



ENERGY TECHNOLOGIES LIMITED

ABN 38 002 679 469

Annual Financial Report

for the year ended 30 June 2020

Corporate Information

ABN 38 002 679 469

Directors

Alfred J. Chown (Chairman/Managing Director)

Gary A. Ferguson (Non-Executive Director)

Philip W. Dulhunty (Non-Executive Director)

Yulin Hu (Non-Executive Director)

Matthew Driscoll (Non-Executive Director)

Meiping Hu (Alternate Director to Yulin Hu)

Company Secretary

Gregory R. Knoke

Registered Office

Unit J, 134-140 Old Pittwater Road

BROOKVALE NSW 2100

Bankers

National Australia Bank Limited

NAB House, 255 George Street

SYDNEY NSW 2000

Share Register

Computershare Investor Services Pty Ltd

60 Carrington Street

Sydney NSW 2000

Telephone:- (02) 8234 5000

Facsimile:- (02) 8235 8150

Auditors

Grant Thornton Audit Pty Ltd

Level 17

383 Kent Street

SYDNEY NSW 2000

Telephone:- (02) 8297 2400

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Chairman's Report

With Energy Technologies Limited (EGY) wholly owned subsidiary Bambach Wires and Cables Pty Ltd (Bambach's) move to its Rosedale facility nearing completion and the company in a much better position generally, the company will undertake a Board refresh. In line with corporate governance guidelines, I will also step down as Chairman of EGY to focus on the Managing Director role.

FY 2020, which started out with such promise, was derailed by Covid-19 for most companies globally. EGY together with subsidiary Bambach was no exception. Travel restrictions brought on by the first wave of Covid-19 and then intensified during the second wave in Victoria heavily impacted the already delayed move of equipment from Bambach's Sydney factory to its new Rosedale site. This interrupted installation programmes and caused production delays with a resultant slump in sales in the last quarter of the financial year. The company ended up generating sales revenues of \$10m which was significantly down on last year's sales revenue of \$12.6m and on forecast sales for the FY.

Strategically EGY and BWC are well positioned with a regional base, vastly increased manufacturing capacity coming on stream, and local manufacture at a time of increased geopolitical instability. These factors were instrumental in enabling the company to raise significant capital during the period to offset losses brought on by the disruption caused by Covid-19 and to support continued planned investment.

At the time of writing significant progress has been made with cost reduction. The Sydney factory has been closed and most Sydney staff who determined not to relocate have been made redundant. As a result, significant month to month cost savings in the region of \$1m per annum has been realised.

Production at the new facility in Rosedale has improved and is now achieving some 1.5 times Sydney volumes but with only one shift compared to Sydney's two. Further production gains are expected as a second shift and later a third is implemented on the back of newly appointed operators building experience and confidence.

Some equipment, materially four machines, remain to be fully installed but all are in place, and are substantially fitted and wired. These will come on stream over the next quarter. In all over 65 machines both large and small have been installed and commissioned and are now in production.

The Bambach business currently enjoys a strong order book to end October /early November 2020. It lacks stock and is currently working to build stock back to required levels. This will greatly increase day to day sales and reduce dependence on the project side of the business.

New products are ready to be launched and will be brought to market over the coming year adding further revenue streams to the business.

Buy "local" sentiment accelerated by the Covid-19 pandemic, a push by the Federal and State Governments to drive regionalism, increased infrastructure spending and massive Defence spending in response to the uncertain geopolitical situation all auger well for EGY and Bambach given Bambach's enhanced capacity and capability.



Alfred J Chown
Chairman

Sydney, 30 September 2020

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Energy Technologies Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Alfred J. Chown, B.Econ, (Age 59) (Chairman/Managing Director) Appointed 4 July 1997.

Born in 1960, in Sale, Victoria, Mr Chown returned in 2012 from residing in Hong Kong. In 1987 he co-founded E.L. Consult Ltd an executive search provider that prior to being sold to the Clarius group (ASX:CND) and renamed Lloyd Morgan in March 2007, had an extensive network of offices throughout Hong Kong, China, Singapore and Malaysia. Mr Chown continues to provide his services to Lloyd Morgan in a regional role. In the early 1990's Mr Chown also co-founded Dulhunty Engineering Ltd and in 1997 this company established Dulhunty Yangzhou Line Fittings Co Ltd, a manufacturer of line fittings for the electric power transmission and distribution industry. In 2003 Mr Chown was the driving force to merge these businesses together with Dulhunty Industries Pty Limited of Australia to form Energy Technologies Limited. Mr Chown is a former Chairman of the Australian Chamber of Commerce in Hong Kong and has extensive commercial experience in both Australia and Asia. Mr Chown is also a member of the Remuneration and Nomination Committees of the company.

Philip W. Dulhunty OAM (Age 96) (Non-Executive Director) Appointed 3 December 2014

Founder of Dulhunty Power (Aust) Pty Limited, importers, exporters and distributors of electrical power transmission equipment. Honorary Life Member and distinguished member of the international electrical transmission industry body, CIGRE and Honorary Life Senior member of IEEE. Holder of Centenary Medal for Contribution to Australian Industry. Mr Dulhunty was also the recipient of the Institute of Engineering and Technology (IET) James N Kirby Medal in 2007. Mr Dulhunty was previously a Director of the company from 31 March 2003 to 1 October 2012. Mr Dulhunty is also a member of the Audit and Nomination Committees of the company.

Gary A Ferguson CA (Age 77) (Non-Executive Director). Appointed 1 October 2012

Mr Ferguson is a qualified accountant. During his career, he has worked for manufacturing companies as a cost accountant, lectured in accounting (post-certificate Cost Accounting) with the then Department of Technical Education, developed the methodology associated with risk analysis profiles for capital expenditure projects in both the cable and abrasive sectors and providing consultant services to these companies. Mr Ferguson relocated to Mid-North Coast NSW in 1975 and gained a very broad level of experience, owning and operating businesses in the construction, hospitality, heavy transport and earthmoving and quarry industries. In 1992 he acquired a public practice in Kempsey, specializing in providing commercial clients with advice in corporate structure, taxation, reporting and financial management areas, including providing associated legal services from in house partners. Mr Ferguson is a Member of both Chartered Accountants Australia and New Zealand (CA) and Certified Practising Accountants in Australia (CPA). Mr. Ferguson is also Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the company.

Yulin Hu (Age 52) (Non-Executive Director) Appointed 25 November 2015

Mr Yulin Hu is an Australian resident and leading businessman whose roles include the President of China City Construction Holdings Limited, which owns a construction business in China with approximately 6bn RMB (A\$1.1bn) turnover.

Directors' Report (Cont'd)

Meiping Hu (Age 31) (Alternate Director to Yulin Hu) Appointed 25 November 2015

Ms Meiping Hu has a Bachelor degree in Commerce at the University of South Australia and a Master of Advanced Professional Accounting at Macquarie University. Ms Hu is currently a practising accountant and a member of CPA Australia. Ms Hu works in Fujian HongSheng Construction Group Co., Ltd a subsidiary of China City Construction Holdings Ltd, and had an accounting practice in Hong Kong. Ms Hu has been assisting Mr Hu in various matters in Australia such as property investment and imports and exports.

Matthew Driscoll, BA, Dip Ed, Grad. Dip. App Fin. SF Fin., MSA, GAICD (Age 56) (Non- Executive Director) Appointed 20 December 2016

Mr Driscoll has significant experience across several industries, including online technologies, financial services, fintech, property and resources. He has more than 30 years' experience in capital markets and the financial services industry and is an accomplished company director in roles across listed and private companies. He has significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic alliances, and remains committed to ethical, commercial and consumer-based outcomes.

Other Current Directorships: Chair Carbonxt Group (CGI), NED Blina Minerals (BDI), NED Eco Systems Limited (ESL), NED Smoke Alarms Holdings.

Former Directorships (last 3 years): Chair Powerwrap Limited (PWL), Chair Killara Resources Limited (KRA), Chair Buymyplace.com.au (BMP).

COMPANY SECRETARY

Gregory R. Knoke, B. Com, CA (Age 67) (Company Secretary and Chief Financial Officer) Appointed 30 April 2003.

Director of Cogenic Pty Limited. Mr Knoke was a director of Energy Technologies Limited from May 2000 until 30 April 2003, resigned upon acceptance of the position of CFO. Born in 1952, educated at University of NSW and graduated in 1973 with major in accountancy, he holds a Bachelor of Commerce degree with merit. Mr Knoke is a Chartered Accountant and Associate member of Chartered Accountants Australia and New Zealand since 1979, and an affiliate member of Chartered Secretaries of Australia. Business consultant and advisor, with extensive work experience throughout Asia and Europe, Mr Knoke spent 13 years in Hong Kong as Asian Group Financial Controller and Director for BIL Asia Holdings Limited and subsidiaries of the Brierley Investments Limited Group.

PRINCIPAL ACTIVITIES

EGY's principal activities during the year were:

- The manufacture and sale of specialist industrial cables through wholly owned subsidiary Bambach Wires and Cables Pty Limited (BWC);
- Driving organic growth and organisational change in BWC;
- Seeking other products, businesses and opportunities for the Group.

REVIEW AND RESULTS OF OPERATIONS

Energy Technologies Limited (ASX: EGY) has reported a consolidated loss after tax and minorities for FY2020 of \$4,402,220 (FY2019 profit after tax and minorities \$1,403,557). Wholly owned subsidiary Bambach Wires and Cables Pty Ltd (BWC) reported a loss after tax of \$3,374,589 (FY2019 loss \$2,650,579). The FY 2020 consolidated result includes in Other Income \$513,000 job keeper assistance received under federal government legislation in support of business. The FY2019 consolidated result included a \$5,357,429 profit on the conversion of debt to equity.

Directors' Report (Cont'd)

The Bambach business was substantially impacted in the last quarter FY2020 by continuing Covid-19 issues which caused delays in transitioning production from the Sydney facility to the new Rosedale facility. This caused production delays and necessitated carrying higher overheads longer than planned, substantially exacerbating the loss.

The Sydney factory was fully re-located in June and handed back to the landlord in the first week of July. Rental savings of more than \$600,000 p.a. will now be realised. In addition, a significant number of Sydney factory staff have now been made redundant and whilst Rosedale employee numbers have grown the net saving of not having two factory workforces will deliver a substantial HR saving per annum. Equipment from Sydney has now been re-installed in Rosedale except for one machine that is currently being installed. Since beginning the project in March 2019 some 45 major pieces of equipment have been decommissioned, transported, re-installed and are now fully commissioned and operating. Approximately 200 B-Double truckloads of equipment were delivered to the Rosedale site from April 2019 to June 2020. This of course pales in comparison to the work required to build the infrastructure required to support the machines - foundations, electric power, compressed air, gas, water and building refurbishment, which overall was undertaken in house by locally employed Bambach staff.

Production in Rosedale has improved dramatically since July 2020, and as production was ramped up, teething issues were resolved and Operators became more experienced. A second shift initiated in May was retracted in July to bring second shift operators back to day shift to receive extra training.

The current order book is strong and as production lead times improve it is expected that sales will grow. Traditionally orders are strong through September/October/November, which should fit well with clearing order backlogs and Bambach being able to offer short lead times for project orders particularly within the road and rail infrastructure sector.

STATE OF AFFAIRS

During the financial year, the Group repaid \$965,862 (2019: \$411,389) of both long and short term interest bearing debt.

In relation to the Going Concern position of the Group, please refer to the details set out in Note 1(c) to the Financial Statements and the Subsequent Events Note.

DIVIDENDS

No dividends were paid or recommended by the parent company EGY this financial year.

NON-AUDIT SERVICES

During the year, Grant Thornton Audit Pty Ltd, the Company's auditor, performed no other services in addition to their statutory duties.

Details of the amounts paid to the auditor and their associates for audit services provided during the year are set out in note 6 to the financial statements. In addition, amounts paid to other auditors for other statutory audit services have been disclosed in that note.

EVENTS SUBSEQUENT TO REPORTING DATE

Energy Technologies Limited announced on 24 June 2020 a capital raising of up to \$5 million, comprising a \$1.6 million Placement and a non-renounceable Rights Issue for up to \$3.4 million. Subsequent to 30 June 2020 the completion of the Placement and the Rights Issue successfully raised \$5 million through the allocation of 20,000,000 ordinary shares in the placement, raising \$1.6 million, and a further 42,500,000 ordinary shares under the rights issue, raising a further \$3.4 million.

There has not arisen since the end of the financial period any other matter of circumstance which, in the opinion of the directors of the Company, significantly affects the operation of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Report (Cont'd)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Refer Subsequent Events note above.

Future Developments and Risks

Opportunities

Energy Technologies Ltd (EGY) 100% owned subsidiary, Bambach Wires and Cables Pty Ltd (Bambach) is now producing all its products at its new Rosedale VIC facility. The transition from the Sydney factory to the new Rosedale factory was some two to three months behind schedule. It was being then further significantly delayed due the Covid-19 pandemic and resultant second wave in Victoria that restricted travel of technicians required to install equipment.

All Bambach equipment but one machine (nearing completion), transferred from the former Sydney factory, has now been installed and is operating, allowing the full range of Bambach products to be produced. To date production capacity has been improving month on month and output with only one shift has now surpassed Sydney's two shifts by a factor of approximately 1.5 times. The addition of a second shift at the new facility over the next few weeks, which is possible as operators gain experience and confidence, will further increase capacity. The growth in capacity and output is in line with expectations with further improvement realisable not only from extra shift time but also as production planning, operator skill and efficiency and better understanding of equipment combinations (combining the Bambach equipment with the equipment from the Advance Cables asset acquisition) in the production process is gained.

The recent capital raising and prospect of a further placement means that the business is adequately capitalised ensuring adequate raw material supply to sustain growth which has been a failing of the company over recent years.

Bambach has a series of new products to launch over the coming twelve months and is also well placed with appropriate approvals to take full advantage of the expected fast tracking of infrastructure projects throughout Australia that both the Federal and State Governments state they will undertake as a way out of the economic chaos caused by Covid-19.

The fact that Bambach manufactures in Australia using Australian mined and processed copper places it at the forefront of local content suppliers for low voltage cable and indications are that this will benefit the company as it competes with imported products for Australian projects, especially for infrastructure and defence related projects. Strategically the company at all levels is well placed to take advantage of renewed interest in Australian manufacturing and regionalisation.

Risks

Subsidiary Bambach must continue to develop and upgrade its manufacturing facilities to enable it to meet efficiency and productivity requirements and produce locally a continually expanding range and size of cables. Failure to do so will substantially limit growth and will not allow anticipated margin improvement.

A rise in the AUD against the USD will impact negatively on the competitiveness of the business. At AUD/USD 0.80 the business may be less competitive with imports of like quality. A fall from this level is favourable to the business whilst a rise is unfavourable.

Bambach is a small player in a market where there are several very large competitors and management are very aware that to compete Bambach must maintain a point of difference. To this end it must continue with a very active research and development agenda, developing new cables and continuously upgrading existing cables. It must also continue to develop its manufacturing processes and adopt a continuous upgrade program. It must also continue to excel in the level of service that it provides. Any failure in any of these areas will bring significant risk to the business.

Directors' Report (Cont'd)

Bambach continues to report a loss and has not been profitable for an extended period. This weakness has been supported financially by significant fund raising and investment, which has been successfully undertaken over the past three years and continued in FY2020. The company must deliver to maintain the support of its shareholders and financiers, and in this respect, it must deliver on the small objectives as well as the larger objective of returning to profitability. Thus, it must continue to deliver on bringing new products to market and on increasing productivity to build a robust sustainable business. Failure to meet accepted milestones on this path will pose a risk to continued financial support.

The Group has based its business plan on the belief that both Federal and State governments will proceed with planned infrastructure and defence spending. Now significant projects are proceeding. Any cancellation of these plans or continued delay will impact negatively on the opportunities that lie ahead for the company.

The Group has developed products some of which still require final testing and approval. Any failure to pass testing in a timely manner or not obtain approval will impact negatively on the company's performance.

Like all businesses globally the threat of second and third waves of the Covid-19 pandemic pose significant risk to the economy and to the group. Rising geopolitical tensions for the first time in many years also pose a significant risk.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The group operates a factory in Rosedale, Victoria which is required to comply with local planning laws, and with State and Commonwealth Environmental laws. The company considers that the factory operations are currently compliant, and is not expecting any adverse impact as a result of the environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has entered into Deeds of Indemnity and Access with persons who are an Officer or Director of the Company or a related body corporate, indemnifying such persons against a liability incurred by them in their capacity as an Officer or Director, including costs and expenses of defending legal proceedings and providing them with access to company records where a claim is made or threatened against such Officer or Director.

Insurance Premiums

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an auditor of the Company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability for costs or expenses of defending legal proceedings.

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for Directors and Officers of the Company. In accordance with subsection 300(9) of the Corporations Act 2001, further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

PROCEEDINGS ON BEHALF OF THE 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.

EMPLOYEES

The consolidated entity employed 73 employees as at 30 June 2020 (2019: 79 employees).

Directors' Report (Cont'd)

REMUNERATION REPORT

The remuneration report is set out on page 12 and forms part of the Directors' Report for the financial year ended 30 June 2020.

DIRECTORS' MEETINGS

The numbers of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each director were as follows:

	Board of Directors	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings held:	7	1	4	1
Number of meetings attended:				
Alfred J. Chown	7	1	-	1
Gary A. Ferguson	7	1	4	1
Philip W. Dulhunty	5	-	1	-
Matthew Driscoll	7	1	4	-
Yulin Hu	6	-	-	-
Meiping Hu (Alternate Director to Yulin Hu)	1	-	-	-

Committee Membership

At the date of this report, the company's committees were comprised as follows:

Audit Committee:	Matthew Driscoll	Gary A. Ferguson	Philip W. Dulhunty
Nomination Committee:	Alfred J. Chown	Gary A. Ferguson	Philip W. Dulhunty
Remuneration Committee:	Matthew Driscoll	Alfred J. Chown	Gary A. Ferguson

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The relevant interest of each director in the shares, and options over such instruments, issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Energy Technologies Limited		Dulhunty Engineering Limited
	Ordinary Shares	Options	Ordinary Shares
Alfred J. Chown	8,243,575	-	59,724
Gary A. Ferguson	1,154,044	-	-
Philip W. Dulhunty	1,417,195	-	-
Yulin Hu	3,476,058	-	-
Matthew Driscoll	1,534,339	-	-

Directors' Report (Cont'd)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 25 of this financial report and forms part of this Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance principles are contained in the Corporate Governance Statement.

Signed in accordance with a resolution of the Directors.



Alfred J. Chown

Chairman/Managing Director

Sydney, 30 September 2020

Remuneration Report (audited)

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the managing director and the executive team. Remuneration levels are set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. The Remuneration Committee also assesses the appropriateness of the nature and amount of emolument of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

Executive remuneration packages include a mix of fixed remuneration and performance based remuneration.

Fixed Remuneration

Fixed remuneration consists of base remuneration as well as employer contributions to superannuation funds. Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated and operating entity. A senior executive's remuneration is also reviewed on promotion.

Performance – linked Remuneration

The Remuneration Committee links the nature and amount of directors' and executives' emoluments to the company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Employee Bonus Plan, which currently provides incentives where specified criteria are met including criteria relating to profitability.

Performance linked remuneration includes both short term and long term incentives and is designed to reward executive directors and senior executives for meeting or exceeding financial and personal objectives. The short-term incentive is an at-risk bonus provided in the form of cash, and is based on the relevant operating subsidiaries' results and on achieving a preset target. The long-term incentive is provided as ordinary shares of Energy Technologies Limited or options over ordinary shares of Energy Technologies Limited under the rules of the Energy Technologies Limited Share Option Plan.

The remuneration structures result in and take into account:

- The overall level of remuneration for each director and executive
- The executive's ability to control performance
- The amount of incentives within each executive's remuneration.

Short term incentive

Each year the remuneration committee sets the key performance indicators, which generally include measures relating to the operating group, the relevant segment and the individual, and are based on financial, customer and strategy measures. The measures directly align the reward to the key performance indicators and the operating group performance. The financial performance objectives are operating group turnover and EBIT to working capital ratio analyses compared to budgeted amounts on a regional and consolidated basis. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and business development.

The remuneration committee approves the cash incentive to be paid to the individuals.

Long term incentive

Options are available to be issued under the Energy Technologies Limited Share Option Plan (made in accordance with thresholds set in plans approved by shareholders at the 2017 AGM), and it provides for directors, executives and employees to receive options in total limited to 15% of the issued ordinary capital and exercisable strictly under the terms of the Plan.

Remuneration Report (audited)

The Board considers that the above remuneration structure is adequate given the major restructuring of the operations required under the Business Plan, and secondly, the performance linked element appears to be appropriate because the executives strive to achieve a level of performance which qualifies them for bonuses.

The remuneration for all non-executive directors, last voted upon by shareholders at the 2007 AGM, is not to exceed \$500,000 per annum. Director's fees are presently \$50,000 per annum for Mr Gary Ferguson, Mr Philip Dulhunty and Mr Yulin Hu, and \$80,000 for Mr Matthew Driscoll.

Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:

Key Management Person	Position (s) Held during the Year
Alfred J. Chown	Chairman/Managing Director of EGY and Managing Director of BWC
Gary A. Ferguson	Director – Non-Executive of EGY and Director of BWC
Philip W. Dulhunty	Director – Non-Executive of EGY
Yulin Hu	Director – Non-Executive of EGY
Matthew Driscoll	Director – Non-Executive of EGY
Gregory. R. Knoke	CFO/Company Secretary of EGY and BWC
Nicholas Cousins	General Manager BWC

Options and Rights Holdings

Gregory R. Knoke and Nicholas Cousins currently hold Nil Options issued under the Share Option Plan.

Shareholdings	Balance 30 June 2019	Received as Remuneration	Purchases	Disposals	Balance 30 June 2020
Number of Shares held by Key Management Personnel					
Specified directors					
Alfred J Chown	8,243,575	-	-	-	8,243,575
Gary A. Ferguson	1,154,044	-	-	-	1,154,044
Philip W. Dulhunty	1,417,195	-	-	-	1,417,195
Yulin Hu	3,476,058	-	-	-	3,476,058
Matthew Driscoll	1,025,774	-	-	-	1,025,774
Specified executives					
Gregory R. Knoke	74,425	-	-	-	74,425
Nicholas Cousins	-	-	-	-	-
	15,391,071	-	-	-	15,391,071

Remuneration Report (audited)

Voting and comments made at the Company’s last Annual General Meeting

Energy Technologies Limited received 100% of ‘yes’ votes on its Remuneration Report for the financial year ending 30 June 2019. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Use of remuneration consultants

Energy Technologies Limited did not employ the services of any remuneration consultants in 2020.

Employment agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in an employment agreement. The major provisions of the agreements relating to remuneration as set out below:

Employee	Base Salary (per annum)	Term of Agreement	Notice Period
Alfred J Chown	\$287,671	Unspecified	3 months
Gregory R Knoke	\$192,876	Unspecified	1 month
Nicholas Cousins	\$157,500	Unspecified	1 month

Other transactions with key management personnel

During the current financial year, loans previously made by Director Alfred J Chown of \$50,000 to the Company and a further \$39,561 to subsidiary Bambach Wires and Cables Pty Ltd as at 30 June 2019 were repaid. Also during the current financial year Director Alfred J. Chown made a further loan of \$10,981 to Bambach Wires and Cables Pty Ltd. This loan is unsecured and repayable on demand.

During the current financial year Director Matthew Driscoll, made a loan to the company of principal \$500,000. This loan holds second ranking security over the assets of the group. The loan incurred an establishment fee of \$75,000 and interest is paid or accrued at the rate of 15% per annum.

Included in Sundry payables and accrued expenses are unpaid Directors fees.

Two key management personnel made short term loans of \$190,000 (2019: Nil) to subsidiary Bambach Wires and Cables Pty Ltd. These loans were unsecured and incurred an establishment fee of 10%. The loans have since been repaid. The above loan transactions are on normal commercial terms and conditions.

Directors Guarantee

Subsidiary Bambach Wires and Cables Pty Ltd has varied existing business accounts with Moneytech to increase the limit on the Trade Finance Facility to \$1.5m and to increase the limit on the IF Facility to \$5m. The Asset Finance Facility limit remains at \$500,000. To facilitate this Director Alfred Chown and Donna Chown (guarantors) have provided in favour of Moneytech a guarantee for the performance of the obligations of Bambach under the facility. Donna Chown has granted a mortgage in favour of Moneytech to secure her guarantee obligations. Energy Technologies Limited has provided a guarantee and indemnity to the guarantors for any liability of Bambach under the provisions of the Deed as tabled.

In consideration for providing the guarantee and security to Moneytech the fees payable to the guarantors are an establishment fee of 3% of the amount guaranteed (\$210,000), and a monthly service fee based on 2% per annum of the amount guaranteed (\$11,667 per month). Fees will be paid in cash but with the right to accept shares if acceptable to both parties.

Details of the nature and amount of each element of the remuneration of key management personnel including each director of the company and each of the specified executive officers of the company and the consolidated entity for the financial year are disclosed in the table on next page.

Remuneration Report (audited)

Remuneration of key management personnel (audited)

The following table provides the details of all directors of the Company ("specified directors") and the executives of the consolidated entity with the greatest authority ("specified executives"), and the nature and amount of the elements of their remuneration for the year ended 30 June 2020. No remuneration for the financial year is performance related or equity related.

		Short-term benefits			Post Employment Benefits	Share-based payment	Total
2020		Cash, salary, fees & commissions	Cash Bonus	Other	Superannuation	Equity	
Specified Directors	Position (s) Held	\$	\$	\$	\$	\$	\$
Alfred J. Chown	Chairman/Managing Director of EGY and Managing Director of BWC	310,082	-		28,318	-	338,400
Gary A. Ferguson	Non-Executive Director of EGY and Director of BWC	50,000	-	-	-	-	50,000
Philip W. Dulhunty	Non-Executive Director of EGY	50,000	-	-	-	-	50,000
Yulin Hu	Non-Executive Director of EGY	50,000	-	-	-	-	50,000
Matthew Driscoll	Non-Executive Director of EGY	80,000	-	-	-	-	80,000
Specified executives							
Gregory R. Knoke	CFO/Company Secretary of EGY and BWC	189,034	-	8,670	17,517	-	215,221
Nicholas Cousins	General Manager BWC	159,408	-	18,000	15,033	-	192,441
		888,524	-	26,670	60,868	-	976,062

Remuneration Report (audited)

Remuneration of key management personnel (audited)

The following table provides the details of all directors of the Company ("specified directors") and the executives of the consolidated entity with the greatest authority ("specified executives"), and the nature and amount of the elements of their remuneration for the year ended 30 June 2019. No remuneration for the financial year is performance related or equity related.

		Short-term benefits			Post Employment Benefits	Share-based payment	Total
2019		Cash, salary, fees & commissions	Cash Bonus	Other	Superannuation	Equity	
Specified Directors	Position (s) Held	\$	\$	\$	\$	\$	\$
Alfred J. Chown	Chairman/Managing Director of EGY and Managing Director of BWC	447,341	-	-	23,090	-	470,431
Gary A. Ferguson	Non-Executive Director of EGY and Director of BWC	25,000	-	-	-	-	25,000
Philip W. Dulhunty	Non-Executive Director of EGY	20,000	-	-	-	-	20,000
Yulin Hu	Non-Executive Director of EGY	20,000	-	-	-	-	20,000
Matthew Driscoll	Non-Executive Director of EGY	25,000	-	-	-	-	25,000
Specified executives							
Gregory R. Knoke	CFO/Company Secretary of EGY and BWC	197,948	-	7,934	18,545	-	224,427
Nicholas Cousins	General Manager BWC	147,798	-	18,000	13,894	-	179,692
		883,087	-	25,934	55,529	-	964,550

End of the audited Remuneration Report.

Corporate Governance Statement

The Company's corporate governance practices are discussed below. The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council.

The Board of Directors guides and monitors the business and affairs of Energy Technologies Limited and its subsidiaries ("the Group") on behalf of the shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for the overall corporate governance of the Group. To assist the Board in discharging its responsibilities the Board has adopted principles of corporate governance that are considered appropriate for the present size of the Group. Where it is not appropriate, cost effective or practical to comply fully with the Corporate Governance Principles and Recommendations, this fact has been disclosed together with reasons for the departure.

Consistent with the ASX recommendations, the Company's corporate governance practices are regularly reviewed. The information in this statement is current as at 30 September 2020.

Principle 1: Lay solid foundations for management and oversight

1.1: Board and Management Responsibilities

The Board is responsible for, and has the authority to determine, all matters relating to the running of the Company including the policies, operational practices, management and objectives of the Company. In carrying out its responsibilities, the Board undertakes to serve the interest of shareholders diligently and fairly. It is the role of management to manage the Company in accordance with the directives of the Board.

Accordingly, certain functions and roles are reserved to the Board, and certain others are delegated to the senior executives of the Group.

The responsibilities of the Board include:

- formulating the vision and strategic direction and monitoring performance objectives of the Group
- overseeing and fostering an appropriate culture for the Group that is aligned to its values
- developing and monitoring adoption of the most appropriate principles of corporate governance
- ensuring adequate risk management processes are in place and are complied with
- reviewing internal controls, external audit reports and ensuring codes of conduct and regulatory compliance
- approving and monitoring the progress of major capital expenditure projects, funding programmes, acquisitions and divestments
- reviewing and approving annual business plans and budgets
- ensuring appropriate resources are available to senior executives
- reviewing and ratifying systems for health, safety and environmental management and controls
- appointing and evaluating the performance of senior executives
- appointing and creating succession policies for directors
- appointing, removing and creating succession policies for senior executives
- approving and monitoring financial and other reporting to shareholders and to the market.
- ensuring corporate accountability to the shareholders primarily through an effective communications strategy and through the Chairman adopting the key interface role between the Company and its shareholders.

A schedule of directors' meetings and attendances is detailed in the directors' report.

Corporate Governance Statement (Cont'd)

The Board has delegated responsibility for operation and day to day administration of the company to the Managing Director, the Chief Financial Officer and executive management.

The Managing Director is responsible for the achievement of the Company's goals, in accordance with the strategies and policies approved by the Board and with support from executive management. The specific duties of the Managing Director include:

- assisting the Board to develop the Company's Business Plan and goals
- responsibility for the achievement of these goals
- development in conjunction with senior management of short, medium and long term strategies to enable the Company to achieve its objectives
- preparation and update of business plans and relevant reports with senior management and implementation of those plans
- assessment of business opportunities including acquisitions
- proposing and controlling with Board approval items of material capital expenditure
- maintaining positive relationships with Board members, shareholders, trading partners and the investment community, including accepting the role of key spokesperson
- recommending and seeking appropriate approval for delegations of authority, key performance incentives and organizational changes, including key staff appointments, in conjunction with established board committees
- ensuring legal and regulatory compliance, in conjunction with senior management
- overall control of the staff appraisal process

1.2 and 1.3: Appointment of Directors

The experience, qualification and background of each Director is thoroughly assessed before appointment. This information is provided to shareholders through announcement to the market.

Information on each Director's background and qualification can be found on pages 5 and 6 of the Annual Report.

The Company issues written notice of appointment for new Directors or senior executives setting out the terms and conditions relevant to that appointment and the expectations of the role of the director. The Company also provides an induction process which provides key information on the nature of the business and its operations.

1.4: Company Secretary

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. On day to day matters the Company Secretary reports to the Managing Director.

The responsibilities of the Company Secretary include:

- advising the board and committee on governance issues;
- monitoring adherence to company policies;
- co-ordinating and timing despatching of Board and committee papers; and.
- ensuring that the business at Board and committee meetings are accurately captured in the minutes.

Corporate Governance Statement (Cont'd)

1.5: Diversity

The Company has adopted policies in relation to employment and recruitment which require the introduction of new staff and management of the Group's employees on a non-discriminatory basis. Hiring policies are backed by policies in relation to Sexual Harassment and Grievance and Dispute Handling.

The Group is quite small. Some new employees have been employed by BWC since its purchase, but only very few. The small scale of the company's hiring means that it is difficult to target new employees on a gender basis.

The Company's policies are intended to ensure that equal opportunity is given to all potential employees, and that increasing gender diversity at all levels will not be discouraged. The Board will keep the gender composition of its workforce under review.

Twelve per cent (12%) of all the Group's employees are women. There is currently one female on the Board as Alternate Director to Yulin Hu.

1.6 and 1.7: Board and Management Reviews

The Board undertakes a review of the Managing Director and of senior executive performance at least annually, together with the Remuneration Committee, including setting targets. The performance evaluation is carried out in accordance with the policy and procedure set out in the Company's Corporate Governance documents, which are available on the Company's website.

Principle 2: Structure the board to add value

The composition of the Board is structured to efficiently discharge its responsibilities and duties.

2.1 : Nomination Committee

The names and qualifications of those appointed to the nomination committee for the year ended 30 June 2020 and their attendance at meetings of the committee are included in the directors' report. This committee is involved in the overseeing of the appointment and induction process for new directors, committee members and senior management.

The Nomination Committee is not chaired by an independent director, however, the Committee is made up of a majority of independent directors. Due to the small number of directors and senior executives and the involvement of the current executive director and chairman in the business strategy of the group it is considered that the role of chairman of the Nomination Committee remains unchanged at this time.

For Directors retiring by rotation, the Board assesses that director before recommending re-election.

2.2 : Board skills matrix

The Board of Directors is comprised of a Managing Director and Chairman, together with four non-executive Directors and an Alternate Director. The Board considers that a diversity of skills, knowledge, experience, backgrounds and gender is required to effectively govern the business. The current Board profile addresses this with the following experience, skills and qualifications represented on the Board:

- international business and senior executive experience, including owning and managing businesses in the energy sector and other;
- experience on listed and unlisted company and association boards as executive and non-executives and committee members;
- understanding the sectors in which the Company operates in including the energy sector, resources industry, infrastructure, construction;
- relevant operational experience in strategic planning, executive management; mergers and acquisitions, risk management, financial markets, contract negotiation and people management;
- financial and corporate governance acumen with finance sector and audit committee roles experience;
- an understanding of the health and safety challenges of the business.

Corporate Governance Statement (Cont'd)

2.3, 2.4, 2.5 : Board Composition, Independence of Directors and Chairman

The composition of the Board is determined in compliance with the Company's constitution. The names of the directors of the company in office at the date of this report, their term of office and their skills, experience and relevant expertise are detailed in the directors' report. The position and term in office of each Director at the date of this report is as follows:

Name of Director	Position	Term in Office	
		Years	Months
Alfred J. Chown	Chairman/Managing Director	23	2
Gary A. Ferguson	Non-Executive	7	11
Philip W. Dulhunty	Non-Executive	5	9
Yulin Hu	Non-Executive	4	9
Meiping Hu	Alternate to Yulin Hu	4	9
Matthew Driscoll	Non-Executive	3	8

The Company has a majority of independent directors on the board.

The non-executive Directors are materially independent in complying as a director who is not a member of management and who:

- has not within the last three years been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
- within the last three years has not been a principal or employee of a material professional advisor or a material consultant to the company or another group member
- is not a material supplier or customer of the company or another group member, or an officer of or otherwise associated with a material supplier or customer
- has no material contractual relationship with the company or another group member other than as a director of the company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
- is not a substantial shareholder in the Company.

During the 2013 financial year, Mr Alfred J. Chown was appointed as the Managing Director of the Company. After the resignation of former Board members, Mr Chown also adopted the position of Chairman of the Board. The company accepts that, as a principle, these roles should be separate. At present, however, there are factors which have made it desirable that they be exercised by the same person for the time being.

The Company and its subsidiary Bambach Wires and Cables Pty Ltd (BWC) continued to encounter difficult trading conditions during the year. The Managing Director continues to devote a great deal of time and energy to the operations of BWC, and its internal processes. The Managing Director and the other directors have been in frequent and informal contact during the year, in addition to the formal Board meetings. The strategy of the company, and the execution of the strategy, has been under frequent review, and the results under close scrutiny.

Directors have worked as an effective team, with close liaison. In the circumstances, directors have not felt it necessary to address the appointment of a new Chairman.

Corporate Governance Statement (Cont'd)

2.6 : Professional Development

Each Director has the right of access to all relevant Company information and to the Company's executives. The Directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of this resource is coordinated through the Chairman of the Board.

The Company has processes in place to review the performance of the Board and its committees and individual Directors. Each year the Board of Directors gives consideration to corporate governance matters, including the relevance of existing committees and to reviewing its own and individual Directors' performance. The Chairman is responsible for monitoring the contribution of individual Directors and consulting with them in any areas of improvement.

Principle 3: Instil a culture of Acting lawfully, ethically and responsibly

3.1 : Code of Conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the Group.

The Company has developed a Code of Conduct, an Employee Handbook and a comprehensive suite of policies which have been approved by the Board and apply to all employees, officers and Directors. This set of policies is regularly reviewed and may be amended as necessary to ensure it continues to reflect the best practices necessary to consider legal obligations, maintain the Company's integrity and comply with the reasonable expectations of the Company's shareholders. The Code of Conduct is disclosed in the Company's Corporate Governance documents.

3.2 : Trading Policy

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Company's policy regarding directors and employees trading in its securities is set by the Board, and is disclosed in the Company's Corporate Governance documents. The policy restricts directors and employees 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 price.

Principle 4: Safeguard the integrity of corporate reports

The following structure is set up to independently verify and safeguard the integrity of financial reporting.

4.1 : Audit Committee

The Board has established an audit committee. The names and qualifications of those appointed to the audit committee for the year ended 30 June 2020 and their attendance at meetings of the committee are included in the directors' report. The audit committee consists of a majority of independent directors, refer 2.3 Board Composition. Following the appointment of independent non-executive Director Matthew Driscoll, the audit committee is constituted with three members. Mr Driscoll has been appointed as Chairman of the audit committee. The Board of the company now has six members including Alternate Director, however following the appointment of Mr Driscoll and the skills matrix, the Board has decided to retain the expanded structure at this time. The Board has decided not to appoint Alfred J. Chown, the Managing Director, to the audit committee. The Chief Financial Officer is invited to audit committee meetings at the discretion of the committee. The external auditor meets with members of the committee at least twice during the year.

The charter of the audit committee is disclosed in the Company's Corporate Governance documents.

The responsibilities of the audit committee include:

- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review.
- Providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

Corporate Governance Statement (Cont'd)

4.1 : Audit Committee (Cont'd)

The Company does not have an internal audit function due to the size and lack of complexity of the Company. The Company's Board and Management oversee the key areas of the business including the risk management and internal control processes of the Company and evaluate and look for opportunities to continually improve the effectiveness of these processes.

4.2 : Financial Reporting

To assist the Board in approving the Company's financial statements, the Managing Director and the Chief Financial Officer are required to present a declaration with regard to the integrity of the financial statements to confirm to the Board that the Company's financial statements present a true and fair view in all material respects of the Company's financial condition and that operational results are in accordance with applicable accounting standards and the Corporations Act.

4.3 : External Auditors

The Board of Directors ensures that the Company's external auditor attends all Annual General Meetings and be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 5: Make timely and balanced disclosure

Disclosure

The Company has a Continuous Disclosure policy to ensure compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of any information which may have material effect on the price or value of its securities. The policy is disclosed in the Company's Corporate Governance documents. All ASX announcements are linked to the Company's website as soon as possible after confirmation from ASX, including financial statements.

The Company Secretary in consultation with the CEO and Directors is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

Principle 6: Respect the rights of shareholders

6.1 Information on website

The Company takes advantage of electronic communication for investor relations. The Company's, and subsidiary Bambach Wires and Cables Pty Ltd, website contains extensive information about the Board and management globally. It includes relevant press releases and media announcements in relation to the Company's operations, relevant announcements made to the market via the ASX, Company presentations and copies of financial statements. The Company has recently upgraded its website and further development to ensure continuous and full disclosure is currently under way.

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available in its web site or the ASX web site, ensuring that all shareholders are kept informed about the Company. Shareholders also have the option of receiving a hard copy of the Annual Report each year.

6.2 and 6.3 Investor relations and participation at meetings

The Board encourages full participation of attending shareholders at the Annual General Meeting to maintain a high level of accountability and allow shareholders to identify the Company's strategies and goals. The Company completes the Notice of Meeting and Explanatory Notes so that they provide clearly and concisely all of the information relevant to shareholders to enable them to make decisions on matters to be voted on at the meeting. The General Meetings are viewed as a tool to communicate with shareholders and the Company encourages and allows time for participation in the meetings. The full Board and senior executives are present and available to answer questions from the floor, as is the external auditor.

Corporate Governance Statement (Cont'd)

6.2 and 6.3 Investor relations and participation at meetings (Cont'd)

Informal meetings and factory site visits with shareholders are also held from time to time. A regular newsletter is produced which is available on request.

6.4 Electronic Communication

The Company also encourages electronic communication directly via email with shareholders at all times.

Principle 7: Recognise and manage risk

7.1 : Risk Committee

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to particular issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the board.

7.2 : Risk Review

The Board identifies potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment. It regularly assesses the Company performance in light of risks identified.

The Board has several mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic business plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk.
- Implementation of Board-approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators (KPI's) of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, such matters as occupational health and safety.
- Regular management meetings involving executive directors, specified executives, and staff during which reports are given on production, sales, financial, compliance and strategic issues and decisions taken on operating matters, or referred to the Board.
- Regular reports and cash forecasts from the CFO which assist in discharging the Board's responsibility to manage the Group's financial risks. The Board is advised on such matters as the Group's liquidity, available credit and currency exposures and monitors actions to ensure they are in line with Company policy.
- The Board holds ongoing discussion of issues raised in the shareholder open days, in addition to the AGM, as well as other shareholder communications, to ensure that the Board is cognizant of the diverse needs of various stakeholders and assist in identifying the risks the business may face if those needs are not met, as well as specifically review and update the corporate strategy as necessary.

7.3 : Internal Audit

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requests the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

7.4 : Sustainability Risks

The Board regularly assesses risks associated with economic, global, environmental and social sustainability risks.

Corporate Governance Statement (Cont'd)

Principle 8: Remunerate fairly and responsibly

8.1 : Remuneration Committee

The Board has established a remuneration committee. The remuneration committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and staff and directors themselves. It is also responsible for share option schemes, incentive performance packages, and compliance with superannuation requirements, termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies as applicable.

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report. The remuneration committee in place for the year ended 30 June 2020 consists of three directors and has a majority of independent directors. The Chief Financial Officer is invited to remuneration committee meetings, as required, to discuss senior executives and staff performance and remuneration packages.

The charter in relation to the remuneration committee is disclosed in the Company's Corporate Governance documents.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

8.2 : Executive and Directors Remuneration Policies

Remuneration levels are set to attract and retain appropriately qualified and experienced directors, senior executives and staff to run the consolidated entity. The board considers that the remuneration structure will be able to attract and retain the best executives with the necessary incentives to work to grow long-term shareholder value.

The remuneration committee obtains independent advice as necessary on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration includes a mix of fixed remuneration and performance-based remuneration. All senior executives receive a base salary, superannuation, fringe benefits and performance incentives. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparative industry information and relevant independent advice. The performance of executives is measured against criteria agreed which is based on the forecast growth of the Company's turnover and profits and shareholders' value.

The Company's non-executive directors are paid directors' fees for their normal performance of duties as a director. Where there is a significant and sustained requirement for work by a director in excess of that considered normal for the Company, the Company will pay a one-off bonus in respect of that work.

The amount of remuneration for all directors and the highest paid executives, including all monetary and non-monetary components, are detailed in the Directors' Report.

8.3 : Equity based Remuneration Scheme

A revised Directors Equity Plan was established in 2017 and approved by shareholders at the 2017 Annual General Meeting.

Executives and employees are also entitled to participate in the EGY Share Option Plan also approved by shareholders at the 2017 Annual General Meeting.

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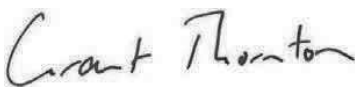
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Auditor's Independence Declaration

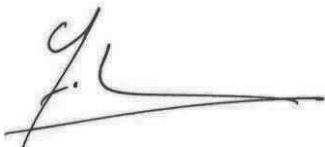
To the Directors of Energy Technologies Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Energy Technologies Limited the year ended 30 June 2020, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 30 September 2020

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Consolidated Income Statement for the year ended 30 June 2020

	Note	Consolidated	
		2020 \$	2019 \$
Sales Revenue	2(a)	10,058,633	12,592,484
Cost of Sales	3	(7,642,791)	(10,019,392)
Gross Margin		2,415,842	2,573,092
Rendering of services	2(a)	67,409	69,727
Other Income	2(b)	760,552	247,004
Gain on Debt Settlement	2(b)	-	5,357,429
Marketing expenses		(124,285)	(38,187)
Occupancy expenses		(453,533)	(727,822)
Administrative expenses		(4,484,138)	(4,689,436)
Finance costs	3	(1,241,723)	(911,379)
Depreciation and amortisation expenses	3	(1,235,901)	(454,307)
Other expenses		(81,829)	(124,546)
(Loss)/Profit before income tax		(4,377,606)	1,301,575
Income tax (expense)/benefit	4	(37,729)	89,423
(Loss)/Profit after income tax		(4,415,335)	1,390,998
Loss attributable to non-controlling interest		13,115	12,559
(Loss)/Profit attributable to members of the parent entity		(4,402,220)	1,403,557
Earnings per share			
Basic (loss)/profit per share (cents per share)	8	(5.1)	4.3
Diluted (loss)/profit per share (cents per share)	8	(5.1)	4.3

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2020

	Note	Consolidated	
		2020 \$	2019 \$
(LOSS)/PROFIT FOR THE YEAR		(4,415,335)	1,390,998
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR AFTER TAX:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Movement in foreign exchange relating to translation of controlled foreign entities		(1,799)	(3,318)
Exchange differences on foreign exchange relating to non- controlling interest		(1,799)	(3,317)
Revaluation of Plant and Equipment to fair value	13	-	6,838,699
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(3,598)	6,832,064
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(4,418,933)	8,223,062
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:			
Members of the parent entity		(4,404,019)	8,238,939
Non-controlling interest		(14,914)	(15,877)
		(4,418,933)	8,223,062

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	Consolidated	
		2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	9	27,676	29,940
Trade and other receivables	10	4,188,418	5,248,053
Inventories	11	2,326,951	3,479,718
Other current assets	16	357,389	212,380
TOTAL CURRENT ASSETS		6,900,434	8,970,091
NON-CURRENT ASSETS			
Property, plant and equipment	13	12,871,545	11,768,283
Intangible assets	14	4,737,132	4,083,426
Right of use assets	15	3,876,560	-
Deferred tax assets	19(a)	228,927	266,656
Other non-current assets	16	215,408	209,024
TOTAL NON-CURRENT ASSETS		21,929,572	16,327,389
TOTAL ASSETS		28,830,006	25,297,480
CURRENT LIABILITIES			
Trade and other payables	17	6,268,901	4,587,414
Lease liabilities	15	882,252	428,877
Borrowings	18	3,865,247	2,009,593
Short-term provisions	20	846,510	823,184
TOTAL CURRENT LIABILITIES		11,862,910	7,849,068
NON-CURRENT LIABILITIES			
Borrowings	18	338,963	-
Lease liabilities	15	3,395,172	129,662
Long-term provisions	20	156,692	196,049
TOTAL NON-CURRENT LIABILITIES		3,890,827	325,711
TOTAL LIABILITIES		15,753,737	8,174,779
NET ASSETS		13,076,269	17,122,701
EQUITY			
Issued capital	21	25,351,729	25,279,229
Other Contributed equity		300,000	-
Reserves	22	5,781,848	5,783,647
Accumulated losses		(17,745,460)	(13,343,240)
Parent interest		13,688,117	17,719,636
Non-controlling interest		(611,848)	(596,935)
TOTAL EQUITY		13,076,269	17,122,701

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Issued Capital \$	Other Contributed Equity \$	Reserves \$	Accumulated losses \$	Non-Controlling Interest \$	Total \$
Consolidated						
Balance at 01 July 2018	9,496,447	-	(1,051,735)	(14,746,797)	(581,058)	(6,883,143)
Comprehensive income						
Profit (Loss) for the year	-	-	-	1,403,557	(12,559)	1,390,998
Other comprehensive income for the year	-	-	6,835,382	-	(3,318)	6,832,064
Total comprehensive income (loss) for the year	-	-	6,835,382	1,403,557	(15,877)	8,223,062
Transactions with owners, in their capacity as owners, and other transfers						
Contributions of equity	16,432,132	-	-	-	-	16,432,132
Cost of raising capital	(649,350)	-	-	-	-	(649,350)
Total transactions with owners, in their capacity as owners, and other transfers	15,782,782	-	-	-	-	15,782,782
Balance at 30 June 2019	25,279,229	-	5,783,647	(13,343,240)	(596,935)	17,122,701
Balance at 01 July 2019	25,279,229	-	5,783,647	(13,343,240)	(596,935)	17,122,701
Comprehensive income						
Loss for the year	-	-	-	(4,402,220)	(13,115)	(4,415,335)
Other comprehensive income for the year	-	-	(1,799)	-	(1,798)	(3,597)
Total comprehensive income (loss) for the year	-	-	(1,799)	(4,402,220)	(14,913)	(4,418,932)
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued in lieu of fees	72,500	-	-	-	-	72,500
Contributions of equity	-	300,000	-	-	-	300,000
Total transactions with owners, in their capacity as owners, and other transfers	72,500	300,000	-	-	-	372,500
Balance at 30 June 2020	25,351,729	300,000	5,781,848	(17,745,460)	(611,848)	13,076,269

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		10,179,605	10,728,936
Receipts from government subsidies - R&D grant		948,903	1,148,210
Receipts from government subsidies – Jobkeeper/Cash boost		372,318	-
Interest received		943	566
Payments to suppliers and employees		(9,975,134)	(12,598,520)
Finance costs		(1,042,894)	(297,716)
Net cash inflow (outflow) from operating activities	27(a)	483,741	(1,018,524)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		13,400	28,000
Purchases of property, plant and equipment		(1,920,454)	(3,455,965)
Purchases of intangible development assets		(1,507,596)	(1,754,938)
Net cash outflow from investing activities		(3,414,650)	(5,182,903)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	3,500,000
Less cost of raising capital		-	(649,350)
Proceeds from contribution of equity		300,000	-
Proceeds from borrowings		2,307,896	2,063,960
Proceeds from government grants – RJIP grant		1,452,000	1,450,000
Repayment of borrowings		(965,862)	(411,389)
Repayment of lease liabilities	15	(586,821)	-
Loans from directors	29	421,420	89,561
Net cash inflow from financing activities		2,928,633	6,042,782
Net (decrease) increase in cash held		(2,276)	(158,645)
Cash at beginning of financial year		29,940	188,541
Effect of exchange rates on cash holdings in foreign currencies		12	44
Cash at end of financial year	9	27,676	29,940

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

The financial statements are presented in Australian dollars unless otherwise stated.

The financial statements were authorised for issue on 30 September 2020 by the directors of Energy Technologies Limited.

Energy Technologies Limited is a listed public company, incorporated and domiciled in Australia.

(b) Statement of compliance

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

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

(c) Going Concern

The consolidated entity made a FY2020 loss after tax attributable to members of \$4,402,220 (2019: profit of \$1,403,557). The FY2019 consolidated profit included a gain on the extinguishment of debt of \$5,357,429, following the issue of shares at a discounted percentage of outstanding debt to Debenture, Convertible Note and loan holders in full satisfaction of the company's obligations. The consolidated entity has positive cash flows from operations of \$483,741 for the year ended 30 June 2020 (2019: negative \$1,018,524). Consolidated net assets as at 30 June 2020 are \$13,076,269.

Fully owned subsidiary Bambach Wires and Cables (Bambach) incurred a loss after tax of \$3,374,589 (2019: \$2,650,579). This loss was impacted by the impact of Covid-19, particularly in the last quarter FY2020, and by transitional issues in relocating the primary manufacturing facility from Sydney to Victoria.

This matter gives rise to a material uncertainty that may cast doubt upon the consolidated entity's ability to continue as a going concern. The ongoing operation of the consolidated entity is dependent upon it achieving cash flow positive trading operations from its existing business.

Management have prepared a cash flow projection for the period to 30 September 2021 that supports the ability of the consolidated entity to continue as a going concern. Supporting the cash flow projection is the fact that the company restructure as reported last year is materially complete and the large manufacturing facility in Rosedale Victoria is operational and progressing to full production capability. This facility is capable of producing up to 250 tonnes of finished product per month. The cash flow remains conservative in revenue projections FY21 and the company balance sheet remains strong with net assets of \$13,076,269. Significant cost savings are projected FY2021 from the relocation to Rosedale, in particular rent and outgoings savings of more than \$600,000 per annum and net staffing cost reductions as the Sydney factory closed.

The company also announced on 24 June 2020 a capital raising of up to \$5m, which has subsequently been fully raised through a Placement and Rights Issue.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(c) Going Concern (Cont'd)

In the event that the consolidated entity is unable to achieve the matters detailed above, it may not be able to continue as a going concern and therefore the consolidated entity may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. Whilst the matters above give rise to an uncertainty that may cast doubt upon the consolidated entity's ability to continue as a going concern, no adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Energy Technologies Limited (EGY) at the end of the reporting period. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is included in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in the subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie. transactions with owners in their capacity as owners).

(e) Business Combinations

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

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

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

All transaction costs incurred in relation to business combinations are expensed.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase. A gain from a bargain purchase is accounted for in the income statement at the acquisition date.

(f) Foreign currencies

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars (A\$), which is the parent entity's functional currency.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(f) Foreign currencies (Cont'd)

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are retranslated at the year-end exchange rate. Non-monetary items measured at fair value are reported at the exchange rate as at the date when fair value was determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- (i) Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates for the period; and
- (iii) Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

The functional currencies of the overseas subsidiaries are:

Dulhunty Engineering Limited (formerly D Power International Limited) – Hong Kong Dollars

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(g) Property, plant and equipment

Each class of Plant and equipment is stated at cost or fair value as indicated, less accumulated depreciation and any impairment in value.

Increases in the carrying amount arising on revaluation of plant and equipment are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation is calculated on both a straight-line and diminishing value basis over the estimated useful life of the asset as follows:

Buildings & Leasehold Improvements	10% to 25%
Plant and equipment	5% to 25%
Leased plant & Equipment	10% to 25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater 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.

Impairment losses are recognised in the revaluation surplus or in the income statement, as set out above.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(h) Intangibles

Intangible assets

Intangible assets acquired separately are capitalised at cost as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of Patents, Computer Software and Licenses are assessed and amortised over their useful lives and amortisation charged is taken to the income statement. Patents and licenses are amortised over 10 years and Computer Software over 4 years.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, at each reporting date, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is probable that future benefits will exceed deferred costs and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the costs over an estimated useful life of 20 years during which the related benefits are expected to be realised.

Development expenditure is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Capitalised development expenditure is measured at cost less any accumulated amortisation and impairment losses.

Intellectual Property

The Group purchased Intellectual Property consisting of brands, trademarks and design patents from Advance Cables Pty Ltd during the year ended 30 June 2019 for \$500,000. These assets have yet to be utilised as the new factory facility in Rosedale Victoria has not commenced production of Advance specific products. Amortisation will be applied using a straight line over an estimated useful life of 20 years commencing financial year 2021.

(i) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(j) Inventories

Manufacturing

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials — valued on a weighted average cost;
- Finished goods and work-in-progress — cost of raw materials and standard cost of labour and a proportion of manufacturing overheads based on estimated machine man minute. Standard cost approximates actual cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion.

(k) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(l) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognised against the asset released to profit or loss over the expected useful life of the related asset as a reduced depreciation charge.

(m) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.

(n) Investments in Associates

At the date of this report there are no investments in associates.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(o) Financial Instruments

Recognition and de-recognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings and trade & other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

(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 an outflow of resources embodying consolidated benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(r) Leases

Policies applied from 1 July 2019

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Policies applicable for comparative accounting period

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(s) Revenue recognition

Revenue is recognised using the 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of Service

Revenue is recognised as services are provided over time.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(t) Income tax

The income tax expense for the year comprises current income tax expense/(income) and deferred tax expense/(income). Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for deferred tax liability on revaluation of plant and equipment not recognised due to the existence of unrecognised tax losses available for offset.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(u) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(v) Contributed equity and other contributed equity

Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Other contributed equity

Capital contribution received in advance of share allotment is recognised at the fair value of the consideration received by the Company as other contributed equity.

Any transaction costs arising on the related equity issuance are recognised directly in equity as a reduction of the share proceeds received.

(w) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

(x) Fair Value

The Group subsequently measures some of its assets at fair value on a recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (ie the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset after considering transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(y) Critical Accounting Estimates and Judgments

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

Key Estimates

i) Impairment

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

ii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturer's warranties (for plant and equipment), lease terms (for leased equipment), long term sales projections and customer requirements (for intangible assets) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

iii) Revaluation of plant and equipment – refer to Note 13.

iv) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

v) Capitalised development costs

Distinguishing the research and development phases of a new customised product and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Notes to the Financial Statements for the year ended 30 June 2020

Note 1 Summary of Significant Accounting Policies (Cont'd)

vi) Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Key Judgements

i) Going Concern: Refer to details in Note 1(c)

ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

iii) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. The potential impact has been detailed in specific notes elsewhere in the report.

(z) New and Revised Accounting Standards

Refer to Note 31.

Notes to the Financial Statements for the year ended 30 June 2020

Note 2 Revenue and Other Income

	Note	Consolidated	
		2020 \$	2019 \$
(a) Revenue			
Goods transferred at a point in time		10,058,633	12,592,484
Services transferred over time		67,409	69,727
		10,126,042	12,662,211
(b) Other Income			
Management fee		8,244	16,488
R&D grant		126,300	201,949
Finance revenue		943	567
Gain on debt settlement		-	5,357,429
Gain on sale of fixed assets		13,400	28,000
Jobkeeper payment scheme		513,000	-
Other income		98,665	-
Total Other Revenue and Other Income		760,552	5,604,433
		10,886,594	18,266,644

Note 3 Profit/(Loss) for the Year

Included in the determination of (Loss)/Profit before income tax from continuing operations are the following expenses:

Expenses

Cost of sales		7,642,791	10,019,392
Finance costs on lease liabilities	15	199,023	-
Other finance costs		1,042,700	911,379
Foreign exchange losses		2,284	31,953
Defined superannuation contributions expense		218,977	238,342
Research and development expenditure		290,344	464,938
Depreciation and amortisation expenses		638,421	454,307
Amortisation on right of use asset	15	597,480	-

Notes to the Financial Statements for the year ended 30 June 2020

Note 4 Income Tax Expense/(Benefit)

	Consolidated	
	2020	2019
	\$	\$
(a) The components of Income tax expense/(benefit) comprise:		
Current tax	-	-
Deferred tax	37,729	(89,423)
	37,729	(89,423)
(b) Reconciliation of the prima facie tax on profit/(loss) to income tax expense:		
Prima facie tax on profit/(loss) before income tax at 27.5% (2019: 27.5%)	(1,203,842)	357,933
Tax effect of:		
- other non-allowable items	128,754	37,092
- R&D expenses non-allowable	79,845	127,858
- other assessable items	4,615	8,936
- tax losses*	1,029,045	628,930
- deferred income tax	37,729	(89,423)
- R&D grant non assessable	(34,732)	(55,536)
- utilised tax losses not previously recognised	-	(1,097,513)
- other non assessable item	(3,685)	(7,700)
Income tax expense/(benefit)	37,729	(89,423)

*Current year tax losses unable to be offset within the group and not brought to account.

Notes to the Financial Statements for the year ended 30 June 2020

Note 5 Key Management Personnel Compensation

Compensation of Key Management Personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2020 and the comparative year.

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

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	915,194	909,021
Post-employment benefits	60,868	55,529
	976,062	964,550

Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

Share-based payments

There were no share-based payments to KMP issued in the current year or the prior year.

Note 6 Auditors' Remuneration

	2020	2019
	\$	\$
Remuneration of the auditor of the parent entity:		
(a) Grant Thornton		
<i>Audit Services</i>		
Audit and review of financial reports	136,000	99,598
<i>Non-audit Services</i>		
Other services	11,000	-
Total remuneration of Grant Thornton	147,000	99,598

Notes to the Financial Statements for the year ended 30 June 2020

Note 6 Auditors' Remuneration (Cont'd)

	Consolidated	
	2020 \$	2019 \$
(b) Nexia Sydney Audit & Assurance		
<i>Audit Services</i>		
Audit and review of financial reports	-	28,278
<i>Non-audit Services</i>		
Other services	-	-
Total remuneration of Nexia Sydney Audit & Assurance	-	28,278
Total remuneration of the auditor of the parent entity	147,000	127,876
Remuneration of other auditors for:		
Audit and review of financial reports	5,000	-
Tax compliance services	3,508	1,073
	8,508	1,073

Note 7 Dividends

No dividends have been paid or proposed by the Parent for the year ended 30 June 2020 (2019: Nil).

Note 8 Earnings per Share

	Note	\$	\$
(a) Reconciliation of earnings to profit or loss:			
Profit (loss)		(4,415,335)	1,390,998
Loss/(Profit) attributable to non-controlling interest		13,115	12,559
Earnings used to calculate basic and dilutive EPS		(4,402,220)	1,403,557
		Number	Number
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		85,668,582	32,299,031
Weighted average number of dilutive options outstanding	(c)	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS		85,668,582	32,299,031

(c) During the 2020 financial year no ordinary share options were issued to employees under an approved Share Option Plan. There were no outstanding share options at 30 June 2020.

Notes to the Financial Statements for the year ended 30 June 2020

Note 9 Cash and Cash Equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and on hand	27,676	29,940
	27,676	29,940

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	27,676	29,940
	27,676	29,940

Note 10 Trade and Other Receivables

	Note	\$	\$
CURRENT			
Trade receivables	(a)	2,788,593	2,771,947
R & D grant receivable		782,104	948,604
Government grant receivable		169,500	1,075,143
Other receivables		448,221	452,359
		4,188,418	5,248,053

(a) Trade debtors are based on normal terms of trade, typically 30 days from end of month. Retention of title terms exist on sales.

Note 11 Inventories

At cost			
Raw materials and stores		658,703	612,204
Work in progress		17,466	345,159
Finished goods		1,750,782	2,522,355
Allowance for obsolete and slow-moving inventory		(100,000)	-
		2,326,951	3,479,718

Notes to the Financial Statements for the year ended 30 June 2020

Note 12 Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) [*]	
		2020	2019
Parent Entity:			
Energy Technologies Limited	Australia		
Subsidiaries of Energy Technologies Limited :			
Bambach Wires & Cables Pty Limited	Australia	100	100
Cogenic Pty Limited	Australia	100	100
Dulhunty Engineering Limited (previously D Power International Limited)	British Virgin Islands	51	51
Dulhunty Engineering Limited (Hong Kong Branch)	Hong Kong	51	51

* Percentage of voting power is in proportion to ownership

Notes to the Financial Statements for the year ended 30 June 2020

Note 13 Property, Plant and Equipment

	Consolidated	
	2020 \$	2019 \$
Leasehold Improvements		
Leasehold Improvements at independent valuation	624,936	624,936
Less: Accumulated depreciation	(13,128)	-
Total Leasehold Improvements	611,808	624,936
Plant and Equipment		
Plant and equipment at independent valuation	9,941,807	9,941,807
Less: Accumulated depreciation	(296,618)	-
	9,645,189	9,941,807
Plant and equipment at cost	1,568,835	44,775
Less: Accumulated depreciation	(77,672)	(41,760)
	1,491,163	3,015
Leased Plant and Equipment		
Capitalised leased assets – at cost	1,537,467	1,517,931
Less: Accumulated depreciation	(414,082)	(319,406)
	1,123,385	1,198,525
Total Plant and Equipment	12,259,737	11,143,347
Total Property, Plant and Equipment	12,871,545	11,768,283

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:

	Leasehold Improvements \$	Plant and Equipment \$	Leased Plant and Equipment \$	Total \$
Consolidated Entity:				
Carrying amount at the beginning of the year	624,936	9,944,822	1,198,525	11,768,283
Additions	-	1,900,917	19,536	1,920,453
Depreciation expense	(13,128)	(332,530)	(94,676)	(440,334)
Offset RJIP Government Grant	-	(376,857)	-	(376,857)
Revaluation for fair value	-	-	-	-
Carrying amount at the end of the year	611,808	11,136,352	1,123,385	12,871,545

Notes to the Financial Statements for the year ended 30 June 2020

Note 13 Property, Plant and Equipment (Cont'd)

Revaluation of Plant and Equipment to Fair Value

In accordance with the measurement choice available under AASB 116 Property, Plant & Equipment and in order to reflect fair value, subsidiary Bambach Wires and Cables Pty Ltd (BWC) obtained an independent valuation of existing plant and equipment as at 30 June 2019. The valuation reports were completed under the following bases of value:

Fair Value as defined in AASB13 (FV)

The fair value of BWC Plant and Equipment and Leasehold Improvements under FV was \$10,566,743 at 30 June 2019. The Board adopted this value, which resulted in an increase in net plant and equipment value of \$6,838,699 in BWC at 30 June 2019. The revaluation amount was recognised in the Asset Revaluation Reserve. A deferred tax liability of \$1,276,992 at 30 June 2020 (2019: \$1,299,215) in respect of the revaluation, has been set off against tax losses available to offset any liability arising upon a disposal of plant and equipment. Refer Note 19(d). EGY has no plans to dispose of its plant and equipment.

The Group initially recognises and measures its Plant and Equipment and Leasehold Improvements at cost. The Group subsequently measures its plant and equipment and its leasehold improvements at fair value on a recurring basis in accordance with AASB 116: *Property, Plant and Equipment*. Refer Notes 1(g) and 1(x).

Fair Value Measurement

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into, as follows:

- Level 1: Measurements based on quoted prices in active markets for identical assets that the entity can access at the measurement date.
- Level 2: Measurements based on inputs other than the quoted prices included in Level 1, but that are observable for the asset, either directly or indirectly.
- Level 3: Measurements based on unobservable inputs for the asset or liability.

Notes to the Financial Statements for the year ended 30 June 2020

Note 13 Property, Plant and Equipment (Cont'd)

EGY's management considers that the inputs used for the fair value measurement are Level 2 and Level 3 inputs.

Valuation techniques

AASB 13 requires the valuation technique used to be consistent with one of the following valuation approaches:

- Market approach: techniques that use prices and other information generated by market transactions for identical or similar assets.
- Income approach: techniques that convert future cash flows or income and expenses into a single discounted present value.
- Cost approach: techniques that reflect the current replacement cost of an asset at its current service capacity.

EGY commissioned an external independent valuer to conduct a valuation of its unencumbered plant and equipment and leasehold improvements at 30 June 2019 using a market approach technique. The technique predominantly used recent observable market data for similar new equipment, adjusted for loss in value caused by physical deterioration, functional obsolescence and economic obsolescence. EGY's management considers that the market approach is the appropriate valuation technique in relation to its plant and equipment and leasehold improvements.

Inputs used in the market approach technique to measure Level 2 and Level 3 fair values were:

- current replacement cost of the property being appraised less the loss in value caused by physical deterioration, functional obsolescence and economic obsolescence;
- historical cost and relevant market data and industry expertise; and
- sales comparison for assets where available.

The assessments of the physical condition, functional obsolescence and economic obsolescence are considered Level 3 inputs.

EGY management has determined that the fair value of the plant and equipment as at 30 June 2020 does not differ materially from its carrying value.

Recurring fair value measurements:

	2020 \$	2019 \$
Plant and equipment	11,136,352	9,944,822
Leasehold improvements	611,808	624,936
Total non-financial assets recognised at fair value	<u>11,748,160</u>	<u>10,569,758</u>

The highest and best use of the assets is the fair market value in continued use, using the market approach technique.

Notes to the Financial Statements for the year ended 30 June 2020

Note 14 Intangible Assets

	Consolidated	
	2020	2019
	\$	\$
Computer software at cost	47,651	47,651
Accumulated amortisation	(21,659)	(15,161)
Net carrying value	<u>25,992</u>	<u>32,490</u>
Intellectual Property at cost	500,000	500,000
Accumulated amortisation	-	-
Net carrying value	<u>500,000</u>	<u>500,000</u>
Development Assets	4,688,738	3,836,945
Accumulated amortisation	(477,598)	(286,009)
Net carrying value	<u>4,211,140</u>	<u>3,550,936</u>
Total intangible assets	<u>4,737,132</u>	<u>4,083,426</u>

Movements in Carrying Amounts

Movements in carrying amounts for each group of Intangible Assets between the beginning and the end of the current financial year:

	Software	Development Assets	Intellectual Property	Total
	\$	\$	\$	\$
Consolidated Entity:				
Carrying amount at the beginning of the year	32,490	3,550,936	500,000	4,083,426
Additions	-	1,507,596	-	1,507,596
R&D Grant receivable	-	(655,804)	-	(655,804)
Amortisation expense	(6,498)	(191,588)	-	(198,086)
Carrying amount at the end of the year	<u>25,992</u>	<u>4,211,140</u>	<u>500,000</u>	<u>4,737,132</u>

Intangible assets have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense.

The recoverable amount of intangible development assets has been reviewed to confirm to management that no impairment indicators exist as at 30 June 2020, and that the 5% amortisation applied and consistent is applicable. Testing was undertaken using information sourced both externally and internally and with a view to reaching a conclusion which satisfies AASB 136.

The Group purchased Intellectual Property consisting of brands, trademarks and design patents from Advance Cables Pty Ltd during the year ended 30 June 2019 for \$500,000. These assets have yet to be utilised as the new factory facility in Rosedale Victoria has not commenced production of Advance specific products. Amortisation will be applied using a straight line over an estimated useful life of 20 years commencing financial year 2021.

Notes to the Financial Statements for the year ended 30 June 2020

Note 15 Right of Use Assets and Lease Liabilities

	Consolidated	
	2020	2019
	\$	\$
Right of Use Assets		
Right of use assets	4,474,040	-
Less: Accumulated Amortisation	(597,480)	-
	3,876,560	-

The consolidated entity has leased office and factory premises under operating leases with various expiry dates, some with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

	Note	Premises \$
Balance at 1 July 2019		-
Adoption of AASB 16 on 1 July 2019	31(i)	4,474,040
Additions		-
Amortisation expense		(597,480)
Balance at 30 June 2020		3,876,560

Lease Liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined, the entity's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent arm's length borrowing rate received as a starting point, adjusted to reflect changes in financing conditions since borrowing was received, making adjustments specific to the lease (e.g. term, country, currency and security).

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15 Right of Use Assets and Lease Liabilities (Cont'd)

Lease liabilities are presented in the statement of financial position as follows:

	Consolidated	
	2020	2019
	\$	\$
CURRENT		
Office and factory premises	566,244	-
Hire purchase agreements*	316,008	428,877
	882,252	428,877
NON-CURRENT		
Office and factory premises	3,320,975	-
Hire purchase agreements*	74,197	129,662
	3,395,172	129,662
Total lease liabilities	4,277,424	558,539

* Lease liabilities on Hire purchase agreements are secured by the underlying financed assets

Additional profit or loss and cash flow information on lease liabilities-office and factory premises

	30 June 2020	30 June 2019
	\$	\$
Amounts recognised in the statement of profit or loss and other comprehensive income:		
Amortisation	597,480	-
Interest expenses on lease	199,023	-
Amounts recognised in the statement of cash flows:		
Repayment of lease liabilities	586,821	-
Interest paid	199,023	-
Total cash outflow in respect of leases in the year	785,844	-

Notes to the Financial Statements for the year ended 30 June 2020

Note 16 Other Assets

Note

	Consolidated	
	2020 \$	2019 \$
CURRENT		
Prepayments	357,389	212,380
	357,389	212,380
NON-CURRENT		
Other receivables	135,241	126,173
Deposits	80,167	82,851
	215,408	209,024

Note 17 Trade and Other Payables

CURRENT

Unsecured liabilities:

Trade payables	(a)	2,385,541	2,917,440
Sundry payables and accrued expenses	(b)	3,883,360	1,669,974
		6,268,901	4,587,414

(a) Trade payables are based on normal terms of trade, typically 60 days from end of month.

(b) Sundry payables and accrued expenses include \$89,772 for redundancy post reporting date

Notes to the Financial Statements for the year ended 30 June 2020

Note 18 Borrowings

	Note	Consolidated	
		2020 \$	2019 \$
CURRENT			
Secured borrowings			
Asset Finance Facility	(e)	106,365	-
Debtor Finance Facility	(c)	1,398,684	1,895,032
Trade Finance Facility	(d)	1,046,406	-
Convertible Notes		-	25,000
Director Loan	29	575,000	-
		<u>3,126,455</u>	<u>1,920,032</u>
Unsecured borrowings			
Director and executive loans	29	200,981	89,561
Other loans	(b)	537,811	-
		<u>738,792</u>	<u>89,561</u>
Total Current Borrowings		<u>3,865,247</u>	<u>2,009,593</u>
NON CURRENT			
Secured borrowings:			
Asset Finance Facility	(e)	338,963	-
Total Non-Current Borrowings		<u>338,963</u>	<u>-</u>
Total Borrowings		<u>4,204,210</u>	<u>2,009,593</u>
Total current and non-current secured borrowings			
Debtor Finance facility		1,398,684	1,895,032
Trade Finance Facility		1,046,406	-
Asset Finance Facility		445,328	-
Director Loan		575,000	-
Convertible Notes		-	25,000
		<u>3,465,418</u>	<u>1,920,032</u>

Notes to the Financial Statements for the year ended 30 June 2020

Note 18 Borrowings (Cont'd)

- (a) During the financial year, the group repaid \$965,862 (2019: \$411,389) of both long and short term interest bearing debt.
- (b) During the year an external party made an unsecured loan to subsidiary Bambach Wires and Cables Pty Ltd. As at 30 June 2020 the loan principal was \$450,000. This loan incurred an establishment fee of \$50,000 and interest is paid or accrued at the rate of 14.5% per annum.
- (c) During the year subsidiary Bambach Wires and Cables Pty Ltd entered into an agreement to increase the limit on the secured Debtor Finance facility to \$5m from the previous limit of \$3m. This facility is drawn down to amount \$1,398,684 as at 30 June 2020. Interest is charged on the facility at rate of 2.65% above base rate, currently 8.77%.
- (d) During the year subsidiary Bambach Wires and Cables Pty Ltd entered into a secured Trade Finance facility with a limit of \$1,500,000, drawn down to amount \$1,046,406 as at 30 June 2020. Interest is charged on the facility at rate of 14.17%.
- (e) During the year subsidiary Bambach Wires and Cables Pty Ltd also entered into a secured Asset Finance facility for an amount of \$500,000, repayable over four years and secured by plant and equipment. As at 30 June 2020 the facility balance was \$445,328 (FY2019 Nil). Interest is charged on the facility at rate of 16%.

Note 19 Tax

	Note	Consolidated	
		2020	2019
		\$	\$
(a) Deferred Tax Assets			
Deferred tax assets comprise:			
Employee and other provisions	19(b)(ii)	228,927	266,656
		228,927	266,656
(b) Reconciliations			
(i) Gross Movements			
The overall movement in the deferred tax account is as follows:			
Opening balance		266,656	177,233
Credit/(Charge) to the income statement	4	(37,729)	89,423
Closing balance		228,927	266,656

Notes to the Financial Statements for the year ended 30 June 2020

Note 19 Tax (Cont'd)

	Consolidated	
	2020	2019
	\$	\$
(ii) Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Employee and other provisions		
Opening balance	266,656	177,233
(Charged)/Credited to the income statement	(37,729)	89,423
Closing Balance	228,927	266,656
Total Deferred Tax Assets	228,927	266,656
(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(t) occur are:		
Temporary differences	97,847	80,196
Tax losses: capital losses	1,256,950	1,256,950
Tax losses: operating losses	5,602,790	4,580,958
Less potential tax benefits offset against deferred tax liability - refer (d)	(1,276,992)	(1,299,215)
Tax losses: operating losses net of offsets*	4,325,798	3,281,743
(d) Deferred tax liability is offset against unrecognised tax losses:		
Revaluation of plant and equipment, and leasehold improvements	1,276,992	1,299,215
Less: Offset of unrecognised tax loss benefit	(1,276,992)	(1,299,215)
Net deferred tax liability	-	-

*Tax Losses of \$4,325,798 have not been brought to account as it is unlikely that these losses will be utilised in the near future.

Notes to the Financial Statements for the year ended 30 June 2020

Note 20 Provisions

	Consolidated	
	2020	2019
	\$	\$
Employee Entitlements		
Current	846,510	823,184
Non-current	156,692	196,049
	1,003,202	1,019,233

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave and annual leave not expected to be settled within twelve months, the probability of that leave being taken is based on management estimates considering amongst other items, historical data. The measurement and recognition criteria relating to employee benefits have been disclosed in Note 1(w) to the financial statements.

Note 21 Issued Capital

	Consolidated	
	2020	2019
	\$	\$
Number of Ordinary shares fully paid 85,772,955 (2019: 85,486,742):	25,351,729	25,279,229
	25,351,729	25,279,229

Notes to the Financial Statements for the year ended 30 June 2020

Note 21 Issued Capital (Cont'd)

Ordinary Shares	2020 Number	2019 Number	Consolidated	
			2020 \$	2019 \$
At the beginning of reporting period	85,486,742	348,245,332	25,279,229	9,496,447
Shares issued during year				
15/02/2019 Issued @ \$0.002	-	<u>5,372,125,309</u>	-	10,744,251
22/02/2019 Consolidation 100:1	-	57,203,903		
25/02/2019 issued at \$0.20	-	23,650,000	-	4,730,000
30/04/2019 issued at \$0.20	-	1,350,000	-	270,000
13/05/2019 issued at \$0.20	-	2,500,000	-	500,000
29/05/2019 issued at \$0.24	-	782,839	-	187,881
16/08/2019 issued at \$0.24	131,250		31,500	
13/12/2019 issued at \$0.27	112,963		30,500	
18/05/2020 issued at \$0.25	42,000		10,500	
Capital Transaction Costs	-	-	-	(649,350)
At reporting date	85,772,955	85,486,742	25,351,729	25,279,229

On 16 August 2019 EGY issued 131,250 shares in lieu of fees for services provided.

On 13 December 2019 EGY issued 112,963 shares in lieu of fees for services provided.

On 18 May 2020 EGY issued 42,000 shares in lieu of fees for services provided.

Terms and conditions:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Note 22 Reserves

	Consolidated	
	2020 \$	2019 \$
Exchange differences arising on translation of foreign controlled subsidiaries	(1,987,960)	(1,986,161)
Asset Revaluation	7,769,808	7,769,808
	5,781,848	5,783,647

Notes to the Financial Statements for the year ended 30 June 2020

Note 23 Parent Entity Disclosures

(a) Financial Position

	2020	2019
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	12,215	8,843
Trade and other receivables	13,256,191	13,095,281
Other Current Assets	169,781	75,409
TOTAL CURRENT ASSETS	13,438,187	13,179,533
NON CURRENT ASSETS		
Trade and other receivables	135,241	126,174
Financial Assets	-	-
Property, plant and equipment	5,658	3,015
Intangible assets	10,400	13,167
TOTAL NON CURRENT ASSETS	151,299	142,356
TOTAL ASSETS	13,589,486	13,321,889
CURRENT LIABILITIES		
Trade and other payables	925,254	545,431
Borrowings	575,000	75,000
Short-term provisions	210,483	193,465
TOTAL CURRENT LIABILITIES	1,710,737	813,896
NON CURRENT LIABILITIES		
Long-term provisions	34,204	21,432
TOTAL NON CURRENT LIABILITIES	34,204	21,432
TOTAL LIABILITIES	1,744,941	835,328
NET ASSETS	11,844,545	12,486,561
EQUITY		
Issued capital	25,351,729	25,279,229
Contributed equity	300,000	-
Accumulated Losses	(13,807,184)	(12,792,668)
TOTAL EQUITY	11,844,545	12,486,561

Notes to the Financial Statements for the year ended 30 June 2020

Note 23 Parent Entity Disclosures (Cont'd)

(b) Financial Performance

	2020 \$	2019 \$
Gain/(Loss) for the year	(1,014,516)	3,586,922
Other comprehensive income	-	-
Total Comprehensive Income/(Loss)	<u>(1,014,516)</u>	<u>3,586,922</u>

- (c) Parent entity result includes impairment of investment in controlled entities of Nil (2019: \$479,773)
- (d) The parent entity has co-guaranteed finance facilities with subsidiary Bambach Wires and Cables Pty Ltd to a maximum drawdown limit of \$7m (Guarantees FY2019: \$3m).
- (e) Contingent Liabilities of the Parent Entity – Refer to Note 25.
- (f) Commitments for the acquisition of Property, Plant and Equipment by the parent entity Nil (2019 \$Nil)

Note 24 Capital and Leasing Commitments

	Consolidated	
	2020 \$	2019 \$
(a) Operating Lease Commitments		
Non-cancellable short term operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
not later than 12 months	103,222	1,401,340
between 12 months and 5 years	-	2,118,413
5 or more years	-	1,807,905
	<u>103,222</u>	<u>5,327,658</u>

(b) Capital Expenditure Commitments

Deposits have been paid totalling \$46,275 for new equipment quoted at total cost \$138,586.

Notes to the Financial Statements for the year ended 30 June 2020

Note 25 Contingent Liabilities

John Fielding Limited

Previous financial statements of the company have noted a contingent liability to John Fielding Limited for services carried out prior to 30 June 1995 in regard to amendments to income tax returns. However, in accordance with the contract no fee is payable until a cash benefit is received by the Company. At this stage no cash benefit has been received by the Company. The maximum liability is \$130,241.

Note 26 Segment Reporting

Primary reporting - Business segments

The Group's primary business segment is Specialist and Industrial Cables. Therefore, the segment details are fully reflected in the results and balances reported in the Statement of Profit and Loss and Statement of Financial Position.

Management currently identifies the Group's as one operating segment being Specialist and Industrial Cables. This segment is the only segment monitored by the Group's chief operating decision makers and strategic decisions are made on the basis of this segment result only.

Segment accounting policies

Inter-segment pricing is determined on an arms-length basis and is eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

Notes to the Financial Statements for the year ended 30 June 2020

Note 27 Cash Flow Information

	Note	Consolidated	
		2020 \$	2019 \$
(a) Reconciliation of Cash Flow from Operations with Net Profit/(Loss) after Income Tax			
Net profit/(loss) after income tax		(4,415,335)	1,390,998
<u>Non-cash flows in profit/(loss)</u>			
Provision for obsolete and slow moving inventories		100,000	-
Depreciation of non-current assets		440,335	311,123
Amortisation of intangibles		198,086	143,184
Amortisation on right of use assets	15	597,480	-
Unrealised foreign exchange movements		(3,609)	(1,055)
Hire Purchase Interest Charges		41,499	76,916
Asset Finance interest charges		44,518	-
Amortisation of debenture transaction costs		-	189,714
Amortisation of loan establishment fee		162,811	-
Net gain on disposal of property, plant and equipment		(13,400)	(28,000)
Gain on debt forgiveness		-	(5,357,429)
<u>Non-Operating Cash Flow Cash Items</u>			
Shares issued in lieu of fees		72,500	-
Lender reserve movement		14,000	-
<u>Changes in assets and liabilities</u>			
(Increase)/decrease in trade and other receivables		640,296	(240,358)
(Increase)/decrease in inventories		1,052,767	1,263,519
Increase/(decrease) in trade payables and accruals		1,681,487	1,067,254
(Increase)/decrease in deferred tax asset		37,729	(89,423)
(Increase) /decrease in value of other current assets		(6,383)	34,931
(Increase) /decrease in value of other non-current receivables		(145,009)	(18,136)
Increase/(decrease) in provisions for employee entitlements		(16,031)	238,238
Net Cash inflow (outflow) from operations		483,741	(1,018,524)

(b) Credit Facilities

The Group has in place hire purchase facilities. At balance date \$390,205 (2019: \$558,539) of these facilities have been utilised.

Notes to the Financial Statements for the year ended 30 June 2020

Note 27 Cash Flow Information (Cont'd)

(c) Reconciliation of liabilities arising from financing activities

		Non-cash changes					
		30/06/2019	Cash flows	Transaction Costs	Foreign exchange movement	Loans converted to shares	30/06/2020
	Note	\$	\$	\$	\$	\$	\$
Convertible Notes	18	25,000	(25,000)	-	-	-	-
Directors loans	18	89,561	421,420	75,000	-	-	585,981
Executives loans	18	-	190,000	-	-	-	190,000
Other loans	18	-	450,000	87,811	-	-	537,811
Debtor Finance Facility	18	1,895,032	(496,348)	-	-	-	1,398,684
Asset Finance Facility	18	-	400,810	44,518	-	-	445,328
Trade Finance Facility	18	-	1,046,406	-	-	-	1,046,406
Hire Purchase liabilities	15	558,539	(209,833)	41,499	-	-	390,205
Total		2,568,132	1,777,455	248,828	-	-	4,594,415

Note 28 Events After the Reporting Period

EGY announced on 24 June 2020 a capital raising of up to \$5 million, comprising a \$1.6 million Placement and a non-renounceable Rights Issue for up to \$3.4 million. Subsequent to 30 June 2020 the completion of the Placement and the Rights Issue successfully raised \$5 million through the allocation of 20,000,000 ordinary shares in the placement, raising \$1.6 million, and a further 42,500,000 ordinary shares under the rights issue, raising a further \$3.4 million.

Impact of Covid-19/Victorian Lockdown

The occurrence of Covid-19 during the critical transitioning from Sydney factory to new Rosedale factory impacted the Bambach business negatively, causing a sharp drop in revenues for the last quarter of the financial year and into first quarter of financial year 2021. The main impact manifested itself in delays in equipment installation caused by travel restrictions. This interrupted installation programmes and caused production delays with a resultant slump in sales which continued into July 2020. By early August 2020 the re-install back log was clearing and normal production was able to resume.

There has not arisen since the end of the financial period any other matter of circumstance which, in the opinion of the directors of the Company, significantly affects the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Notes to the Financial Statements

For the year ended 30 June 2020

Note 29 Related Party Transactions

No loans were made, guaranteed or secured by any entity in the consolidated entity to any group of key management personnel during the financial year.

Loans by Directors to the company

During the 2020 financial year Director Matthew Driscoll, made a loan to the company of principal \$500,000. This loan holds second ranking security over the assets of the group. The loan incurred an establishment fee of \$75,000 and interest is paid or accrued at the rate of 15% per annum.

A loan from Director Alfred Chown to the company totalling \$50,000 as at 30 June 2019 was repaid during the period.

Included in Sundry payables and accrued expenses are unpaid Directors fees.

Loans by Directors to subsidiary company

A loan from Director Alfred Chown of \$39,561 to subsidiary Bambach Wires and Cables Pty Ltd as at 30 June 2019 were repaid. During the 2020 financial year Director Alfred J. Chown made a further loan of \$10,981 to the company. This loan is unsecured and repayable on demand.

Loans by Key Management Personnel to subsidiary company

Two key management personnel made short term loans of \$190,000 (2019: Nil) to subsidiary Bambach Wires and Cables Pty Ltd. These loans were unsecured and incurred an establishment fee of 10%. The loans have since been repaid.

The above loan transactions are on normal commercial terms and conditions.

Directors Guarantee

Subsidiary Bambach Wires and Cables Pty Ltd has varied existing business accounts with Moneytech to increase the limit on the Trade Finance Facility to \$1.5m and to increase the limit on the IF Facility to \$5m. The Asset Finance Facility limit remains at \$500,000. To facilitate this Director Alfred Chown and Donna Chown (guarantors) have provided in favour of Moneytech a guarantee for the performance of the obligations of Bambach under the facility. Donna Chown has granted a mortgage in favour of Moneytech to secure her guarantee obligations. Energy Technologies Limited has provided a guarantee and indemnity to the guarantors for any liability of Bambach under the provisions of the Deed as tabled.

In consideration for providing the guarantee and security to Moneytech the fees payable to the guarantors are an establishment fee of 3% of the amount guaranteed (\$210,000), and a monthly service fee based on 2% per annum of the amount guaranteed (\$11,667 per month). Fees will be paid in cash but with the right to accept shares if acceptable to both parties.

Dulhunty Poles Pty Ltd (DPPL)

Other Receivable

Refer Note 16 Other receivables non-current amount owing by DPPL \$135,241 (FY 2019 \$126,173). This is unsecured and management consider it to be recoverable.

Other transactions with the company or its controlled entities and director related entities

A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

Notes to the Financial Statements for the year ended 30 June 2020

Note 29 Related Party Transactions (Cont'd)

A number of these entities transacted with the company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis.

Details of these transactions are as follows:

Mr Alfred J. Chown is a director of NLP International Limited. A subsidiary company, Dulhunty Engineering Limited (DEL), formerly D Power International Limited, during the period employed the services of NLP International Limited as consultants. The consideration paid for these services was \$12,000 (2019: \$12,000) and is included in directors' emoluments.

An entity related to directors Gary A Ferguson and Philip W Dulhunty has entered into commercial hire purchase transactions with subsidiary Bambach Wires and Cables Pty Ltd. These transactions are secured by equipment. Interest rates vary between 9.25% and 12.5% per annum.

An entity related to director Alfred J. Chown has entered into commercial hire purchase transactions with subsidiary Bambach Wires and Cables Pty Ltd. These transactions are secured by equipment. Interest rates vary between 4.9% and 10.0% per annum.

The transactions above are on normal commercial terms and conditions.

Note 30 Financial Risk Management Disclosures

(a) Capital Risk Management

Energy Technologies Limited (EGY) manages its capital to ensure that entities in the EGY Group will be able to continue as a going concern while maximising the potential return to stakeholders through the optimum balance of debt and equity. This strategy remains unchanged from FY2019.

The capital structure of the EGY Group consists of cash and cash equivalents, debt and equity attributable to equity holders of the EGY parent and to its operating subsidiary.

The EGY Group operates internationally through its subsidiary company DEL based in Hong Kong. The EGY Group senior management monitors all externally imposed capital requirements in each jurisdiction to ensure compliance.

Operating cash flows are used to maintain and expand the Group manufacturing and distribution asset base as well as to meet routine outflows including tax and the repayment of maturing debt. The EGY Group Board and senior management consider the costs of capital and monitor the gearing ratio as a proportion of net debt to equity.

The gearing ratio at year end was as follows:

	Consolidated	
	2020	2019
	\$	\$
Current and Non Current Financial liabilities		
Debt (i)	4,594,415	2,568,132
Cash and cash equivalents	(27,676)	(29,940)
Net Debt	4,566,739	2,538,192
Equity (ii)	13,076,269	17,122,701

(i) Debt is defined as long-term and short-term borrowings.

(ii) Equity includes all capital and reserves and minority interest.

Notes to the Financial Statements for the year ended 30 June 2020

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management

In common with other businesses the EGY Group is exposed to risks that arise from the use of financial instruments. This note describes the objectives, policies and processes for managing those risks and the methods used to measure them. The EGY Group's financial instruments consist mainly of facilities with banks, convertible notes, debentures, short term loans, hire purchase, accounts receivable and payable, loans to and from subsidiaries, leases and derivatives. There have been no substantive changes in the EGY Group level of exposure to financial instrument risks or the objectives and processes for managing those risks from previous periods unless otherwise stated in this note.

(i) Financial Risk Management Objectives

The Board of Directors has overall responsibility for the determination of the EGY Group financial risk management framework and, whilst retaining ultimate responsibility for them, it has delegated authority for the design and implementation of operating processes ensuring effective risk management to the EGY Group's corporate treasury and finance function, which provides services to the business including negotiation and co-ordination of finance facilities, and the monitoring and management of the financial risks as they relate to the operations of the Group. The Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the set objectives to control risk.

Overall the risk management strategy seeks to assist the Group in meeting its financial targets as well as minimizing the potential adverse effects on financial performance. The main exposures to financial instrument risk experienced by the EGY Group are credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The EGY Group does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

(ii) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a loss to the EGY Group. This arises principally from the Group's trade receivables. For the EGY Group this risk has been determined as low.

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.

The Group has a general policy of only dealing with creditworthy counterparties. As well, a credit check system is also in place and credit checks are obtained from a reputable external source for selected new and overseas customers. Overseas customers' trade terms include use of documentary credit bank facilities in customer locations deemed at risk, as well as collateral payment. There are no material amounts of collateral held as security at 30 June 2020.

(iii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management vests with the EGY Board of Directors and the main subsidiary Board of Directors, who apply an appropriate liquidity risk management framework to the Group's short, medium and long term funding requirements. The EGY Group manages liquidity risk by the retention of adequate reserves, banking facilities and reserve borrowing facilities and by monitoring forecast and actual cash flows, which are updated regularly by the treasury and finance function, and matching the maturity profiles of financial assets and liabilities.

(iv) Liquidity and interest rate tables

The following table details the EGY Group contractual maturity for non-derivative financial assets and liabilities and are based on undiscounted cash flows of financial assets and liabilities on the earliest date on which repayment can be required.

Notes to the Financial Statements for the year ended 30 June 2020

Note 30 Financial Risk Management Disclosures (Cont'd)

	Effective Weighted Average Interest Rate - %		Floating Interest Rate \$		Fixed Rate Within One Year \$		Fixed Rate Over 1-5 Years \$		Non-interest Bearing \$		Total \$	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
CONSOLIDATED ENTITY												
Financial Assets:												
Cash and cash equivalents	0.25	1.00	27,676	29,940	-	-	-	-	-	-	27,676	29,940
Receivables	-	-	-	-	-	-	-	-	4,188,418	5,248,053	4,188,418	5,248,053
Total Financial Assets			27,676	29,940	-	-	-	-	4,188,418	5,248,053	4,216,094	5,277,993
Financial Liabilities:												
Trade payables			-	-	-	-	-	-	2,385,541	2,917,440	2,385,541	2,917,440
Sundry payables			-	-	-	-	-	-	3,883,360	1,669,974	3,883,360	1,669,974
Debtor Finance facility	8.77	8.37	1,398,684	1,895,032	-	-	-	-	-	-	1,398,684	1,895,032
Trade Finance Facility	14.17	-	1,046,406	-	-	-	-	-	-	-	1,046,406	-
Asset Finance Facility	16.00	-	-	-	106,365	-	338,963	-	-	-	445,328	-
Hire purchase liability	9.43	8.63	-	-	316,008	428,877	74,197	129,662	-	-	390,205	558,539
Lease Liability	5.00	-	-	-	566,244	-	3,320,975	-	-	-	3,887,219	-
Loans from directors and executives	15.00	-	-	-	500,000	-	-	-	275,981	89,561	775,981	89,561
Other Loans	14.50	10.00	-	-	450,000	-	-	-	87,811	-	537,811	-
Convertible notes	-	9.50	-	25,000	-	-	-	-	-	-	-	25,000
Total Financial Liabilities			2,445,090	1,920,032	1,938,617	428,877	3,734,135	129,662	6,632,693	4,676,975	14,750,535	7,155,546
Net financial assets (liabilities)			(2,417,414)	(1,890,092)	(1,938,617)	(428,877)	(3,734,135)	(129,662)	(2,444,275)	571,078	(10,534,441)	(1,877,553)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management (Cont'd)

(v) Maturity analysis

Trade and other payables are expected to be paid within a period of 6 months from year end for the consolidated entity for 2020 and 2019.

(vi) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the EGY Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk within acceptable parameters, while achieving optimum return.

(vii) Foreign currency risk management

The EGY Group is exposed to currency risk on investments that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD) and Hong Kong Dollar (HKD). The Group's investments in, and loans to, its subsidiaries are not hedged as these positions are considered to be long term in nature.

The carrying amount of the EGY Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
US Dollars	24	1	-	1
Euros	-	36	-	-
Hong Kong Dollars	11	9	-	-
Swiss Francs	-	-	-	-
Total	35	46	-	1

(viii) Forward exchange contracts

The EGY Group policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency, cash already denominated in that currency will, where possible, be used from within the Group.

The Group's primary operating exposure is where trade receivables and payables are not denominated in their functional currency. The overall treasury function is based in Australia where the primary banking facilities are maintained. The Group also enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates, with the objective of protecting the Group against unfavourable exchange rate movements for contracted sales and purchases in foreign currencies, primarily US Dollars.

At 30 June 2020 and 2019 there were no outstanding forward exchange contracts.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management (Cont'd)

(ix) Foreign currency sensitivity analysis

The following table details the EGY Group's sensitivity to a 10% increase or decrease in the Australian Dollar against relevant foreign currencies. This sensitivity represents management's assessment of the reasonable possible change in foreign currency rates. Its analysis includes cash assets plus outstanding foreign currency denominated trade receivables and payables and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit where the Australian dollar strengthens against the respective currency. For a weakening of the Australian dollar against the respective currency, there would be an equal and opposite impact on the profit.

Profit or Loss/Equity	Consolidated	
	2020 \$'000	2019 \$'000
US Dollars	(3)	-
Euros	-	(4)
Hong Kong Dollars	(1)	(1)
Total	<u>(4)</u>	<u>(5)</u>

(x) Interest Rate Risk Management

The EGY Group is exposed to interest rate risk on cash and cash equivalents, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The EGY Group does not use derivatives to mitigate these exposures.

The EGY Group's fixed rate financial instruments represent short term borrowings, at fixed rates maturing over periods less than one year and long term borrowings at fixed rates maturing over periods of between 1 to 5 years. The Group's variable rate financial securities consist of bank accounts and convertible notes managed in Australia.

(xi) Interest rate sensitivity analysis

The following analysis indicates the effect of a 2% or 200 basis point increase or decrease in nominal interest rates, based on exposures in existence at the reporting date, and holding all other variables constant. This represents management's assessment of the reasonably possible change in interest rates as at that date.

Change in Net Profit:	Consolidated	
	2020 \$'000	2019 \$'000
Interest rise by 2% (200 basis points)	(91)	(51)
Interest cut by 2% (200 basis points)	91	51
Change in Equity:		
Interest rise by 2% (200 basis points)	(91)	(51)
Interest cut by 2% (200 basis points)	<u>91</u>	<u>51</u>

Notes to the Financial Statements for the year ended 30 June 2020

Note 30 Financial Risk Management Disclosures (Cont'd)

(b) Financial Risk Management (Cont'd)

(xii) Fair value of financial instruments

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the value is estimated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

The fair values of other financial assets and liabilities approximates their carrying values at balance date.

Transfer between categories

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

Notes to the Financial Statements for the year ended 30 June 2020

Note 31 New and Amended Accounting Standards and Interpretations

(i) New and amended accounting standards and interpretations adopted by the Group

The Group 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 following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

Interpretation 23 Uncertainty over Income Tax

The Group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the consolidated entity to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the consolidated entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the consolidated entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on the opening accumulated losses as at 1 July 2019.

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31 New and Amended Accounting Standards and Interpretations (Cont'd)

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 \$
Operating Lease commitments as at 1 July 2019 (AASB 117)	5,327,658
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5% (AASB 16)	<u>(853,618)</u>
Right-of-use assets (AASB 16)	<u>4,474,040</u>
Lease liabilities - current (AASB 16)	(1,153,065)
Lease liabilities - non-current (AASB 16)	<u>(3,320,975)</u>
Impact on opening retained earnings as at 1 July 2019	<u><u>-</u></u>

(ii) New accounting standards and interpretations not yet adopted by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2020. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

New Conceptual Framework for Financial Reporting

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the group may need to revisit such policies. The group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Directors' Declaration

The directors of Energy Technologies Limited declare that:

1. the financial statements and notes, as set out on pages 26 to 74, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001;
 - (b) comply with International Financial Reporting Standards as disclosed in Note 1; and
 - (c) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the company and consolidated entity;

2. the Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Alfred J. Chown
Chairman/Managing Director

Sydney, 30 September 2020

Independent Auditor's Report

To the Members of Energy Technologies Limited

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Energy Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the effects of the matter described below in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

In the 30 June 2018 Independent Auditor's Report, the previous auditor included a qualification relating to inadequacies identified in the stocktake procedures performed by the Group, whereby quantities used in determining the inventory balance differed materially from the quantities verified by the previous auditor at their stock attendance and subsequent recounts. The previous auditor had estimated the potential impact of misstatements to be an additional write-down in inventory to a maximum of \$510,000. Whilst we have obtained sufficient appropriate audit evidence in relation to inventory at 30 June 2020, we are not in a position to and do not express an opinion on the comparative period opening balances as at 1 July 2018. As these opening balances enter into the determination of the comparative financial performance and cash flows, we were unable to determine the effect of such adjustments, if any, as might have been determined to be necessary had this 30 June 2018 inventory qualification not existed.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial statements, which indicates that the Group incurred a net loss of \$4,402,220 during the year ended 30 June 2020, and as of that date, the Group's current liabilities exceeded its current assets by \$4,962,476. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Existence and valuation of inventory (Notes 1(j) and 11)

The Group has an inventory balance of \$2,326,951 as at 30 June 2020, consisting of raw materials and stores, work in progress, and finished goods. Inventories are carried at the lower of cost and net realisable value and management has recognised a provision for obsolescence and slowing moving inventory of \$100,000 at 30 June 2020.

This area is a key audit matter as a result of:

- The initial opening balance qualification in relation to the existence of inventory;
- The inherent complexities in applying a standard cost of production/manufacturing to work in progress and finished goods; and
- The level of management judgement involved in assessing the provision for obsolescence and slow moving stock.

Our procedures included, amongst others:

- Attending stocktakes at significant locations and conducting test counts of selected items, with counts agreed to final inventory listings;
- For raw materials, testing on a sample basis the reasonableness of average costs by comparing to recent purchases;
- For work in progress and finished goods, testing on a sample basis bills of materials back to key inputs, being raw materials, labour and manufacturing overheads;
- Assessing the net realisable value of inventories by testing inventory items on a sample basis to subsequent sales invoices and ensuring inventories are stated at the lower of cost and net-realizable value;
- Obtaining slow-moving inventory reports and assessing the adequacy of the provision for obsolescence and slow moving inventory; and
- Assessing the adequacy of related financial report disclosures.

Key audit matter
How our audit addressed the key audit matter
Capitalised development costs (Notes 1(h), and 14)

Capitalised development assets had a net carrying value of \$4,211,140 at 30 June 2020.

During the year the Group capitalised \$1,507,596 of development assets. These intangible assets are being amortised over a 20-year period, and an amortisation expense of \$191,588 has been included in the consolidated income statement pertinent to development costs.

AASB 138: *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138.

This area is a key audit matter as a result of:

- The subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138 and in relation to the estimate of the assets' useful lives; and
- The Group engaged an expert to assist in determining the level of capitalised costs.

Our procedures included, amongst others:

- Assessing the Group's accounting policy in respect of capitalised development assets for adherence to AASB 138;
- Evaluating the competence, capability and objectivity of the management's external expert and performing a detailed review of their reports to understand the scope of their engagement and any limitations in the report, and further discussions on aspects of the report with the external expert;
- Evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138; including discussing project plans with management and project leaders to develop an understanding of the nature and feasibility of key projects at 30 June 2020;
- Testing a sample of costs capitalised by tracing to underlying support such as vendor invoices and payroll records in order to understand the nature of the item and whether the expenditure was attributable to the development of the related asset, and therefore whether capitalisation was in accordance with the recognition criteria of AASB 138;
- Evaluating the reasonableness of useful lives to be applied in future reporting periods; and
- Assessing the adequacy of related financial report disclosures.

R&D tax incentive scheme (Notes 2(b), 10 and 14)

The Group engaged in research and development activities during the year, and recognised R&D grant income of \$126,300 in addition to recognising a \$655,804 R&D tax incentive offset against the carrying value of intangible assets.

This area is a key audit matter as a result of:

- The subjectivity and management judgement applied in determining whether expenses are eligible for the R&D claim;
- The incorrect treatment in the prior year of the accounting for the R&D grant; and
- The Group engaged an expert to assist in determining the level of capitalised costs.

Our procedures included, amongst others:

- Assessing the Group's accounting policy in respect of government grants for adherence to AASB 120: *Accounting for Government Grants and Disclosure of Government Assistance*;
- Evaluating the competence, capability and objectivity of the management's external expert and performing a detailed review of their reports to understand the scope of their engagement and any limitations in the report. In addition we held discussions with them;
- Testing a sample of R&D costs claimed by tracing to underlying support and assessing whether the costs were eligible expenditure under the R&D tax incentive framework;
- Verifying the lodgement of the R&D claim, and agreeing amounts received from the ATO to the bank account subsequent to the year-end; and
- Assessing the adequacy of related financial report disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report


Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Energy Technologies Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 30 September 2020

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2020.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

Ordinary shares

		Number of holders	Number of shares
1	- 1,000	641	80,601
1,001	- 5,000	68	167,925
5,001	- 10,000	32	231,702
10,001	- 100,000	118	4,982,175
100,001	and over	146	142,810,552
		<u>1,005</u>	<u>148,272,955</u>

The number of shareholders holding less than a marketable parcel of shares are:

719	<u>305,496</u>
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(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

No	Name	No. of shares	%
1	J P Morgan Nominees Australia Pty Ltd	23,437,500	15.81
2	Advance Cables Pty Ltd	10,782,839	7.27
3	Alfred J Chown	8,243,575	5.56
4	Howe Automotive Limited	4,989,465	3.37
5	Garsind Pty Ltd (Ruth Ross Superfund A/C)	3,922,795	2.65
6	Auster Holdings Pty Ltd	3,476,058	2.34
7	Edmunds Lacis	3,226,951	2.18
8	Invermore Pty Ltd (The A Middendorp Family A/C)	3,125,000	2.11
9	Louandi Super Fund Pty Ltd (Louandi Superfund A/C)	2,873,889	1.94
10	Dasi Investments Pty Ltd	2,500,000	1.69
11	Morrmac Pty Ltd (Mimie MacLaren Pension Account)	2,392,529	1.61
12	HSBC Custody Nominees (Australia) Limited (No 2 A/C)	2,264,001	1.53
13	Tzelepsis Nominees Pty Ltd (Tzelepsis Superfund A/C)	2,250,000	1.52
14	Daniel Howard Sharp	2,000,000	1.35
15	Morrissey Wealth Management Pty Ltd (Lonnie Investment A/C)	1,970,346	1.33
16	Rosalind Lawrence (Rosalind Lawrence PSF A/C)	1,808,688	1.22
17	Glenbarry Pty Ltd (Thomas A Hutchins Family A/C)	1,763,858	1.19
18	Catwilly Pty Ltd (Harris Family Superfund A/C)	1,696,764	1.14
19	PP Legge Pty Ltd (P J Legge Super Fund A/C)	1,685,334	1.14
20	Samada Street Nominees Pty Ltd (Giles Family No 2 A/C)	1,562,500	1.03
		<u>85,972,092</u>	57.98

ASX Additional Information (Cont'd)**(c) Substantial shareholders**

The number of shares held by substantial shareholders are:

	Number of Shares
J P Morgan Nominees Australia Pty Ltd	23,437,500
Advance Cables Pty Ltd	10,782,839
Alfred J. Chown	8,243,575

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.



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