

Endless Solar Corporation Limited

ABN 51 122 708 061

Interim Report - 31 December 2018

Endless Solar Corporation Limited
Corporate directory
31 December 2018

Directors	Mr. David H Craig – Chairman and Executive Director Mr. Chris Baring-Gould – Non Executive Director Mr Steven Wesselink - Executive Director
Company secretary	Mr. Steve Wesselink
Registered office	Level 9 406 Collins Street, Melbourne Victoria 3000
Principal place of business	Level 9 406 Collins Street, Melbourne Victoria 3000
Share register	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000
Website	www.endless-solar.com.au
Stock exchange listing	Endless Solar Corporation Limited ordinary limited voting shares are listed on the National Stock

Endless Solar Corporation Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Endless Solar Corporation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$804,328 (31 December 2017: \$95,883).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



David Craig

15 March 2019

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the review of Endless Solar Corporation Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Endless Solar Corporation Limited and controlled entities.



George Georgiou FCA
Registered Company Auditor
ASIC Registration: 10310
Melbourne, Victoria
Date: 15 March 2019

Endless Solar Corporation Limited

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General information

The financial statements cover Endless Solar Corporation Limited as a consolidated entity consisting of Endless Solar Corporation Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Endless Solar Corporation Limited's functional and presentation currency.

Endless Solar Corporation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 9
406 Collins Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 March 2019.

Endless Solar Corporation Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

		Consolidated	Restated
	Note	December 2018	December 2017
		\$	\$
Revenue	4	28,597	56,080
Other income	5	910,196	304,710
Expenses			
Cost of goods sold		(9,079)	(51,880)
Administration expenses		(109,158)	(204,630)
Depreciation and amortisation expense		(9,286)	(2,154)
Finance costs		(6,942)	(1,968)
Profit before income tax expense		804,328	100,158
Income tax expense		-	(4,275)
Profit after income tax expense for the half-year attributable to the owners of Endless Solar Corporation Limited		804,328	95,883
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Endless Solar Corporation Limited		<u>804,328</u>	<u>95,883</u>
		Cents	Cents
Basic earnings per share	11	2.03	0.24
Diluted earnings per share	11	2.03	0.24

Refer to note 3 for detailed information on Restatement of comparatives.

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

Endless Solar Corporation Limited
Statement of financial position
As at 31 December 2018

		Consolidated	
	Note	December	Restated
		2018	June 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		6,730	2,776
Trade and other receivables		3,953	95,000
Inventories		35,154	34,402
Other		6,110	-
Total current assets		<u>51,947</u>	<u>132,178</u>
Non-current assets			
Receivables		-	135,080
Other financial assets	6	1,336,663	426,467
Property, plant and equipment		22,952	32,238
Intangibles	7	1,949,235	1,763,326
Other		69,891	69,891
Total non-current assets		<u>3,378,741</u>	<u>2,427,002</u>
Total assets		<u>3,430,688</u>	<u>2,559,180</u>
Liabilities			
Current liabilities			
Trade and other payables		96,034	237,892
Provisions		21,613	21,613
Total current liabilities		<u>117,647</u>	<u>259,505</u>
Non-current liabilities			
Borrowings	8	1,586,980	1,377,942
Total non-current liabilities		<u>1,586,980</u>	<u>1,377,942</u>
Total liabilities		<u>1,704,627</u>	<u>1,637,447</u>
Net assets		<u>1,726,061</u>	<u>921,733</u>
Equity			
Issued capital		2,278,627	2,278,627
Accumulated losses		(552,566)	(1,356,894)
Total equity		<u>1,726,061</u>	<u>921,733</u>

Refer to note 3 for detailed information on Restatement of comparatives.

The above statement of financial position should be read in conjunction with the accompanying notes

Endless Solar Corporation Limited
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	2,278,627	(1,452,294)	826,333
Profit after income tax expense for the half-year	-	95,883	95,883
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	95,883	95,883
Balance at 31 December 2017	<u>2,278,627</u>	<u>(1,356,411)</u>	<u>922,216</u>
Consolidated	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	2,278,627	(1,356,894)	921,733
Profit after income tax expense for the half-year	-	804,328	804,328
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	804,328	804,328
Balance at 31 December 2018	<u>2,278,627</u>	<u>(552,566)</u>	<u>1,726,061</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Endless Solar Corporation Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Consolidated December 2018 \$	Restated December 2017 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	119,644	104,686
Payments to suppliers and employees (inclusive of GST)	<u>(266,957)</u>	<u>(454,285)</u>
	(147,313)	(349,599)
Interest and other finance costs paid	<u>(6,942)</u>	<u>-</u>
Net cash used in operating activities	<u>(154,255)</u>	<u>(349,599)</u>
Cash flows from investing activities		
Payments for intangibles	(185,909)	(21,545)
R&D tax offset received	<u>-</u>	<u>239,403</u>
Net cash from/(used in) investing activities	<u>(185,909)</u>	<u>217,858</u>
Cash flows from financing activities		
Receipt of loans from associates	<u>344,118</u>	<u>73,353</u>
Net cash from financing activities	<u>344,118</u>	<u>73,353</u>
Net increase/(decrease) in cash and cash equivalents	3,954	(58,388)
Cash and cash equivalents at the beginning of the financial half-year	<u>2,776</u>	<u>69,413</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>6,730</u></u>	<u><u>11,025</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Endless Solar Corporation Limited
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The Company has early adopted AASB 9 Financial Instruments and reclassified its available for sales assets to financial assets - fair value through profit or loss.

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.

A director of the company has also issued a letter of financial support to the company for a period in excess of 12 months from the signing of the financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

The deferred tax asset in relation to tax losses has been utilised to the extent of current period profits but not further as future realisation is not deemed probable as profit in the current period relates solely to fair value movements on investments, which are very volatile.

Note 3. Restatement of comparatives

Correction of error

The 30 June 2018 audited financial statements included errors that have been corrected in the current period.

- Deferred tax balance was incorrectly recognised on the balance sheet when it is not probable that they would be recognised;
- Goodwill was incorrectly recognised when it should have already been impaired; and
- The consolidated entity had over a number of years incorrectly recognised R&D tax offset received (totalling \$1,703,648) in statement of comprehensive income when it related to capitalised development expenditure. This should have been offset against the value of the asset.

Change in accounting policy

The Company has early adopted AASB 9 Financial Instruments and reclassified its available for sales assets to financial assets - fair value through profit or loss. The gain of \$304,710 in the December 2017 period has also been reclassified from other comprehensive income to other income.

Statement of profit or loss and other comprehensive income

	Consolidated		
	Restated December 2017 \$ Reported	\$ Adjustment	Restated December 2017 \$ Restated
Revenue	295,483	(239,403)	56,080
Other income	-	304,710	304,710
Expenses			
Cost of goods sold	(51,880)	-	(51,880)
Administration expenses	(204,630)	-	(204,630)
Depreciation and amortisation expense	(2,154)	-	(2,154)
Finance costs	(1,968)	-	(1,968)
Profit before income tax expense	34,851	65,307	100,158
Income tax expense	(4,275)	-	(4,275)
Profit after income tax expense for the half-year attributable to the owners of Endless Solar Corporation Limited	30,576	65,307	95,883
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year attributable to the owners of Endless Solar Corporation Limited	<u>30,576</u>	<u>65,307</u>	<u>95,883</u>
	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	0.08	0.16	0.24
Diluted earnings per share	0.08	0.16	0.24

Endless Solar Corporation Limited
Notes to the financial statements
31 December 2018

Note 3. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period

	Restated June 2018 \$ Reported	Consolidated \$ Adjustment	Restated June 2018 \$ Restated
Assets			
Current assets			
Cash and cash equivalents	2,776	-	2,776
Trade and other receivables	95,000	-	95,000
Inventories	34,402	-	34,402
Total current assets	132,178	-	132,178
Non-current assets			
Receivables	135,080	-	135,080
Other financial assets	426,467	-	426,467
Property, plant and equipment	32,238	-	32,238
Intangibles	3,588,821	(1,825,495)	1,763,326
Deferred tax	297,155	(297,155)	-
Other	69,891	-	69,891
Total non-current assets	4,549,652	(2,122,650)	2,427,002
Total assets	4,681,830	(2,122,650)	2,559,180
Liabilities			
Current liabilities			
Trade and other payables	237,892	-	237,892
Provisions	21,613	-	21,613
Total current liabilities	259,505	-	259,505
Non-current liabilities			
Borrowings	1,377,942	-	1,377,942
Total non-current liabilities	1,377,942	-	1,377,942
Total liabilities	1,637,447	-	1,637,447
Net assets	3,044,383	(2,122,650)	921,733
Equity			
Issued capital	2,278,627	-	2,278,627
Reserves	265,812	(265,812)	-
Retained profits/(accumulated losses)	499,944	(1,856,838)	(1,356,894)
Total equity	3,044,383	(2,122,650)	921,733

Endless Solar Corporation Limited
Notes to the financial statements
31 December 2018

Note 4. Revenue

	Consolidated December 2018 \$	Restated December 2017 \$
<i>Revenue from contracts with customers</i>		
Sales of goods	22,597	54,711
<i>Other revenue</i>		
Rent	-	1,200
Other revenue	6,000	169
	<u>6,000</u>	<u>1,369</u>
Revenue	<u><u>28,597</u></u>	<u><u>56,080</u></u>

Note 5. Other income

	Consolidated December 2018 \$	Restated December 2017 \$
Net fair value gain on financial assets	<u><u>910,196</u></u>	<u><u>304,710</u></u>

Note 6. Non-current assets - other financial assets

	Consolidated December 2018 \$	Restated June 2018 \$
Available for sales assets to - fair value through profit or loss	<u><u>1,336,663</u></u>	<u><u>426,467</u></u>

Note 7. Non-current assets - intangibles

	Consolidated December 2018 \$	Restated June 2018 \$
Goodwill - at cost	121,847	121,847
Less: Impairment	(121,847)	(121,847)
	<u>-</u>	<u>-</u>
Development - at cost	<u>1,524,421</u>	<u>1,338,512</u>
Patents and trademarks - at cost	<u>424,814</u>	<u>424,814</u>
	<u><u>1,949,235</u></u>	<u><u>1,763,326</u></u>

Endless Solar Corporation Limited
Notes to the financial statements
31 December 2018

Note 7. Non-current assets - intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Patents & trademarks \$	Development \$	Total \$
Consolidated			
Balance at 1 July 2018	424,814	1,338,512	1,763,326
Additions	-	185,909	185,909
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	<u>424,814</u>	<u>1,524,421</u>	<u>1,949,235</u>

Note 8. Non-current liabilities - borrowings

	Consolidated December 2018 \$	Restated June 2018 \$
Unsecured loan from directors	1,394,309	1,377,942
Unsecured loan from related party	192,671	-
	<hr/>	<hr/>
	<u>1,586,980</u>	<u>1,377,942</u>

Note 9. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 10. Events after the reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Endless Solar Corporation Limited
Notes to the financial statements
31 December 2018

Note 11. Earnings per share

	Consolidated December 2018 \$	Restated December 2017 \$
Profit after income tax attributable to the owners of Endless Solar Corporation Limited	<u>804,328</u>	<u>95,883</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>39,625,095</u>	<u>39,625,095</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>39,625,095</u>	<u>39,625,095</u>
	Cents	Cents
Basic earnings per share	2.03	0.24
Diluted earnings per share	2.03	0.24

Endless Solar Corporation Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Craig

15 March 2019

Independent Auditor's Review Report

To the members of Endless Solar Corporation Limited

Report on the Condensed Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year Financial Report of Endless Solar Corporation Limited and its controlled entities (the "Group").

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of the Group is not in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

The Half-year Financial Report comprises:

- Condensed consolidated statement of financial position as at 31 December 2018;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Endless Solar Corporation Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- The preparation of the Half-year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and Corporations Act 2001
- For such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Endless Solar Corporation Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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



George Georgiou FCA
Registered Company Auditor
ASIC Registration: 10310
Melbourne, Victoria
Date: 15 March 2019