

CONTENTS TO INTERIM CONSOLIDATED FINANCIAL REPORT – 31 December 2017

Corporate information	2
DIRECTORS' REPORT	3
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	7
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	8
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS.....	9
NOTES TO THE INTERIM FINANCIAL STATEMENTS.....	10
Note 1 General Information.....	10
Note 2 Basis of preparation and changes to the Groups accounting policies	10
Note 3 Significant Accounting Policies.....	11
Note 4 Profit for the year - revenue.....	13
Note 5 Profit for the year - expenses	14
Note 6 Income Tax.....	15
Note 7 Cash and Cash Equivalents	15
Note 8 Trade and Other Receivables.....	15
Note 9 Other Financial Assets	16
Note 10 Intangible Assets	17
Note 11 Provisions.....	18
Note 12 Issue of Capital.....	18
Note 13 Earnings per share	19
Note 14 Operating Segments	19
Note 15 Cash Flow Information	20
Note 16 Related Party Transactions	20
Note 17 Controlled Entities	21
Note 18 Contingent Liabilities and Contingent Assets	21
Note 19 Events after the reporting period	21

Corporate information

Registered Office and Principal Place of Business:

Level 9
406 Collins Street
Melbourne Victoria

Directors:

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

Secretary:

Cathy W Lin C.A.

Auditor:

Shepard Webster & O'Neill Audit Pty Ltd
Level 1, 434 Nepean Hwy
Frankston, VIC 3199

Share registry:

Boardroom Pty Limited
Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000

Stock exchange listing:

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

DIRECTORS' REPORT

The directors of Endless Solar Corporation Limited ("the Group") submit their report of the Group for half-year ended 31 December 2017.

Directors

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

Name, qualifications and responsibilities	Experience
Mr David H. A. Craig Bachelor of Economics (Monash) Executive Director & Chairman	David has over 30 years experience in management of property and investment companies, and is a member of the Financial Services Institute of Australasia (FINSIA). David is also a Director of ASX-listed company - Authorised Investment Fund Limited.
Mr Chris Baring-Gould BBusAcc, MBA, CPA Non-executive Director	Chris's professional experience is diverse. He has served as Group Financial Controller at JB Were & Son, General Manager of a stock broking subsidiary of the Equity and Property Investment Group and was Chief Finance Officer at Anglicare Victoria for 18 ½ years. He is an independent member of the Funds-in-Court Audit Committee (Supreme Court of Victoria), a Board member of Spectrum Victoria, and is an independent CFO with the CFO Centre.
Ms Cathy W Lin B.Com, C.A. Executive Director & Company Secretary	Cathy is a Chartered Accountant with a strong accounting and taxation focus. She has over ten years' experience in small professional accounting firms. Cathy joined the Group in 2011 and was appointed as Company Secretary on 3 rd March 2014. Cathy was invited to join the Board on 21 st March 2014.
Mr Stephen Wesselink Executive Director	Stephen's substantial work experience was in the Royal Australian Air Force (RAAF), where he worked as an Engineering Apprentice and graduated as an Aircraft Metal Worker, with 20 years designing manufacturing and installing structural components for aircraft maintenance. Following his service in the RAAF, he was also a Director of a mobile pneumatic sales and service company importing and installing components for maintenance and manufacturing of packaging, robotics and machinery automation, then as Regional Sales Engineer for a multinational hydronic valve manufacturer, training, designing, assisting with installation and fault finding systems in the HVAC industry. He has been National Sales Director for Endless Solar Operations since July 2016, and is responsible for product quality control, technical system design, staff management and customer relationships. Stephen was invited to join the Board on 1 st July 2017.

The directors held office during the entire period unless otherwise stated.

Review and results of operations

The Group continued to experience a very challenging economic environment during the half-year. Sales revenue for the half-year was down to \$56,080 (2016: \$91,671).

Total net profit from continuing operations after income tax for the half-year was \$30,576 (2016 total loss: (\$158,565)).

The Group is preparing for commercialising the Cool Solar project, and has a licence agreement with the ANU to this effect.

Rounding

The amounts contained in this report and in the financial report have not been rounded.

DIRECTORS' REPORT (Continued)

Auditors Independence Declaration

The independence declaration of our auditor, Shepard Webster & O'Neill Audit Pty Ltd as required under section 307C of the *Corporations Act 2001* forms part of the Directors' Report for the Half-year ended 31 December 2017.

This Directors' report is signed in accordance with a resolution of the directors.



D.H.A. Craig
Director

Melbourne, 16 March 2018

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Endless Solar Corporation Limited,

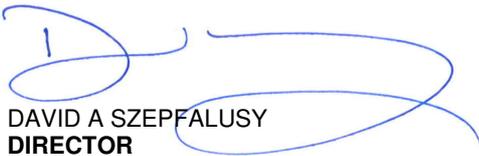
As lead auditor for the review of Endless Solar Corporation Limited for the half-year ended 31 December 2017, we declare that, to the best of our knowledge and belief, there have been:

- i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review, and;
- ii) No contraventions of any applicable code of professional conduct in relation to the review.

Dated at Frankston on the 16th of March 2018



SHEPARD WEBSTER & O'NEILL AUDIT PTY LTD
Certified Practising Accountant
Authorised Audit Company No 415478
434 Nepean Highway Frankston 3199, PO Box 309 Frankston Victoria 3199
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Email – szepfalusy@shepard.com.au



DAVID A SZEPFALUSY
DIRECTOR

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 December 2017 \$	30 June 2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	11,025	69,413
Trade and other receivables	8	1,145	1,703
Inventories		71,335	99,319
TOTAL CURRENT ASSETS		<u>83,505</u>	<u>170,435</u>
NON-CURRENT ASSETS			
Trade and other receivables	8	237,566	189,353
Other financial assets	9	437,168	132,458
Property, plant and equipment		34,380	36,531
Deferred tax assets	6	295,241	299,516
Intangible assets	10	3,500,644	3,479,099
TOTAL NON-CURRENT ASSETS		<u>4,504,999</u>	<u>4,136,957</u>
TOTAL ASSETS		<u><u>4,588,504</u></u>	<u><u>4,307,392</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		255,156	367,683
Provisions	11	27,513	42,513
TOTAL CURRENT LIABILITIES		<u>282,669</u>	<u>410,196</u>
NON-CURRENT LIABILITIES			
Loan from associates		1,260,969	1,187,616
TOTAL NON-CURRENT LIABILITIES		<u>1,260,969</u>	<u>1,187,616</u>
TOTAL LIABILITIES		<u>1,543,638</u>	<u>1,597,812</u>
NET ASSETS		<u><u>3,044,866</u></u>	<u><u>2,709,580</u></u>
EQUITY			
Issued capital	12	2,278,627	2,278,627
Capital Development Reserve		265,812	265,812
Investment Revaluation Reserve		304,710	-*
Retained earnings		195,717	165,141*
TOTAL EQUITY		<u>3,044,866</u>	<u>2,709,580</u>

* Prior Period correction or error. See Note 20 for details.

The accompanying notes form part of these financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	Ordinary Shares	Retained Earnings	Capital Development Reserve	Investment Revaluation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	2,278,627	165,141*	265,812	-	2,709,580
Comprehensive income:					
Profit/(Loss) for the half year	-	30,576	-	-	30,576
Unrealised Gain/(Loss) on Investments	-	-	-	304,710	304,710
Balance at 31 Dec 2017	2,278,627	195,717	265,812	304,710	3,044,866
Balance at 1 July 2016	2,278,627	336,780	265,812	245,735	3,126,954
Comprehensive income:					
Profit for the half year	-	(158,565)	-	-	(158,565)
Recognition of prior year R&D tax claim	-	281,544	-	-	281,544
Total comprehensive income for the half year	-	122,979	-	-	(122,979)
Balance at 31 Dec 2016	2,278,627	459,759	265,812	245,735	3,249,933

* Prior Period correction or error. See Note 20 for details.

The accompanying notes form part of these financial statements

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

	Note	31 Dec 2017 \$	31 Dec 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		104,686	80,731
Payment to suppliers and employees		(454,285)	(424,436)
Interest received		-	3,809
Government grant received		239,403	-
Taxes refund/(paid)		-	-
Net cash provided by/(used in) operating activities	15	(110,196)	(339,896)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	-
Payment for Research & Development activities		-	-
Payment for patents		(21,545)	(20,013)
Payment for trademark		-	-
Net cash provided by/(used in) investing activities		(21,545)	(20,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution received		-	-
Receipt of loans from Associates		73,353	371,000
Repayment of borrowings		-	-
Net cash provided by/(used in) financing activities		73,353	371,000
Net increase/(decrease) in cash held		(58,388)	11,091
Cash and cash equivalents at beginning of financial year		69,413	1,618
Cash and cash equivalents at end of financial year	7	11,025	12,709

The accompanying notes form part of these financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Note 1 General Information

The interim consolidated financial statements of Endless Solar Corporation Limited and its subsidiaries (the Group) for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 16 March 2018.

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

Level 9, 406 Collins Street, Melbourne VIC 3000

The principal activities of the Group during the course of the half year ended were the supply and design of evacuated tube solar hot water systems, and related research and development activities.

Note 2 Basis of preparation and changes to the Groups accounting policies

Basis of preparation

The general purpose interim condensed financial report for the half-year ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The financial report is presented in Australian dollars.

The financial report does not include all notes of the type normally included in an Annual Financial Report. Accordingly, this financial report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2017 and any public announcements made by Endless Solar Corporation Ltd during the period ended 31 December 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *NSX Listing Rules*.

New and amended accounting standards

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

The Company has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 January 2018 including:

- *AASB 9 Financial Instruments 1 January 2018 AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

New and amended Standards and Interpretations did not result in any significant changes to the Company's accounting policies. The Company has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

Note 3 Significant Accounting Policies

(a) Financial assets

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

Financial assets at FVTPL

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

Available for sale financial assets

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured).

Loans and receivables

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

(b) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

(c) Financial liabilities

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

(d) Equity-settled compensation

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

(e) Government grants

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

(f) Intangible assets

Internally-generated intangible assets - research and development expenditure

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

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

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

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

Intangible assets acquired in a business combination

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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

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

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

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

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

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

(h) Inventories

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

(i) Comparative Figures

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

(j) Critical Accounting Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2017.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 4 Profit for the year - revenue

	For the six months ended 31 December	
	2017	2016
	\$	\$
(a) Revenue from continuing operations		
Sales revenue		
- Sale of Goods	54,711	79,942
Total sales revenue	<u>54,711</u>	<u>79,942</u>
Other revenue		
- interest received	-	3,809
- rental revenue	1,200	7,920
- other	169	-
Total other revenue	<u>1,369</u>	<u>11,729</u>
Total sales revenue and other revenue	<u>56,080</u>	<u>91,671</u>
Other income		
- Research and Development Tax		
Subsidies	239,403	212,120
Total other income	<u>239,403</u>	<u>212,120</u>

Note 5 Profit for the year - expenses

	For the six months ended 31 December	
	2017	2016
	\$	\$
Expenses		
Cost of sales	51,880	40,710
Interest expense	1,968	-
Employee benefits expense:		
- contributions to superannuation funds	-	9,438
Rental expense on operating leases		
- minimum lease payments	81,064	94,994

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 6 Income Tax

The Group calculates the period income tax using the tax rate applicable to expected total earnings. The major components of income tax expense in the interim profit or loss are:

	For the six months ended 31 December	
	2017	2016
	\$	\$
Prima facie (tax)/benefit at 28.50% (2016: 28.5%)	(8,716)	45,213
Add back tax benefit from non-taxable R&D subsidies	68,230	60,454
Income tax (expense)/credit	59,514	105,667
Deferred income tax related to origination and reversal of deferred taxes	(63,789)	(105,591)
Income tax (expense)/benefit recognised in the statement of profit or loss	(4,275)	76
Deferred Tax Assets		
Opening balance at the beginning of the period	299,516	299,440
Closing balance at the end of the period	295,241	299,516

	31 December 2017	30 June 2017
	\$	\$
Note 7 Cash and Cash Equivalents		
Cash at bank and on hand	11,025	69,413
	<u>11,025</u>	<u>69,413</u>

Note 8 Trade and Other Receivables

CURRENT		
Trade receivables	1,145	1,703
	<u>1,145</u>	<u>1,703</u>
NON-CURRENT		
Rental bond	72,858	72,858
	<u>72,858</u>	<u>72,858</u>
Amounts receivable from related parties		
- Other related parties	164,708	116,495
Total non-current trade and other receivables	<u>164,708</u>	<u>116,495</u>
	<u>237,566</u>	<u>189,353</u>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 9 Other Financial Assets

Listed shares held by the Group that are traded in an active market are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that also stated at fair value.

	31 December 2017		30 June 2017	
	\$ Carrying amount	\$ Fair value	\$ Carrying amount	\$ Fair value
NON CURRENT				
Available-for-sale financial assets	437,168	437,168	132,458	132,458
Total Non-current Assets	<u>437,168</u>	<u>437,168</u>	<u>132,458</u>	<u>132,458</u>
Available-for-sale financial assets				
Listed investments, at fair value				
- shares in Authorised Investment Fund Ltd (cost)	338,467	338,467	338,467	338,467
- FV Movement of investment	(33,757)	(33,757)	(338,467)	(338,467)
- Net Fair Value	<u>304,710</u>	<u>304,710</u>	-	-
Unlisted investments, at fair value				
- shares in Speedpanels Australia Ltd (cost)	266,400	266,400	266,400	266,400
- FV Movement of investment	(266,400)	(266,400)	(266,400)	(266,400)
- Net Fair Value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- shares in Plumbers Federation Ltd (cost)	265,000	265,000	265,000	265,000
- FV Movement of investment	(132,542)	(132,542)	(132,542)	(132,542)
- Net Fair value	<u>132,458</u>	<u>132,458</u>	<u>132,458</u>	<u>132,458</u>
Total non-current available-for-sale financial assets	<u>437,168</u>	<u>437,168</u>	<u>132,458</u>	<u>132,458</u>

Shareholding in Endless Solar Corporation Limited (ESC), a solar energy products company. Percentage owned 7% (30 June 2017: 7%).

Shareholding in Speedpanels Australia Ltd (SPA), a manufacturer of fire and acoustic rated walls. Percentage owned 1.7% (30 June 2017: 1.7%). SPA was placed into administration in March 2017.

Shareholding in Plumbers Federation Ltd, a funding company. Percentage owned 60% (30 June 2017: 60%)

Listed shares held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 9 Other Financial Assets (Continued)

The fair value of Listed financial assets are based on Level 1 and 2 inputs to the fair value measurements as described below. Unlisted financial assets are based on Level 2 and 3 inputs to the fair value measurements which are described as follows:

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

Note 10 Intangible Assets

	31 December 2017	30 June 2017
	\$	\$
Integrated thermal device ("CoolSolar")	846,708	846,708
Research & Development in 2013	400,592	400,592
Research & Development in 2014	376,469	376,469
Research & Development in 2015	541,963	541,963
Research & Development in 2016	485,910	485,910
Research & Development in 2017	337,679	337,679
Patent costs	383,132	361,587
Goodwill		
- Cost	121,847	121,847
- Net carrying amount	121,847	121,847
Trademarks and licences		
- Cost	6,344	6,344
- Net carrying amount	6,344	6,344
Total intangible assets	3,500,644	3,479,099

Goodwill

Goodwill represents the cost of assets acquired from a Related Party under an Asset Sale Agreement dated 29 June 2007 for consideration of \$150,000 less non capital cost of \$28,153, satisfied by the issue of 15 million Preference shares - subsequently converted into Limited Voting Ordinary Shares. The carrying value is \$121,847.

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

Capitalisation of "CoolSolar" and Research & Development costs

The carrying values of CoolSolar, R&D and Patents are capitalised at historical costs. These capitalised costs have been incurred as part of a process that has now resulted into a 14 patent portfolio that has innovative and commercial potential.

Given that these patents have significant time value to expiry left during which the patent office decisions can come at any time, the Directors were of the view that most optimal approach to their valuations is to hold them, and their associated background R&D at historical costs, which in their belief represents the fair value of the intangible assets.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 11 Provisions

	31 December 2017 \$	30 June 2017 \$
Warranty	21,613	21,613
Audit fees	5,900	19,000
TOTAL	<u>27,513</u>	<u>42,691</u>

Provision for Warranties

The Provision for Warranty has been recognised having regard to empirical indicators of repairs and replacements historically carried out under Product guarantees.

Note 12 Issue of Capital

1,699,074 fully paid ordinary shares – full voting (30 June 2016: 1,699,074)	120,666	120,666
37,926,021 fully paid ordinary shares – Limited voting (30 June 2016: 37,926,021)	<u>2,157,960</u>	<u>2,157,960</u>
	<u>2,278,626</u>	<u>2,278,626</u>

(a) Ordinary shares

<i>Ordinary share – full voting</i>	31 December 2017 No of share	31 December 2016 No of share	31 December 2017 \$	31 December 2016 \$
Opening balance at the beginning of the year	1,699,074	1,699,074	120,666	120,666
Extra shares issued through Right Issues during the year	-	-	-	-
Closing balance at the end of the year	1,699,074	1,699,074	120,666	120,666

<i>Ordinary share – limited voting*</i>	31 December 2017 No of shares	31 December 2016 No of shares	31 December 2017 \$	31 December 2016 \$
Opening balance at the beginning of the year	37,926,021	37,926,021	2,157,961	2,157,961
Extra shares issued through Right Issues during the year	-	-	-	-
Closing balance at the end of the year	37,926,021	37,926,021	2,157,961	2,157,961

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 12 Issue of capital (continued)

(b) Options

Scheme Name	Grant date	Number of shares under options	Class of shares	Exercise price of option	Expiry date	Opening balance of Options at 01.07.2017	Options exercised during the year	Closing balance as at 31.12.2017
ESC Option Scheme 2	13/08/2013	10,000,000	Ordinary limited voting	\$0.22	20/06/2019	10,000,000	-	10,000,000
Options attached to September 2013 Right Issue shares	28/09/2013	6,149,337	Ordinary limited voting	\$0.15	31/07/2018	6,149,337	-	6,149,337
Options attached to September 2013 Right Issue shares	28/09/2013	283,179	Ordinary full voting	\$0.15	31/07/2018	283,179	-	283,179
		16,432,516				16,432,516	-	16,432,516

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

There is no valuation of the above options has been done prior to 31 December 2017 and prior to the report date. The latest share price per ordinary limited voting share in NSX was \$0.060.

Note 13 Earnings per share

	31 December 2017 Cents per share	31 December 2016 Cents per share
Basic Earnings per share from continuing operations	0.846148	(0.400162)
	31 December 2017 \$	31 December 2016 \$
Profit (loss) for the year attributable to owners and used in the calculation of basic earnings per share	30,576	(158,565)
	No. of Shares	No. of Shares
Weighted average number of ordinary shares (voting and limited voting)	39,625,095	39,625,095

Note 14 Operating Segments

Segment Information

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 15 Cash Flow Information

	31 Dec 2017	31 Dec 2016
	\$	\$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Net Profit/(Loss) after income tax	30,576	(158,565)
Cash flows excluded from profit attributable to operating activities		
Finance costs on debentures		
Non-cash flows in calculating profit		
Depreciation	2,154	2,702
R&D Written Off	-	-
Stock Written Off	-	16,922
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	(47,658)	(340,413)
(Increase)/decrease in inventories	27,984	7,683
(Increase)/decrease in financial assets	-	-
(Increase)/decrease in other assets	-	5,366
(Increase)/decrease in deferred taxes assets	4,275	(76)
Increase/(decrease) in creditors and other liabilities	(112,527)	135,658
Increase/(decrease) in provisions	(15,000)	(9,173)
Cash flow from operations	<u>(110,196)</u>	<u>(339,896)</u>

Note 16 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to external parties unless otherwise stated. Note 8 refers to trade and other amounts receivable from related parties.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017**

Note 17 Controlled Entities

Endless Solar Corporation Ltd is the parent company, which control the below entities through equity investment. Except for Endless Solar Operations Pty Ltd, all the other entities have not been trading during 2016 and 2017 financial years.

Name	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
			2017 %	2016 %	2017 \$	2016 \$
Unlisted:						
Endless Solar Operations Pty Ltd	Australia	Ord	100	100	100	100
Endless Solar Technology Pty Ltd	Australia	Ord	100	100	100	100
Renewable Energy Exchange Pty Ltd	Australia	Ord	100	100	2	2
Endless Energy Solutions Pty Ltd	Australia	Ord	60	60	600	600
Endless Aqua Pty Ltd	Australia	Ord	63	63	25	25
Plumbers Federation Ltd	Australia	Ord	60	60	132,548	132,548

Note 18 Contingent Liabilities and Contingent Assets

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

Note 19 Events after the reporting period

There have been no significant events after the interim period.

Note 20 Re-statement of Prior Period Balances

During the half year ended 31 December 2017, it came to the attention of the Directors that the year ended 30 June 2017 contained an error in the accounts that required restatement. The following comparative balances in the 31 Dec 2017 Interim Financial Statements were impacted as a result of the error (Note: where applicable, comparative changes have been adjusted in the balances in the financial statements and notes):

Financial Statement comparative	Title	Unadjusted balance	Restated balance
Statement of Financial Position 30 June 2017	Investment Revaluation Reserve	\$245,735	-
Statement of Changes in Equity	Investment Revaluation Reserve opening balance	\$245,735	-
Statement of Financial Position 30 June 2017	Retained Earnings	(\$80,594)	\$165,141
Statement of Changes in Equity	Retained Earnings opening balance	(\$80,594)	\$165,141

DIRECTORS' DECLARATION

The directors of Endless Solar Corporation Limited declare that:

1. the financial statements and notes, as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001* including:
 - a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - b) (b) give a true and fair view of the financial position as at 31 December 2017 and performance for the six months ended on that date of the company and the economic entity;
2. the Managing Director and Chief Financial Officer have 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 six months ended comply with the Accounting Standards; and
 - c) the financial statements and notes for the six months ended 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 when they become due and payable.

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



D.H.A. Craig
Director

Dated this 16th day of March 2018

Independent Auditor's Review Report

To the members of Endless Solar Corporation Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Endless Solar Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes, and the directors' declaration of the Company.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Endless Solar Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Endless Solar Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Dated at Frankston on the 19th of March 2018



SHEPARD WEBSTER & O'NEILL AUDIT PTY LTD

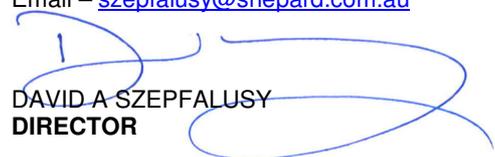
Certified Practising Accountant

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DAVID A SZEPEFALUSY
DIRECTOR