

Solco Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Solco Limited
 ABN: 27 084 656 691
 Reporting period: For the half-year ended 31 December 2013
 Previous period: For the half-year ended 31 December 2012

2. Results for announcement to the market

				\$
Revenues from ordinary activities	down	60.6%	to	\$2,452,747
Loss from ordinary activities after tax attributable to the owners of Solco Limited	down	75.2%	to	(\$1,103,511)
Loss for the half-year attributable to the owners of Solco Limited	down	75.2%	to	(\$1,103,511)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$1,103,511 (31 December 2012: \$4,451,441).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.36</u>	<u>2.56</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year report. The review report contains an emphasis of matter paragraph drawing users attention to Note 2 of the Half-year report regarding going concern, where the directors disclose that in the event that the consolidated entity is unable to successfully implement one or more of its strategies or raise further capital, there exists a material uncertainty that may cast significant doubt upon the consolidated entity's ability to continue as a going concern.

11. Attachments

The Half-yearly report of Solco Limited for the half-year ended 31 December 2013 is attached.

solco

Solco Limited

ABN 27 084 656 691

Half-yearly report - 31 December 2013

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Directors	David Richardson (Non-executive chairman) Ian Campbell (Non-executive director) Craig Vivian (Non-executive director)
Chief executive officer	Anthony Coles
Company secretary	Darren Crawte
Registered office	c/- Nexia Perth Level 3, 88 William Street Perth, Western Australia, 6000 Tel: (08) 9463 2463 Fax: (08) 9463 2499
Principal place of business	Unit 16 / 63 Knutsford Avenue Belmont, Western Australia, 6104
Share registry	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace Perth, Western Australia, 6000 Tel: (08) 9323 2000 Fax: (08) 9323 2033
Auditor	HLB Mann Judd Level 4, 130 Stirling Street Perth, Western Australia, 6000 Tel: (08) 9227 7500
Stock exchange listing	Australian Securities Exchange (ASX code: SOO)

The directors present their report, together with the financial statements, consisting of Solco Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013 (collectively referred to hereafter as the 'consolidated entity').

Directors

The following persons were directors of Solco Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr David Richardson (Non-executive chairman)
Mr Ian Campbell (Non-executive director)
Mr Craig Vivian (Non-executive director)

Review of operations

Revenue for the half year to 31 December 2013 was \$2,452,747 (half year to 31 December 2012: \$6,226,051) with a net loss before tax of \$1,103,511 (2012: loss before tax of \$1,594,577) brought about primarily through reduced revenues and increased expenses in the first quarter of the financial year.

Continuing contraction in the residential solar PV market saw a focus on integrating the new finance offering into the consolidated entity, whilst improving the performance of the pumping & off-grid market-focussed wholesale business.

Reduced top-line revenues have exposed listing & corporate costs as a proportion of operational net profit, and this continues to be a focus of cost-reductions and ongoing M&A discussions.

With the wholesale business now profitable again, cash reserves support current activities through to 2015 with management and the Board continuing to pursue avenues to build shareholder value.

Solco Finance

Work continued on establishing the solar finance business to build the compliance infrastructure, increase our market knowledge and strengthen relationships with strategic partners in the Finance sector.

In particular the Board has been working with senior banking executives to define the ongoing business model and formulate a debt product that can be offered through Solco's wholesale network.

It is anticipated that Solco will be in a position to begin rolling this product out towards the end of the financial year.

Solco Power & Water

The wholesale business continued its turnaround from FY12/13, further reducing its exposure to low margin PV panel & inverter sales, and reducing operational costs (including the consolidation of the warehousing facilities to Queensland and South Australia). Continuing improvements in gross margin from a focus on Pumping & Off-Grid products resulted in the wholesale business returning to a break even position towards the end of the period.

The traditional submersible pump market still shows strong upside as the Lorentz brand gains market presence in Australia, and the recent addition of two new product lines (leisure and surface pumps) adds to the upside moving forward.

Summary

Improved operational performance of the wholesale business, and a maturing consumer finance market in solar, present bright lights in what has been a dim period in the renewable energy sector. The Board continues to review M&A opportunities cautiously in uncertain macro market conditions and maintains a focus on preserving and building shareholder value.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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

On behalf of the directors



David Richardson
Chairman

27 February 2014
Perth

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Solco Limited for the year ended 31 December 2013, 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.

**Perth, Western Australia
27 February 2014**



**M R W Ohm
Partner**

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Solco Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Continuing operations		
Revenue	2,419,526	6,148,931
Cost of sales	(1,967,113)	(5,163,487)
Gross profit	<u>452,413</u>	<u>985,444</u>
Other income	33,221	77,120
Expenses		
Employee benefit expenses	(823,139)	(1,154,369)
Research and development expenses	(219)	(378)
Advertising expenses	(105,506)	(164,004)
Company overhead expenses	(656,808)	(692,722)
Allowance for bad and doubtful debts	37,839	(39,136)
Depreciation and amortisation expenses	(13,817)	(61,306)
Finance costs	(7,581)	(40,465)
Write off of assets	(19,914)	-
Impairment of goodwill	<u>-</u>	<u>(504,761)</u>
Loss before income tax expense	(1,103,511)	(1,594,577)
Income tax expense	<u>-</u>	<u>(2,856,864)</u>
Net loss for the period	(1,103,511)	(4,451,441)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges - gain taken to equity	-	28,438
Income tax expense on items of other comprehensive income	<u>-</u>	<u>(9,187)</u>
Other comprehensive income for the half-year, net of tax	<u>-</u>	<u>19,251</u>
Total comprehensive loss for the period	<u>(1,103,511)</u>	<u>(4,432,190)</u>
	Cents	Cents
Basic and diluted loss per share	(0.54)	(2.23)

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

Solco Limited
Condensed consolidated statement of financial position
As at 31 December 2013

	Consolidated	
	31 Dec 2013	30 Jun 2013
Note	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,302,091	2,328,351
Trade and other receivables	536,650	666,251
Inventories	1,408,148	1,576,642
Other assets	159,285	53,167
Total current assets	<u>3,406,174</u>	<u>4,624,411</u>
Non-current assets		
Property, plant and equipment	59,924	90,260
Intangible assets	158,000	108,000
Other assets	24,544	56,919
Total non-current assets	<u>242,468</u>	<u>255,179</u>
Total assets	<u>3,648,642</u>	<u>4,879,590</u>
Liabilities		
Current liabilities		
Trade and other payables	365,261	505,594
Provisions	180,018	192,603
Total current liabilities	<u>545,279</u>	<u>698,197</u>
Non-current liabilities		
Provisions	148,263	169,780
Total non-current liabilities	<u>148,263</u>	<u>169,780</u>
Total liabilities	<u>693,542</u>	<u>867,977</u>
Net assets	<u>2,955,100</u>	<u>4,011,613</u>
Equity		
Issued capital	19,829,795	19,829,795
Reserves	78,330	96,859
Accumulated losses	(16,953,025)	(15,915,041)
Total equity	<u>2,955,100</u>	<u>4,011,613</u>

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

Solco Limited
Condensed consolidated statement of changes in equity
As at 31 December 2013

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	19,811,832	30,437	(10,309,831)	9,532,438
Loss after income tax expense for the half-year	-	-	(4,451,441)	(4,451,441)
Other comprehensive income for the half-year, net of tax	-	19,251	-	19,251
Total comprehensive income for the half-year	-	19,251	(4,451,441)	(4,432,190)
<i>Transactions with owners in their capacity as owners:</i>				
TEESS staff share issue	17,963	-	-	17,963
Recognition of share-based payments	-	13,651	-	13,651
Balance at 31 December 2012	<u>19,829,795</u>	<u>63,339</u>	<u>(14,761,272)</u>	<u>5,131,862</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	19,829,795	96,859	(15,915,041)	4,011,613
Loss after income tax expense for the half-year	-	-	(1,103,511)	(1,103,511)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,103,511)	(1,103,511)
<i>Transactions with owners in their capacity as owners:</i>				
Recognition of share-based payments	-	46,998	-	46,998
Reallocation between reserves	-	(65,527)	65,527	-
Balance at 31 December 2013	<u>19,829,795</u>	<u>78,330</u>	<u>(16,953,025)</u>	<u>2,955,100</u>

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

Solco Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2013

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Cash flows from operating activities		
Receipts from customers	2,898,435	7,365,664
Payments to suppliers	(3,889,960)	(8,400,287)
Interest and other costs of finance paid	(3,627)	(34,282)
Interest received	22,289	45,558
Income tax paid	-	(328,792)
	<u>(972,863)</u>	<u>(1,352,139)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payment for intangible assets	(50,000)	-
Payments for property, plant and equipment	(3,397)	(2,424)
Proceeds from sale of property, plant and equipment	-	3,967
	<u>(53,397)</u>	<u>1,543</u>
Net cash (used in)/from investing activities		
Net decrease in cash and cash equivalents	(1,026,260)	(1,350,596)
Cash and cash equivalents at the beginning of the financial half-year	<u>2,328,351</u>	<u>3,486,985</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,302,091</u></u>	<u><u>2,136,389</u></u>

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

Note 1. General information

The financial report covers Solco Limited as a consolidated entity consisting of Solco Limited and the entities it controlled during the period. The financial report is presented in Australian dollars, which is Solco Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Registered office

c./ Nexia Perth
Level 3, 88 William Street
Perth, WA, 6000

Principal place of business

Unit 16, 63 Knutsford Avenue
Belmont, WA, 6104

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

The financial report was authorised for issue in accordance with a resolution of directors on 27 February 2014.

Note 2. Significant accounting policies

Statement of compliance

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These condensed consolidated general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Basis of preparation

The half-year report has been prepared on a historical cost basis. For the purposes of preparing the report, the half year has been treated as a discrete reporting period.

Going concern

The consolidated entity recorded a net loss after tax for the half-year ended 31 December 2013 of \$1,103,511 (net loss after tax for the half-year ended 31 December 2012 of \$4,451,441) and had a net cash outflow from operating activities of \$972,863 (half-year ended 31 December 2012 net cash outflow of \$1,352,139).

The solar industry globally continued to experience significant destabilisation during the reporting period and the continued strategic restructure of Solco's operations impacted the consolidated entity's revenues and earnings.

Notwithstanding the loss incurred for the half-year, the Directors are of the view that the consolidated entity is a going concern, based on the following reasons:

- Net current assets of \$2,860,895 at 31 December 2013 (\$3,926,214 at 30 June 2013) to support the adjusted operating structure;
- The consolidated entity has cash reserves of \$1,302,091 at 31 December 2013;
- The consolidated entity is uniquely positioned with nominal current trade creditors and no long term debt;
- The Board of Directors and senior management have implemented strategies and continue to investigate new strategies to return the consolidated entity to profit.

Note 2. Significant accounting policies (continued)

These strategies include:

- The establishment of a Finance business offering niche products through a National reseller network;
- An integrated approach to cross-selling solar pv and water pumping products with its new lease products through solar retailers and installers;
- Establishing a streamlined wholesale business, with improved inventory and vendor management, and stronger business development focus; and
- A focus on higher margin off-grid and pumping markets for its wholesale dealer network.

The Directors are also confident that the consolidated entity will be successful in raising additional funds through the issue of new equity to support the delivery of its growth strategy should that be required.

In the event that the consolidated entity is unable to successfully implement one or more of its strategies to increase profitability to levels that would sustain the consolidated entity as a going concern or be unsuccessful in raising funds from the issue of new equity, there exists a material uncertainty that may cast significant doubt upon the consolidated entity's ability to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Accordingly the 31 December 2013 half-year report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity.

A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 January 2013. The standard does not prescribe when to use fair value. Instead it provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value.

Solco Limited
Notes to the condensed consolidated financial statements
31 December 2013

Note 3. Operating segments

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

The consolidated entity'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 consolidated entity's operations and allocation of working capital.

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

The consolidated entity 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, wholesaling of pumps and solar panels. 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 Ltd has therefore decided to aggregate all their segments into one reportable operating segment.

The revenues and results of this segment are those of the consolidated entity as a whole and are set out in the statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the consolidated entity and are set out in the statement of the financial position.

Note 4. Events after the reporting period

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 5. Contingent liabilities and contingent assets

In the opinion of the directors, there were no contingent assets or liabilities as at 31 December 2013 and no contingent assets or liabilities were incurred in the interval between the period end and the date of this financial report.

Note 6. Financial Instruments

The Directors consider that the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Note 7. Reserves

	6 months to 31 Dec 2013 \$	12 months to 30 Jun 2013 \$
<i>Share-based payment reserve</i>		
Opening balance	96,859	51,876
Share-based payments recognised	46,998	44,983
Transfer of lapsed options to accumulated losses	(65,527)	-
Closing balance	<u>78,330</u>	<u>96,859</u>

Solco Limited
Directors' declaration
31 December 2013

In the directors' opinion:

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
3. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



David Richardson
Chairman

27 February 2014
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Solco Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Solco Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year 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 2013 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 the company, 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 Limited 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 2013 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*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 to the financial statements which indicates that the consolidated entity recorded a net loss after tax for the half-year ended 31 December 2013 of \$1,103,511 (net loss after tax for the half-year ended 31 December 2012 of \$4,451,441) and had a net cash outflow from operating activities of \$972,863 (half-year ended 31 December 2012 net cash outflow of \$1,352,139). 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 company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants



M R W Ohm
Partner

Perth, Western Australia
27 February 2014

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