

## Appendix 4D

### Half yearly report

Name of entity

Solco Ltd

ABN or equivalent company reference

27 084 656 691

Half year ended ('current period')

31 DECEMBER 2009

#### ***For announcement to the market***

*Extracts from this report for announcement to the market.*

\$A'000

Revenue	Up	30%	to	14,834
Profit for period ordinary after income tax benefit	Up	228%	to	1,558
Net profit for the period attributable to members of the parent entity	Up	228%	to	1,558

<b>Dividends</b>	Amount per security	Franked amount per security
Interim dividend	0.25 cents	NA
Previous corresponding period	NA	NA

<sup>+</sup>Record date for determining entitlements to the dividend

2 September 2009

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per <sup>+</sup> ordinary security	4.09 cents per share	2.89 cents per share

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## **Corporate Directory**

### **Board of Directors:**

David Richardson - (Non Executive Chairman – appointed 16 November 2009)

Mark Norman - (Executive Director and Chief Executive Officer)

Ian Campbell - (Non-Executive Director)

### **Company Secretary**

Mr Darren Crawte

### **Registered and Corporate Office**

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Welshpool

Western Australia 6106

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Email: [info@solco.com.au](mailto:info@solco.com.au)

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### **Auditors**

HLB Mann Judd

PO Box 8124

Perth BC

Western Australia 6849

Tel: (08) 9227 7500

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### **Solicitors**

Solomon Brothers

Level 40

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2 The Esplanade

Perth

Western Australia 6000

Tel: (08) 9282 5888

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### **Share Registry**

Computershare Investor Services Pty Limited

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Reserve Bank Building

45 St Georges Terrace

Perth

Western Australia 6000

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## **Solco Limited**

**ACN 084 656 691**

**Financial report for the half-year ended  
31 December 2009**

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# Financial report for the half-year ended 31 December 2009

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## Directors' report

The directors of Solco Limited submit herewith the financial report for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company who have held office during and since the end of the half year are:

### Name

Mr Mark Norman  
Mr David Richardson  
Mr Ian Campbell  
Mr Steven Cole (Resigned 16 November 2009)

## Review of Operations

### Solco's performance over the first half of fiscal year 2010

Solco has continued to improve its financial performance during the six months to 31 December 2009. This was after a period of restructuring during fiscal year 2007, followed by consolidation resulting in a small maiden profit in 2008, sales and profit growth in 2009, and distribution of our first dividend early in 2010.

During the first half of the financial year, Solco grew its revenue to \$14.8 million, a 30% increase on the same period of last financial year, however a decrease of 9% on the prior half year. This revenue decrease was largely due to delays in customer purchases due to a significant holdup in Solar Homes and Communities Rebate approval process by the government and price reductions in PV panels. Careful management of expenses and product gross margins ensured net profit grew 15% on the prior half year and 228% on the same period last financial year to a record \$1.56 million.

Key financial performance indicator outcomes for its operations for the 6 months to 31 December 2009, with comparative performance for the two prior periods are set out in the table below.

Key Performance Indicator	Relevant 6 month period (\$'000)		
	01/07/09 to 31/12/09 (Reviewed)	01/01/09 to 30/06/09 (Unaudited)	01/07/08 to 31/12/08 (Reviewed)
Revenue	14,834	16,359	11,420
EBITDA	1,597	1,367	498
EBIT	1,576	1,332	475
NP	1,558	1,316	475
Earnings per Share	0.78 cents	0.66 cents	0.24 cents
Dividends per Share	0.25 cents	0 cents	0 cents

Primary revenue growth was driven by product demand due to the increased installation of mainly domestic solar photovoltaic (PV) systems across Australia. The solar PV market should easily exceed 60 megawatts for calendar year 2009, as compared with 20 megawatts in 2008. This includes 56 megawatts being installed under the highly successful Solar Homes and Communities Program (SHCP). The SHCP replacement program, Solar Credits, came into operation in October 2009. However, initial demand was low due to falling REC prices although growth followed later in the year. Solar panel price reductions have stressed Solco's total revenue in spite of the increasing total number of units sold. After declines in prior periods due to the cancellation of some government support programs and rural sector downturns, Solco's solar water pumping sales have rebounded due to increased rural demand and improved system affordability.

During the prior 6 months Solco's main operational focus has been centred on sales growth and supply side improvements. Solco has now implemented a national sales structure with local business development managers in

all mainland states resulting in capturing sales outside our traditional regions and customer base. New products, solidifying our supplier arrangements and agreements, and improved delivery mechanisms have been implemented to provide for a rapidly expanding market and to counter increased competition from both overseas and new domestic entrants. Strong relationships with our supply base ensure continued access to product and protect Solco against domestic and international solar market fluctuations due to their rapidly changing regional programs and demand.

### **Solco's financial position**

Sound cashflow management and strong cash receipts late in the year allied with improved credit terms with certain suppliers resulted in a cash position at the half year of \$6.08 million. This places Solco in a strong position to seize opportunities as they arise, such as increasing our stock holdings so as to reduce customer lead times and grow our sales in an expanding market.

### **Outlook for the second half of fiscal year 2010**

Product price reductions and increasing energy costs, allied with continuing government and community support of the solar sector, should drive increasing demand over the next period. Solco has implemented the sales, supply and delivery structures to accommodate this, which we will expand further in 2010. Even as the product price continues to fall, our national sales and marketing strategy combined with broadening product offerings, is aimed maintaining revenue growth and market share.

Although the SHCP has finished, installations and our product sales under this program will continue well into 2010. Sales under Solar Credits have grown recently and will continue with a stabilising REC price and falling product costs. Solco has developed affordable product offerings (PV kits) specifically targeted at this program and as a result take-up is strong.

Improving Feed-in-Tariffs (FiT) allied with falling system costs have seen increase demand for larger systems (5-10kW), especially in NSW and the ACT. Solco has in place the products and solutions to meet this demand as these changes occur.

During the first half, Solco released several new product families from both new suppliers, such as Astronergy and National Semiconductor, and our current supply base. This will continue with further product offerings in 2010 targeted to support the evolving Australian market with larger-wattage, higher-efficiency lower-cost PV panels and inverters and reduced cost balance-of-system components.

### **Forward looking strategies**

Solco's improved financial position and restructured operations now allow for further business expansion. We are currently investigating broadening our operations within the renewables industry. We will investigate both expanding our current wholesale business across the value chain and entering new renewable market segments. As such, we have developed a strategic analysis process and will allocate and employ the resources to assess the opportunities as they arise.

We are currently assessing several opportunities which have presented themselves in the supply and sales side of the wholesale business. As this progresses, we will also actively investigate the allied renewable business areas in projects, power provision, and investment in R&D for new products.

On behalf of the Board, we applaud the contribution of the valued team at Solco and thank them for efforts which are key in delivering our improving results.

The Board of Solco remains committed to applying its energies to drive shareholder value.

### Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of directors made on 25<sup>th</sup> day of February 2010 pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



David Richardson  
Chairman  
25 February 2010



Mark Norman  
CEO and Managing Director

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Solco Ltd for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Solco Ltd and the entities it controlled during the period.



**Perth, Western Australia  
25 February 2010**

**W M CLARK  
Partner, HLB Mann Judd**

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of  
SOLCO LTD

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Solco Ltd and the entities it controlled during the half-year ended 31 December 2009 ("consolidated entity").

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Solco Ltd, ASRE 2410, requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**Perth, Western Australia**  
**25 February 2010**

**W M CLARK**  
**Partner**

## Directors' declaration

In the opinion of the directors of Solco Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made on 25<sup>th</sup> day of February 2010 pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Mark Norman  
Managing Director

25 February 2010

## Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2009

	Note	Consolidated	
		Half-year ended 31 Dec 2009 \$	Half-year ended 31 Dec 2008 \$
Revenue	2	14,833,729	11,419,786
Cost of sales		(11,488,525)	(9,257,854)
<b>Gross Profit</b>		<b>3,345,204</b>	<b>2,161,932</b>
Employee benefits expense		(1,155,509)	(1,035,387)
Depreciation and amortisation expense		(21,270)	(23,333)
Finance costs		(18,612)	(17,222)
Research and development costs		(2,188)	(5,614)
Advertising expense		(93,485)	(63,062)
Company overhead expenses		(481,910)	(470,421)
Other expenses		(14,245)	(71,918)
<b>Profit before income tax</b>		<b>1,557,985</b>	<b>474,975</b>
Income tax expense		-	-
<b>Profit for the period</b>		<b>1,557,985</b>	<b>474,975</b>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income net of tax</b>		-	-
<b>Total comprehensive income for the period</b>		<b>1,557,985</b>	<b>474,975</b>
Basic and diluted earnings (cents per share)		<b>0.78</b>	<b>0.24</b>
Dividend per share (cents per share)		<b>0.25</b>	-

Notes to the financial statements are included on pages 12 to 13.

## Condensed consolidated statement of financial position as at 31 December 2009

	Consolidated	
	31 Dec 2009 \$	30 June 2009 \$
<b>Current assets</b>		
Cash and cash equivalents	6,079,722	4,539,143
Trade and other receivables	2,156,453	3,401,060
Inventories	1,974,079	6,794,010
Other current assets	237,599	77,644
<b>Total current assets</b>	<b>10,447,853</b>	<b>14,810,857</b>
<b>Non-current assets</b>		
Property, plant and equipment	127,601	140,721
Intangible assets	754,761	754,761
<b>Total non-current assets</b>	<b>882,362</b>	<b>895,482</b>
<b>Total assets</b>	<b>11,330,215</b>	<b>15,706,339</b>
<b>Current liabilities</b>		
Trade and other payables	1,993,606	7,402,317
Borrowings	9,011	8,477
Provisions	201,050	238,296
<b>Total current liabilities</b>	<b>2,203,667</b>	<b>7,649,090</b>
<b>Non-current liabilities</b>		
Borrowings	4,341	10,591
Provisions	193,488	190,712
<b>Total non-current liabilities</b>	<b>197,829</b>	<b>201,303</b>
<b>Total liabilities</b>	<b>2,401,496</b>	<b>7,850,393</b>
<b>Net assets</b>	<b>8,928,719</b>	<b>7,855,946</b>
<b>Equity</b>		
Issued capital	19,811,832	19,811,832
Reserves	22,650	16,127
Accumulated losses	(10,905,763)	(11,972,013)
<b>Total equity</b>	<b>8,928,719</b>	<b>7,855,946</b>

Notes to the financial statements are included on pages 12 to 13.

## Condensed consolidated statement of changes in equity for the half year ended 31 December 2009

	Fully paid ordinary shares	Share- based payments reserve	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	19,811,832	-	(13,763,038)	6,048,794
<b>Profit for the period</b>	-	-	474,974	474,974
<b>Total comprehensive income for the period</b>	-	-	474,974	474,974
Recognition of share based payments	-	2,304	-	2,304
<b>Balance at 31 December 2008</b>	19,811,832	2,304	(13,288,064)	6,526,072
<b>Balance at 1 July 2009</b>	19,811,832	16,127	(11,972,013)	7,855,946
<b>Profit for the period</b>	-	-	1,557,985	1,557,985
<b>Total comprehensive income for the period</b>	-	-	1,557,985	1,557,985
Recognition of share-based payments	-	13,823	-	13,823
Transfer from share based payments reserve	-	(7,300)	7,300	-
Dividends paid or provided for	-	-	(499,035)	(499,035)
<b>Balance at 31 December 2009</b>	19,811,832	22,650	(10,905,763)	8,928,719

Notes to the financial statements are included on pages 12 to 13.

## Condensed consolidated statement of cash flows for the half-year ended 31 December 2009

	Consolidated	
	Half-year ended 31 Dec 2009 \$	Half-year ended 31 Dec 2008 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	17,381,244	11,905,271
Payments to suppliers and employees	(15,393,483)	(12,960,804)
Interest received	81,870	60,387
Interest and other costs of finance paid	(9,715)	(17,222)
Net cash provided by/(used in) operating activities	<b>2,059,916</b>	<b>(1,012,368)</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(14,586)	(6,908)
Net cash used in by investing activities	<b>(14,586)</b>	<b>(6,908)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(499,035)	-
Repayment of borrowings	(5,716)	(7,598)
Net cash used in financing activities	<b>(504,751)</b>	<b>(7,598)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,540,579</b>	<b>(1,026,874)</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>	<b>4,539,143</b>	<b>3,481,921</b>
<b>Cash and cash equivalents at the end of the half-year</b>	<b>6,079,722</b>	<b>2,455,047</b>

Notes to the financial statements are included on pages 12 to 13.

# Notes to the financial statements for the half-year ended 31 December 2009

## 1. Accounting policies

### Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Solco Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

### Basis of Preparation

The half-year report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

### Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's financial report for the year ended 30 June 2009.

### Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Company has reviewed 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 annual reporting periods beginning on or after 1 July 2009.

During the current period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

AASB 2 Share-based Payments  
AASB 3 Business Combinations  
AASB 8 Operating Segments  
AASB 101 Presentation of Financial Statements  
AASB 127 Consolidated and Separate Financial Statements



The adoption of these new or revised accounting standards did not have any effect on the financial performance or position of the Company.

## 2. Revenue

	2009 \$	2008 \$
Sales revenue	14,486,273	11,225,753
Other income	347,456	194,033
<b>Total revenue</b>	<b>14,833,729</b>	<b>11,419,786</b>

## 3. Subsequent events

The Company has entered into a new lease agreement for office and warehouse premises situated at 12 Brennan Way, Belmont, Perth. The lease period is effective from 1 March 2010 to 28 February 2013 with an annual rental payment of \$100,080.

No other matters or circumstances have arisen since the end of the half year period which affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

## 4. Segment Reporting

The Company has adopted AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards* arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company's operating segments have been determined with reference to the monthly management accounts used by the chief operating decision maker to make decisions regarding the Company's operations and allocation of working capital.

Due to the size and nature of the Company, the Board as a whole has been determined as the chief operating decision maker.

The Company operates in one business segment and one geographical segment, namely the renewable energy industry in Australia. AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. Also, based on the quantitative thresholds included in AASB 8, there is only one reportable segment, namely Choice Electric Co. (Aust) Pty Ltd – Wholesale sales of Solar panels. However, none of the other operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. Solco Limited has therefore decided to aggregate all their segments into one reportable operating segment.

The revenues and results of this segment are those of the Company as a whole and are set out in the statement of comprehensive income. The segment assets and liabilities of this segment are those of the Company and are set out in the statement of financial position.

This does not represent any changes in disclosure from the predecessor Standard AASB 114 *Segment reporting*.

## 5. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.