and equipment

63,404

34,715

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**(a) Movements in Carrying Amounts**

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

	Leased Assets	Furniture & Fittings	Computer Software	Equipment	Vehicle	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011	-	1,818	10,164	3,072	17,867	32,921
Additions	-	864	-	10,727	-	11,591
Depreciation expense	-	(364)	(5,082)	(1,614)	(3,037)	(10,097)
Balance at 30 June 2012	-	2,318	5,082	12,185	14,830	34,415
Additions	39,185	-	3,509	386	-	43,080
Depreciation expense	(2,612)	(424)	(5,629)	(1,883)	(3,544)	(14,092)
Balance at 30 June 2013	36,573	1,894	2,962	10,688	11,286	63,403

**Note 13 Intangible Assets**

	2013	2012
	\$	\$
Integrated thermal device ("CoolSolar")	846,708	846,708
Research & Development in 2013	400,592	-
Patent costs	92,381	41,090
Goodwill		
Cost	121,847	121,847
Accumulated impairment losses	-	-
Net carrying amount	121,847	121,847
Trademarks and licences		
Cost	6,344	-
Accumulated amortisation and impairment losses	-	-
Net carrying amount	6,344	-
Total intangibles	1,467,872	1,009,646

Goodwill represents the cost of assets acquired from a Related Party under an Asset Sale Agreement dated 29 June 2007 for consideration of \$150,000, satisfied by the issue of 15 million Preference shares - subsequently converted into Limited Voting Ordinary Shares.

The Directors have reviewed the Goodwill valuation and consider that the valuation is adequate to reflect the level of Goodwill within the Company and therefore no impairment is required.

**"CoolSolar" Project Costs and Valuation**

The value of the "CoolSolar" project has been recorded in the 2013 ESC annual accounts at actual costs. The Board is of the view that the valuation of the project is conservative. The valuation is embodied in provisional patents lodged during the 2012 and 2013 financial year.

The Group is seeking further advice regarding the worldwide geographic scope of the patent operation. Advice received so far suggests that the potential benefits of the patent are encouraging. Therefore the directors believe that the net carrying value is not impaired.

**Note 14 Other Assets**

	2013	2012
	\$	\$
CURRENT		
Prepayments	17,275	44,294
	17,275	44,294

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**Note 15      Trade and Other Payables**

	2013	2012
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	152,147	106,183
Construction contract advances received	65,760	-
	<u>217,907</u>	<u>106,183</u>

**Note 16      Borrowings**

	2013	2012
	\$	\$
CURRENT		
Unsecured liabilities		
Insurance Premium funding	17,133	13,212
Total current borrowings	<u>17,133</u>	<u>13,212</u>

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**Note 17      Tax**

				2013			2012
				\$			\$
<b>CURRENT</b>							
Income tax payable				-			5,770
				-			5,770
	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance	
	\$	\$	\$	\$	\$	\$	
<b>NON-CURRENT</b>							
<b>Deferred tax liability</b>							
Property, plant and equipment							
- tax allowance	-	-	-	-	-	-	
- exchange traded options	-	-	-	-	-	-	
R & D expenses capitalised for book						-	
Patents and trademarks capitalised for book						-	
<b>Balance as at 30 June 2012</b>	-	-	-	-	-	-	
Property, plant and equipment							
- tax allowance	-	-	-	-	-	-	
- exchange traded options	-	-	-	-	-	-	
R & D expenses capitalised for book	-	-				-	
Patents and trademarks capitalised for book	-					-	
<b>Balance as at 30 June 2013</b>	-	-	-	-	-	-	
	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Exchange Differences	Closing Balance	
	\$	\$	\$	\$	\$	\$	
<b>Deferred tax assets</b>							
Provisions	22,585	(3,470)	-	-	-	19,114	
Recognition of tax losses being recoverable	62,804	25,361	-	-	-	88,165	
<b>Balance as at 30 June 2012</b>	85,389	21,891	-	-	-	107,279	
Provisions	19,114	2,796	-	-	-	21,910	
Recognition of tax losses being recoverable	88,165	(88,165)	-	-	-	-	
R & D expenses capitalised for book	-	-	-	-	-	-	
<b>Balance as at 30 June 2013</b>	107,279	(85,369)	-	-	-	21,910	



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**Note 18 Provisions**

CURRENT	2013	2012
Warranties	\$	\$
Opening balance at beginning of year	21,325	22,664
Amounts used	-	(1,339)
Balance at end of the year	21,325	21,325
Short-term Employee Benefits		
Opening balance at beginning of year	23,376	28,134
Additional provisions raised during year	6,131	-
Amounts used	-	(4,758)
Balance at end of the year	29,507	23,376
Other - Auditing Fees		
Provisions raised for 2013	15,700	-
Balance at end of the year	15,700	-
	-	-
Total	66,532	44,701

**Analysis of Total Provisions**

	2013	2012
	\$	\$
Current	66,532	44,701
	66,532	44,701

**Provision for Warranties**

The Provision for Warranty has been recognised having regard to empirical indicators of repairs and replacements historically carried out under Product guarantees. The amount represents the directors' best estimate of costs to be incurred during 2012/2013

**Note 19 Issued Capital**

	2013	2012
	\$	\$
2012 (1,415,895 fully paid ordinary shares)	92,348	92,348
2012 (30,746,683 fully paid ordinary shares - limited voting )	1,419,427	1,411,926
Advance Payment of Proposed Rights Issue	260,000	-
	1,771,775	1,504,274

**(a) Ordinary Shares (Voting)**

	2013	2012
	No.	No.
At the beginning of reporting period	1,415,895	400,000
Shares issued during year		
— 21/07/2011 - Rights Issue 1:6	-	63,333
— 03/08/2011 - Placement	-	480,597
— 04/03/2012 - Rights Issue 1:2	-	471,965
At the end of the reporting period	1,415,895	1,415,895

**(b) Ordinary Shares - (Limited Voting)**

	2013	2012
	No.	No.
At the beginning of the reporting period	30,746,683	17,115,000
— 21/07/2011 - Rights Issue 1:6	-	2,852,500
— 03/08/2011 - Placement	-	103,570
— 04/03/2012 - Rights Issue 1:2	-	10,675,613
At the end of the reporting period	30,746,683	30,746,683

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**Note 20      Leasing Commitments**

	2013 \$	2012 \$
<b>Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	120,000	116,875
— between 12 months and 5 years	160,000	106,333
	<u>280,000</u>	<u>223,208</u>

The company has entered into two property leases. The property leases are non-cancellable with two-year and three-year terms with rent payable monthly in advance. The rental provisions with the lease agreement require that minimum lease payments shall be increased by CPI. Options exist to renew the leases at the end of their terms. The lease allow for sub-letting of all lease areas.

**Note 21      Contingent Liabilities and Contingent Assets**

There are no contingent liabilities or contingent assets of a material nature as at balance date

**Note 22      Operating Segments**

**Segment Information**

The company and its controlled entities operate in Australia, and in the same business segment of solar energy.

**Note 23      Cash Flow Information**

	2013 \$	2012 \$
<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Net (Deficit) / Profit before income tax	236,350	(242,840)
Income tax benefit	(85,369)	19,153
Cash flows excluded from profit attributable to operating activities		
Government cash incentives and grants for investing activities	(469,001)	-
Non-cash flows in calculating profit		
Depreciation	14,682	10,096
Bad debt written down	10,329	-
Accrued Audit fee for 2013	15,700	-
Change in assets and liabilities		
(Increase)/decrease in trade receivables	(17,002)	(19,065)
(Increase)/decrease in prepayments	27,019	(25,876)
(Increase)/decrease in inventories	1,204	(17,619)
Increase/(decrease) in trade payables and accruals	111,725	(124,427)
Increase/(decrease) in income taxes payable	(5,770)	(54,380)
Increase/(decrease) in deferred taxes payable	85,368	(21,892)
Increase/(decrease) in provisions	21,832	(6,097)
Cash flow from operations	<u>(52,934)</u>	<u>(482,946)</u>

**Note 24      Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to external parties unless otherwise stated. Note 9 refers to trade and other amounts receivable from related parties. Note 5 sets out details of compensation paid to Key Management Personnel, and to Options and Shares held by those dates.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
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**Note 25 Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2013 \$	2012 \$
<b>Financial Assets</b>			
Cash and cash equivalents	8	333,413	344,722
Loans and receivables	9	322,773	134,601
Available-for-sale financial assets			
— at fair value			
— listed investments	11	338,653	338,653
— unlisted investments	11	114,000	-
		<u>452,653</u>	<u>338,653</u>
— at cost			
— unlisted investments	11	50,907	50,907
Total available-for-sale financial assets		<u>503,560</u>	<u>389,560</u>
<b>Total Financial Assets</b>		<u><u>1,159,746</u></u>	<u><u>868,882</u></u>
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost			
— Trade and other payables	15	217,907	106,183
— Borrowings	16	17,133	-
<b>Total Financial Liabilities</b>		<u><u>235,040</u></u>	<u><u>106,183</u></u>

**Financial Risk Management Policies**

The Finance Committee has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Company. The Finance Committee monitors the Company's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The Finance Committee's overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks the entity is exposed to through its financial instruments are credit risk and liquidity risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**a. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the entity.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Finance Committee has otherwise assessed as being financially sound. Where the Company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

*Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2013**

**b. Liquidity risk**

Liquidity risk arises from the possibility that the entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The entity manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

**Note 26 Parent Information**

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the Australian Accounting Standards.

	2013 \$	2012 \$
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets	320,484	1,523,599
Non-current assets	3,129,446	1,399,305
Total assets	<u>3,449,930</u>	<u>2,922,904</u>
<b>Liabilities</b>		
Current liabilities	111,928	192,965
Total liabilities	<u>111,928</u>	<u>192,965</u>
<b>Equity</b>		
Issued capital	1,771,775	1,504,275
Retained earnings	1,225,664	1,143,886
Current earnings	340,563	81,778
Total equity	<u>3,338,002</u>	<u>2,729,939</u>
<b>Statement of Comprehensive Income</b>		
Total profit	340,563	81,778
Total comprehensive Income	<u>340,563</u>	<u>81,778</u>

**Note 27 Controlled Entities**

Name	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
			2013 %	2012 %	2013 \$	2012 \$
Unlisted:						
Endless Solar Operations Pty Ltd	Australia	Ord	100	100	100	100
Endless Solar Technology Pty Ltd	Australia	Ord	100	100	100	100
Renewable Energy Exchange Pty	Australia	Ord	100	100	2	2
Endless Energy Solutions Pty Ltd	Australia	Ord	60	-	600	-
Endless Aqua Pty Ltd	Australia	Ord	63	63	25	25

**Note 28 Company Details**

The registered office of the company is:

Endless Solar Corporation Limited & Controlled Entities  
Level 10, 406 Collins Street, Melbourne VIC 3000

The principal place of business is:

Endless Solar Corporation Limited & Controlled Entities  
Level 10, 406 Collins Street Melbourne VIC 3000

**ENDLESS SOLAR CORPORATION LIMITED & CONTROLLED ENTITIES**  
**ABN: 51 122 708 061**  
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Endless Solar Corporation Limited & Controlled Entities, the directors of the company declare that:

1. the financial statements and notes, as set out on pages, as set out on pages 5 to 25, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company.
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.

Director



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***Mr David H.A Craig***

Dated this            20th day of            September            2013



**JOHN WHELLER, F.C.A.**

CHARTERED ACCOUNTANT

## **Independent auditor's report**

### **To the members of Endless Solar Corporation Limited**

#### **Report on the financial report**

I have audited the accompanying financial report of Endless Solar Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

#### ***Directors' Responsibility for the Financial Report***

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

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Registered Company Auditor No.9003

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

***Independence***

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the Directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' report.

***Auditor's Opinion***

In my opinion:

- a. The financial report of Endless Solar Corporation Limited is in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



.....  
John Wheller  
Director

Dated this            20th            day of            September            2013