ENHANCED SYSTEMS TECHNOLOGIES LIMITED

(Formerly Wasabi Energy Limited)

ACN 000 090 997

Annual financial report for the year ended 30 June 2014

Chairman's Letter

Dear Shareholders

2014 has been a difficult period for our Company and our shareholders.

During the first half of the financial year, the group was working on the delivery of its plans to become an Independent Power Producer, and in particular on the purchase of its stake in the Tuzla geothermal project in Turkey as well as the development of its Asia focused subsidiary, Wasabi New Energy Asia Limited.

To facilitate the business plan the Company undertook a Rights Issue in late November 2013 seeking to raise up to $14 million which was required to complete the purchase of the equity stake in the Tuzla geothermal project and to repay secured lenders to the Company. Unfortunately the Company was not successful in this raise and the directors placed the Company into Voluntary Administration with the appointment of Ferrier Hodgson on 30 December 2013. Following negotiations with the creditors of the Company, agreement was reached to settle the debts of the Company through the issue of 2 new shares for each $1 of debt owed to creditors. A Deed of Company Arrangement (DOCA) was executed on 20 February 2014 and the shareholders passed the resolutions necessary for the implementation of the DOCA with regard to the consolidation of shares and issue of new shares to creditors on 16 May 2014. The company issued 31,783,337 shares at 50 cents each to various creditors to settle outstanding debts at 30 December 2013 totalling to $15,891,669. Ferrier Hodgson ended their role as administrators under the DOCA on 23 June 2014.

Despite the difficulties we have encountered I remain convinced that the company is well positioned to deliver on its growth potential.

In particular it is the relationship our Chinese licensee, Shanghai Shenghe New Energy Resources Science Technology Co Ltd (SSNE), has with both Sinopec and Sinopec Nanjing Engineering and Construction that gives me confidence that industrialisation of our Kalina Cycle power system ("KCT") is imminently achievable.

Our first 4MWe unit at Sinopec's refinery in Hainan, China, is on track for successful completion in Q2 2015.

Sinopec is 3rd in the Fortune 500 list of companies with annual revenues of USD 457 billion.

In addition to constructing a 4MWe unit at Hainan, SSNE has entered into a framework agreement with Sinopec subsidiary Sinopec Nanjing Engineering and Construction. The agreement provides for exclusive co-operation in implementing KCT projects within Sinopec.

Discussions with Sinopec indicate the compelling economic savings provided by the installation of our 4MWe units coupled with China's adoption of stringent energy efficiency targets in its 5 year plan support a sizeable KCT roll out.

Outside of these exciting Chinese developments we have taken responsibility to ensure that lessons have been learnt from our difficulties.

We will no longer employ a capital-intensive model providing bespoke installations in disparate locations. Rather the strong initial focus of the group will be to ensure industrial scale roll out of our units in China and then worldwide in conjunction with partners.

Worldwide we have re-focused the company on a simpler, low capital strategy which delivers simpler modular 4 MWe units in partnership with major Engineering Procurement Construction (EPC) companies.

In Asia, we will focus on obtaining Strategic Partners with expertise in Engineering and Project management to assist with our construction and roll out of 4 MWe units.

For the rest of the world we shall adopt a licensing model issuing country and industry specific licenses to Strategic Partners. These Partners will build KCT units under license with our specialist engineering support.

We are currently engaged in advanced discussions with Strategic Partners including world leaders in project management, engineering and construction in order to support our strategy outside China. These discussions include the provision of KCT as an add-on technology provided by our potential partners in their construction works undertaken for their clients.

We anticipate being able to finalise agreements with a number of Strategic Partners in the coming 12 months.

In order to support our strategy we are bringing in new management to oversee the low cost licensing and partner model and to assist with the roll out of China. It is proposed that Tim Horgan shall join the Company as Executive Director upon relisting of the Company on the ASX. Mr. Horgan is a qualified lawyer with considerable business experience in Mining and Energy in many jurisdictions including Europe, African and China.

Considerable time and shareholder monies have been spent taking KCT to a point of technological acceptance and industrial roll out. A similar pattern was experienced by our primary heat to energy competitor prior to it achieving industrial acceptance and commercial success.

KCT has been independently verified as a superior technology to its competitors, with 10% to 50% more efficiency particularly at low heat. We believe this superiority was a key factor in Sinopec's selection of the technology for installation in its Hainan refinery and for Sinopec Engineering's exclusive agreement to utilize KCT in the rollout within Sinopec plants.

We believe KCT is now at a tipping point of acceptance prior to large scale industrial roll out. This is a view supported by a leading global engineering firm that “successful reference plants confirm the technology is fundamentally efficient reliable and safe” with “potential to be adopted on an industrial scale.”

We believe that the completion of the Hainan plant will precede the large scale Industrial roll out in China envisaged in our agreements and relationship with Sinopec. As a group we will seek to leverage that success by selecting Tier 1 Strategic Partners to assist with the worldwide roll out of KCT.

Yours Faithfully

John Byrne

Executive Chairman

Directors' report

The directors of Enhanced Systems Technologies Limited (Formerly Wasabi Energy Limited) present their annual financial report of the Company for the year ended 30 June 2014.

Review of Operations

During the period the group was working on the delivery of its plans to become an Independent Power Producer, and in particular on the purchase of its stake in the Tuzla geothermal project in Turkey as well as the development of its Asia focused subsidiary, Wasabi New Energy Asia Limited.

To facilitate the business plan the Company undertook a Rights Issue in late November 2013 seeking to raise up to $14 million which was required to complete the purchase of the equity stake in the Tuzla geothermal project and to repay secured lenders to the Company. Unfortunately the Company was not successful in this raise and the directors placed the Company into Voluntary Administration with the appointment of Ferrier Hodgson on 30 December 2013. Following negotiations with the creditors of the Company, agreement was reached to settle the debts of the Company through the issue of 2 new shares for each $1 of debt owed to creditors. A Deed of Company Arrangement (DOCA) was executed on 20 February 2014 and the shareholders passed the resolutions necessary for the implementation of the DOCA with regard to the consolidation of shares and issue of new shares to creditors on 16 May 2014. The company issued 31,783,337 shares at 50 cents each to various creditors to settle outstanding debts at 30 December 2013 totalling to $15,891,669 and as a result, on 29 May 2014, the company's net assets increased by $15,891,669. Ferrier Hodgson ended their role as administrators under the DOCA on 23 June 2014.

Wasabi New Energy Asia Limited (WNEA)

WNEA is now a 49.3% owned associate of EST, having being a 61.5% owned subsidiary at the end of the period. WNEA holds the Kalina Cycle® License for Asia, as well as purchasing 50.5% of Shanghai Shenghe New Energy Resource Science Technology Limited (SSNE), the Kalina Cycle® Licensee for China.

The Company has lent approximately $10.6 million to WNEA as well as previously provided guarantees for some its liabilities. WNEA borrowed RMB18,000,000 (A$3.1m) from China Shiny Holdings Limited, a Hong Kong company for its part payment for the purchase of SSNE. This has now been reduced to RMB10,000,000 (A$1.9 million). China Shiny hold a first ranking charge over the assets of WNEA and a guarantee from the Company which was compromised by the DOCA as a contingent liability, and if it becomes payable is only to be settled by the issue of new shares in the Company at 50c per share.

WNEA is focused on the commercialisation of the Kalina Cycle® in Asia, and has continued to discuss fundraising with potential investors throughout the period with the aim of listing on a stock exchange during calendar year 2015. Key to this is the completion of the Sinopec Hainan 4MWe Kalina Cycle® plant being built by SSNE, the Kalina Cycle® licensee for China. SSNE has been working closely with its engineering and construction partners to deliver this first major Kalina Cycle® power plant in China for Sinopec throughout the period. Major items have now been completed on this project with the turbine and generator installed in the 1st quarter 2015 with completion of the project in Q2 2015. Once this project has completed the directors believe a number of new Kalina Cycle® projects will be contracted with other major industrial firms in China as well as with Sinopec.

Enhanced Power Technologies Pty Limited (EPT)

EPT is a 100% owned subsidiary focused on the industrialisation of the Kalina Cycle® Technology through licensing and other arrangements in all areas outside of Asia. EPT will manage the Company's IP and knowhow as a company specifically focused on building commercial relationships with global EPC companies, with the objective of achieving near-term scalability and rapid adoption of the technology. EPT will work collaboratively with major industry partners to provide specialised engineering and IP development opportunities for those partners within their sectors. In the near term EPT will be funded by the Company. However, it is anticipated that as collaboration agreements are formalised with EPC partners, EPT will become self-funding as it generates revenues through licensing, collaboration and engineering fees. These EPC partners will be major industry participants, with global operations and significant experience in their target industries.

Imparator Enerji

In 2011, the Company established Imparator Green Energy Plc, and its subsidiary Imparator Enerji Limited, ("Imparator") to hold the Kalina Cycle® license for Turkey and to develop a waste heat and geothermal business utilising the technology. The main project within Turkey was the Tuzla geothermal power project ("Tuzla") in which Imparator held an option to purchase 50% of the project.

During the period Imparator completed a pre-feasibility study over the project that indicated a significant value for the project. However in December 2013, due to *inter alia* the unsuccessful fundraising by the Company and subsequent administration process, Imparator was unable to make the final option payment required within the time frames of the option agreement and therefore the investment in the project has been fully impaired.

Directors' report (cont'd)

On 30 May 2014, Imparator served a notice to Egenda Ege Energi, the owners of Tuzla, in relation to certain claims relating to the ability of Imparator to exercise the option and subsequent damages to Imparator and the consolidated entity.

Imparator believes it has a good basis for its claims however there is no certainty that they will be successful or that alternatively they will be able to re-negotiate the purchase of an interest in Tuzla.

Licensees

FLSmidth owns the Kalina Cycle® license for Cement and Lime worldwide, except China, and is a leading provider of engineering services to the cement and lime industries. FLSmidth has two Kalina Cycle® power plant projects. The first 8.6 MWe power plant at the DG Khan cement plant in Pakistan has been completed in January 2014, however it is not yet at full operating levels. This plant has been operating at reduced levels due to provision of heat at lower than design levels. Notwithstanding this, the plant has been producing approximately 6MWe of power on average and is only expected to operate at its nameplate capacity of 8.6MWe if the expected heat is available. The commencement of operations at this plant marks the first installation of a Kalina Cycle® power plant in the cement and lime industry. FLSmidth are also completing a 4.75 MWe Kalina Cycle® power plant at Star Cement at Ras Al Khaimah, in the United Arab Emirates which is expected to be operational in 2015.

Geysir, the Kalina Cycle licensee in Germany, has been developing the Geothermie Taufkirchen power plant. EST completed an engineering contract with Geothermie Taufkirchen to assist in the design of the project. Geothermie Taufkirchen and Geysir have completed equipment specifications and have commenced site preparations and construction of the Kalina Cycle power plant which is anticipated to come online in 2015.

Other Investment - subsidiary

Aqua Guardian Group Limited (AGG)

AGG is an Australian unlisted public company that was founded in 2006 to provide large scale water efficiency solutions servicing the urban water, mining, resources and agribusiness sectors. AGG has developed a patented product known as AquaArmour™, a floating modular cover specifically designed for large scale, exposed open water storages which reduces evaporation loss by 88% and inhibits algal growth. AGG have deployed AquaArmour™ on 7 sites in Australia.

AGG licensed the technology in October 2014 to Venture Services Limited, a part of the Venture Group, a major global plastics manufacturer, predominately for the automotive industry, which has been working with AGG since 2009. The license covers Australia/NZ, Southern Africa and Chile. The aim of Venture Services Limited (Venture) is to implement ongoing improvements to the technology and to establish deployments in each of its licence areas. Venture will build on the deployments undertaken by AGG in Australia previously and has been instrumental in delivering an ongoing trial project to a major mining company in Chile.

AGG will receive a royalty from each module sold by Venture and retains a right to purchase 50% of Venture Services Limited to thereby create a joint venture until 31 May 2017. In addition, Venture has a right of last refusal to participate in new license areas in the future on terms no less favourable than potential third party license holders.

EST currently owns 79.2% of AGG and intends to convert outstanding loans to AGG into further equity. EST is working with the other major shareholders of AGG to develop AGG into a water technology company that may seek its own listing on a suitable stock market.

Other Investments

Clean TeQ Holdings Limited (Clean TeQ)

EST owned approximately 9.3% of CleanTeQ, an ASX listed company, at the year end. Clean TeQ is a leader in water treatment and resource recovery technology and an Australian leader in biological air purification. Clean TeQ develops technologies in house and partners with leading technology suppliers worldwide. Clean TeQ offers a range of business models to potential clients including licensing its technology, building and commissioning complete installations (both transportable and fixed), and building and operating installations in joint ventures, in return for a share of revenues generated through resources recovered. Clean TeQ may also acquire mining assets where its technologies can make exploitation of uneconomic ore bodies or re-processing of tailings profitable.

As CleanTeQ delivers on its business plans and its value reflects the success of its technologies, EST has continued to divest its stake in Clean TeQ at appropriate times.

Lignol Energy Corporation (LEC)

The company currently owns 22% of LEC.

On 27 August 2014, LEC announced that although management was engaged in discussions with Difference Capital Financial Inc. ("DCF") with respect to the terms of a proposed financing and the possible sale of the assets of LEC, DCF discontinued negotiations and appointed The Bowra Group Inc. (the "Receiver") as Receiver of LEC on August 22, 2014. The Receiver is currently in possession and control of LEC's assets and undertaking.

The Receiver is working through a disposal process in order to realise value from the assets of LEC for its creditors.

EST anticipates that some value may be available for equity holders of LEC and will monitor the progress of LEC.

Directors' report (cont'd)

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

Name, qualifications	**Particulars**
Mr. John Byrne,	Mr. Byrne has over 30 years' experience in the natural resources industry as an investor and resource business developer. During the past 10 years Mr. Byrne has founded and built a number of companies from the ground up, including from development through to production. In this period he has been instrumental as either CEO or Executive Chairman in overseeing the building of 6 coal mines (in Canada, the US and the UK) along with 3 wash plants, totaling in excess of $500 million of expenditure. Until May 2010 Mr. Byrne was Chairman of Western Coal Corporation, a global coal producer. Since retiring from Western Coal Corporation, Mr. Byrne is now concentrated on identifying projects in and solutions to a number of sustainability issues that exist in the world today. Appointed 8 May 2009.
Mr. Robert Reynolds, *Master Eng.(Mining)*	Mr. Reynolds is a mining engineer with more than 30 years experience in Australia and overseas in coal marketing as well as coal mining management and engineering. Mr. Reynolds is a consultant providing marketing advice and services to a number of national and international coal producers. Mr. Reynolds past experience was with BHP, YanCoal and Walter Energy. Appointed 10 August 2005.
Mr. Robert Vallender, *B Comm.*	Mr. Vallender has over 30 years of management and new technology product development experience in Australia and North America. Mr. Vallender is a consultant providing independent marketing and capital project sales advice to the Australian and European iron and steel and primary metals industries. He has dealt with major manufacturers and producers including Alcoa, U.S. Steel and General Motors. Appointed 10 August 2005.
Dr. Malcolm Jacques, *Ph.D. Chemical Engineering*	Dr Jacques is an independent energy consultant, focusing on the Renewable and Clean Energy sectors, with special emphasis on technical and regulatory issues associated with the integration of distributed and renewable energy sources into existing power grids. Dr Jacques maintains close working relationships with policy makers, regulators, financial organizations and consultants in the energy sectors in Europe and the USA. Dr Jacques' international career has embraced research, development and implementation of numerous energy technologies in both the public and private sectors. He has worked with several well-known companies and organizations including BP Ventures (UK), The Energy Laboratory, MIT (Cambridge, USA), Strategic Research Foundation (Australia) and has played key roles in the establishment and management of public and private energy technology companies in Australia and North America. Appointed 2 March 2010

The above named directors held office during the whole of the financial year and since the end of the financial year.

Directors' report (cont'd)

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
John Byrne	East Coal Inc (Canada)	2008 – 2013

Shareholdings

The following table sets out key management personnel's relevant interests in shares and options of the Company as at the date of this report.

Directors and senior management	Fully paid ordinary shares Number	Options Number
Directors		
John Byrne	27,946,617	24,736,403
Robert Reynolds	88,975	-
Robert Vallender	72,312	-
Malcolm Jacques	74,804	-
Senior Management		
Bruce Levy	11,112	-
Alwyn Davey	1,211,413	1,200,000
Kesh Thurairasa	110,561	-

During and since the end of the financial year no share options (2013:nil) were granted to Directors and officers of the company as part of their remuneration.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each of the Directors of the Company held during the financial year. During the financial year, 7 Board meetings and 1 Audit Committee meetings were held during the period.

	Board of Directors		Audit and Finance Committee	
Name	Held	Attended	Held	Attended
John Byrne	7	7	1	1
Robert Reynolds	7	7	1	1
Robert Vallender	7	7	-	-
Malcolm Jacques	7	7	-	-

Company secretary

The name(s) and particulars of the Company secretary during or since the end of the financial year are:

Name	
Alwyn Davey	Mr Alwyn Davey was appointed to the position of Company Secretary on 9 July 2009. Mr Davey has experience in cross border mergers, acquisitions and investments as well as formally being a member of the Executive committee of Cambrian Mining Plc, a diversified mining group. He was a non-executive director for Energybuild Group Plc, a UK listed coal company and has been company secretary of a number of UK listed companies which were predominately part of the Cambrian Mining Plc group. Mr Davey holds an LLB degree from Waikato University, NZ.

Principal activities

The principal activity of the consolidated entity during the year was the continued management of its projects and investments.

Review of operations

The consolidated loss for the year amounted to $37,952,726 (2013: $11,933,583 loss).

The Review of Operations is set out on pages 4 to 5 of this report.

Significant Risks

The Company monitors risks and uncertainties on an ongoing basis in relation to its business objectives and operating environment. The following are deemed material risks to the business:

Future capital requirements and Subsidiary or Associate Business Model:: The Company's strategy of developing relationships with major industry partners will reduce its future need for capital. The Company will seek to meet the reduced future funding requirements through the creation of subsidiary or associate companies that will raise capital on their own account through a combination of equity and debt. However, if the subsidiaries or associates and the Company are not able to secure the necessary capital which will still be required, the Company may not be able to implement its business plan. The Company has currently established, or intends in the future to establish, subsidiaries or associates to further the business of the EST Group. Regulatory, commercial, environmental or political risks may impact on the ability of the Company to establish and/or continue to operate subsidiaries or associates in various global jurisdictions. These factors may also impact on the ability of the subsidiary or associate companies to raise or generate capital on their own account. While the Company will seek to continue to operate existing subsidiaries or associates and to form new subsidiaries or associates, there is a risk that if those subsidiaries or associates fail to become self-funding, or cannot secure the necessary capital which will still be required, the Company may not be able to implement its business plan.

Dependence on Proprietary Technology: The Group relies on a combination of patents, copyrights, trade secrets and non-disclosure agreements to protect its Kalina Cycle technology. The Group enters into confidentiality or licence agreements with its employees, licensees and others and limits access to its documentation, software and other proprietary information. There can be no assurance that steps taken by the Company and KCT Power Limited, formerly Global Geothermal Limited (KCT) in this regard will be adequate to prevent misappropriation of its technology or that KCT's competitors will not independently develop technologies that are substantially equivalent or superior to KCT's technology. In addition, the laws of some foreign countries may not protect KCT's proprietary rights against others.

Foreign Exchange: Foreign exchange risk is relatively high due to the global nature of the Company's core business. Foreign exchange risk arises as it is likely to receive payment for services in currencies other that the Company's functional currency. In addition the value of its investments, assets and liabilities in foreign jurisdictions will be affected by currency movements.

Changes in state of affairs

The following significant changes in the affairs of the consolidated entity during or since the year end are:

- The Company entered into Voluntary Administration on 30 December 2013 and entered into a Deed of Company Arrangement on 20 February 2014. The Deed of Company Arrangement ended on 23 June 2014.
- The company changed its name to Enhanced Systems Technologies Limited on 16 June 2014
- The Company delisted from the AIM market of the London Stock Exchange on 23 June 2014.
- The Company is currently suspended from trading on the ASX and is expected to be reinstated to trading in June 2015.
- The Company consolidated its issued share capital on the basis of 1 new share for each 765 shares then on issue on 29 May 2014.
- The Consolidated entity lost control of Wasabi New Energy Asia Limited on 10 December 2014 and Recurrent Engineering LLC on 2 December 2014.
- The company completed one for one rights issue on 25 February 2015. The rights issue raised $4,379,569 before costs, represented by repayment of debt of $2,523,640 and cash of $1,855,929.

Directors' report (cont'd)

Changes in state of affairs (cont'd)

- On 7 November 2014, the company raised $285,000 from a private placement of 2,850,000 ordinary share at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.
- On 8 January 2015, the company issued 5,000,000 shares at 10 cents together with a free attaching option exercisable at 10 cents to settle part of interest owing on China Shiny loan. The options expire on 30 November 2015
- On 25 February 2015 the company placed 5,464,762 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.
- On 10 March 2015 the company placed 11,765,381 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

Subsequent events

Except as noted below, there has not been any matter or circumstance that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial periods

(i) On 27 August 2014, Lignol Energy Corporation (LEC) announced that although management was engaged in discussions with Difference Capital Financial Inc. ("DCF") with respect to the terms of a proposed financing and the possible sale of the assets of LEC, DCF discontinued negotiations and appointed The Bowra Group Inc. (the "Receiver") as Receiver of LEC on August 22, 2014. The Receiver is currently in possession and control of LEC's assets and undertaking. The investment in LEC valued at approximately $1.8m at balance date was fully impaired at 31 December 2014.

(ii) On 7 November 2014, the company raised $285,000 from a private placement of 2,850,000 ordinary share at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

(iii) On 7 November 2014, the company announced a one for one rights issue of 43,795,695 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015. The rights issue was completed on 25 February 2015 raising $4,379,569 before issue costs represented by repayment of debt of $2,523,640 and cash of $1,855,929.

(iv) On 8 January 2015, the company issued 5,000,000 shares at 10 cents together with a free attaching option exercisable at 10 cents to settle part of interest owing on China Shiny loan. The options expire on 30 November 2015.

(v) On 25 February 2015 the company placed 5,464,762 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

(vi) On 10 March 2015 the company placed 11,765,381 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

(vii) On 10 December 2014, the Company lost control of Wasabi New Energy Asia Ltd (WNEA) and Recurrent Engineering LLC (RE) on 2 December 2014 as a result of selling 7.5 million shares in WNEA for a total consideration of $3,525,000 and total RE share holdings for $1. The company retains 32.5m shares in WNEA, which equates to equity ownership in the company of 49.27%. Following the loss of control of WNEA, the Company has significant influence over WNEA and accordingly the remaining investment in WNEA will be accounted for as an investment in an associate.

The financial impact of the loss of control of WNEA and RE to the consolidated entity in future financial statements will be accounted for based on the financial position of the former subsidiaries on the date the company lost control. The estimate of the financial effect on the statement of financial position of the loss of control based on the financial position of the consolidated entity, WNEA and RE as at 30 June 2014 is as follows:

Directors' report (cont'd)

Financial position

	June 2014 $	Loss of control of WNEA 2014 $	Loss of control of RE 2014 $	Net 2014 $
Current assets				
Cash and cash equivalents	60,250	4	(26,010)	34,244
Trade and other receivables	868,417	-	(721,646)	146,771
Other financial assets	1,824,262	-	-	1,824,262
Assets classified as available for sale	1,262,033	-	-	1,262,033
Total current assets	**4,014,962**	**4**	**(747,656)**	**3,267,310**
Non-current assets				
Trade and other receivables	298,863	13,605,997	(268,843)	13,636,017
Assets classified as available for sale	25,703,935	(25,703,935)	-	-
Investments accounted for using the equity method	9,200	8,388,840	-	8,398,040
Property, plant and equipment	317,327	-	(10,407)	306,920
Intangible assets	126,256	-	-	126,256
Total non-current assets	**26,455,581**	**(3,709,098)**	**(279,250)**	**22,467,233**
Total assets	**30,470,543**	**(3,709,094)**	**(1,026,906)**	**25,734,543**
Current liabilities				
Trade and other payables	15,249,589	(11,379,045)	(1,464,442)	2,406,102
Borrowings	5,783,799	(3,622,517)	-	2,161,282
Provisions	207,204	-	(140,583)	66,621
Total current liabilities	**21,240,592**	**(15,001,562)**	**(1,605,025)**	**4,634,005**
Non-current liabilities				
Trade and other payables	**748,699**	**-**	**(748,699)**	**-**
Total liabilities	**21,989,291**	**(15,001,562)**	**(2,353,724)**	**4,634,005**
Net Assets	**8,481,252**	**11,292,468**	**1,326,818**	**21,100,538**

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future years and the expected results of those operations may result in unreasonable prejudice to the consolidated entity and therefore have not been disclosed in this report.

Environmental regulations

The consolidated entity's operations are subject to environmental regulation under both Commonwealth, State and various country legislation. There have been no significant known breaches of these regulations by the consolidated entity.

Dividends

No dividends have been paid or declared since the start of the year.

Directors' report (cont'd)

Shares under option or issued on exercise of options

Details of unissued shares or interest under option as at the date of this report:

Issuing Entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Enhanced Systems Technologies Limited	68,875,838	Ordinary	10 cents	30 November 2015

Details of shares or interest issued during or since the end of the financial year as a result of exercise of an option are:

Issuing Entity	Number of Options converted to shares	Class of shares	Amount paid for shares	Amount un paid
Enhanced Systems Technologies Limited	787	Ordinary	$4,811	Nil

Indemnification of officers and auditors

The Company has entered into agreements to indemnify all the Directors and Officers named in this report against all liabilities to persons (other than the Company), which arise out of the Directors and Officers conduct unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors and Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Non-audit services

During the year the auditor did not provide any non-audit services.

Auditor's independence declaration

The auditors' independence declaration is included on page 65 of the annual report.

Directors' report (cont'd)

Remuneration report – audited

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Enhanced Systems Technologies Limited's directors and its senior management for the financial year ended 30 June 2014. The prescribed details for each person covered by this report are detailed below under the following headings:

- directors and senior management personnel details
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of directors and senior management
- key terms of employment contracts.

Directors and senior management personnel

The following persons acted as directors of the Company during or since the end of the financial year:

Executive Directors

John Byrne

Non-executive directors

Robert Vallender
Robert Reynolds
Malcolm Jacques

The term 'senior management' is used in this remuneration report to refer to the following key management personnel. Except as noted, the named key management personnel held their current position during or since the end of the financial year:

Diane Bettess (Chief Operating Officer – Enhanced Systems Technologies Limited) (left 30 Dec 2013)
Nico Bleijendaal (President – International – Enhanced Systems Technologies Limited) (left 6 June 2014)
Bruce Levy (Managing Director – KCT Power Limited)
Alwyn Davey (Company Secretary – Enhanced Systems Technologies Limited)
Kesh Thurairasa (Financial Controller – Enhanced Systems Technologies Limited)

Remuneration policy

The Board policy for determining the nature and amount of key management personnel and other remuneration is agreed by the Board of Directors.

The terms 'remuneration' and 'compensation' are used interchangeably throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and senior management of the Company.

Compensation levels for key management personnel and other employees of the Company are competitively set to attract and retain appropriately qualified and experienced directors and senior management.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of key management personnel and other employees; and
- the ability of key management personnel and other employees to control areas of their respective responsibilities

Senior Executive Remuneration

Compensation packages for the Executive Directors and senior management include a mix of fixed and incentive based compensation.

The Board regularly reviews the policy regarding the appropriate mix of fixed and incentive based compensation for senior executives, having regard to industry practice to ensure the Company attracts and retains the best people.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles if any), as well as employer contributions to superannuation funds.

Fixed compensation levels are reviewed annually by the Board through a process that considers individual contributions and overall performance of the Group, as well as market relativity. A senior executive's compensation is also reviewed on promotion.

Incentive based compensation

The Company does not currently operate a short-term incentive scheme and, in 2014, no cash awards were made to the executives as disclosed in the remuneration report. The Board did not operate a short-term incentive scheme for the 2014 financial year, however will review this in the context of the formal review of the Company's broader executive remuneration policy to be undertaken during the 2015 financial year.

In the 2014 financial year, no options were issued to Directors and senior executives. However in 2011 and 2010, the Company issued options to Directors and senior executives. The current approach of not having time based vesting is considered appropriate. The Board will continue to review the appropriateness of the time based vesting conditions for future grants of options. There is no condition other than period of service for granting of options. The company considers the issue of options sufficiently aligns the interest of the entity with the incentive given to key management personnel.

All options expire on the earlier of their expiry date or termination of the individual's employment.

Non-Executive Director Remuneration

Non-Executive Director fees are paid within an aggregate limit which must not exceed $250,000 (excluding mandatory superannuation) per annum or such other maximum as determined by the Company in a general meeting.

The cash fees paid to Independent Non-executive Directors for the 2014 financial year were $21,527 (2013:$25,000) per annum, plus statutory superannuation.

All Non-Executive Directors are eligible to participate in the options granted.

All Non-Executive Directors are also entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committees or shareholders or while engaged on other Enhanced Systems Technologies Limited business.

Relationship between the remuneration policy and Company performance

The achievement of Company strategic objectives is the key focus of the efforts of the Company, and it is the leadership of the directors and senior management which makes the achievement of this aim possible. As indicated above, over the course of the 2015 financial year, the Board will review the Company's executive remuneration policy to ensure the remuneration framework remains focused on driving and rewarding executive performance, while being closely aligned to the achievement of Company strategic objectives and the creation of shareholder value.

Shareholder returns are primarily measured by the movement in share price from the start to the end of each financial year. No dividends have been declared in the past four financial years or the current financial year. As the Company remains in the growth phase of its life cycle, shareholder returns do not correlate with revenues and losses reported in any of the recent financial years. Shareholder returns are more dependent on the future expectation of Company performance rather than Company earnings.

The table below set out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2014. The information is based on post consolidation of shares at 765 to 1.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Revenue	485,424	1,467,591	4,876,720	4,047,090	756,532
Net (loss) /profit before tax	(37,952,726)	(11,818,333)	(7,448,777)	(547,288)	(8,482,739)
Net (loss) after tax	(37,952,726)	(11,933,585)	(7,448,777)	(547,288)	(8,482,739)
Share price at start of year ($)	4.59	13.00	24.48	9.18	11.48
Share price at end of year ($)	3.06	4.59	13.00	24.48	9.18
Dividends paid (cents	-	-	-	-	-
Basic and diluted (loss) per share (cents)	(393)	(300)	(239)	(19)	(500)

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Remuneration of directors and senior management – audited

		Short-term employment benefits			Post-employment		Share-based payment	
		Salary & Fees	Other payments	Non-monetary	Superannuation	Other long term benefits	Options and rights (ii)	Total
Executive Director		$	$	$	$	$	$	$
John Byrne	2014	140,000	-	12,599	-	-	-	152,599
	2013	140,000	-	17,774	-	-	-	157,774
Non-executive directors								
Robert Reynolds	2014	21,527	-	-	1,991	-	-	23,518
	2013	25,000	-	-	2,250	-	-	27,250
Robert Vallender	2014	21,527	-	-	-	-	-	21,527
	2013	81,000	-	-	2,250	-	-	83,250
Malcolm Jacques	2014	21,527	-	-	-	-	-	21,527
	2013	25,000	-	-	-	-	-	25,000
Senior Management								
Diane Bettess (left 30 Dec 13) (i)	2014	150,000	300,000	-	13,875	-	-	463,875
	2013	300,000	-	-	27,000	-	-	327,000
Nico Bleijendaal (left 6 Jun 14)	2014	175,000	-	-	-	-	-	175,000
	2013	240,000	-	-	-	-	-	240,000
Bruce Levy	2014	145,270	-	26,385	-	-	-	171,655
	2013	298,248	97,387	20,757	-	-	-	416,392
Alwyn Davey	2014	180,000	-	6,065	16,650	-	24,516	227,231
	2013	180,000	-	11,413	16,200	-	18,740	226,353
Kesh Thurairasa	2014	150,000	-	-	13,875	-	-	163,875
	2013	150,000	-	-	13,500	-	-	163,500
TOTALS	**2014**	**1,004,851**	**300,000**	**45,049**	**46,391**	**-**	**24,516**	**1,420,807**
TOTALS	**2013**	**1,439,248**	**97,387**	**49,944**	**61,200**	**-**	**18,740**	**1,666,519**

(i) An amount of $300,000 was determined as termination payment by the administrator and was satisfied by the issue of 600,000 ordinary shares @ 50 cents each.

(ii) The share based payment has been derived in connection with the valuation of a non-recourse loan to Alwyn Davey for $160,000 commencing on 24 September 2012 with a repayment date of 30 September 2014. The total value of the share based payment of $49,436 has been derived as at grant date using a black-Scholes pricing model. The amounts disclosed as part of remuneration for the financial year has been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date. The 2013 balance has been restated to recognise the portion attributable to that period

Notes

- No cash awards were paid during the 2014 financial year (2013: Nil). All awards were made in the form of options.
- During the year no options were issued to directors and senior management.

None of the key management personnel remuneration in the current year or in previous year was linked to performance.

No Key management personnel was provided with any loans during the year.

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Equity instruments

Options

During the financial year no options were issued to directors and the Board of Directors did not approve and the company did not issue options to employees and consultants.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or prior period.

Analysis of options over equity instruments granted as compensation

No options were granted as remuneration to any key management person of the Group and Group executives.

During the financial year there were no share-based payment arrangements in existence.

Key management personnel equity holdings

Fully paid ordinary shares of Enhanced Systems Technologies Limited

	Balance at 1 July 2013 No.	Adjusted balance No. (ii)	Granted as compensation No.	Received on exercise of options No.	Net other change No. (iii)	Bal at 30 June 2014 No.	Balance held nominally No.
2014							
Directors							
J. Byrne	351,731,620	459,780	-	-	2,766,121	3,225,901	-
R. Reynolds	33,273,691	43,496	-	-	45,479	88,975	-
R. Vallender	20,256,438	26,480	-	-	45,833	72,313	-
M. Jacques	15,150,000	19,804	-	-	55,000	74,804	-
Senior Management							
D. Bettess (i)	6,435,000	8,412	-	-	(8,412)	-	-
N. Bleijendaal	-	-	-	-	-	-	-
B. Levy	8,500,000	11,112	-	-	-	11,112	-
A. Davey	8,230,017	10,758	-	-	3,214	13,972	-
K. Thurairasa	1,957,065	2,561	-	-	105,439	108,000	-

During and since the end of the financial year no share options (2013:nil) were granted to Directors and officers of the company as part of their remuneration.

(i) Ceased to be a senior manager on 30 December 2013

(ii) Consolidation of shares at 765 to 1

(iii) Shares traded on the open market

Directors' report (cont'd)

Remuneration report – audited (cont'd)

Key management personnel equity holdings (cont'd)

	Balance at 1 July 2012 No.	Granted as compensation No.	Received on exercise of rights No.	Net other change No. (ii)	Bal at 30 June 2013 No.	Balance held nominally No.
2013						
Directors						
J. Byrne	217,784,953	-	-	133,946,667	351,731,620	-
S. Morris (i)	30,057,338	-	-	(30,057,338)	-	-
R. Reynolds	19,942,627	-	-	13,331,064	33,273,691	-
R. Vallender	5,106,438	-	-	15,150,000	20,256,438	-
M. Jacques	5,000,000	-	10,000,000	150,000	15,150,000	-
Senior Management						
D. Bettess	5,200,000	-	-	1,235,000	6,435,000	-
N. Bleijendaal	-	-	-	-	-	-
B. Levy	8,500,000	-	-	-	8,500,000	-
A. Davey	209,106	-	8,000,000	20,911	8,230,017	-
K. Thurairasa	1,202,554	-	-	754,511	1,957,065	-

(i) Ceased to be a director on 28 August 2012

(ii) Shares traded on the open market

Share options of Enhanced Systems Technologies Limited

	Balance at 1 July 2013 No.	Granted as compensati on No.	Exercised No.	Net other change No.	Bal at 30 June 2014 No.	Bal vested at 30 June 2014 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2014									
Directors									
J. Byrne	23,688,746	-	-	(23,688,746)	-	-	-	-	-
R. Reynolds	3,669,299	-	-	(3,669,299)	-	-	-	-	-
R. Vallender	-	-	-	-	-	-	-	-	-
M. Jacques	-	-	-	-	-	-	-	-	-
Senior Management									
N. Blejendaal	-	-	-	-	-	-	-	-	-
B. Levy	-	-	-	-	-	-	-	-	-
A. Davey	-	-	-	-	-	-	-	-	-
D. Bettess	715,000	-	-	(715,000)	-	-	-	-	-
K. Thurairasa	217,452	-	-	(217,452)	-	-	-	-	-

	Balance at 1 July 2012 No.	Granted as compensati on No.	Market acquired/ other (net) No.	(Exercised)/ (Expired) No.	Bal at 30 June 2013 No.	Bal vested at 30 June 2013 No.	Vested but not exercisable No.	Vested and exercisable No.	Rights vested during year No.
2013									
Directors									
J. Byrne	21,000,000	-	23,688,746	(21,000,000)	23,688,746	23,688,746	-	-	-
S. Morris	2,128,929	-	(2,128,929)	-	-	-	-	-	-
R. Reynolds	10,000,000	-	-	(6,330,701)	3,669,299	3,669,299	-	-	-
R. Vallender	15,000,000	-	-	(15,000,000)	-	-	-	-	-
M. Jacques	10,000,000	-	-	(10,000,000)	-	-	-	-	-
Senior Management									
A. Davey	8,000,000	-	-	(8,000,000)	-	-	-	-	-
K. Thurairasa	5,000,000	-	217,452	(5,000,000)	217,452	217,452	-	-	-
D. Bettess	15,000,000	-	715,000	(15,000,000)	715,000	715,000	-	-	-
N. Bleijendaal	15,000,000	-	-	(15,000,000)	-	-	-	-	-
B. Levy	5,000,000		-	(5,000,000)	-	-	-	-	-

Directors' report (cont'd)

Other transactions with key management personnel of the Group

Details of key management personnel compensation are disclosed in note 30 to the financial statements.

i. Loans to key management personnel

During the year an amount of $169,823 was provided as bad debt towards the advance made to A Davey in the previous year as the recoverable amount was limited to the value of company shares purchased from the advance. The amount provided include advance of $154,772 and interest of $15,051. Apart from this there were no other loans to key management personnel during the financial year.

ii. Other transactions with key management personnel of the Group

Pursuant to DOCA K Thurairasa was allotted 108,000 ordinary shares at 50 cents each as settlement for a debt owed by the company to the value of $54,000.

During the year J Byrne advanced $1,615,633 to the company. Interest payable at 10% per annum amounted to $36,553.

iii. Transactions with key management personnel of Enhanced Systems Technologies Limited and Global Geothermal Limited

J. Byrne, R. Reynolds, R. Vallender, M. Jacques, A. Davey, D. Bettess (left on 30 Dec 2013), N. Bleijendaal (left on 6 June 2014), K. Thurairasa and B. Levy are key management personnel of EST. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

Key terms of employment contracts

The remuneration and other terms of employment for the Executive Directors and Senior Management are set out in service letters. These letters makes provision for a fixed remuneration component, and options as a long-term incentive. The material terms of the service letters are set out below.

Term	Conditions	Position
Duration of contract	Ongoing until notice is given by either party	Executive Directors/Company Secretary/Senior Management
Voluntary termination (i.e. termination by executive by giving notice)	6 months' notice	Executive Directors/Company Secretary/Senior Management
Termination by Company without cause	6 months' fixed compensation or payment in lieu	Executive Directors/Company Secretary/Senior Management
Termination by Company for cause	Employment may be terminated immediately without notice if the executive commits any act or omission justifying summary dismissal at common law.	Executive Directors/Company Secretary/Senior Management

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

John Byrne
Executive Director
Melbourne, 5 May 2015

CORPORATE GOVERANCE STATEMENT

Statement

Enhanced Systems Technologies Limited ("Company") continues to seek improvements to its systems of control and accountability as the basis for the administration of corporate governance. This Corporate Governance Statement sets out the company's current compliance with the Australian Stock Exchange ("ASX") Corporate Governance Council's Principles and Recommendations ("Recommendations"). The Company is currently considering, implementing or has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, and is taking into account factors such as the size of the company and the Board, resources available and activities of the company. In accordance with the Recommendations, the Corporate Governance Statement must contain specific information, and also report on the Company's adoption of the Councils principles and recommendation on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why. The Company's corporate governance principles are therefore structured with reference to Recommendations.

Recommendations

1. Lay solid foundations for management and oversight

1.1 ***Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.*** The company refers all major investment decisions to the Board for consideration and approval. Day to day operations of the Company is the responsibility of the Executive Director and Senior Management.

1.2 ***Companies should disclose the process for evaluating the performance of senior executives.*** The performance of key executives is reviewed regularly by reference to ongoing performance of the company and its investments. The Board has formed a Remuneration Committee who will perform this review going forward. During the period, no formal evaluations were undertaken.

1.3 **Companies should provide the information indicated in the Guide to reporting on Principle 1.** All of the information identified in the 'Guide to Reporting on Principle 1' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report. The skills, expertise and experience of directors relevant to their positions and their term in office are disclosed in the Directors' Report. The company's corporate governance policy, including the charters for its various Board committees, is available on the company's website.

2. Structure the Board to add value

2.1 ***A majority of the Board should be independent directors.*** Directors of Enhanced Systems Technologies Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Enhanced Systems Technologies Limited are considered to be independent:

Name	Position
Robert Reynolds	Non-Executive Director
Robert Vallender	Non-Executive Director
Malcolm Jacques	Non-Executive Director

The company's Board comprises 4 directors. Therefore, there is a majority of independent directors on the Board. The directors consider that the balance of independent and non-independent directors is appropriate given the size of the Board and the company.

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

2.2 ***The chair should be an independent director.*** The Chairman, John Byrne, is not considered as an independent director. Due to the size of the company and the board this is deemed acceptable to the directors of the company. Should the company increase in size then the company will consider, and if thought appropriate, appoint an independent director as chairman.

2.3 ***The roles of chair and Chief Executive Officer should not be exercised by the same individual.*** The chair and the Chief Executive Officer are both considered to be John Byrne. Due to the size of the company and the board this is deemed acceptable to the directors of the company. The Company intends to appoint Mr Tim Horgan as CEO during the 2015 financial year following the completion of the proposed Rights Issue in December 2014.

2.4 ***The Board should establish a nomination committee.*** There is no specific nomination committee. Currently all members of the Board are part of this process to ensure the Board continues to operate within the established guidelines including when necessary, selecting candidates for the position of director. When a vacancy occurs, through whatever cause, or where it is considered that the company would benefit from the skills of an additional Director with particular skills, the Board will consider candidates with the appropriate expertise and experience. The directors consider that this is appropriate given the size of the Board and the company.

2.5 ***Companies should disclose the process for evaluating the performance of the Board.*** The performance of the Board is not currently reviewed annually. This performance is reviewed on an ad hoc basis by the board and directors are assessed based on the financial and non-financial objectives and results of the company. Directors whose performance is consistently unsatisfactory may be asked to retire. During the reporting period, the Board did not meet to specifically evaluate the performance of Board members, which was considered appropriate given the given the size of the Board and the company.

2.6 ***Companies should provide the information indicated in 'Guide to Reporting on Principle 2'.*** All of the information identified in the 'Guide to Reporting on Principle 2' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report. The skills, expertise and experience of directors relevant to their positions and their term in office are disclosed in the Directors' Report. The company's corporate governance policy, including the charters for its various Board committees, is available on the company's website.

3. **Promote ethical and responsible decision-making**

3.1 ***Establish a code of conduct and disclose the code or a summary of the code as to:***
   (a) ***the practices necessary to maintain confidence in the company's integrity;***
   (b) ***the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and***
   (c) ***the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

The company has not yet established a formal written code of conduct. Currently each of the directors is aware of the investment and corporate objectives of the company and is conscious of the expectations of the shareholders, investee companies and their stakeholders. Any activities of the company are undertaken in consideration of all legal and regulatory requirements as well as with consideration of the underlying value of the activity to shareholders and other stakeholders. The Company Secretary is primarily tasked with maintaining a high level of compliance on all aspects of the business and has the support of the board to achieve this outcome.

3.2 ***Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*** The Board has not yet established a formal written policy concerning diversity. The board is reviewing this aspect of the corporate governance guidelines. Currently the Company includes both women and men in senior management positions. Due to the size of the company and the board this is deemed acceptable to the directors of the company.

3.3 ***Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress to achieving them.*** As the Board has not yet established a formal written policy concerning diversity there are no measurable objectives set. The Board is reviewing this aspect of the corporate governance guidelines with a view to implement a policy that is appropriate to the size and development of the Company.

3.4 ***Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior positions and women on the board.*** The Company does not have any women on the Board. The previous Chief Operating Officer (Senior Management) was a women. Overall there are 20% (2013:20%) of the Company's employees who are women operating in 3 countries, across engineering, finance and administration.

3.5 ***Companies should provide the information indicated in the Guide to reporting on Principle 3.*** All of the information identified in the 'Guide to Reporting on Principle 3' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

4. Safeguard integrity in financial reporting

4.1 The Board should establish an audit committee. The Board has established an audit committee which operates under a charter approved by the Board. It is the audit committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operations key performance indicators. The Committee will also provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

4.2 The audit committee should be structured so that it:
(a) consists of only non-executive directors;
(b) consists of a majority of independent directors;
(c) is chaired by an independent chair who is not chair of the Board; and
(d) has at least three members.

The audit committee was appointed on 9 July 2009 and comprises:

Name		***Qualifications***
John Byrne		Nil
Robert Reynolds	(Chairman)	Master Eng. (Mining)

In accordance with the definition of independence described in Recommendation 2.1 above, and the materiality thresholds set, Robert Reynolds is considered to be independent and is a non-executive director. John Byrne is not considered independent and is an executive director.

The committee is currently chaired by Mr Robert Reynolds who is not chair of the Board.

The committee has two members, only one of which is independent, which is less than the recommended minimum of three and a majority of independent directors, but given the size and nature of the Board, the directors consider that this is appropriate.

4.3 The audit committee should have a formal charter. The committee has a formal charter which is disclosed on the company's website
.

4.4 Companies should provide the information indicated in 'Guide to Reporting on Principle 4'. The information identified in the 'Guide to Reporting on Principle 4' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

5. Make timely and balanced disclosure

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. The company has made the directors and the senior management of its subsidiaries and associates aware of the requirement for continuous and periodic disclosure to ensure the factual presentation of the company's financial position and market-sensitive information is maintained in an orderly and timely fashion. At present the company does not have a written policy due to the size of the company and the limited number of people and activities of the company. The board consider this is appropriate for the size of the company however it is currently reviewing its policies in regard to this Recommendation.

5.2 Companies should provide the information indicated in 'Guide to Reporting on Principle 5'. A summary of the company's continuous disclosure policy is set out above and if appropriate will be disclosed on the company's website.

6. Respect the rights of shareholders

6.1 Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. The company has a shareholders communication policy which aims to ensure that the shareholders are informed of all major developments affecting the company. All shareholders are able to receive the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company makes available a telephone and email address for shareholders to make enquiries of the company.

6.2 Companies should provide the information indicated in 'Guide to Reporting on Principle 6'. The company maintains a website on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is currently reviewing its website and where necessary will enhance the information available on that site.

7. **Recognise and manage risk**

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. The identification and effective management of risk is viewed as an essential part of the company's approach to creating long-term shareholder value. In recognition of this, the Board has determined to form a Risk Committee to better determine the company's risk profile and this committee will be responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is ongoing and will continue to be a focus of the committee and the board.

7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The company will be establishing a risk management policy within which will be set out a framework for a system of risk management and internal compliance and control. Senior management as required will have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on these risks and the extent to which it believes they are being adequately managed. They Senior Management have been proactively undertaking risk management processes in order to report to the board the outcomes.

7.3 The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board has received a declaration from the Company Secretary, being an officer with primary responsibility as defined by section 295 of the Corporations Act, assuring that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system, to the extent that they relate to financial reporting, is operating effectively in all material respects.

7.4 Companies should provide the information indicated in 'Guide to Reporting on Principle 7'. A summary of the company's risk management policy is disclosed on the company's website.

8. **Remunerate fairly and responsibly**

8.1 The Board should establish a remuneration committee. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive officers and executive team. The Board has established a remuneration committee, which comprises of the chairman and two non-executive directors. Given the size and nature of the Board, the directors consider that this is appropriate that the Chairman, while not independent is a member of the remuneration committee. The remuneration committee has not yet met. The terms of reference for the remuneration committee include review and recommendation to the board on the company's remuneration, recruitment and termination for senior executives, review of executives' performance and a framework for directors' compensation.

8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives. The Directors are paid $25,000 per annum. Executive directors receive additional remuneration as set out in the 'Remuneration Report (audited)' section of the Directors Report. Further information regarding the executive and non-executive remuneration framework and payments is detailed in the 'Remuneration Report (audited)' section of the Directors Report.

8.3 Companies should provide the information indicated in 'Guide to Reporting on Principle 8'. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The formal charter is disclosed on the company's website. The company has not yet adopted a formal policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. All of the other information identified in the 'Guide to Reporting on Principle 8' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	4	485,424	1,467,591
Cost of Sales		(435,203)	(1,261,039)
Gross profit/(loss)		50,221	206,552
Other revenue		191,597	1,297,168
Finance income	6	8,413	60,621
Employee benefits expenses		(2,981,249)	(4,050,999)
Administration expenses		(1,175,817)	(1,799,775)
Depreciation and amortisation expenses	6	(219,762)	(262,502)
Bad debts		(306,484)	(38,956)
Travel expenses		(479,990)	(1,038,312)
Gain/(loss) on revaluation of financial assets fair valued through profit and loss		(1,812,245)	132,295
Impairment of intangibles	17	(757,923)	-
Impairment of investments classified as available for sale		(8,084,832)	(158,478)
Fair value of other investments		-	(447,988)
Legal and professional fees		(1,962,483)	(1,422,466)
Patent costs		(43,774)	(203,242)
Exchange variation	6	(445,254)	(17,321)
Fair value gain/(loss) on options		(21,519)	(5,361)
Finance costs	5	(10,637,787)	(676,896)
Provision for capitalised development	15	-	(567,999)
Goodwill written off	16	-	(2,824,674)
Impairment Tuzla project asset	3	(9,273,838)	-
Loss before tax		(37,952,726)	(11,818,333)
Income tax expense	7	-	(115,250)
Loss for the year		(37,952,726)	(11,933,583)
Attributed to:			
Owners of the parent		(31,322,974)	(11,678,777)
Non-controlling interest		(6,629,752)	(254,806)
		(37,952,726)	(11,933,583)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange reserve arising on translation of foreign operations		1,378,539	(652,011)
Gain/(loss) on available-for-sale investments taken to equity		(519,316)	(1,132,261)
Other comprehensive income for the period net of tax		859,223	(1,784,272)
Total comprehensive income for the period		(37,093,503)	(13,717,855)
Total comprehensive income attributable to:			
Owners of the parent		(30,404,503)	(13,282,218)
Non controlling interest		(6,689,000)	(435,637)
		(37,093,503)	(13,717,855)
Loss per share			
From continuing and discontinued operations:			
Basic (cents per share)	33	(393)	(300)
Diluted (cents per share)	33	(393)	(300)

Notes to the financial statements are included on pages 26 to 63.

Statement of financial position
as at 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Current assets			
Cash and cash equivalents	28	60,250	222,261
Trade and other receivables	8	868,417	1,310,574
Other financial assets	9	1,824,262	3,658,025
Assets classified as available for sale	10	1,262,033	3,442,023
Total current assets		**4,014,962**	**8,632,883**
Non-current assets			
Trade and other receivables	11	298,863	507,581
Assets classified as available-for-sale	12	25,703,935	1,000,000
Investments accounted for using the equity method	13	9,200	9,200
Property, plant and equipment	14	317,327	510,341
Capital work-in-progress	15	-	40,313
Other assets	12	-	29,431,361
Intangible assets	17	126,256	1,646,342
Total non-current assets		**26,455,581**	**33,145,138**
Total assets		**30,470,543**	**41,778,021**
Current liabilities			
Trade and other payables	18	15,249,589	9,475,470
Borrowings	19	5,783,799	8,282,037
Provisions	20	207,204	268,784
Total current liabilities		**21,240,592**	**18,026,291**
Non-current liabilities			
Trade and other payables	21	748,699	772,145
Borrowings	19	-	4,927,185
Total non-current liabilities		**748,699**	**5,699,330**
Total liabilities		**21,989,291**	**23,725,621**
Net assets		**8,481,252**	**18,052,400**
Equity			
Issued capital	22	83,718,959	61,873,709
Reserves	24	(1,282,680)	(1,387,348)
Accumulated losses	25	(84,502,635)	(53,179,661)
Total equity attributable to equity holders of the company		(2,066,356)	7,306,700
Non-controlling interest	24.6	10,547,608	10,745,700
Total equity		**8,481,252**	**18,052,400**

Notes to the financial statements are included on pages 26 to 63.

Statement of changes in equity
for the financial year ended 30 June 2014

Consolidated

	Issued capital and contributed equity	Investment revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Other reserves	Treasury Shares	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$	$	$
Balance at 1 July 2012	**51,404,080**	**1,358,295**	**(92,578)**	**3,556,953**	**(4,331,987)**	**(450,800)**	**(41,500,884)**	**9,943,079**	**735,212**	**10,678,291**
Loss for the year	-	-	-	-	-	-	(11,678,777)	(11,678,777)	(254,806)	(11,933,583)
Movement in foreign exchange values	-	-	(764,462)	-	-	-	-	(764,462)	112,451	(652,011)
Gain/(loss) in AFS investments (note 24.2)	-	(838,979)	-	-	-	-	-	(838,979)	(293,282)	(1,132,261)
Total comprehensive income for the period	-	(838,979)	(764,462)	-	-	-	(11,678,777)	(13,282,218)	(435,637)	(13,717,855)
Employee options exercised (note 24.4)	191,959	-	-	(191,959)	-	-	-	-	-	-
Issue of shares	10,615,841							10,615,841	-	10,615,841
Cost of options issued	-	-	-	220,169	-	-	-	220,169	-	220,169
Share issue cost (note 22.1)	(658,171)	-	-	-	-	-	-	(658,171)	-	(658,171)
Exercise of options (note 22.1)	320,000	-	-	-	-	-	-	320,000	-	320,000
Recognition of minority interest	-	-	-	-	-	-	-	-	10,446,125	10,446,125
Issue of warrants	-	-	-	148,000	-	-	-	148,000	-	148,000
Balance at 30 June 2013	**61,873,709**	**519,316**	**(857,040)**	**3,733,163**	**(4,331,987)**	**(450,800)**	**(53,179,661)**	**7,306,700**	**10,745,700**	**18,052,400**
Balance at 1 July 2013	**61,873,709**	**519,316**	**(857,040)**	**3,733,163**	**(4,331,987)**	**(450,800)**	**(53,179,661)**	**7,306,700**	**10,745,700**	**18,052,400**
Loss for the year	-	-	-	-	-	-	(31,322,974)	(31,322,974)	(6,629,752)	(37,952,726)
Movement in foreign exchange values	-	-	1,437,787	-	-	-	-	1,437,787	(59,248)	1,378,539
Gain/(loss) in AFS investments (note 24.2)	-	(519,316)	-	-	-	-	-	(519,316)	-	(519,316)
Total comprehensive income for the period	-	(519,316)	1,437,787	-	-	-	(31,322,974)	(30,404,503)	(6,689,000)	(37,093,503)
Value of options issued (note 24.4)	-	-	-	580,713	-	-	-	580,713	-	580,713
Issue of shares (note 22.1)	21,801,728	-	-	-	-	-	-	21,801,728	-	21,801,728
Other credits	60,679	-	-	-	-	-	-	60,679	-	60,679
Share issue cost (note 22.1)	(21,968)	-	-	-	-	-	-	(21,968)	-	(21,968)
Difference arising on decrease in control of subsidiary	-	-	-	-	(1,394,516)	-	-	(1,394,516)	1,394,516	-
Exercise of options (note 22.1)	4,811	-	-	-	-	-	-	4,811	-	4,811
Option reserve	-	-	-	-	-	-	-	-	2,411,032	2,411,032
Issue of shares in subsidiary	-	-	-	-	-	-	-	-	2,685,360	2,685,360
Balance at 30 June 2014	**83,718,959**	**-**	**580,747**	**4,313,876**	**(5,726,503)**	**(450,800)**	**(84,502,635)**	**(2,066,356)**	**10,547,608**	**8,481,252**

Notes to the financial statements are included on pages 26 to 63.

Cash flow statement
for the financial year ended 30 June 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Receipts from customers		830,635	2,268,660
Interest and finance costs paid		(616,677)	(242,686)
Payments to suppliers and employees		(4,879,852)	(8,454,145)
Sundry Income		6,635	49,723
Net cash used in operating activities	28(i)	(4,659,259)	(6,378,448)
Cash flows from investing activities			
Interest received		2,347	51,637
Payment for plant and equipment		(12,979)	(157,131)
Payments for equity investments		-	(643,916)
Payment to acquire new asset/investment		(3,292,142)	-
Payments for options to acquire new ventures		-	(7,286,696)
Payment for capitalised development		-	(212,919)
Proceeds from sale of plant and equipment		-	545
Proceeds from sale of equity investments		436,806	776,599
Loans to related party		(43,066)	(9,580)
Receipts/(payment) for deposits		-	(1,341)
Net cash inflow on acquisition of subsidiary		-	14,245
Net cash used in investing activities		(2,909,034)	(7,468,557)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,041,568	9,851,855
Proceeds from borrowings		5,996,035	8,438,000
Repayment of borrowings		(539,029)	(3,820,842)
Capital raising costs		(92,292)	(472,697)
Net cash provided by financing activities		7,406,282	13,996,316
Net (decrease) / increase in cash and cash equivalents		(162,011)	149,311
Cash and cash equivalents at the beginning of the financial year		222,261	72,105
Effect of movement in exchange rates on cash balances		-	845
Cash and cash equivalents at the end of the financial year	28	60,250	222,261

Notes to the financial statements are included on pages 26 to 63.

Notes to the financial statements
for the financial year ended 30 June 2014

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1. General information

Enhanced Systems Technologies Limited (EST) is a company limited by shares, incorporated and domiciled in Australia. The principal activities of the company and its subsidiaries are the continued management of their projects and investments EST's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
First Floor, Suite 1	First Floor, Suite 1
114-116 Auburn Road	114-116 Auburn Road,
Hawthorn VIC 3122	Hawthorn VIC 3122

2. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 5 May, 2015.

Going concern

For the year ended 30 June 2014, the consolidated entity incurred a net loss of $37,952,726, had net operating and investing cash outflows of $7,568,293 and was in a net current liability position of $17,225,630 as at 30 June 2014. Notwithstanding the above factors, the financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

From balance date to the date of this report, the following events have occurred impacting the going concern assumption of the consolidated entity and company:

a. A company restructure took place resulting in the loss of control of Recurrent Engineering ("RE") on 2 December 2014 and Wasabi New Energy Asia ("WNEA") on 10 December 2014. This restructure has had the effect of reducing consolidated assets and liabilities of the group;
b. $1.9 million of cash has been raised via placements and the rights issue following the Prospectus issued to shareholders on 26 November 2014;
c. The operations of the entity subsequent to year end have been funded by the sale of $1.4 million of shares in Clean TeQ Holding Limited and $0.6 million of additional funding from Executive Chairman, John Byrne;
d. $2.1 million of liabilities at 30 June 2014 have subsequently been extinguished via the conversion of debt to equity as part of the rights issue;
e. $0.5 million of liabilities held at 30 June 2014 have been extinguished following a licence agreement in connection with Technology held by Aqua Guardian Group Limited in certain territories.

The Directors have considered the above factors and are of the opinion that the consolidated entity and company will be able to continue as going concerns and that they will be able to pay their debts as and when they fall due, based on forecasted cash flows through to April 2016.

The above opinion is underpinned by certain key assumptions including:

a) Continued financial support by the Executive Chairman, J Byrne as has been demonstrated in the past;

b) No further funding of WNEA being required in the forecast period;

c) Continued support of creditors and lenders consistent with past outcomes;

d) Resumption of trading on the Australian Securities Exchange, and in particular:

- shareholder approval being obtained at the Company's AGM to convert to equity $189,574 of debt owed to John Byrne and his related entities, and $64,583 owed to directors; and,
- further capital be raised in excess of $500,000 to meet the ASX relisting requirement of requiring $1 million in cash net of all liabilities at the date of reinstatement, with shareholder approval if necessary; and,

e) Exercise of options by shareholders prior to expiry on 30 November 2015 raising a minimum of $400,000.

2. Summary of accounting policies (cont'd)

In the event that the consolidated entity and company are unsuccessful in the matters set out above, there is material uncertainty whether the consolidated entity and company will continue as going concerns. If the consolidated entity and company are unable to continue as a going concerns they may be required to realise their assets and discharge their liabilities other than in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

Critical accounting estimates and judgements

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

The key critical accounting estimates and judgments are:

- Financial assets, including investments in associates, 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 initial recognition of the financial asset, the estimated future cash flows of the investment have been affected (Note 3, 9, 10, 11, 12 and 13)
- Share options issued by the Company have been valued using a Black-Scholes pricing model (Note 23.1).
- The Directors considered the valuation of the investment in Shanghai Shenghe New Energy Resources Science Technology Co Ltd, which as at 30 June 2014 amounted to $25,703,935. Details of the valuation technique and significant inputs are set out in note 29.
- The company holds in excess of 20% of the issued share capital in Lignol Energy Corp. The directors concluded that EST does not have significant influence over this entity because EST did not have the power to participate in the financial and operating policy decisions of the entity.
- The 50.5% investment in Shanghai Shenghe New Energy Resources Science Technology Co Ltd (SSNE) is classified as an available for sale asset at 30 June 2014, due to the third and final payment due on 30 November 2013 remaining outstanding and the consolidated entity having neither significant influence nor control over SSNE.

Options held by the Company in other listed entities have been valued using a Black-Scholes pricing model (note 9).

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period beginning 1 July 2013. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes below.

Standards and interpretation adopted with no effect in the financial statements

All new and revised Standards and Interpretations that have been adopted in these financial statements, have not had any significant impact in the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

2. Summary of accounting policies (cont'd)

Standards and interpretations issued not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 1055 'Budgetary Reporting' and AASB 2013-1 'Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements'	1 July 2014	31 December 2015
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	31 December 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	31 December 2016
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	31 December 2016
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 December 2016

2. Summary of accounting policies (cont'd)

Standards and interpretations issued not yet adopted (con't)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	30 June 2017
Equity Method in Separate Financial Statements (Amendments to IAS 2)7	1 January 2016	30 June 2017

The Directors have yet to assess the financial impact that the adoption of these Standards and Interpretations in future periods will have on the financial statements of the Group.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). A controlled entity is any company in which Enhanced Systems Technologies Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. Total profit or loss and other comprehensive income of subsidiaries is attributable to owners of the Company and to the non-controlling interest even if these results in the non-controlling interest having a deficit balance.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Borrowing costs

All borrowing costs, except to the extent that they are directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

(c) Cash and cash equivalents

Cash comprises cash on hand, cash at call and short-term deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, '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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

2. Summary of accounting policies (cont'd)

(d) Financial assets (con't)

At fair value through profit or loss

An instrument is classified as at fair value through profit or loss ("FVTPL") if it is held for trading or is designated as such upon initial recognition. Financial Instruments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Upon initial recognition, the attributable transaction costs are recognised in profit or loss when incurred. Financial instruments that are at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Investments in equity instruments that do not have a quoted market price

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

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 rate method less impairment.

Interest is recognised by applying the effective interest rate.

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.

(e) Financial liabilities and equity instruments issued by the Company

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments. Borrowings are classified as financial liabilities, which are measured at amortised cost.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

2. Summary of accounting policies (cont'd)

(f) Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars ("$"), which is the functional currency of Enhanced Systems Technologies Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

(g) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation, and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated as cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expenses as incurred.

(h) Impairment of tangible and intangible assets

At each reporting date, 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 of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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 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 the 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 and an impairment loss is recognised in the profit or loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 in profit or loss statement.

2. Summary of accounting policies (cont'd)

(i) Income taxes

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Inventories

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value.

(k) Property, plant and equipment

Plant and equipment

Buildings and plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The useful lives used for each class of depreciable assets are:

Leasehold improvements	2-5 years
Plant and equipment	5-10 years

(l) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. Summary of accounting policies (cont'd)

(m) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows;

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount of initial recognition.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. Summary of accounting policies (cont'd)

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

i. where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables with are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

(p) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2. Summary of accounting policies (cont'd)

(s) Lease payments

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(t) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(u) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Executive Chairman for the purposes of resource allocation and assessment of performance is focused on key business segments. The Group's reportable segments under AASB 8 are therefore as follows:

- Investments
- Power business

The Investment segment provides administration support and is responsible for the investment activities of the group. The power business segment located in the US and UK manages the power business of the group.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(i) The following is an analysis of the Group's revenue and results by reportable operating segments:

	Segment revenue		Segment profit/(loss)	
	2014	2013	2014	2013
	$	$	$	$
Continuing operations				
Investments	4,579	531,300	(36,054,515)	(16,408,089)
Power business	480,845	936,291	(1,898,211)	4,474,506
Total of all Segments	485,424	1,467,591	(37,952,726)	(11,933,583)
Unallocated items				
Share of profit/(loss) of associate			-	-
Total loss before tax			(37,952,726)	(11,933,583)
Exchange reserve arising on translation of foreign operations			1,378,539	(652,011)
Gain / (loss) on available-for-sale investments taken to equity			(519,316)	(1,132,261)
Total comprehensive income for the period			**(37,093,503)**	**(13,717,855)**

The segment revenue reported above represents the revenue generated from external customers. There were no intersegment sales in the current year (2013: nil)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(ii) Segment assets

	2014	2013
	$	$
Investments	29,286,211	30,179,938
Power business	1,184,332	10,598,083
Total segment assets	30,470,543	40,778,021
Unallocated assets	-	1,000,000
Total assets	30,470,543	41,778,021

(iii) Segment liabilities

Investments	18,971,256	21,194,904
Power business	3,018,035	2,530,717
Total liabilities	21,989,291	23,725,621

3. Segment information (cont'd)

(iv) Geographical information

The group operates in these principal geographical areas. Australia (country of domicile), UK, China and the USA.

	Revenue from external customers		Non-current assets	
	2014	2013	2014	2013
	$	$	$	$
Australia	4,579	531,300	346,140	2,603,914
UK	-	-	126,256	9,142,622
China	-	-	25,703,935	20,974,049
USA	480,845	936,291	279,250	424,553
	485,424	**1,467,591**	**26,455,581**	**33,145,138**

(v) Other segment information

	Depreciation and amortisation	
	2014	2013
	$	$
Investments	197,916	240,522
Power	21,846	21,980
	219,762	**262,502**

Investments Segment: Impairment losses recognised for the year

	2014
	$
Patent – Aqua Armour (i)	757,929
Tuzla project – Turkey (ii)	9,273,838
Investment in SSNE – China (iii)	5,700,000
Investment in AAP Carbon – South Africa (iv)	1,000,000
Listed investments (v)	1,384,432
	18,116,199

(i) During the year, as a result of the unexpected poor performance of the Aqua Armour product, the Company carried out a review of the recoverable amount of the patent. Based on the absence of sales, it was determined that the carrying amount of the patent should been fully impaired.

(ii) During the year Imparator Enerji completed a pre-feasibility study over the Tuzla project that indicated a significant value for the project. However in December 2013, due to the unsuccessful fundraising by the Company and subsequent administration process, Imparator was unable to make the final option payment required within the time frames of the option agreement and therefore the investment in the project, and feasibility study costs, have been fully impaired.

(iii) The delay in the completion of the Sinopec refinery in Hainan, China, indicated that there may be some be risks associated with the timing and future cash flows from SSNE. Management assessed the valuation of their investment in SSNE using a discounted cash flow model - the key assumptions within this model are outlined at note 29(j). Based on this assessment, impairment was recognised in profit or loss.

(iv) On 23 October 2013 the Company rescinded its License Grant and Project Development Agreement with that AAP Carbon in connection with business development activity for the Kalina Cycle technology in Sub Saharan Africa. Following this, the Company assessed the recoverable amount of its investment in AAP Carbon and determined that the investment was no longer recoverable.

(v) An impairment loss has been recognised in connection with the Company's investment in Clean Teq, due to the significant decline in the quoted market prices of Clean Teq.

4. Revenue

	Consolidated	
	2014	2013
	$	$
Engineering services	331,035	111,398
License fee	149,810	593,592
Royalty fee	-	231,301
Equipment sales	4,579	531,300
	485,424	**1,467,591**

All revenue relates to continuing operations.

5. Finance costs

	Consolidated 2014 $	Consolidated 2013 $
Interest and expenses – related parties	44,864	55,293
Interest – other	4,844,451	621,603
Borrowing costs – other	5,748,472	-
	10,637,787	**676,896**

Weighted average rate of funds borrowed is 17.4% (2013 – 6.6%)

6. Loss for the year

(a) Gains and losses

Loss for the year has been arrived at after crediting/(charging) the following gains and losses:

	Consolidated 2014 $	Consolidated 2013 $
Gain on disposal of equity investments	160,964	1,189,852
Interest income	8,413	60,621
Net foreign exchange (losses)/gains	(445,254)	(17,321)
	(275,877)	**1,233,152**

(b) Other expenses

Loss for the year includes the following expenses:

	Consolidated 2014 $	Consolidated 2013 $
Rental expenses	559,959	424,000
Depreciation of plant and equipment	167,317	175,412
Amortisation of intangibles	52,445	87,089
Bad debts	306,484	38,956
Employee benefit expense:		
Defined contribution plans	84,946	137,347
Salaries and wages	3,303,297	4,711,174
	4,474,448	**5,573,978**

7. Income taxes

The prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2014 $	Consolidated 2013 $
Loss before tax from continuing operations	(37,952,726)	(11,818,333)
Income tax benefit calculated at 30%	(11,385,817)	(3,545,500)
Effect of expenses that are not deductible in determining taxable income	4,160,873	1,339,313
Effect of temporary differences	5,931,016	64,071
Effect of deferred tax losses not brought to account	1,293,928	2,026,866
Income tax expense recognized in profit or loss	**-**	**(115,250)**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised deferred tax balances	Consolidated 2014 $	Consolidated 2013 $
The following deferred tax assets have not been brought to account:		
- tax losses – revenue	6,267,889	4,973,961
- tax losses - capital	343,362	343,340
- temporary differences	2,699,052	-
	9,310,303	**5,317,301**

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future tax profit will be available against which the group can utilise the benefits there from.

The following deferred tax balances have been brought to account	Consolidated 2014 $	Consolidated 2013 $
Deferred tax assets		
- Investments	2,710,140	132,160
Borrowings	-	189,868
- Provisions	177,000	186,149
- Provision for bad debt	105,345	13,139
Deferred tax liabilities		
- Deferred revenue	(224,610)	(231,644)
- Investments	(59,823)	(635,304)
	2,699,052	**(345,632)**
Tax losses recognised		
- Temporary differences not recognised	-	345,632
- Net deferred tax assets and liabilities recognised	(2,699,052)	-
	-	**-**

8. Trade and other receivables: current

	Consolidated 2014 $	Consolidated 2013 $
Trade receivables	199,995	509,795
Goods and services tax recoverable	140,403	77,121
Receivable from key management personnel	5,228	168,985
Other receivables	521,652	548,070
Receivables from director related entities	1,139	6,603
	868,417	**1,310,574**

The average credit period is 30 days after end of the month in which the invoice is raised.
Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

9. Other financial assets: current

	Consolidated 2014 $	Consolidated 2013 $
Financial assets carried at fair value through profit or loss (FVTPL)		
Held for trading derivatives that are not designated in hedge accounting relationships (i)	-	21,519
Held for trading non-derivative financial assets (ii)	1,824,262	3,636,506
	1,824,262	**3,658,025**

The fair values of the financial assets were determined as follows:

(i) The fair value of the options held in listed entities has been determined using the Black-Scholes option pricing method

(ii) The fair value of the shares has been determined with reference to quoted market prices.

10. Assets classified as available for sale

	Consolidated 2014 $	Consolidated 2013 $
Investments in listed entities (i)	1,262,033	3,442,023
	1,262,033	**3,442,023**

(i) The fair value has been determined with reference to quoted market price.
The group intends to dispose its holding in non-core investments in the next 12 months

11. Trade and other receivables: non-current

	Consolidated 2014 $	Consolidated 2013 $
Trade receivable	293,318	407,314
Rental bond	5,545	63,336
Deposit-Plant & Equipment	-	36,931
	298,863	**507,581**

12. Non-current other assets and assets classified as available-for-sale

	Consolidated	
	Non-current assets classified as available-for-sale 2013 $	**Non-current other assets 2013 $**
Opening balance	5,242,770	957,033
Additions	72,213	28,474,328
Disposals	(68,295)	7,500,279
Transfer to current available for sale assets	3,411,944	-
	1,000,000	**29,431,361**

	Consolidated	
	2014 $	**2014 $**
Opening balance	1,000,000	29,431,361
Additions	9,510,997	-
Transfers (i)	20,974,049	(20,974,049)
Impairment	(6,700,000)	(8,457,312)
Foreign exchange	918,889	-
	25,703,935	**-**

(i) The right to acquire SSNE, held as an asset at 30 June 2013, was transferred to a non-current available-for-sale asset during the period. The investment in 50.5% of SSNE is classified as an available- for-sale asset at 30 June 2014, due to the third and final payment due on 30 November 2013 remaining outstanding, and the consolidated entity having neither control, nor significant influence over SSNE.

13. Investments accounted for using the equity method

	Consolidated 2014 $	Consolidated 2013 $
Reconciliation of movement in investments accounted for using the equity method:		
Balance at 1 July	9,200	9,200
Balance at 30 June	**9,200**	**9,200**

Name of entity	Country of incorporation	Principal activity	Ownership interest 2014 %	Ownership interest 2013 %
Associates				
Exergy Inc	USA	Investment	46.0%	46.0%

Summarised financial information in respect of the Group's associates is set out below:

	Consolidated 2014 $	Consolidated 2013 $
Financial position:		
Total assets	32,762	833,000
Total liabilities	-	-
Net assets	32,762	833,000
Group's share of associates' net assets	15,071	383,180
Financial performance:		
Total revenue	-	-
Total (loss)/profit for the year before tax	(800,238)	-
Income tax expense	-	-
Net (loss)/profit for the year	(800,238)	-
Group's share of associate's profit/(loss)	-	-

Dividends received from associates
No dividends were received during the year (2013: Nil) from its associate.

Commitments
There are no operating leases obligations for associate.

14. Property, plant and equipment

	Consolidated		
	Lease Improvements	Plant and equipment at cost	Total
	$	$	$
Gross carrying amount			
Balance at 1 July 2012	194,890	612,382	807,272
Additions	-	154,540	154,540
Disposals	-	(1,271)	(1,271)
Balance at 1 July 2013	194,890	765,651	960,541
Additions	-	12,955	12,955
Disposals	(194,890)	(84,889)	(279,779)
Balance at 30 June 2014	-	693,717	693,717
Accumulated depreciation			
Balance at 1 July 2012	191,215	83,573	274,788
Disposals	-	-	-
Depreciation expense	3,675	171,737	175,412
Balance at 1 July 2013	194,890	255,310	450,200
Disposals	(194,890)	(46,237)	(241,127)
Depreciation expense	-	167,317	167,317
Balance at 30 June 2014	-	376,390	376,390
Net book value			
As at 30 June 2013	**-**	**510,341**	**510,341**
As at 30 June 2014	**-**	**317,327**	**317,327**

Aggregate depreciation allocated, which is recognised as an expense during the year:

	Consolidated	
	2014	2013
	$	$
Lease improvements	-	3,675
Plant and equipment	167,317	171,737
	167,317	**175,412**

15. Capital Work-In-Progress

	Consolidated	
	2014	2013
	$	$
Balance at 1 July 2013	40,313	377,962
Construction cost incurred	-	230,350
Provision for impairment (i)	-	(567,999)
Asset written off	(40,313)	-
	-	**40,313**

(i) The above cost relate to reconstruction of a welding machine, which was impaired during the year.

16. Goodwill

	Consolidated 2014 $	Consolidated 2013 $
Opening balance	-	2,824,674
Written off	-	(2,824,674)
	-	-

17. Intangible assets

Consolidated	Capitalised development $	Patent (i) $	Total $
Gross carrying amount			
Balance at 1 July 2012	168,464	1,118,195	1,286,659
Cost incurred during the year	541,255	-	541,255
Balance at 1 July 2013	709,719	1,118,195	1,827,914
Impairment	-	(757,923)	(757,923)
Cost written off	(709,719)	-	(709,719)
Balance at 30 June 2014	-	360,272	360,272
Accumulated amortisation and impairment			
Balance at 1 July 2012	-	94,483	94,483
Amortisation expense	-	87,089	87,089
Balance at 1 July 2013	-	181,572	181,572
Amortisation expense		52,444	52,444
Balance at 30 June 2014	-	234,016	234,016
Net book value			
As at 30 June 2013	709,719	936,623	1,646,342
As at 30 June 2014	**-**	**126,256**	**126,256**

(i) The costs relate to worldwide patent held by Global Geothermal on Kalina Cycle technology and Aqua Armour patent held by Aqua Guardian Group.

18. Trade and other payables - current

	Consolidated 2014 $	Consolidated 2013 $
Trade payables (i)	4,192,661	4,161,865
Other payable (ii)	10,927,193	5,184,033
Company tax payable	129,735	129,572
	15,249,589	**9,475,470**

(i) Payment terms for the Company and Consolidated entity during the current year and comparative period average 30 days.

(ii) Relate to final payment towards the acquisition of SSNE which was due for settlement on 30 November 2013. Interest is accruing @0.05% per day and interest payable as at 30 June 2014, included and amounted to $1,741,485. (2013- the amounts relate to the second payment of acquisition of SSNE which was settled on 14 August 2013)

19. Borrowings

	Consolidated 2014 $	Consolidated 2013 $
Loans from:		
- Other entities – secured loan - note (i)	-	5,520,274
- Other entities – secured loan - note (ii)	509,096	6,535,899
- Other entities – secured loan – note (iii)	3,622,517	-
- Related parties – secured loan - note (ii)	-	1,094,077
- Related parties – unsecured - note (iv)	1,652,186	58,972
	5,783,799	**13,209,222**
Disclosed in the financial statements as:		
Current borrowings	5,783,799	8,282,037
Non-current borrowings	-	4,927,185
	5,783,799	**13,209,222**

(i) Interest is payable @ 5% per annum, secured over assets of Imparator Tuzla Jeotermal Uretim SA.

(ii) Interest payable @ 8% per annum, secured over held for trading and certain available for sale investments.(note 35 (ii))

(iii) Relates to loan taken by Wasabi New Energy Asia Limited secured by first charge over its assets and guaranteed by the company and partly by John Byrne. Interest payable @30% per annum and penalty interest rate of 46.5% is payable on late payments.

(iv) Interest payable @ 10% per annum and is expected to be settled in the next twelve months.(note 35 (iii))

20. Provisions:

	Consolidated 2014 $	Consolidated 2013 $
Employee benefits-current	207,204	268,784
	207,204	**268,784**

21. Trade and other payables: non-current

	Consolidated 2014 $	Consolidated 2013 $
Deferred income (i)	748,699	772,145
	748,699	**772,145**

(i) Deferred income relate to engineering services and training not yet provided.

22. Issued capital

	Consolidated 2014 $	Consolidated 2013 $
Fully paid ordinary shares 30 June 2014: 40,975,695 (30 June 2013: 3,175,574,436)	**83,718,959**	**61,873,709**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2014		2013	
	No.	$	No.	$
22.1 Ordinary shares				
Balance at beginning of year	3,175,574,436	61,873,709	2,453,273,052	51,404,080
Consolidated at 765 to 1	4,151,078	61,873,709	-	-
Exercise of options	787	4,811	18,000,000	320,000
Issue of shares	4,638,439	3,606,044	645,986,875	7,639,187
Share issue to extinguish a liability	376,473	2,304,015	-	-
Shares issued in asset acquisition	-	-	40,495,803	728,924
Shares issued to creditors and lenders as per DOCA	31,783,338	15,891,669	-	-
Shares issued to creditors and lenders	-	-	17,818,706	2,247,730
Transfer from employee option reserve	-	-	-	191,959
Other credits	-	60,679	-	-
Share issue costs	-	(21,968)	-	(658,171)
Balance at end of financial year	**40,944,494**	**83,718,959**	**3,175,574,436**	**61,873,709**

On 16 May 2014, ordinary shares were consolidated at 765 shares to 1 share
Ordinary shares carry one vote per share and carry the right to dividends.

23 Options

23.1 Options

	2014 No	2013 No
Balance at beginning of the year	143,035,521	149,028,929
Consolidated at 765 to 1	186,975	-
Issue of options	-	126,535,521
Exercise of options	(787)	(18,000,000)
Options expired	(186,188)	(114,528,929)
Balance at end of financial year	**-**	**143,035,521**

23.2 Warrants

	2014 No	2013 No
Balance at the beginning of the year	381,250,000	-
Consolidated at 765 to 1	498,366	-
Issue of warrants	-	381,250,000
Warrants expired	(498,366)	-
Balance at end of financial year	-	381,250,000

24. Reserves

	Consolidated 2014 $	Consolidated 2013 $
Treasury shares	(450,800)	(450,800)
Investment revaluation reserve	-	519,316
Foreign currency translation reserve	580,747	(857,040)
Share based payment reserve	4,313,876	3,733,163
Other reserve	(5,726,503)	(4,331,987)
	(1,282,680)	**(1,387,348)**

24.1 Treasury shares

	Consolidated 2014 $	Consolidated 2013 $
Value of shares in Enhanced Systems Technologies Limited (i)	(450,800)	(450,800)
	(450,800)	**(450,800)**

(i) The above represents the value of Enhanced Systems Technologies Limited shares held by Exergy Inc an associate.

24.2 Investment revaluation reserve

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	519,316	1,358,295
Valuation gain / (loss) recognised	(119,405)	(791,991)
Sale of available for sale financial asset	(399,911)	(46,988)
Balance at end of year	**-**	**519,316**

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale (AFS) financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

24.3 Foreign currency translation reserve

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	(857,040)	(92,578)
Exchange differences arising on translating the net assets of foreign operations (i)	1,437,787	(764,462)
Balance at end of year	**580,747**	**(857,040)**

(i) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

24. Reserves (cont'd)

24.4 Share based payments reserve

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	3,733,163	3,556,953
Options exercised during the year	-	(191,959)
Value of options issued with shares (i)	580,713	220,169
Value of warrants issued with loan notes	-	148,000
Balance at end of year	**4,313,876**	**3,733,163**

(i) The options are valued using Black-Scholes method

The share based payments reserve arises on the grant of options to directors and employees under the share plan. Amounts are recognised in accordance with note 2(q). Additionally value of free options and warrants issued with shares and convertible notes are accounted for in this account. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payment to employees is made in note 34 to the financial statements.

24.5 Other reserve

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	(4,331,987)	(4,331,987)
Difference arising on decreasing shareholding in subsidiary	(1,394,516)	-
Balance at end of year	**(5,726,503)**	**(4,331,987)**

The other reserves represent excess consideration paid over the prior year value of the non-controlling interest of Global Geothermal acquired during the year. Movement in current year arose as a result of Company's holding in Wasabi New Energy Asia Ltd decreasing by 5.10%.

24.6 Non-controlling interest

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	10,745,700	735,212
Movement in investment revaluation reserve		(293,282)
Share of loss for the year	(6,629,752)	(254,806)
Movement in option reserve	2,411,032	-
Movement in foreign exchange values	(59,248)	112,451
Difference arising on increase in shareholding in subsidiary	1,394,516	-
Recognition of new non-controlling interest	-	10,446,125
Issue of shares in subsidiary	2,685,360	-
Balance at end of year	**10,547,608**	**10,745,700**

25. Accumulated losses

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	(53,179,661)	(41,500,884)
Net profit/(loss) attributable to members of the parent entity	(31,322,974)	(11,678,777)
Balance at end of year	**(84,502,635)**	**(53,179,661)**

26. Commitments

(a) Operating leases

These obligations are not provided for in the financial report and are payable.

	Consolidated	
	2014	2013
	$	$
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	63,211	304,904
- Longer than 1 year and not longer than 5 years	147,884	599,508
- Longer than 5 years	-	-
	211,095	**904,412**
<u>Group's share of associates operating leases</u>		
Non-cancellable operating rentals are as follows:		
- Not longer than 1 year	-	-
- Longer than 1 year and not longer than 5 years	-	-
- Longer than 5 years	-	-
	-	**-**

27. Subsidiaries

		Ownership interest	
Name of entity	Country of incorporation	2014 %	2013 %
Parent entity			
Enhanced Systems Technologies Limited	Australia		
Subsidiaries			
Enhanced Power Technologies Pty Limited (i)	Australia	100	100
Evolution Energy Pty Limited (i)	Australia	50	50
Aqua Guardian Group Limited (i)	Australia	79.2	79.20
Wasabi New Energy Asia Limited (i)	Cayman Island	61.57	66.67
It's wholly owned group entity being			
Newmont Holding Limited (i)	British Virgin Islands	100	100
New Energy Science and Technology Co Limited (i)	Hong Kong	100	100
KCT Power Limited (i)	United Kingdom	100	100
It's wholly owned group entity being			
Recurrent Engineering LLC (i)	USA	100	100
Global Geothermal Husavik Limited 9i)	United Kingdom	100	100
Wasabi Investments UK Limited (i)	United Kingdom	100	100
Its wholly owned group entity being			
Imparator Green Energy Plc (i)	United Kingdom	100	100
Imparator Enerji Limited (i)	Turkey	100	100
Imparator Tuzla Jeotermal Enerji Uretim AS (i)	Turkey	100	100

(i) None of these entities are part of the tax consolidation group.

28. Cash and cash equivalents

	Consolidated	
	2014	2013
	$	$
Cash and bank balances	**60,250**	**222,261**

(i) Reconciliation of profit / (loss) for the period to net cash flows from operating activities

	Consolidated	
	2014	2013
	$	$
Loss for the year	(37,952,726)	(11,933,583)
(Profit)/loss on disposal of financial assets	(160,964)	(1,056,030)
Fair value (gains)/losses on options	21,519	5,361
Goodwill written off	-	2,824,674
Change in fair value (gains)/losses of financial assets	9,897,077	340,349
Impairment of other assets	9,273,838	-
Impairment of intangibles	757,923	-
Depreciation of property, plant and equipment	219,762	262,502
Bad debts	306,484	38,956
Loss on sale of fixed assets	38,655	726
Foreign exchange (gain)/losses	479,514	(9,099)
Capitalised costs/write off	-	323,927
Interest income received and receivable	(8,413)	(550,577)
Income tax expense recognised in profit or loss	-	115,250
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	(157,762)	(441,823)
Movement in inventory	-	2,962
Increase / (decrease) in liabilities:		
Trade and other payables	12,635,342	3,617,664
Provisions	(9,508)	80,293
Net cash from operating activities	**(4,659,259)**	**(6,378,448)**

(ii) Non-cash transactions

On 15 July 2013, the company issued 376,473 fully paid ordinary shares at $6.12 to acquire 10 million Wasabi New Energy Asia Limited shares.

On 29 May 2014, pursuant to DOCA and as approved by the shareholders the company issued 31,783,338 fully paid ordinary shares at 50 cents each to various creditors to settle outstanding debts at 30 December 2013 totalling $15,891,669

On 5 June 2014, the company issued a further 4,300,000 shares at 50 cents each to settle a debt to a creditor that had crystallised subsequent to, and pursuant to the terms of the DOCA.

29. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

The Group's capital structure consists of deposits with banks and loans from related parties or other entities (refer note 19).

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, by maintaining a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, re-negotiate intercompany loan arrangements with its parent or sell assets to provide cash flow.

The Group monitors capital on the basis of the gearing ratio. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk management policies and procedures are established with regular monitoring and reporting.

(b) Financial Risk Management

The Group has exposure to various risks from the use of financial instruments. The Group's principal financial instruments comprise cash, receivables, payables and other financial assets and liabilities. This note presents information about the Group's exposure to risk from the use of financial instruments. Further quantitative disclosures are included throughout this financial report.

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, commodity risk and foreign currency risk) are managed such to maintain an optimal capital structure. The Group does not enter into derivative transactions to manage financial risks.

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group**.** The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate. The Group's exposure to credit risk at balance date in relation to each class of financial assets is the carrying amount of the assets as indicated in the Statement of Financial Position. Cash and term deposits are only made with selected counterparties with a strong Standard & Poors long term rating. Adherence to the treasury policy is monitored on a monthly basis.

29. Financial instruments (cont'd)

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity involves monthly cash flow forecasting such to ensure that sufficient funds are always available to undertake planned activities.

Maturity profile of financial instruments

The following tables detail the Company and Group's contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Group

	Weighted Average Effective Interest Rate	Less than 1 month $	1 – 3 months $	3 months to 1 year $	1 -5 years $	5+ years $
2014						
Financial assets						
Trade and other receivables		56,401	218,884	591,993	298,263	-
Trade and other receivables – Related party		-	-	1,139	-	-
Financial liabilities						
Secured loan	30%	-	426,165	3,196,352	-	-
Secured loan note	8%	-	-	509,096	-	-
Unsecured loan related party	10%	-	-	1,652,186	-	-
Trade and other payables	18.25%	-	-	10,927,193		-
Trade and other payables		117,912	87,319	4,117,165	-	-
2013						
Financial assets						
Trade and other receivables		685,406	4,875	444,705	407,314	-
Trade and other receivables – Related party		309	6,294	168,985	-	-
Financial liabilities						-
Secured loan	5%	-	593,089	-	4,927,185	-
Secured loan note	8%	-	-	6,535,899	-	-
Secured loan note related party	8%	-	-	1,094,077	-	-
Unsecured loan related party	10%	-	-	58,972	-	-
Trade and other payables		3,242,770	5,184,033	1,048,667	-	-

29. Financial instruments (cont'd)

(e) Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(f) Fair value of financial assets and liabilities

On-balance sheet
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts.

The net fair value of other monetary financial assets and liabilities is based upon discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Interest rate sensitivity analysis

Financial assets

As at 30 June 2014, the Group held $60,250 (2013: $222,261) in cash and cash equivalents with interest revenue of $8,413 (2013: $60,621) for the year then ended. A sensitivity of 1.0% (2013: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1.0% (2013: 1.0%) increase in the cash rate would have resulted in a $1,412 (2012: $1,472) increase in interest revenue and equity. A 1.0% (2013: 1.0%) decrease in the cash rate would have resulted in a $1,412 (2013: $1,472) decrease in interest revenue and equity.

Financial liabilities

As at 30 June 2014, the Group borrowings and interest bearing trade and other payables amounted to $16,710,992 (2013: $13,209,222) with interest expenses of $10,637,787 (2013: $670,604) for the year then ended. A sensitivity of 1.0% (2013: 1.0%) has been selected as this is considered reasonable given the current interest rate and prior year movements of interest rate in the market. A 1.0% (2013: 1.0%) increase in the cash rate would have resulted in a $477,258 (2013: $88,256) increase in interest expenses. A 1.0% (2013: 1.0%) decrease in the cash rate would have resulted in a $477,258 (2013: $88,256) decrease in interest expenses.

(g) Other price risks

The Group is exposed to equity price risks arising from equity instruments. Equity instruments are held for strategic and for trading purposes.

Equity price sensitivity analysis

At 30 June 2014, if the equity prices had been 5% higher or lower:

Other financial assets subject to equity price risk

	Consolidated	
	2014	**2013**
	$	**$**
Options – at fair value (note 9)	-	21,519
Held for trading – at fair value (note 9)	1,824,262	3,636,506
Available for sale – shares at fair value (note 10)	1,262,033	3,442,023

	-5% 2014 $	**-5% 2013 $**	**+5% 2014 $**	**+5% 2013 $**
Change in loss	(91,213)	(185,297)	91,213	184,023
Change in reserves	-	(170,597)	-	170,597

29. Financial instruments (cont'd)

(h) Foreign currency risk management

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The consolidated entity manages foreign currency risk by minimizing the amounts of foreign currency required and buying foreign currency only at the time it is required. Trade payables and trade receivables, secured borrowings and loans to subsidiary listed below are denominated in United States Dollars (USD) and British Pounds (GBP). Average rate applied during the year $0.92 (2013: $1.03) and reporting date spot rate $0.94 (2013: $0.91) for USD and average rate applied during the year £0.576 (2013: £0.66) and reporting date spot rate £0.55 (2013: £0.60) for GBP.

Amounts of foreign currency in creditors

	Consolidated	
	2014 $	2013 $
Trade Payables (USD)	(13,462,023)	(1,724,983)
Borrowing (USD)	(3,622,517)	-
Trade Receivables (USD)	1,004,469	1,329,039
Trade Payable (GBP)	(186,360)	(122,283)
Trade Receivables (GBP)	-	3,332
	(16,266,431)	(514,895)

Movement in USD and GBP against AUD	-20% 2014 $	-20% 2013 $	+20% 2014 $	+20% 2013 $
Change in gain/(loss) -USD	2,680,012	65,887	(4,020,018)	(99,141)
Change in gain/(loss) -GBP	31,060	19,826	(46,590)	(29,737)

The sensitivity of 20% has been selected as this considered reasonable given the current level of both short term and long term exchange movement for these currencies and the above analysis assumes all other variables remain constant.

Gearing ratio

The Group's Board reviews the capital structure on an annual basis. The gearing ratio at year end was as follows:

	Consolidated	
	2014 $	2013 $
Financial assets		
Debt (i)	5,783,799	13,209,222
Cash and cash equivalents	(60,250)	(222,261)
Net debt	5,723,549	12,986,961
Equity (ii)	8,481,252	18,052,400
Net debt to equity ratio	67.5%	71.9%

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 20.
(ii) Equity includes all capital and reserves.

29. Financial instruments (cont'd)

(i) Three tier hierarchy of fair value

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Consolidated			30/06/14
	Level 1	Level 2	Level 3	Total
Instrument	**$**	**$**	**$**	**$**
Financial Assets at FVTPL				
Quoted equities	1,824,262	-	-	1,824,262
Available-for-sale financial assets				
Quoted equities	1,262,033	-	-	1,262,033
Unquoted equities	-	-	25,703,935	25,703,935
Total	**3,086,295**	**-**	**25,703,935**	**28,790,230**

	Consolidated			30/06/13
	Level 1	Level 2	Level 3	Total
Instrument	**$**	**$**	**$**	**$**
Financial Assets at FVTPL				
Derivative financial assets	-	21,519	-	21,519
Quoted equities	3,624,171	-	-	3,624,171
Unquoted equities	-	-	12,335	12,335
Available-for-sale financial assets				
Quoted equities	3,442,023	-	-	3,442,023
Unquoted	-	-	1,000,000	1,000,000
Total	**7,066,194**	**21,519**	**1,012,335**	**8,100,048**

Of the total losses for the period included in profit or loss $3,197,077 (2013: $46,755) relates to asset-backed securities held at the end of the reporting period.

All gain and losses from available for sale investments included in other comprehensive income relate to asset-backed securities held at the end of the reporting period and are reported as changes of 'Investments revaluation reserve' (see note 24.2).

29. Financial instruments (cont'd)
(i) Three tier hierarchy of fair value (cont'd)

Reconciliation of fair value measurements of financial assets for Level 3 Investments

	Available-for sale Unquoted equities $
Financial assets	
Opening balance	1,012,335
Purchases/transfers	30,485,046
Foreign exchange	918,889
Total losses in profit or loss	(6,712,335)
Total	**25,703,935**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(j) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 30 Jun 2014	Fair value as at 30 Jun 2013	Fair value hierarchy	Valuation technique(s) and key inputs(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Other financial assets	Listed equity securities in Canada - $1,824,262	Listed equity securities in Canada - $3,636,506 Listed equity securities in Australia - $177,659	Level 1	Quoted bid prices in an active market.	N/A	N/A
2) Assets classified as available-for-sale	Listed equity securities in Australia - $1,262,033	Listed equity securities in Australia - $3,442,023	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Assets classified as available-for-sale (Non-current)	50.5% equity investment in SSNE China engaged in renewable energy using Kalina Cycle Technology - $25,703,935	-50.5% equity investment in SSNE China engaged in renewable energy using Kalina Cycle Technology - $20,974,049	Level 3	Discounted cash flow	Long–term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries. The implied growth rate of revenues over the forecast period in the model is 68%. At the end of the forecast period it has been estimated a terminal value reflecting a long term growth rate of 3%.	The higher the revenue growth rate, the higher the fair value.

29. Financial Instruments (cont)

3) Assets classified as available-for-sale (Non-current)					Similar cost structure and no significant changes to technology taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the cost structure, the lower the fair value.
					Number and timing of new projects and contracts, taking into account management's experience and knowledge of market conditions of the specific industries. . The cash flow projections assume that the business will achieve a market share of approximately 17% of the forecast geothermal market and approximately 11% of the forecast waste heat market.	The higher the new projects and contracts, the higher the fair value.
					Average forecast electricity selling price	The higher the average forecast electricity selling price, the higher the fair value.
					Contract price and investment amount for new projects taking into account management's experience and knowledge of market conditions of the specific industries	The higher the contract price and investment amount, the lower the fair value.
					Weighted average cost of capital of 24.1% determined using a capital asset pricing model.	The higher the weighted average cost of capital, the lower the fair value.
					Discount for lack of control of 20% determined by reference to the share price of listed entities in similar industries.	The higher the discount the lower the fair value

30. Key management personnel compensation

Details of Key management personnel

Key management is defined as directors and senior management as referred to in the remuneration report.

i. Key management personnel compensation

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

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	1,349,900	1,586,579
Post-employment benefits	46,391	61,200
	1,396,291	**1,647,779**

31. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

(b) Equity interests in associates

Details of interests in associates are disclosed in note 13 to the financial statements.

(c) Transactions with key management personnel
i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 30 to the financial statements.

ii. Loans to key management personnel

During the year an amount of $169,823 was provided as bad debt towards the advance made to A Davey as the recoverable amount was limited to the value of company shares purchased from the advance. The amount provided include advance of $154,772 and interest of $15,051. Apart from this there were no other loans to key management personnel during the financial year.

iii. Other transactions with key management personnel of the Group

Pursuant to DOCA K Thurairasa was allotted 108,000 ordinary shares at 50 cents each as settlement for a debt owed by the company to the value of $54,000.

During the year J Byrne advanced $1,615,633 to the company. Interest payable at 10% per annum amounted to $36,553.

iv. Transactions with key management personnel of Enhanced Systems Technologies Limited and Global Geothermal Limited

J. Byrne, R. Reynolds, R. Vallender, M. Jacques, A. Davey, D. Bettess (left on 30 Dec 2013), N. Bleijendaal (left on 6 June 2014), K. Thurairasa and B. Levy are key management personnel of EST. Information regarding the individual key management personnel compensation is provided in the remuneration report section of the directors' report.

(d) Transactions with other related parties
Transactions between Group and its related parties

During the financial year, the following transactions occurred between the Company and its other related parties:

- During the year Arcourt Resources NL a company in which John Byrne is a director advanced a further $184,977. Interest payable at 10% amounted to $8,312. Pursuant to DOCA this amount was settled by the issue of 386,578 shares in the company at 50 cents each.

- Arcourt Resources NL in which J Byrne is a director, pursuant to DOCA was issued with 2,164,384 ordinary shares in the company at 50 cents each as settlement for loan notes amounting to $1,082,192.

- During the year the company received $5,528 as management fee from Arcourt Resources NL, a company in which John Byrne is a director.

- As at 30 June 2014, an amount of $1,139 was outstanding from Arcourt Resources NL.
- The company charged management services fee totaling $649,260 (2013: $1,038,521) to its subsidiaries Imparator Green Energy Plc, KCT Power Limited, Wasabi New Energy Asia Limited and Aqua Guardian Group Limited

Transactions between Group and its related parties

- The following loans were advanced by the company during the year Aqua Guardian Group Limited $259,881 (2013: $1,487,565). Imparator Green Energy Plc $166,451 (2013: $690,983). Wasabi Investments Limited $20,185 (2013: $7,368,134), KCT Power Limited $663,530 (2013: $1,490,413), Wasabi New Energy Asia Limited $5,657,985 (2013: $5,657,985)

31. Related party transactions (con't)

(d) Transactions with other related parties (con't)

- Interest charged on loan to Aqua Guardian Group Limited @10% amounted to $26,204 (2013: $153,359), on loan to Wasabi Investments Limited @3.5% amounted to $175,234 (2013: $285,975), on loan to Wasabi New Energy Asia Limited @15% amounted to $1,367,112 (2013: nil) and on loan to KCT Power Limited @3.25% amounted to $55,060 (2013: $49,133).

(e) Parent entity

The parent entity in the Group is Enhanced Systems Technologies Limited.

32. Remuneration of auditors

	Consolidated	
	2014 **$**	**2013** **$**
Audit and review of the financial report-Deloitte Touche, Tohmatsu	236,900	185,353
	236,900	**185,353**

33. Earnings per share

	Consolidated	
	2014 Cents per share	**2013 Cents per share**
Basic earnings (loss) per share	(393)	(300)
Diluted earnings (loss) per share	(393)	(300)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2014 **$**	**2013** **$**
Net Loss (i)	31,322,974	11,678,777

(i) Net Loss is the same amount as loss after tax in the statement of comprehensive income attributable to owners of the parent

	2014 **No.**	**2013** **No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,973,098	3.898,066

Diluted Earnings (Loss) Per Share

The options held by rights holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights are non-dilutive as they do not increase loss per share from continuing operations.

34. Share-based payments

During the financial year no options were issued to Directors and officers.

There were no share-based payment arrangements in existence during the current periods:

There were no options granted during the year as share based payments.
Termination payment amounting to $300,000 was settled by the issue of 600,000 fully paid ordinary shares at 50 cents each

The following reconciles the outstanding options granted under the employee share plan at the beginning and end of the financial year:

	2014		2013	
	Number of rights	**Weighted average exercise price**	**Number of rights**	**Weighted average exercise price**
		cents		**cents**
Balance at beginning of the financial year	-	-	194,809	2,058
Exercised during the year (i)	-	-	(23,529)	2,058
Forfeited during the financial year	-	-	(171,280)	2,058
Balance at end of the financial year (ii)	-	-	-	-
Exercisable at end of the financial year	-	-	-	-

(i) Exercised during the financial year
During the financial year nil (2013: nil) options granted under the employee share option plan were exercised.

(ii) Balance at end of the financial year
There were no employee share options outstanding at the end of the financial year.

35. Subsequent Events

(i) On 27 August 2014, Lignol Energy Corporation (LEC) announced that although management was engaged in discussions with Difference Capital Financial Inc. ("DCF") with respect to the terms of a proposed financing and the possible sale of the assets of LEC, DCF discontinued negotiations and appointed The Bowra Group Inc. (the "Receiver") as Receiver of LEC on August 22, 2014. The Receiver is currently in possession and control of LEC's assets and undertaking. The investment in LEC valued at approximately $1.8m at balance date was fully impaired at 31 December 2014.

(ii) On 7 November 2014, the company raised $285,000 from a private placement of 2,850,000 ordinary share at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

(iii) On 7 November 2014, the company announced a one for one rights issue of 43,795,695 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015. The rights issue was completed on 25 February 2015 raising $4,379,569 before issue costs represented by repayment of debt of $2,523,640 and cash of $1,855,929.

(iv) On 8 January 2015, the company issued 5,000,000 shares at 10 cents together with a free attaching option exercisable at 10 cents to settle part of interest owing on China Shiny loan. The options expire on 30 November 2015.

(v) On 25 February 2015 the company placed 5,464,762 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

(vi) On 10 March 2015 the company placed 11,765,381 ordinary shares at 10 cents each together with a free attaching option exercisable at 10 cents. The options expire on 30 November 2015.

(vii) On 10 December 2014, the Company lost control of Wasabi New Energy Asia Ltd (WNEA) and Recurrent Engineering LLC (RE) on 2 December 2014 as a result of selling 7.5 million shares in WNEA for a total consideration of $3,525,000 and total RE share holdings for $1. The company retains 32.5m shares in WNEA, which equates to equity ownership in the company of 49.27%. Following the loss of control of WNEA, the Company has significant influence over WNEA and accordingly the remaining investment in WNEA will be accounted for as an investment in an associate.

35. Subsequent Events (cont)

The financial impact of the loss of control of WNEA and RE to the consolidated entity in future financial statements will be accounted for based on the financial position of the former subsidiaries on the date the company lost control. The estimate of the financial effect on the statement of financial position of the loss of control based on the financial position of the consolidated entity, WNEA and RE as at 30 June 2014 is as follows:

	June	Loss of control of WNEA	Loss of control of RE	Net
	2014	2014	2014	2014
	$	$	$	$
Current assets				
Cash and cash equivalents	60,250	4	(26,010)	34,244
Trade and other receivables	868,417	-	(721,646)	146,771
Other financial assets	1,824,262	-	-	1,824,262
Assets classified as available for sale	1,262,033	-	-	1,262,033
Total current assets	**4,014,962**	**4**	**(747,656)**	**3,267,310**
Non-current assets				
Trade and other receivables	298,863	13,605,997	(268,843)	13,636,017
Assets classified as available for sale	25,703,935	(25,703,935)	-	-
Investments accounted for using the equity method	9,200	8,388,840	-	8,398,040
Property, plant and equipment	317,327	-	(10,407)	306,920
Intangible assets	126,256	-	-	126,256
Total non-current assets	**26,455,581**	**(3,709,098)**	**(279,250)**	**22,467,233**
Total assets	**30,470,543**	**(3,709,094)**	**(1,026,906)**	**25,734,543**
Current liabilities				
Trade and other payables	15,249,589	(11,379,045)	(1,464,442)	2,406,102
Borrowings	5,783,799	(3,622,517)	-	2,161,282
Provisions	207,204	-	(140,583)	66,621
Total current liabilities	**21,240,592**	**(15,001,562)**	**(1,605,025)**	**4,634,005**
Non-current liabilities				
Trade and other payables	**748,699**	**-**	**(748,699)**	**-**
Total liabilities	**21,989,291**	**(15,001,562)**	**(2,353,724)**	**4,634,005**
Net Assets	**8,481,252**	**11,292,468**	**1,326,818**	**21,100,538**

36. Contingent liabilities

(i) During the Financial year and to the date of this report no shares have been issued to China Shiny Holdings Limited in respect of the Contingent Liability.

There remains 6,959,094 shares able to be issued to China Shiny pursuant to the shareholder approval granted on 16 May 2014. These shares are able to be issued until 16 May 2017 if China Shiny seek to exercise their rights under the guarantee provided by the Company.

(ii) As per an agreement entered by a subsidiary Aqua Guardian Group (AGG) with Venture DGM Pty Limited (Venture), AGG is required to pay $412,500 being 50% of the revenue from Grampian Wimmera Malee Water Corporation (GWM Water) for the deployment of 22,000 Aqua Armour modules. In the event that the deployment is successful, the amount receivable from GWM Water is expected to be $825,000. However if the deployment is unsuccessful, then AGG is required to pay an additional $140,000 for the first 250,000 modules manufactured by Venture. Furthermore, in the event the manufacturing agreement to produce modules ends with Venture, then AGG will be required to reimburse Venture the unamortised cost associated with the unused portion of the module, which at 30 June 2014 was estimated to be $161,625

37. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.
Refer to note 2 for a summary of the significant accounting policies relating to the Group.

Financial position

	2014	2013
	$	$
Assets		
Current assets	3,038,940	6,702,498
Non-current assets	22,272,806	44,161,845
Total assets	25,301,746	50,864,343
Liabilities		
Current liabilities	2,954,948	15,102,048
Non-current liabilities	-	4,927,187
Total liabilities	2,954,948	20,029,235
Equity		
Issued capital	83,718,959	61,873,709
Accumulated losses	(64,697,431)	(33,317,786)
Reserves		
Available for sale reserve	-	(465,372)
Equity settled employee benefits	3,325,270	2,744,557
Total equity	**22,346,798**	**30,835,108**

Financial performance

	Year ended 2014	Year ended 2013
	$	$
(Loss)/Profit for the year	(31,379,645)	4,253,992
Other comprehensive income	-	(465,372)
Total comprehensive income	**(31,379,645)**	**3,788,620**

Contingent liabilities of the parent entity

Apart from the following the parent does not have any contingent liabilities at the end of the financial year
During the Financial year and to the date of this report no shares have been issued to China Shiny Holdings Limited in respect of the Contingent Liability

There remains 6,959,094 shares able to be issued to China Shiny pursuant to the shareholder approval granted on 16 May 2014. These shares are able to be issued until 16 May 2017 if China Shiny seek to exercise their rights under the guarantee provided by the Parent entity.

Commitments for the acquisition of property, plant and equipment by the parent entity

There were no commitments to acquire any property, plant and equipment by the parent at the end of the financial year.

Directors' declaration

The directors declare that:

(a) 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

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity, and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors

John Byrne
Executive Director

Melbourne, 5 May 2015

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Enhanced Systems Technologies Limited
L1, 114-116 Auburn Road
HAWTHORN VIC 3122

5 May 2015

Dear Board Members

Enhanced Systems Technologies Limited

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

As lead audit partner for the audit of the financial statements of Enhanced Systems Technologies Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountant

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Independent Auditor's Report to the members of Enhanced Systems Technologies Limited

Report on the Financial Report

We have audited the accompanying financial report of Enhanced Systems Technologies Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 64.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Enhanced Systems Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion:

(a) the financial report of Enhanced Systems Technologies Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of $37,952,726 during the year ended 30 June 2014, had negative operating and investing cash outflows of $7,568,293 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $17,225,630. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the consolidated entity and company to continue as going concerns and therefore the consolidated entity and company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Enhanced Systems Technologies Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 5 May 2015

Additional Shareholder Information

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 5 May 2015.

Twenty largest Shareholders

Rank	Name	Units	% of Units
1	TWENTY SECOND YENEB PTY LTD*	14703548	13.4%
2	HARRINGTON GLOBAL*	11464762	10.4%
3	PAN ANDEAN CAPITAL PTY LTD*	10958900	10.0%
4	NIYAZI ONEN*	10239900	9.3%
5	ARCOURT RESOURCES NL*	8280538	7.5%
6	GUNDYCO ITF DIFFERENCE CAPITAL*	6495781	5.9%
7	MR YU JIANMENG	5308134	4.8%
8	MR JOHN JOSEPH BYRNE & MRS MARITZA BYRNE	4418757	4.0%
9	VISION WORLDWIDE HOLDINGS	4109330	3.7%
10	JOHN BERTRUND MAGUIRE	3000000	2.7%
11	COMPUTERSHARE CLEARING PTY LTD	2940011	2.7%
12	RHODES MINING LIMITED	2208767	2.0%
13	KEO PROJECTS PTY LTD	2000000	1.8%
14	JP MORGAN NOMINEES AUSTRALIA	1802313	1.6%
15	MS LUIZA KHISAMOVA	1210458	1.1%
16	SALIDA ACCELERATOR FUND	1018192	0.9%
17	ACTUAL CAPITAL PTY LTD	1000000	0.9%
18	KENNETH EVERETT PRODUCTIONS	1000000	0.9%
19	MS DIANE ELIZABETH BETTESS	895364	0.8%
20	DR RAJAGUNALAN RASIAH	882877	0.8%

* Significant Shareholder of the Company

Distribution of shareholdings and depositary interest holdings

Range	Total holders	Units	% of Issued Capital
1 - 1,000	1,915	295,129	0.27
1,001 - 5,000	180	353,711	0.32
5,001 - 10,000	72	462,294	0.42
10,001 - 100,000	169	4,262,218	3.88
100,001 - 999,999,999	72	104,448,181	95.11
Total	**2,408**	**109,821,533**	**100.00**

Twenty Largest Option Holders

Rank	Name	Units	% of Units
1	TWENTY SECOND YENEB PTY LTD	14,690,600	21.3%
2	HARRINGTON GLOBAL OPPORTUNITIES FUND SARL	11,464,762	16.6%
3	PAN ANDEAN CAPITAL PTY LTD	10,958,900	15.9%
4	ARCOURT RESOURCES NL	5,472,694	7.9%
5	MR JOHN JOSEPH BYRNE + MRS MARITZA IVONNE BYRNE	4,384,666	6.4%
6	JOHN BERTRUND MAGUIRE	3,000,000	4.4%
7	MR YU JIANMENG	2,500,000	3.6%
8	VISION WORLDWIDE HOLDINGS LIMITED	2,500,000	3.6%
9	KEO PROJECTS PTY LTD	2,000,000	2.9%
10	MS LUIZA KHISAMOVA	1,200,000	1.7%
11	ACTUAL CAPITAL PTY LTD	1,000,000	1.5%
12	KENNETH EVERETT PRODUCTIONS LIMITED	1,000,000	1.5%
13	1029258 B.C. LIMITED	750,000	1.1%
14	JP MORGAN NOMINEES AUSTRALIA LIMITED	622,244	0.9%
15	GOLD MINES OF VICTORIA PTY LTD	605,499	0.9%
16	PAN ANDEAN CAPITAL PTY LTD	600,000	0.9%
17	MECCA FORTE PTY LTD	500,000	0.7%
18	VYNBEN PTY LTD	500,000	0.7%
19	DR RAJAGUNALAN RASIAH	450,000	0.7%
20	ACTIVATED LOGIC PTY LIMITED	306,481	0.4%

Distribution of Option holders

Range	Total holders	Units	% of Issued Capital
1 - 1,000	138	29,420	0.05
1,001 - 5,000	26	66,198	0.09
5,001 - 10,000	11	98,424	0.15
10,001 - 100,000	80	2,602,421	3.78
100,001 - 9,999,999,999	32	66,079,375	95.93
Total	**287**	**68,875,838**	**100.00**

The number of shareholders holding less than a marketable parcel is 2095

Voting Rights
All shares carry one vote per share without restriction

On Market Buy-back
There is no current on market buy-back

Restricted Securities
The Company does not have any restricted securities on issue.