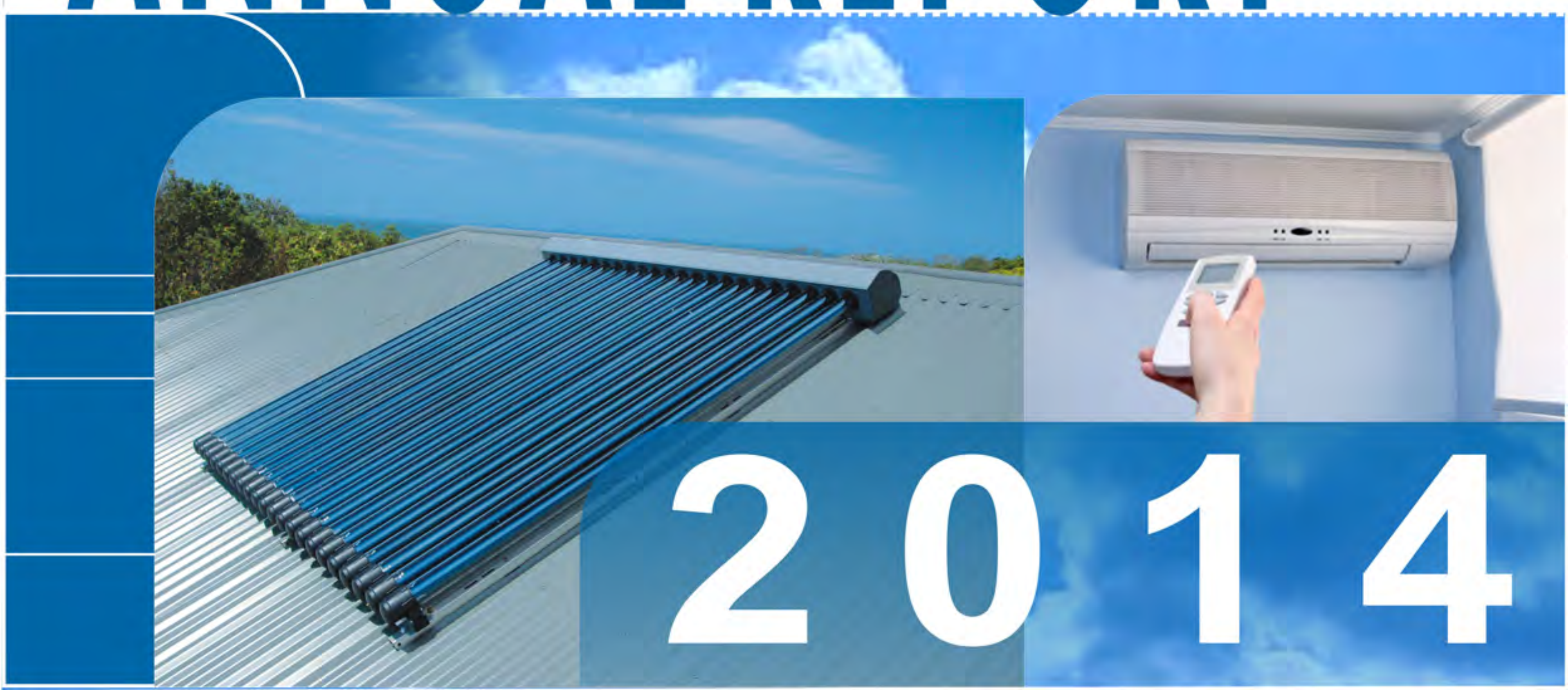
ENDLESS SOLAR — Endless Energy
COOLSOLAR — Endless Innovation

ENDLESS SOLAR CORPORATION LTD

www.endless-solar.com.au

ANNUAL REPORT



2014

CORPORATE DIRECTORY

Registered Office and Principal Place of Business:
Level 10
406 Collins Street
Melbourne Victoria 3000

Directors:
Mr. David H Craig – Chairman and Executive Director
Mr. Chris Baring-Gould – Non Executive Director
Ms. Cathy W Lin – Executive Director

Secretary:
Cathy W Lin C.A.

Auditor:
Margaret Salter F.C.A. MAICD
Chartered Accountant
P O BOX 194
Doncaster, Vic, 3108

Share registry:
Boardroom Pty Limited
Level 7, 207 Kent Street, Sydney NSW 2000

Stock exchange listing:
Endless Solar Corporation Limited ordinary limited voting shares are listed
on the National Stock Exchange Australia
(code: ESCLV)

CHAIRMAN'S LETTER

Endless Solar designs and supplies evacuated tube solar hot water systems for residential and commercial purposes.

The company has experienced a roller-coaster environment over the past five years and the company responded to the changed market and slump in residential demand by restructuring its operations, changing management, relocating its premises and redirecting its sales focus to the commercial market. Management has also looked to innovation as a source of competitive advantage and driver of long term growth. In particular, it has invested considerable capital in a major research project called CoolSolar, the objective of which is to harness heat from a solar hot water system for conversion into cool air through an air-conditioning system.

The strategy to reposition the business toward the commercial market looks like it will be successful. The commercial market is growing as more sophisticated customers appreciate the long term benefits of solar water heating. Whereas the residential market is highly competitive and dominated by flat panels, the commercial market is under-serviced with clients demanding a greater emphasis on design, quality and support. Also commercial projects generally have higher sales values. Endless Solar has been successful in this market in securing design and supply contracts with a range of government, institutional and commercial customers. Innovation is a core element of Endless Solar's growth strategy with the potential to generate substantial long term value. A number of projects are being pursued but the most important is CoolSolar, a unique project to produce cool air from solar heat. The project has successfully demonstrated a proof of concept and designed the ejector, which is the key component of the technology. A major outcome has been the receipt of 4 PCTs (the step between provisional and final patents).

The next step is to undertake field trials which will test the technology in prototype configuration, encompassing evacuated tubes as the heat source to test performance under a variety of environmental (temperature) conditions. These tests will seek to prove that the technology can reduce ambient heat to 20 degrees and maintain this temperature as well as establishing the number of tubes required to deliver sufficient heat.
The field trial is in effect a performance test under heavy duty operating conditions. This test will be a critical milestone as it will validate the technology and provide the data necessary for potential licensees and investors with which to fully assess its potential. These tests will also provide a basis for valuation of the technology.

The field trial is expected to be completed during the current financial year.

CORPORATE GOVERNANCE STATEMENT

The Board is ultimately responsible for all matters relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Providing leadership to the company by
  - Guiding the development of an appropriate culture and values for the company through the establishment and review of Codes of Conduct, rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods;
  - Always acting in a manner consistent with the Company's culture and Code of Conduct;
- Overseeing the development and implementation of an appropriate strategy by:
  - Working with the senior management team to ensure that an appropriate strategic direction and array of goals are in place;
  - Regularly reviewing and amending or updating the Company's strategic direction and goals;
  - Ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
  - Overseeing planning activities including the development and approval of strategic plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets.
  - Reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis.
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders;
- Overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
  - Ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- Ensuring appropriate human resource systems (including OH&S systems) are in place to ensure the well-being and effective contribution of all employees.
- Making all decisions outside the scope of these delegated powers including:
  - Approving all operational expenditures more than 10% outside the approved budget;
  - Approving the details of all items of capital expenditure and
  - Approving all mergers, acquisitions or property disposals and
  - Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.
- The detail of some Board functions will be handled through Board Committees. However, the Board as a whole is responsible for determining the extent of powers residing in each Committee and is ultimately responsible for accepting, modifying or rejecting Committee recommendations.

Directors' Authorities and Delegations

Directors are responsible for any delegations of their responsibilities with regard to corporate operations. As such, they decide as a Board what Company matters are delegated to either specific Directors or management. In addition, they outline what controls are in place to oversee the operation of these delegated powers.

As a consequence, individual Directors have no individual authority to participate in the day-to-day management of the Company including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations.

The exception to this principle occurs where the Board through resolution explicitly delegates an authority to the Director individually. Additionally, it is recognised that all Executive Directors will carry significant delegated authority by virtue of their management position as outlined in a relevant Board resolution.

Similarly, Committees and their members require specific delegations from the Board as a whole and these will be contained in each Committee's respective Terms of Reference.

General Delegations

In general, the Board delegates all powers and authorities required to effectively and efficiently carry out the Company's business. Listed below are the exceptions to these delegations, whereby the Board or appropriate Committee reserves the powers as indicated.

Decisions Requiring Board Approval

The following decisions must be referred to the Board for approval:

- Acquiring or selling shares of the Company;
- Acquiring, selling or otherwise disposing of property;
- Founding, acquiring or selling subsidiaries of or any company within the Company, participating in other companies or dissolving or selling the Company's participation in other companies (including project joint ventures);
- Acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company;
- Founding, dissolving or relocating branch offices or other offices, plants and facilities;
- Starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;
- Approving and/or altering the annual business plan (including financial planning) for the Company or any part of the Company;
- Taking or granting loans including, without limitation, the placing of credit orders, issuing of promissory notes or loans against IOUs;

Granting securities of any type;

- Granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;
- Determining the balance sheet strategy for the Company or any part of the Company;
- Entering into agreements for recurring, voluntary, or additional social benefits, superannuation agreements or agreements for general wage and salary increases;
- Determining the total amount of bonuses and gratuities for Company officers and employees;
- Determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board of Directors; and

Granting or revoking a power of attorney or limited authority to sign and/or act on behalf of the Company.

The composition of the Board is reviewed and considered at least annually at a meeting of all directors. Shareholder approval is required on the composition of the Board. Directors are elected by shareholders and remain accountable to them. The Board will meet formally on a regular basis.

The board presently comprises two non-executive directors and an executive director.

The company policy regarding the terms and conditions for remuneration relating to the appointment and retirement of Board members are approved at a meeting of all directors following professional advice. The directors of the Company, meeting as a Board, determine the fees of directors within the aggregate limit established by shareholders in general meeting.

The remuneration and terms and conditions of executive officers are reviewed and approved by the directors after seeking professional advice.

Non-executive members have the right to seek independent professional advice in the furtherance of their duties as Directors at the company's expense. The Chairman's approval of such expenditure is required.

Where any director has an interest of any kind in relation to any matter dealt with at a board or committee meeting that director abstains from participation in the decision process.

Directors and officers must inform the Chairman, in advance, of any proposed dealing in Endless Solar Corporation Limited securities, refrain from buying or selling in the period of five days before, the day of, and the day after announcements and observe all legal requirements relating to dealing in securities. Directors and officers are prohibited from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Communications to Shareholders
The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to shareholders through:

- The Annual Report which is distributed to all shareholders
- The Annual General Meeting and other meetings so called to obtain approval for board action as appropriate;
- The appointment of a contact for shareholder liaison to respond to telephone and written shareholder inquiries.

Evaluation of the performance of senior executives, the board, its committees and individual directors

The Chairman reviews the performance of the senior executives by way of formal and informal discussions as appropriate throughout the year. The performance of the senior executives was reviewed during the financial year in accordance with this process.

A review of the performance of the Board and its Committees during the financial year, is conducted by the Chairman through formal and informal discussions. Significant issues that are identified or changes recommended are actioned by the Board.
Given the current size of the Board, there are no formal performance reviews of individual directors.

Keeping the market informed
The company has documented policies for communications and continuous disclosure procedures and practices. The board specifically addresses the issue of price sensitive information at each of its board meetings.
The Company Secretary is responsible for the communication of administrative matters to the stock exchange.

Audit Committee
At the date of this report the Company has an Audit Committee consisting of the following directors and officeholders:

Chris Baring-Gould	- Audit Committee Chairman
Kevin L Thomas	- Director/Company Secretary (resigned on 26th February 2014)
Cathy Lin	- Director (appointed on 20th March 2014)

The Audit Committee does not have a formal charter but its objectives to assist the Board in fulfilling its statutory responsibilities in relation to financial reporting, risk management and internal control include:

- Assessing the risk and control environment – review accounting policies, internal controls, practices and disclosures to assist the board in making informed decisions
- Overseeing the financial reporting to ensure it is appropriate and of a high quality prior to recommending adoption of the financial statements by the board for release to the NSX and shareholders
- Evaluating the audit process, particularly the scope, effectiveness and outcome

Committee members are financially literate, that is, have the ability to read and understand financial reports including the statements of financial performance, financial position and cash flow.

The Audit Committee meets at least each half year to coincide with the production of published financial statements and the assessment of external audit reports. The external auditor and the Managing Director are invited to Audit Committee meetings. The committee members consult directly with the external auditor as required. This consultation may be independent of management in order to provide an opportunity for the auditor to discuss any contentious issue or raise concerns.

Risk Management

The Board as a whole considers the major risks affecting the business. Endless Solar has developed a risk management system to evaluate and control risks effectively to ensure opportunities are not lost, competitive advantage is enhanced, and management time is not spent reacting to issue or events. It is not intended to eliminate risk. This risk management system encompasses all financial operational and compliance controls and risk management and is subject to regular review.

Major business risks have been identified as quality of due diligence of investment opportunities, actions by competitors, environment regulation and government policy changes. Procedures have been developed to minimise the effect of these risks wherever possible.

Financial controls and procedures are clearly defined with the operating and capital budgets used as key controls for business operations. The Board considers regular reports comparing actual results against the budgets set by the Board.

The Managing Director provided a written statement to the Board, that in his opinion:

- the statement given in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control; and
- the company’s risk management and internal compliance and control framework is operating effectively in all material respects in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

According to NSX practice note #14, NSX advises that listed companies may refer to ASX Corporate Government Council Guidelines in developing their own corporate governance policies and procedures.

ASX Corporate Governance Council Guidelines
The Board has not adopted the following ASX Corporate Governance Council recommendations:

Recommendation 1.1 Formalise and disclose the functions reserved to the board and those delegated to management.
The board has formalised a statement of issues reserved for the board and this statement is reproduced in this Corporate Governance Report.

Recommendation 2.1 A majority of the board should be independent directors
While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises that the need for independence is to be balanced with the need for skills, commitment and a workable board size. Whilst the board consists of three directors, Mr. Craig is a substantial shareholder and therefore cannot be regarded as independent director.

Your board believes that it consists of members with the skills, experience and character required to discharge its duties and that any greater emphasis on independence at this point in time would be at the expense of the Board's effectiveness.

Recommendation 2.4 The Board should establish a nomination committee
The Board considers that the selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board to consider the nomination process. As the board consists of only three directors this is considered best practice at this stage in the company's development.

Recommendation 3.1 Establish a Code of Conduct to guide Directors, the Managing Director, and any other key executives as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
Due to the size of the company and the resources available to it, the board does not consider that a formal code of conduct for Directors, the Managing Director and the Company Secretary is appropriate. Rather it is agreed that all officers of the company will act ethically and in the best interests of the company.

Recommendation 3.2 Establish a policy concerning gender diversity
Due to the size of the company, the board does not consider that a gender diversity policy is practicable. Rather it is agreed that there should be no impediments to gender diversity.

Recommendation 4.3 Structure the Audit Committee so that it consists of only non-executive directors, an independent chairperson, who is not chairperson of the board, at least two members.
Increasing the size of the committee to three members, who are also not the chairperson of the Board, is not possible given the composition of the board. The Audit Committee consists of both executive and non-executive directors.

Recommendation 8.2 The Board should establish a Remuneration Committee
The board considers that due to its small size all members should be involved in determining remuneration levels, it has not established a separate remuneration committee.

DIRECTORS' REPORT

The directors of Endless Solar Corporation Limited submit herewith the annual report of the company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the Directors

The names and particulars of the directors of the company during or since the end of the financial year are:

Name, qualifications and responsibilities	Experience
Mr David H. A. Craig Bachelor of Economics (Monash) Executive Director & Chairman	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 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).
Ms Cathy W Lin B.Com, C.A. Executive Director & Company Secretary	Cathy is a Chartered Accountant with a strong accounting and taxation focus. She has over ten years' experience in small professional accounting firms. Cathy joined the Group in 2011 and was appointed as Company Secretary on 3rd March 2014. Cathy was invited to join the Board on 20th March 2014.
Mr Kevin L.Thomas CPA Executive Director Company Secretary (resigned on 26th February 2014)	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.

The above named directors held office during the whole of the financial year and since the end of the financial year to the date of this report unless otherwise stated.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares of the company are as follows:

1. **Ordinary Shares as at 30/06/2014**

Director	Full voting ordinary share No	Limited voting ordinary share No	Total No
Mr. D.H.A.Craig	1,009,073	16,503,752	17,512,825
Mr.C Baring-Gould	1,436,400	160,821	1,597,221
Ms. C W Lin	-	132,000	132,000
Mr.K.L.Thomas	108,000	300,000	408,000
Total	2,553,473	17,096,573	19,650,046

2. 2013 September Options attached to Right Issue as at $0.15 per share lapse by 31/07/2018

Director	Options over full voting ordinary share No	Options over limited voting ordinary share No	Total No
Mr. D.H.A.Craig	168,179	2,816,800	2,984,979
Mr.C Baring-Gould	43,000	239,400	282,400
Ms. C W Lin	-	38,000	38,000
Mr.K.L.Thomas	18,000	50,000	68,000
Total	229,179	3,144,200	3,373,379

3. 2012 April Options attached to Right Issue as at $0.10 per share lapse by 31/03/2017

Director	Options over full voting ordinary share No	Options over limited voting ordinary share No	Total No
Mr. D.H.A.Craig	280,299	4,547,667	4,827,966
Mr.C Baring-Gould	410,667	11,667	422,334
Ms. C W Lin	90,000	190,000	190,000
Mr.K.L.Thomas	90,000	-	90,000
Total	780,966	4,749,334	5,530,300

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Share options granted to directors

During and since the end of the financial year, no share options were granted to the directors.

Principal 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

The consolidated net comprehensive income of the economic entity was after providing for income tax amounted to $390,401 (2013: $144,003). The net operating profit for the year was 68,908 (2013 $30,003).

Dividends Paid or Recommended

No dividends were paid or recommended during the financial year.

Review of Operations

The review of operations is included in the attached Chairman's letter.

During the 2014 financial year, the company continued carrying on its strategies of being the specialist and technology innovator in design and supplying evacuated tube solar hot water systems in the Australian and international market. The company focused on developing commercial projects. The commercial projects completed during the year were significantly increased compared with previous year.

Financial Position

The net assets of the economic entity have increased by $773,653 to $3,223,473 at 30 June 2014. This has largely resulted from the following factors:

1. The increase in the valuation of the investments in Speedpanel Australia Ltd and E-Tube Finance Limited.
2. The ongoing investment in research and development

There were no other significant changes in the state of affairs of the economic entities during the financial year ended 30 June 2014.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments, Prospects and Business Strategies

To further improve the economic entity's profit and maximise shareholder wealth, the following developments are intended to be implemented in the near future. The Directors intend to continue the company's current operations of investing in research and development and securing international patent rights. This course of action will assist in the achievement of the economic entity's long-term goals and development of new business opportunities.

Meetings of Directors

During the financial year 6 meetings of directors (including committees) were held. Attendances were

	Directors' Meetings			Audit Committee Meetings	
	Number eligible to attend	Number attended		Number eligible to attend	Number attended
Mr. D.H.A. Craig	6	6		-	-
Ms. C W Lin	3	3		1	1
Mr. C Baring-Gould	6	6		1	1
Mr. K.L. Thomas	3	3		1	1

Environmental Issues

The economic entity is not subject to significant environmental regulation under the law of the Commonwealth and State.

Indemnifying Officers or Auditor

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary and all executive officers of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director, secretary or officer of the company, other than conduct involving a wilful breach of duty in relation to the company to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits the disclosure of the premium amount.

Apart from the insurance premium noted above, no indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is an officer or auditor of the economic entity.

Options issued and share issued on exercise of options

Details of unissued shares or interests under option and shares issued on exercise of options as at the date of this report are:

1. **ESC Option Scheme 1 – over limited voting ordinary shares, lapsed at 31/08/2014 and shares issued on exercise of options**

Option Series	Grant date	Grant date fair value	Exercise price	Expiry date	Unit	Cost $	Options exercised at 28/08/2014	Costs $	**Options lapse at 31/08/2014**
1	02/09/2008	0.12	0.12	31/08/2014	3,935,000	472,200	827,500	99,300	**3,107,500**
2	02/09/2008	0.20	0.20	31/08/2014	695,000	139,000	-	-	**695,000**
3	02/09/2008	0.30	0.30	31/08/2014	995,000	298,500	-	-	**995,000**
Total					5,625,000	909,700	827,500	99,300	**4,797,500**

2. **Options - Others**

Issuing Entity	Scheme Name	Grant date	Number of shares under options	Class of shares	Exercise price of option	Expiry date
Endless Solar Corporation Limited	ESC Option Scheme 2	13/08/2013	10,000,000	Ordinary limited voting	$0.22	20/06/2019
Endless Solar Corporation Limited	Options attached to April 2012 Right Issue shares	04/04/2012	10,225,616	Ordinary limited voting	$0.10	31/03/2017
Endless Solar Corporation Limited	Options attached to April 2012 Right Issue shares	04/04/2012	471,966	Ordinary full voting	$0.10	31/03/2017
Endless Solar Corporation Limited	Options attached to September 2013 Right Issue shares	28/09/2013	6,149,337	Ordinary limited voting	$0.15	31/07/2018
Endless Solar Corporation Limited	Options attached to September 2013 Right Issue shares	28/09/2013	283,179	Ordinary full voting	$0.15	31/07/2018
Endless Solar Corporation Limited	ESC Option Scheme 3	01/09/2014	15,000,000	Ordinary limited voting	$0.22	31/08/2020
Total			42,130,098			

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

No Non-Audit Services were provided by the Company’s external auditors during the financial year.

Auditor

Mr John Wheller F.C.A has handed in his resignation in accordance with section 329 of the Corporations Act 2001 in 1st May 2014 due to a dispute. The Board accepted his resignation and on 2nd June 2014 appointed Ms Margaret Salter as auditor subject to ASIC’s consent.

Auditors Independence Declaration

The auditor’s independence declaration for the year ended 30 June 2014 is included after this report.

Remuneration Report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Endless Solar Corporation Limited's key management personnel for the financial year ended 30 June 2014. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether

executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of key management personnel
- key terms of employment contracts.

Key management personnel

Name	**Position**
Mr. D.H.A. Craig	Director – Executive and Chairman
Mr. C Baring-Gould	Director – Non-Executive (resigned on 27th February 2014)
Ms. Cathy Lin	Director -- Executive/Company Secretary (appointed as Company Secretary 3rd March 2014 and Director on 20th March 2014)
Mr. K.L. Thomas	Director -- Executive/Company Secretary (resigned on 26th February 2014)

Remuneration Policy

The remuneration policy of Endless Solar Corporation Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based upon key performance areas affecting the economic entity's financial results. The board of Endless Solar Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the economic entity, as well as create goal congruence between director and shareholders.

The board's policy for determining the nature and amount of remuneration for board members of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

Where applicable, executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Remuneration Report (continued)

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth in future years.

Details of Remuneration for the Year Ended 30 June 2014

The remuneration for each director and executive officers of the consolidated entity receiving the highest remuneration during the year was:

Directors	Short-term Benefits Salary & fees $	Short-term Benefits Super. Contribution $	Post Employment Super. $	Share based Payments $	Other $	Total	Performance related %
Mr. D.H.A.Craig						-	-
Mr.C Baring-Gould						-	-
Mr.K.L.Thomas						-	-
Ms. C W Lin	82,080	7,592	-	-	25,342	115,014	-

Shares issued as Part of Remuneration for the Year Ended 30 June 2014

There were no shares issued to directors and executives as part of their remuneration during 2014.

Employment Contracts of Directors and Senior Executive

The directors and executives do not have formalised contracts of employment.

A Directors appointment may be terminated in accordance with the Corporations Act and the Constitution of the Company, and their office will be ipso facto vacated in the circumstances specified in the Corporations Act and the Constitution of the Company. A director may terminate their appointment by giving 3 months' notice in writing to the Company. The Company will pay the Director, by way of remuneration for his services, directors' fees in accordance with the Constitution of the Company.

This Directors report is signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

Mr. David Craig
Director

Dated this 30th September 2014

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ENDLESS SOLAR CORPORATION LIMITED

MMS Consulting

MMS Consulting Pty Ltd
Chartered Accountants
ABN 15 131 024 158

P.O. Box 194
Doncaster Vic 3108

The Board of Directors
Endless Solar Corporation Limited
Level 10 406 Collins Street
Melbourne VIC 3000

30 September 2014

Dear Board Members

Auditor's Independence Declaration
Endless Solar Corporation Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Endless Solar Corporation Limited.

As the auditor of the financial statements of Endless Solar Corporation Limited for the financial year ended 30 June 2014, I declare that, to the best of my knowledge and belief, during the financial year ended 30 June 2014 there has been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Margaret M Salter FCA

Telephone: +61 3 9840 6999 Mobile: 0419 588 242 margaret.salter@mmsconsulting.com.au Web: mmsconsulting.com.au

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Continuing operations			
Sales Revenue	4	785,038	570,410
Cost of Sales		(358,101)	(321,885)
Gross Profit		426,937	248,525
Other income		205,358	328,676
Administration expenses		(547,423)	(488,701)
Depreciation Expense		(10,799)	(14,682)
Finance costs	5	(1,081)	(1,732)
Other expenses		(14,147)	-
		(573,449)	(505,115)
Profit before tax		**58,845**	**72,086**
Income tax benefit	6	10,063	(42,083)
PROFIT FOR THE YEAR		**68,908**	**30,003**
Other comprehensive income, net of tax			
Gain on investment revaluation		321,493	114,000
Other comprehensive income for the year		321,493	114,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		390,401	144,003

	Note	2014	2013
Earnings per share:	22		
From continuing operations			
Basic (cents per share)		0.18807cps	0.09334cps
Diluted (cents per share)		0.18807cps	0.09334cps
There were no discontinued operations during the year.		-	-
There were no dividends declared during the year.		-	-

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	139,211	333,413
Trade and other receivables	11	105,853	89,163
Inventories	12	172,902	142,165
Other assets	16	18,106	18,613
TOTAL CURRENT ASSETS		436,073	583,354
NON-CURRENT ASSETS			
Trade and other receivables	11	170,792	69,344
Other financial assets	13	825,053	503,560
Property, plant and equipment	14	53,159	63,404
Deferred tax assets	18	73,921	63,858
Intangible assets	15	1,976,201	1,467,872
TOTAL NON-CURRENT ASSETS		3,099,125	2,168,038
TOTAL ASSETS		3,535,198	2,751,392
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	152,090	217,907
Borrowings		21,396	17,133
Current tax liabilities	18	-	-
Provisions	19	138,239	66,532
TOTAL CURRENT LIABILITIES		311,726	301,572
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		311,726	301,572
NET ASSETS		3,223,473	2,449,820
EQUITY			
Issued capital	20	2,155,027	1,771,775
Capital Development Reserve		265,812	265,812
Investment Revaluation Reserve		435,493	114,000
Retained earnings		367,141	298,233
TOTAL EQUITY		3,223,473	2,449,820

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Shares	Retained Earnings	Capital Development Reserve*	Investment Revaluation Reserve	Total
	$	$	$		$
Balance at 1 July 2012	1,504,275	268,230	265,812	-	2,038,317
Comprehensive income					
Profit for the year	-	30,003	-		30,003
Other comprehensive income for the year				114,000	114,000
Total comprehensive income for the year	-	30,003	-	114,000	144,003
Transactions with owners, in their capacity as owners and other transfer					
Payments in advance for shares issued	267,500				267,500
Total transactions with owners and other transfers	267,500	-	-		267,500
Balance at 30 June 2013	1,771,775	298,233	265,812	114,000	2,449,820
Balance at 1 July 2013	1,771,775	298,233	265,812	114,000	2,449,820
Comprehensive income					
Profit for the year		68,908	-		68,908
Other comprehensive income for the year				321,493	321,493
Total comprehensive income for the year	-	68,908	-	321,493	390,401
Transactions with owners, in their capacity as owners and other transfer					
Shares allotment through Rights Issued	383,252	-	-		383,252
Total transactions with owners and other transfers	383,252	-	-	-	383,252
Other					
Advance payments on Right Issues	-				-
					-
Total Other	-	-	-		-
Balance at 30 June 2014	2,155,027	367,141	265,812	435,493	3,223,473

* 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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		663,134	765,827
Payment to suppliers and employees		(939,265)	(833,269)
Interest received		3,766	2,509
Government grant received		205,358	
Taxes refund/(paid)		-	11,999
Net cash provided by/(used in) operating activities	24	(67,007)	(52,934)
CASH FLOWS FROM INVESTING ACTIVITIES			
Government subsidies received		-	275,431
Purchase of property, plant and equipment		-	(43,080)
NSX Listing fees		(15,641)	-
Payment for Research & Development activities		(439,264)	(400,592)
Payment for patents		(55,542)	(51,291)
Payment for trademark		-	(6,344)
Net cash provided by/(used in) investing activities		(510,447)	(225,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution received		383,252	7,500
Short term borrowing		-	-
Repayment of borrowings			
Advance payments for proposed Rights Issue		-	260,000
Net cash provided by/(used in) financing activities		383,252	267,500
Net increase/(decrease) in cash held		(194,202)	(11,310)
Cash and cash equivalents at beginning of financial year		333,413	344,723
Cash and cash equivalents at end of financial year	10	139,211	333,413

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 2014

Note 1 General Information

Endless Solar Corporation Limited is a listed public company, incorporated and domiciled in Australia. The registered office and principal place of business of the company is:

Level 10, 406 Collins Street, Melbourne VIC 3000

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.

Note 2 Application of New and Revised Accounting Standards

(a) New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures' As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 (note 45.2.1 and 45.3.2 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009- 2011 Cycle	The Annual Improvements to AASBs 2009 - 2011 have made a number of amendments to AASBs. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'	This standard makes amendment to AASB 1048 'Interpretation of Standards' following the withdrawal of Australian Interpretation 1039 'Substantive Enactment of Major Tax Bills in Australia'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

Note 2 Application of New and Revised Accounting Standards (Continued)

AASB CF 2013-1 ‘Amendments to the Australian Conceptual Framework’ and AASB 2013-9 ‘Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments’ (Part A Conceptual Framework)	This amendment has incorporated IASB’s Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 ‘Objective of General Purpose Financial Reporting’. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 ‘Consolidated Financial Statements’, AASB 11 ‘Joint Arrangements’, AASB 12 ‘Disclosure of Interests in Other Entities’, AASB 127 (as revised in 2011) ‘Separate Financial Statements’ and AASB 128 (as revised in 2011) ‘Investments in Associates and Joint Ventures’. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance. AASB 127 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

AASB 10 ‘Consolidated Financial Statements’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’	ASB 10 replaces the parts of AASB 127 ‘Consolidated and Separate Financial Statements’ that deal with consolidated financial statements and Interpretation 112 ‘Consolidation – Special Purpose Entities’. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 11 ‘Joint Arrangements’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’	AASB 11 replaces AASB 131 ‘Interests in Joint Ventures’, and the guidance contained in a related interpretation, Interpretation 113 ‘Jointly Controlled Entities – Non-Monetary Contributions by Venturers’, has been incorporated in AASB 128 (as revised in 2011). The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 12 ‘Disclosure of Interests in Other Entities’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

Note 2 Application of New and Revised Accounting Standards (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

Note 2 Application of New and Revised Accounting Standards (Continued)

(b) Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015

Note 3 Significant Accounting Policies

(a) Statement of Compliance

These financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretation, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

This financial report has been authorised to issue per the director's declaration.

(b) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Note 3 Significant Accounting Policies (Continued)

(c) Basis of Consolidation

A controlled entity is any entity Endless Solar Corporation Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(d) Going Concern

The directors have prepared a cash flow which indicates that the company has sufficient funds to continue in the foreseeable future. These assumptions are based on certain economic and operating assumptions about future events and actions that have not yet occurred, and may not necessarily occur. Directors are confident that if necessary they will be able to raise sufficient capital to enable the continuation of operations until investment returns reach a volume to ensure a return to profitability and positive cash flows.

(e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(f) Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured costs and subsequently measured at fair value on a recurring basis. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Note 3 Significant Accounting Policies (Continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.
A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured).
Fair value is determined in the manner described in note 26. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Note 3 Significant Accounting Policies (Continued)

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(g) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

(h) Equity-settled compensation

The group operates a share-based compensation plans comprising a share option arrangement. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(i) **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(j) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(k) Leases

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

(l) Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(m) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

(n) Intangible assets

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

AASB138.118(b) Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

AASB138.118(b) Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(o) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(q) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements , estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

(a) Revenue recognition in prior year

During the year, the directors discovered a significant amount of revenue was recognised and stated in error in the 2013 financial statements. In making their judgement, the Ddirectors considered the detailed criteria for the recognition of the Government Grant tax incentives as revenue for the 2013 financial year.

Paragraph 7 of AASB 120 "Accounting for Government Grants and Disclosure of Government Assistance" states that Government grants shall not be recognised until there is reasonable assurance that:

(a) The entity will comply with the conditions attached to them; and
(b) The grants will be received.

Pursuant to AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors" the error was corrected by restating the comparative amounts relating to the 2013 financial year.
The Directors have reviewed and put in place proper procedures to prevent such error appears again in the future.

Note 5 Profit for the year

		2014 $	2013 $
(a)	**Revenue from continuing operations**		
	Sales revenue		
	- Sale of Goods	755,272	540,719
	Total sales revenue	755,272	540,719
	Other revenue		
	- interest received	3,766	2,509
	- rental revenue	26,000	27,182
	Total other revenue	29,766	29,691
	Total sales revenue and other revenue	785,038	570,410
	Other income		
	- Research and Development Tax Subsidies	205,358	328,078
	- Foreign exchange gain	-	598
	Total other income	205,358	328,676
	Interest revenue from:		
	- other corporations	-	-
	Total interest revenue on financial assets not at fair value through profit or loss	-	-
(b)	**Total revenue and other income from continuing operations**	990,396	899,086

(c) Expenses

	2014 $	2013 $
Expenses		
Cost of sales	358,101	321,885
Interest expense on financial liabilities not at fair value through profit or loss:		
- Insurance funding	1,081	1,732
Total interest expense	1,081	1,732
Foreign currency translation losses	14,147	-
Bad and doubtful debts:		
- trade receivables	644	10,329
Total bad and doubtful debts	644	10,329
Employee benefits expense:		
- contributions to defined contribution superannuation funds	23,458	24,121
Rental expense on operating leases		
- minimum lease payments	112,832	107,414

Note 6 Income Tax Expense

		2014 $	2013 $
(a)	The components of tax expense comprise:		
	Current tax	17,654	21,626
	Non taxable R&D tax subsidies	(54,605)	-
		(36,951)	21,626
	Deferred tax	26,888	20,457
	Tax Expense/ (Benefit)	(10,063)	42,083
(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]% (2013: [30]%)	17,654	21,626
	Less:		
	Tax effect of:		
	- Non taxable R&D tax subsidies	(54,605)	-
	- Non taxable items	26,883	20,457
	Income tax attributable to entity	(10,063)	42,083

Note 7 Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

Remuneration	115,014	-
Total KMP compensation	115,014	-

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 25: Related Party Transactions. For details of loans KMP, refer to Note 11: Trade and Other Receivables.

Note 8 Auditors' Remuneration

Remuneration of the auditor for:		
- auditing the financial report	28.975	25,350
- taxation services	2,720	4,990
- grant acquittal report	-	-
- due diligence services		-
- taxation services provided by related practice of auditor		-
- Other services		-
	31,695	30,340

Note 9 Franking Account Balance

	2014 $	2013 $
Balance of franking account at year end adjusted for franking credits arising from:		
- balance brought forward from previous year	202,440	202,440
- payment/(refund) of income tax	2,001	-
	204,441	202,440

Note 10 Cash and Cash Equivalents

Cash at bank and on hand	139,211	333,413
	139,211	333,413

Note 11 Trade and Other Receivables

CURRENT		
Trade receivables	105,853	89,163
Provision for impairment	-	-
	105,853	89,163
Other receivables		
Government subsidies receivable		
Amounts receivable from related parties		
- associated companies	-	-
- provision for impairment of receivables		
- associated companies		
- other related parties	-	-
- provision for impairment of receivables		
- other related parties		
- subsidiaries of ultimate parent entity	-	-
- other key management personnel		
Total current trade and other receivables	105,853	89,163
NON-CURRENT		
Rental bond	38,750	38,750
Provision for impairment		
	38,750	38,750
Amounts receivable from related parties		
- Other related parties	132,042	30,594
- Directors	-	-
- Other key management personnel	-	-
Total non-current trade and other receivables	170,792	69,344

Note 12 Inventories

	2014 $	2013 $
CURRENT		
Solar hot water systems and parts at the lower of cost and net realisable value.	172,902	142,165
Construction work in progress	172,902	142,165

Note 13 Other Financial Assets

Listed shares held by the Company that are traded in an active market are stated at fair value. The company also has investments in unlisted shares that are not traded in an active market but that also stated at fair value because the Board consider that fair value can be reliably measured according to the information available and can be measured at fair value on a recurring basis.

	2014 $ Carrying amount	2014 $ Fair value	2013 $ Carrying amount	2013 $ Fair value
NON CURRENT				
Available-for-sale financial assets	825,053	825,053	503,560	503,560
Total Non-current Assets	825,053	825,053	503,560	503,560
Available-for-sale financial assets				
NON CURRENT				
Listed investments, at costs				
- shares in listed corporations	338,653	338,653	338,653	338,653
	338,653	338,653	338,653	338,653
Unlisted investments, at fair value				
- shares in other corporations	290,907	290,907	114,000	114,000
	290,907	290,907	114,000	114,000
Unlisted investments, at fair value				
- shares in other related parties				
- shares in other corporations	195,493	195,493	50,907	50,907
	195,493	195,493	50,907	50,907
Total non-current available-for-sale financial assets	825,053	825,053	503,560	503,560

Note 14 Property, Plant and Equipment

	2014 $	2013 $
Furniture and fittings		
At cost	3,912	3,912
(Accumulated depreciation)	(2,397)	(2,018)
	1,515	1,894
Computer Equipment and Software		
At cost	50,623	50,623
(Accumulated depreciation)	(48,847)	(47,661)
	1,776	2,962
Equipment		
At cost	19,711	19,711
(Accumulated depreciation)	(11,646)	(9,022)
	8,065	10,689
Motor Vehicle		
At cost	28,182	28,182
(Accumulated depreciation)	(18,815)	(16,896)
	9,367	11,286
Leasing plant and equipment		
At cost	39,185	39,185
(accumulated depreciation)	(6,749)	(2,612)
	32,436	36,573
Total plant and equipment	53,158	63,404

(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 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
Additions	-	-	-	-	-	-
Depreciation expense	(4,137)	(379)	(1,186)	(2,624)	(1,919)	(10,245)
Balance at 30 June 2014	32,436	1,515	1,776	8,064	9,367	53,158

Note 15 Intangible Assets

	2014	2013
	$	$
Integrated thermal device ("CoolSolar")	846,708	846,708
Research & Development in 2013	400,592	400,592
Research & Development in 2014	438,710	-
Patent costs	147,923	92,381
Goodwill		
- Cost	121,847	121,847
- Accumulated impairment losses	-	-
- Net carrying amount	121,847	121,847
Trademarks and licences		
- Cost	6,344	6,344
- Accumulated impairment losses	-	-
- Net carrying amount	6,344	6,344
Listing costs at National Stock Exchange Australia		
- Listing cost	15,641	-
- Accumulated amortisation	(1,564)	-
- Net carrying amount	14,077	-
Total intangible assets	1,976,200	1,467,872

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.

The value of the "Cool Solar" project has been carried forward in the ESC 2014 Consolidated Accounts at actual cost.

Independent Reviews of the Company's 4 PCT's have found each of them to be novel and innovative. We have now commenced the process of applying for patents in the countries or areas covering the main world air-conditioning markets.

We believe this new technology is now at a particularly interesting stage and expect to provide further positive

Note 16 Other Assets	2014 $	2013 $
CURRENT		
Prepayments	18,106	18,613
	18,106	18,613

Note 17 Trade and Other Payables	2014 $	2013 $
CURRENT		
Unsecured liabilities		
Trade payable	152,090	152,147
Construction contract advances received	-	65,760
Amount due under contract of sales	-	-
Amounts payable to related parties		
- ultimate parent entity	-	-
- subsidiaries of ultimate parent entity	-	-
- associated companies	-	-
- other related parties	-	-
- key management personnel related entities	-	-
	152,090	217,907

Note 18 Income Tax Balances		
CURRENT		
Income tax payable	-	-
Total	-	-
NON-CURRENT		
Deferred tax Liability	-	-
Total	-	-

NON-CURRENT	Opening Balance	Charged to Income	Charged directly to Equity	Changes in Tax Rate	Closing Balance
Deferred tax assets			$		
	$	$		$	$
Provisions	21,897				21,897
Recognition of tax losses being recoverable	41,961				41,961

Balance as at 30 Jun 2013	63,858		63,858
Provisions	21,897	(10,063)	31,960
Recognition of tax losses being recoverable	41,961		41,961
Balance as at 30 Jun 2014	63,858	(10,063)	73,921

Note 19 Provisions

	2014 $	2013 $
Warranty		
Opening balance at beginning of year	21,325	21,325
Additional provisions raised during year	-	-
Amounts used	613	-
Balance at end of the year	21,938	21,325

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 2013/2014

Short-term Employee Benefits		
Opening balance at beginning of year	29,507	23,376
Long Service Leaves raised first time during the year	31,013	
Additional provisions raised during year	6,344	6,131
Adjustment for sick leaves accrued in error in previous year	(16,823)	-
Balance at end of the year	50,041	29,507

Others		
Audit fees		
Opening balance at beginning of year	15,700	15,700
Additional provisions raised during year	-	-
Balance at end of the year	15,700	15,700

Others		
R & D tax incentive application fees		
Opening balance at beginning of year	-	-
Additional provisions raised during year	50,560	-
Balance at end of the year	50,560	-
TOTAL	138,239	66,532

Analysis of Total Provisions		
CURRENT	73,380	45,207
NON CURRENT	64,859	21,325
TOTAL	138,239	66,532

Note 20 Issue of Capital

	2014 $	2013 $
1,699,074 fully paid ordinary shares – full voting (30 June 2013: 1,415,895)	120,666	92,348
36,869,020 fully paid ordinary shares – Limited voting (30 June 2013: 30,746,683)	2,034,359	1,679,427
	2,155,025	1,771,775

(a) Ordinary shares

Ordinary share – full voting	2014 No of share	2013 No of share	2014 $	2013 $
Opening balance at the beginning of the year	1,415,895	1,415,895	92,348	92,348
Extra shares issued through Right Issues during the year	283,179	-	28,318	-
Closing balance at the end of the year	1,699,074	1,415,895	120,666	92,348

Ordinary share – limited voting*	2014 No of shares	2013 No of shares	2014 $	2013 $
Opening balance at the beginning of the year	30,746,683	30,746,683	1,679,427	1,419,427
Extra shares issued through Right Issues during the year	6,149,337	-	354,934	260,000
Closing balance at the end of the year	36,869,020	30,746,683	2,034,361	1,679,427

**Only ordinary limited voting shares were listed on the National Stock Exchange Australia on 20th January 2014.*

(b) Options - ESC Option Scheme 1 – over limited voting ordinary shares, lapsed at 31/08/2014 and shares issued on exercise of options

Option Series	Grant date	Number of shares under options	Expiry date	Exercise Price	Closing balance as at 30/06/2014	Options exercised at 28/08/2014	Costs $	**Options lapse at 31/08/2014**
1	02/09/2008	3,935,000	31/08/2014	$0.12	3,935,000	827,500	99,300	**3,107,500**
2	02/09/2008	695,000	31/08/2014	$0.20	695,000	-	-	**695,000**
3	02/09/2008	995,000	31/08/2014	$0.30	995,000	-	-	**995,000**
Total		5,625,000			5,625,000	827,500	99,300	**4,797,500**

(c) Options - Other

Scheme Name	Grant date	Number of shares under options	Class of shares	Exercise price of option	Expiry date	Opening balance of Options at 01.07.2013	Options exercised during the year	Closing balance as at 30.06.2014
ESC Option Scheme 2	13/08/2013	10,000,000	Ordinary limited voting	$0.22	20/06/2019	-	-	10,000,000
Options attached to April 2012 Right Issue shares	04/04/2012	10,225,616	Ordinary limited voting	$0.10	31/03/2017	10,225,616	-	10,225,616
Options attached to April 2012 Right Issue shares	04/04/2012	471,966	Ordinary full voting	$0.10	31/03/2017	471,966	-	471,966
Options attached to September 2013 Right Issue shares	28/09/2013	6,149,337	Ordinary limited voting	$0.15	31/07/2018	-	-	6,149,337
Options attached to September 2013 Right Issue shares	28/09/2013	283,179	Ordinary full voting	$0.15	31/07/2018	-	-	283,179
ESC Option Scheme 3	01/09/2014	15,000,000	Ordinary limited voting	$0.22	31/08/2020	-	-	-
		42,130,098				10,697,582	-	27,130,098

These options listed above are not listed in the National Stock Exchange Australia,

No valuation of the above options has been done prior to 30 June 2014 and prior to the report date. The latest share price per ordinary limited voting share in NSX was $0.065.

(d) Capital Management

Management controls the capital of the company in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the company can fund its operations and continue as a going concern.

The Company’s debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the Company’s capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The company remains its no long term debt policy and there have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. This strategy is to ensure that the Company's gearing ratio remains between 1% and 3%. The gearing ratios for the year ended 30 June 2014 and 30 June 2013 are as follows:

	Note	2014 $	2013 $
Total creditors and borrowings		173,486	235,040
Less cash and cash equivalents		(139,211)	(333,413)
Net debt		34,275	(98,373)
Total equity		3,223,473	2,449,820
Total capital		3,257,748	2,351,447
		1.05%	N/A

Note 21 Leasing commitment

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements

Payable — minimum lease payments	2014 $	2013 $
not later than 12 months	129,600	120,000
between 12 months and 5 years	160,000	160,000
	289,600	280,000

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 22 Earnings per share

	2014 Cents per share	2013 Cents per share
Basic Earnings per share from continuing operations	0.18807	0.09334
	2014 $	2013 $
Profit for the year attributable to owners and used in the calculation of basic earnings per share	68,908	30,003
	No. of Shares	No. of Shares
Weighted average number of ordinary shares (voting and limited voting)	36,638,905	32,143,527

Note 23 Operating Segments

Segment Information

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

Note 24 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2014	2013
	$	$
Net Profit after income tax	390,401	144,003
Less unrealised investment gain	(321,493)	(114,000)
	68,908	30,003
Cash flows excluded from profit attributable to operating activities		
Finance costs on debentures		
Non-cash flows in calculating profit		
Depreciation	10,799	14,682
Amortisation of listing fees	1,564	-
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	(118,138)	(23,876)
(Increase)/decrease in inventories	(30,737)	1,205
(Increase)/decrease in other assets	(831)	27,019
(Increase)/decrease in deferred taxes assets	(8,725)	(42,082)
Increase/(decrease) in other liabilities	4,263	3,921
Increase/(decrease) in creditors	(65,817)	(84,647)
Increase/(decrease) in provisions	71,707	21,381
Cash flow from operations	(67,007)	(52,934)

Note 25 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions and are no more favourable that 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.

Note 26 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	2014 $	2013 $
Financial Assets			
Cash and cash equivalents	10	139,211	333,413
Loans and receivables	11	276,645	158,507
Available-for-sale financial assets			
- at cost			
- listed investments	13	338,653	338,653
- at fair value			
- unlisted investments	13	486,400	164,907
Total available-for-sale financial assets		825,053	503,560
Total Financial Assets		1,240,909	995,480
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	17	152,090	217,907
- Borrowings	17	21,396	17,133
Total Financial Liabilities		173,486	235,040

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.

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 27 Parent Information

The following information has been extracted from the books and records of the parent entity, Endless Solar Corporation Limited. The records have been prepared in accordance with the Australian Accounting Standards.

	2014	2013
	$	$
Statement of Financial Position		
Assets		
Current assets	284,962	320,484
Non-current assets	3,991,050	3,129,446
Total assets	4,276,012	3,449,930
Liabilities		
Current liabilities	153,928	111,928
Total liabilities	153,928	111,928
Equity		
Issued capital	2,155,026	1,771,775
Retained earnings and reserves	1,566,227	1,225,664
Current earnings	400,829	340,563
Total equity	4,122,082	3,338,002
Statement of Comprehensive Income		
Total profit	400,829	81,778
Total comprehensive Income	400,829	81,778

Note 28 Controlled Entities

Endless Solar Corporation Ltd is the parent company, which control the below entities through equity investment. Except for Endless Solar Operations Pty Ltd is currently trading, all the other entities have not been trading during 2013 and 2014 financial years.

Name	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
			2014	2013	2014	2013
			%	%	$	$
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 Ltd	Australia	Ord	100	100	2	2
Endless Energy Solutions Pty Ltd	Australia	Ord	60	60	600	600
Endless Aqua Pty Ltd	Australia	Ord	63	63	25	25

Note 29 Contingent Liabilities and Contingent Assets

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

MMS Consulting

MMS Consulting Pty Ltd
Chartered Accountants
ABN 15 131 024 158

P.O. Box 194
Doncaster Vic 3108

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 statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 company's preparation of the financial report that gives a true and fair view 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.

I believe that the audit evidence I 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Endless Solar Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion 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 company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Telephone: +61 3 9840 6999 Mobile: 0419 588 242 margaret.salter@mmsconsulting.com.au Web: mmsconsulting.com.au

MMS Consulting

Report on the Remuneration Report

I have audited the Remuneration Report included in pages 12 and 13 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the Remuneration Report, based on my audit conducted in accordance with Australian Auditing Standards.

Opinion

In my opinion, the Remuneration Report of Endless Solar Corporation Limited for the year ended

30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Margaret M Salter FCA

Dated at Melbourne this 30th day of September 2014.

Endless Solar Corporation Limited

A.C.N 122 708 061

Level 10, 406 Collins Street, Melbourne VIC 3000

Top 20 LVO Shareholders

NO	Shareholder	%	Shares As At 30/06/2014
1	Endless Solar Pty Ltd	21.92%	8,086,848
2	Lion Corporate Services P/L	20.49%	7,559,896
3	Harvard Nominees Pty Ltd	15.37%	5,672,057
4	Authorised Investment Fund Ltd	9.11%	3,360,001
5	Vardale Pty Ltd atf Pocket Kings Investment Trust	4.65%	1,715,014
6	Koay Baring-Gould Superannuation Fund	3.89%	1,436,400
7	Collins Court Corporation Ltd	2.60%	957,600
8	Stephen Standish	2.55%	940,409
9	David Craig	2.41%	889,200
10	Pethol (VIC) Pty Ltd A/C Macdy No 5 Superannuation Fund	1.08%	400,000
11	Gorden Walsh as Trustee for TJW Discretionary Trust	1.01%	371,640
12	Pocket Kings Investment ITF Pocket Kings Superannuation Fund	0.99%	367,080
13	Mr Lingke Ni	0.68%	250,000
14	DBA Management Consultants Pty Ltd	0.65%	240,000
15	Linnells Pty Ltd	0.65%	240,000
16	Spoon Holdings Pty Ltd	0.65%	240,000
17	Donald E Ross Pty Ltd Superannuation Fund	0.65%	239,582
18	HBSF Pty Ltd Trustee for Hugo Blair Super Fund	0.57%	210,001
19	McKie-Hamlyn Private Superannaution Fund	0.54%	200,000
20	Thomas Super Fund	0.49%	180,000
	Total Top 20	**90.95%**	**33,555,728**
	Total All Shareholders	**100.00%**	**36,896,020**