

Appendix 4E  
Preliminary final report

**Details of reporting entity**

Name of Entity	<b>ECSI LIMITED</b>
ABN	68 004 240 313
Reporting Period	FOR THE YEAR ENDED 30 JUNE 2010
Previous Corresponding Period	FOR THE YEAR ENDED 30 JUNE 2009

**1 Results for announcement to the market**

Revenue from continuing operations	up	-	to	\$ 15,443
(Loss) after income tax from continuing operations	up	110%	to	(330,076)
Net (loss) for the period attributable to members	up	110%	to	(330,076)

**Dividends per Share**

	Amount per share	Franked amount per share at nil % tax
Final	n/a cents	n/a cents
Interim	n/a cents	n/a cents

**Record date for determining entitlements to dividends** n/a  
ECSI Limited does not propose to pay dividends at this time

**Brief explanation of any of the figures reported above necessary to enable figures to be understood:**  
Refer to commentary in the attached financial statements

**2 Statement of Comprehensive Income**

See attached financial statements

**3 Statement of Financial Position**

See attached financial statements

**4 Statement of Cash Flows**

See attached financial statements

**5 Dividends**

No recommendation for a dividend for the year ended 30 June 2010 has been

**6 Dividend reinvestment plans**

There are no dividend plans in place.

**7 Retained earnings**

Statement of Changes in Equity

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ABN	68 004 240 313
Reporting Period	FOR THE YEAR ENDED 30 JUNE 2010
Previous Corresponding Period	FOR THE YEAR ENDED 30 JUNE 2009

**8 Net tangible asset backing  
(NTA Backing)**

Current Period	Previous corresponding period
\$0.34	(\$0.14)

**9 Details of entities over which control has been gained or lost during the period**  
See attached financial statements

**10 Details of associate and joint venture entities**  
See attached financial statements

**11 Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position**  
See attached financial statements

**12 Foreign entities**  
See attached financial statements

**13 Commentary on results for period**  
See attached financial statements

**14 Details of Annual General Meeting**  
To be announced at a future date

**Attachement forming part of the Appendix 4E**

2010 Annual Report

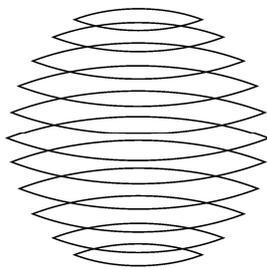


Signed by - Company Secretary

Robert Lees - 31 August 2010

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**ECSI LIMITED**

**ABN 68 004 240 313**

**ANNUAL REPORT**

**30 JUNE 2010**

## Corporate Information

<b>Directors</b>	Mr Jim Green (Chairman) Mr Graeme Green (CEO & Managing Director) Mr Jeffrey Tan Mr Donald Low
<b>Company Secretary</b>	Mr Robert Lees
<b>Registered Office</b>	C/- Level 2, 145 Flinders Lane MELBOURNE VIC 3000
<b>Auditors</b>	William Buck Audit (Vic) Pty Ltd Level 1, 465 Auburn Road HAWTHORN EAST VIC 3123
<b>Bankers</b>	Commonwealth Banking Corporation Limited
<b>Stock Exchange</b>	Australian Stock Exchange 20 Bridge Street SYDNEY NSW 2000
<b>Stock Code</b>	'ECS'
<b>Share Register</b>	Registries Limited Level 7, 207 Kent Street SYDNEY NSW 2000

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## Directors' Report

Your directors present their report on ECSI Limited for the financial year ended 30 June 2010.

### INFORMATION ON DIRECTORS

The names and details of the company's directors holding office at anytime during or since the end of the year are as follows:

#### Non-Executive Chairman

**James ('Jim') Edward Green** *B.Pharm*

Appointed Non-Executive Chairman of ECSI on 26 October 2001.

Jim has been a director of companies associated with his brother, Graeme Green, in the development and marketing of smart card systems for 17 years. He was previously a Non-Executive Director of Coms21 Limited, a technology focussed entity listed on the ASX.

By profession Jim Green is a pharmacist, and he continues to be involved in the development and operation of a variety of business concerns including public relations and media, function centres and retail distribution. He resides in Melbourne, Australia.

Jim did not hold any directorship in other listed entities in the last three years.

#### Executive Directors

**Graeme Allan Green** *Dip. Eng. (CEO & Managing Director)*

Graeme was appointed Chief Executive Officer ("CEO") of ECSI on 17 October 2001.

Graeme has been involved in numerous smart card businesses since the mid 1980s including being Managing Director of Coms21 Ltd, an entity listed on the Australian Stock Exchange. Graeme has been involved in developing business and government relationships throughout China. These include those with Beijing IMJ Investment Co Limited ("IMJ") and Lu Xiao Bing, since 1992.

He resides in Canberra, Australia and travels regularly to China and South East Asia.

Graeme did not hold any directorship in other listed entities in the last three years.

#### Non-Executive Directors

**Dr Huang Xu (Ben)** *Ph.D., B. Bus*

Ben was appointed as a Non-Executive Director of ECSI on 1 July 2002 and resigned 9 April 2010. He provided on the ground experience of the Chinese market as well as extensive contacts to ECSI.

Ben runs his own business consultancy practice in Beijing where he assists new and established businesses across China develop alliances and partnerships to take advantages of opportunities arising from the opening up of the Chinese economy. Previously Ben worked for Coms21, an entity listed on the Australian Stock Exchange, as General Manager of its Chinese operations and the Research Centre of Development for the Chinese Central Government, developing extensive contacts and networks.

He lives in Beijing, China.

Ben did not hold any directorship in other listed entities in the last three years.

## Non-Executive Director

**Jeffrey Hua Yuen Tan** *B. Bus Univ SA*

Jeffrey was appointed as a Non-Executive Director of ECSI on 24 March 2010.

Jeffrey holds a Bachelor in Business from the University of South Australia. He has 16 years experience in equities and derivatives markets and client portfolio advisory role. Jeffrey has also facilitated resource and property projects in China and Vietnam, with forays into commercial property development.

Jeffrey is a Director of Fraden Projects Australia Pty Ltd, a company of foreign project management consultants that facilitated the development of a USD \$300 million Yen So Project in Hanoi with the local government and Gamuda Berhad. As Director, he also facilitated the acquisitions and development of private ventures in China's Heilongjiang and Jilin provinces.

He lives in Adelaide, Australia.

Jeffrey did not hold any directorship in other listed entities in the last three years.

## Non-Executive Director

**Donald Han Low** *B. Ec WA*

Donald Han Low was appointment as a non-executive Director effective 2 June 2010.

Donald holds a Bachelor in Economics from the University of Western Australia and has extensive experience in corporate advisory, finance and management. His experience lies in a number of sectors including, but not limited to, plantations, telecommunications, manufacturing, infrastructure development and financial services.

Donald has served on many boards of both private and publicly listed companies in Asia and Europe. His most recent role was that of Acting Chief Executive Officer & Executive Director of Anglo-Eastern Plantations Plc, a London Stock Exchange listed company.

Donald also sits as a Non-Executive Director/Chairman of the Audit Committee of Oriented Media Group Berhad, a digital media company listed on the ACE Board of Bursa Malaysia (the Malaysian Stock Exchange).

He lives in Melbourne, Australia.

Donald is the non-executive Chairman of Atech Holdings Limited (ASX: ATH).

## COMPANY SECRETARY

The following person held the position of company secretary during the financial year.

**Robert Lees** (B Bus UTS, CA, ACIS)

Robert was appointed company secretary of ECSI in March 2004. He holds a bachelor of Business (Accounting) degree from UTS and a Graduated Diploma in Corporate Governance. He is an associate of the Institute of Chartered Accountants in Australia and the Chartered Secretaries of Australia. He has served as a Company Secretary on a number of ASX listed entities since 1998.

## PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year was its interest in the security business controlled by Beijing IMJ Investment Co Limited ("IMJ") located in the Peoples Republic of China. ECSI Limited was also investigating other business opportunities.

There are no significant changes in the nature of the principal activities from last year.

## REVIEW OF OPERATIONS

Results for the year	ECSI Limited	ECSI Limited
	\$	\$
	2010	2009
Revenue	15,443	-
Loss after tax attributable to members	(330,076)	(157,520)
<b>Earnings per share</b>	<b>2010</b>	<b>2010</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.11)	(0.05)
Diluted earnings per share	(0.11)	(0.05)

### Financial Position

The Company has raised \$2,352,400 by the issue of 130,688,888 shares at 1.8 cents a share (the 130,688,888 shares had an attaching option expiring 31 December 2012 exercisable at 3 cents). The net asset position of the Company at 30 June 2010 was \$1,451,450.

### DIVIDENDS

No dividends have been paid or declared by the economic entity since it was created and the Directors do not now recommend any payment of dividends.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the entity other than the equity raising of \$2,352,400 and the operating loss.

### MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 July 2010 ECSI Shareholders voted at a General Meeting of Shareholders to approve the issue of 8,870,135 shares at 2.5 cents in full payment of \$221,753 of debt and accrued Directors Fees.

On 16 July 2010 ECSI announced the acquisition of Chinaway Technology Development Ltd ('CTD') consisting of 2 payments of \$100,000 each and the issue of 6,666,667 ECSI Limited shares. Payments are staged and subject to CTD achieving operational & financial milestones.

On 20 July 2010 ECSI issued 3,355,555 shares at 1.8 cents raising \$60,400 in additional equity to provide additional working capital for proposed acquisitions.

On 9 August 2010 ECSI announced it had entered into an agreement subject to due diligence to acquire the Qitaihe Coking Facility for a total price of \$16 million. As part of the transaction ECSI has entered into an agreement to purchase Alphacoal Capital Pty Ltd for \$2 million consisting of a refundable deposit of \$1 million paid with a further \$1 million due in 18 months. The transaction is subject to satisfactory completion of due diligence by 23 September 2010.

On 31 August 2010 ECSI issued 6,972,223 shares at 1.8 cents raising \$125,500 in additional equity to provide additional working capital for proposed acquisitions.

Other than the above listed transactions, there have been no events subsequent to the end of the reporting period that would have a material impact on the financial statements for the year ended 30 June 2010.

### IMPACT OF ENVIRONMENTAL LEGISLATION

The Directors confirm that there are no particular environmental obligations to which the company is subject to, outside of the usual common law and legislative requirements.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

### Indemnification

The company's constitution provides for an indemnity of Directors and Officers where liability is incurred in or arising out of the conduct of the business of the company or in or arising out of the discharge of the duties of the Director or Officer, unless the liability was incurred as a result of their dishonesty, negligence, lack of good faith or breach of duty. The indemnification will also meet the full amount of any such liabilities, including legal fees, incurred in defending any proceedings or appearing before any court, tribunal, government authority or otherwise.

### Insurance Premiums

The company's constitution allows for the payment of a premium providing insurance against liability arising out of the conduct of the business of the company or in or arising out of the discharge of the duties of the Director or Officer. To date no such premiums have been paid due to the inability to secure such insurance at reasonable cost.

## PARTICULARS OF SHARES AND OPTIONS HELD BY DIRECTORS IN ECSI LIMITED AS AT THE DATE OF THIS REPORT

	Quoted Shares <sup>(1)</sup>	Options (unquoted) <sup>(1)</sup>
Mr G.A. Green	32,568,689	-
Mr J. E. Green	83,449,579	40,889
Mr J. H. Y. Tan (appointed 24 March 2010)	-	-
Mr D. H. Low (appointed 2 June 2010)	-	-
Dr Xu Huang (resigned 9 April 2010)	1,500,000	-

(1) Shares beneficially held in own name, in name of trust, or nominee company or private company unless otherwise indicated.

Other than 40,889 options issued to Jim Green as a subscriber for shares & options at 1.8 cents, there are no options on issue to Directors.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

ECSI's Directors are investigating a number of businesses opportunities with a view to acquiring an income generating business.

Further information has not been included in the annual financial report as the directors believe it would be likely to result in unreasonable prejudice to the Company.

## REMUNERATION REPORT

The information in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

This remuneration report is set out under the following main headings

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

### A. Principles used to determine the nature and amount of remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration of Non-Executive Directors is determined by the Board within the maximum amounts approved by shareholders from time to time. This maximum is currently set at \$250,000. In the past 4 years none of the Directors have received any incentive based remuneration.

Details of the nature and amount of each element of the emolument of each Director of ECSI and each of the five executive officers of the company receiving the highest emolument are set out in the following tables:

### B. Details of remuneration

#### Key management personnel and other executives of the Company

2010	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payment	Total
	Cash salary & Fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave		Shares & options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non- executive Directors</i>								
Mr Jim Green <i>Chairman</i>	30,000	-	-	-	-	-	-	30,000
Mr Jeffrey Tan <i>Director</i>	4,000							4,000
Mr Donald Low <i>Director</i>	2,000							2,000
Dr X. Huang <i>Director</i>	5,792	-	-	-	-	-	-	5,792
<b>Sub-total Non –executive directors</b>	<b>41,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,792</b>
<i>Executive director</i>								
Mr G.A. Green <i>Managing Director</i>	30,000	-	-	-	-	-	-	30,000
<b>Total key management personnel compensation</b>	<b>71,792</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,792</b>

## B. Details of remuneration (cont'd)

### Key management personnel and other executives of the Company 2009

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payment	Total
	Cash salary & Fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave		Shares & options	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive Directors</i>								
Mr Jim Green <i>Chairman</i>	30,000	-	-	-	-	-	-	30,000
Dr X. Huang <i>Director</i>	7,500	-	-	-	-	-	-	7,500
<b>Sub-total Non-executive directors</b>	<b>37,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,500</b>
<i>Executive director</i>								
Mr G.A. Green <i>Managing Director</i>	30,000	-	-	-	-	-	-	30,000
<b>Total key management personnel compensation</b>	<b>67,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,500</b>

### Emoluments of the five most highly paid executive officers of the company

ECSI has no executive officers.

### C. Service Agreements

The Entity does not have formal service agreements with its Directors and Company Secretary. Other Officers are employed under standard employment contracts. The Entity currently does not have any employees. All payments are time based salary remuneration.

### D. Share based Compensation

The Entity does not have formal agreements currently with its Directors and Company Secretary to provide share based compensation. The entity currently does not have any employees.

## DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Name	Board Meetings	
	Held	Attended
	(a)	(b)
Mr G.A. Green	7	7
Mr J. E. Green	7	7
Mr J. H. Y. Tan (appointed 24 March 2010)	5	5
Mr D. H. Low (appointed 2 June 2010)	1	1
Dr. Xu Huang (resigned 9 April 2010)	3	3

(a) Number of meetings held during the time the Director held office during the period

(b) Number of meetings attended

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

## NON – AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## OPTIONS

At the date of this report, the unissued ordinary shares of ECSI limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
March 2010	31 December 2012	\$0.03	130,688,888

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2010, no ordinary shares were granted by exercise of option. No further shares have been issued since year end. No amounts are unpaid on any of the shares.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 9 of this report.

Signed in accordance with a resolution of the directors.



Graeme A. Green

Director – Melbourne 31 August 2010

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF  
THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ECSI LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (VIC) Pty Ltd  
ABN 59 116 151 136



**H D Paton**  
Director

Dated in Melbourne on this 31<sup>st</sup> day of August 2010

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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INDEPENDENT FIRMS

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## Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010	Note	ECSI LIMITED	
		2010 \$	2009 \$
Revenue - Interest		15,443	-
Accounting & Audit		(16,821)	(12,120)
ASX Listing Fees & compliance costs		(40,810)	(37,273)
Company Secretarial Expenses		(23,514)	(10,000)
Consultant's Fees		(139,966)	-
Depreciation and amortisation expenses	4(a)	(1,808)	(1,808)
Directors' fees		(71,792)	(67,500)
Rent		(26,217)	(22,000)
Travel expenses		(20,588)	(6,162)
Other expenses		(4,003)	(656)
<b>LOSS BEFORE INCOME TAX</b>		<b>(330,076)</b>	<b>(157,520)</b>
Income tax expense	5	-	-
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE ENTITY</b>		<b>(330,076)</b>	<b>(157,520)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF THE ENTITY</b>		<b>(330,076)</b>	<b>(157,520)</b>
<b>EARNINGS PER SHARE</b>			
Basic earnings per share (cents per share)	13	(0.11)	(0.05)
Diluted earnings per share (cents per share)	13	(0.11)	(0.05)

The accompanying notes form part of these financial statements

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## Statement of Financial Position

AS AT 30 JUNE 2010	Note	ECSI LIMITED	
		2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10(b)	1,739,934	280
Trade and other receivables	6	19,203	8,134
<b>TOTAL CURRENT ASSETS</b>		<b>1,759,137</b>	<b>8,414</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,260	4,068
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,260</b>	<b>4,068</b>
<b>TOTAL ASSETS</b>		<b>1,761,397</b>	<b>12,482</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	309,947	140,539
<b>TOTAL CURRENT LIABILITIES</b>		<b>309,947</b>	<b>140,539</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	8	-	291,718
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>291,718</b>
<b>TOTAL LIABILITIES</b>		<b>309,947</b>	<b>432,257</b>
<b>NET ASSETS/ (DEFICIENCY)</b>		<b>1,451,450</b>	<b>(419,775)</b>
<b>EQUITY</b>			
Issued capital	9	92,342,787	90,141,486
Accumulated losses		(90,891,337)	(90,561,261)
<b>TOTAL EQUITY / (DEFICIENCY)</b>		<b>1,451,450</b>	<b>(419,775)</b>

The accompanying notes form part of these financial statements

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## Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010

	Issued Capital \$	Accumulated Losses \$	Total \$
<b>As at 30 June 2008</b>	90,141,486	(90,403,741)	(262,255)
Loss attributable to members of the entity	-	(157,520)	(157,520)
<b>As at 30 June 2009</b>	90,141,486	(90,561,261)	(419,775)
Issue of Share Capital (net of issue costs)	2,201,301	-	2,201,301
Loss attributable to members of the entity	-	(330,076)	(330,076)
<b>As at 30 June 2010</b>	92,342,787	(90,891,337)	1,451,450

The accompanying notes form part of these financial statements

## Statement of Cash Flows

YEAR ENDED 30 JUNE 2010	Note	ECSI LIMITED	
		2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(477,090)	(47,240)
Interest received		15,443	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	10(a)	<b>(461,647)</b>	<b>(47,240)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from directors and director-related entities		-	46,901
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>-</b>	<b>46,901</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		2,352,400	-
Cost of shares issued		(151,099)	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>2,201,301</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>		<b>(1,739,654)</b>	<b>(339)</b>
Cash and cash equivalents at the beginning of financial year		280	619
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR</b>	10(b)	<b>1,739,934</b>	<b>280</b>

The accompanying notes form part of these financial statements

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## Notes to the Financial Statements

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

The financial statements cover ECSI Limited. ECSI Limited is a listed public company, incorporated and domiciled in Australia.

#### **Basis of Preparation**

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

#### **Reporting Basis and Conventions**

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

#### **Accounting Policies**

##### **(a) Income tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the

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## Notes to the Financial Statements

### Accounting policies (cont'd)

#### (a) Income tax (cont'd)

timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### (b) Foreign currency transactions and balances

##### Functional and presentation currency

The functional currency of the company is measured using the currency of the primary economic environment in which it operates. The financial statements are presented in Australian dollars which is the company's functional and presentation currency.

##### Transactions and balances

Transactions in foreign currencies of foreign controlled operations are converted to functional currency at the rate of exchange ruling at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the company's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

#### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Accounting policies (cont'd)**

**(d) Financial Instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.'

The company does not have any derivative instruments at 30 June 2010 (2009: nil).

**De-recognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Classification and Subsequent Measurement**

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Subsequent to initial recognition, realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

*(iv) Available for Sale*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

*(v) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Impairment**

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**(d) Financial Instruments (Cont'd)**

**Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**(e) Trade and other payables**

Liabilities for trade payables, accruals and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

**(f) Impairment of Assets**

At the end of each reporting period, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(g) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(h) Issued capital**

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

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

**(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Interest income**

Interest income is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) **Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The entity presently has no long service leave liabilities outstanding or accumulating.

(l) **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(m) Comparative Figures**

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

**(n) Critical Accounting Estimates and Judgments**

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

**2. FINANCIAL RISK MANAGEMENT**

The entity's principal financial instruments consist of cash and cash equivalents and securities and accounts payable liabilities incurred in the course of operations as disclosed in the financial statements.

The company is primarily exposed to liquidity risk.

**Treasury Risk Management**

The entity management of treasury activities is centralised and governed by policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies and performance measurement

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the entity's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the entity monitors its cash requirements and raises equity funding as and when appropriate to meet such planned requirements.

**Capital risk management**

The entity objectives for managing capital are to:

- Ensure their ability to operate as a going concern
- Maximise returns to stakeholders by maintaining an optimal debt/equity structure via the issuance/redemption of debt or equity as appropriate

Net Debt consists of:

- Issued capital
- Retained earnings

At this stage of corporate development debt is not considered appropriate.

**3. ADOPTION OF NEW AND REVISED AUSTRALIAN ACCOUNTING STANDARDS**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for the current and future reporting periods. The entity has decided to adopt these standards. None of the changes in these standards had a material impact on the financial statements of the entity.

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	Note	ECSI LIMITED	
		2010 \$	2009 \$
<b>4. PROFIT/(LOSS)</b>			
Profit/(Loss) before income tax has been determined after:			
<b>Expenses</b>			
Depreciation of non-current assets			
Plant & Equipment		1,808	1,808
Total depreciation of non-current assets		<u>1,808</u>	<u>1,808</u>
<b>5. INCOME TAX</b>			
The components of tax expense comprise:			
- current tax		-	-
- deferred tax		-	-
		<u>-</u>	<u>-</u>
Prima facie tax on profit (loss) before income tax at 30% (2009: 30%)		(99,023)	(47,256)
Add (less) tax effect of:			
Amortisation of intangible assets		-	-
Other non allowable items		-	-
		<u>(99,023)</u>	<u>(47,256)</u>
Losses not recognised as deferred tax assets		99,023	47,256
Offset for tax losses bought forward		-	-
Income tax attributable to entity		<u>-</u>	<u>-</u>
<p>Tax losses have not been brought to account as utilisation of these losses is not probable. Income tax losses can only be recovered by the company deriving future assessable income, conditions for deductibility imposed by law being complied with and no changes in tax legislation adversely affecting the realisation of the benefit from the deductions. If the acquisition of Qitaihe Coking Facility is completed, the carry forward losses may not be available to offset future assessable income.</p> <p>The total amount of tax losses not recognised as an asset at 30 June 2010 was \$ 299,940 (2009: 200,917)</p>			
<b>6. TRADE AND OTHER RECEIVABLES (CURRENT)</b>			
GST recoverable		19,203	8,134
		<u>19,203</u>	<u>8,134</u>
<b>7. TRADE AND OTHER PAYABLES (CURRENT)</b>			
<b>Unsecured Liabilities</b>			
Trade payables		58,075	78,400
Loans from Directors' & Director-related entities		58,056	-
Accrued directors' fees		180,390	-
Other payables & accruals		13,426	62,139
		<u>309,947</u>	<u>140,539</u>

Terms and conditions relating to payables:

All trade payables including amounts owing to Directors are non-interest bearing and are normally payable within 30 days

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	Note	ECSI LIMITED	
		2010	2009
		\$	\$
<b>8. TRADE AND OTHER PAYABLES (NON-CURRENT)</b>			
<b>Unsecured Liabilities</b>			
Loans from Directors		-	134,847
Accrued directors' fees		-	156,871
		-	291,718

**9. ISSUED CAPITAL**

**Issued and paid up capital**

Ordinary shares fully paid	9(a)	92,342,787	90,141,486
		92,342,787	90,141,486

**(a) Movements in shares and options on issue**

	2010		2009	
	Number of shares	\$	Number of shares	\$
Balance at beginning of period	291,649,586	90,141,486	291,649,586	90,141,486
Shares and options issued during the year at 1.8 cents per parcel of 1 share and 1 option	130,688,888	2,352,400	-	-
Cost of shares and options issued during the year	-	(151,099)	-	-
Balance at end of the reporting period	422,338,474	92,342,787	291,649,586	90,141,486

**(b) Movements in options on issue**

	2010	2009
	Number of options	Number of options
Balance at beginning of period	-	-
Issued during the year – refer to 9 (a)	130,688,888	-
Cost of issues during the year	-	-
Balance at end of the reporting period	130,688,888	-

**(c) Terms and condition of issued capital**

**Ordinary shares**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company. Ordinary shares have no par value and the company does not have a limited amount of authorised share capital.

**Options**

Option holders do not participate in dividends or in the proceeds on winding up of the company. Options do not entitle their holder to a vote except on motions relating directly to options. Options expire 31 December 2012 and are exercisable at 3 cents.

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**10. CASH FLOW INFORMATION**

(a) **Reconciliation of profit/(loss) after tax to the net cash flows from operations**

Profit/(loss) after income tax

**Non-cash flow in profit (loss)**

Depreciation

**Changes in assets and liabilities**

(Increase)/decrease in receivables & prepayments

(Decrease)/increase in trade and other payables

Cash flow from operating activities

(b) **Reconciliation of cash and cash equivalents**

Cash balance comprises:

Cash at bank

ECSI LIMITED	
2010	2009
\$	\$
(330,076)	(157,520)
1,808	1,808
(11,069)	(2,548)
(122,310)	111,020
<b>(461,647)</b>	<b>(47,240)</b>
<b>1,739,934</b>	<b>280</b>

**11. EXPENDITURE COMMITMENTS**

**Capital and operating expenditure commitments**

The company presently has no capital or operating expenditure commitments.

**12. CONTINGENT LIABILITIES**

There are no contingent liabilities at the date of signing this report.

**13. EARNINGS PER SHARE**

The following reflects the profit (loss) and share data used in the calculations of basic and diluted earnings per share:

Earnings used in calculating basic earnings per share:

Profit/(loss) attributable to members

Earnings used in calculation of dilutive EPS:

Profit/(loss) attributable to members

Adjustments

Earnings used in calculation of diluted earnings per share

Weighted average number of ordinary shares used in calculating basic & diluted earnings per share:

ECSI Limited	
2010	2009
\$	\$
(330,076)	(157,520)
(330,076)	(157,520)
-	-
<b>(330,076)</b>	<b>(157,520)</b>
<b>Number of shares</b>	<b>Number of shares</b>
<b>309,230,347</b>	<b>291,649,586</b>

ANNUAL REPORT - 30 JUNE 2010

14. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

(i) Directors

G.A. Green	Managing Director & CEO
J.E. Green	Director & Chairman (non-executive)
Xu Huang	Director (non-executive) (resigned 9 April 2010)
J. Tan	Director (non-executive)
D. Low	Director (non-executive)

(ii) Compensation Practices

The Remuneration Committee of the Board of Directors of ECSI Limited is responsible for determining and reviewing compensation arrangements for the key management personnel. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments to such officers on a periodic basis by reference to relevant market conditions.

(b) Key Management Personnel Compensation

Name	Short-term employee benefits			Post Employment benefits	Long-term benefits	Shares	Share-based payment	Total
	Salary & Fees	Cash Bonus	Non-monetary benefits	Superannuation	Retirement Benefits		Bonuses	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
J.E. Green (Chairman)								
2010	30,000	-	-	-	-	-	-	30,000
2009	30,000	-	-	-	-	-	-	30,000
J. Tan								
2010	4,000	-	-	-	-	-	-	4,000
2009	-	-	-	-	-	-	-	-
D. Low								
2010	2,000	-	-	-	-	-	-	2,000
2009	-	-	-	-	-	-	-	-
Xu Huang								
2010	5,792	-	-	-	-	-	-	5,792
2009	7,500	-	-	-	-	-	-	7,500
Executive director								
G.A. Green								
2010	30,000	-	-	-	-	-	-	30,000
2009	30,000	-	-	-	-	-	-	30,000
<b>Total Remuneration:</b>								
2010	71,792	-	-	-	-	-	-	71,792
2009	67,500	-	-	-	-	-	-	67,500

(c) Remuneration options: Granted and vested during the year

During the financial year (2009: nil) no options were granted as equity compensation benefits to key management personnel. At 30 June 2010 J. E. Green had 40,889 options which were acquired as part of an equity raising. Refer to 14 (f) for further information.

	2010	2009
Short-term employees benefits	71,792	67,500

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ANNUAL REPORT - 30 JUNE 2010

14. KEY MANAGEMENT PERSONNEL COMPENSATION (Cont'd)

(d) Shareholdings of Key Management Personnel

	Balance at 1 July 2009	Granted as remuneration	On exercise of options	Net other	Change	Balance 30 June 2010
	Ordinary Shares	Ordinary Shares	Ordinary Shares		Ordinary Shares	Ordinary Shares
<b>Key management personnel</b>						
G.A. Green	48,068,689	-	-	(15,500,000)*		32,568,689
J.E. Green	83,568,690	-	-	(119,111)**		83,449,579
J. Tan	-	-	-	-	-	-
D. Low	-	-	-	-	-	-
Xu Huang	1,500,000	-	-	-	-	1,500,000
<b>Total</b>	<b>133,137,379</b>	<b>-</b>	<b>-</b>	<b>(15,619,111)</b>		<b>117,518,268</b>

\* Shares sold to a third party

\*\* Subscribed for 40,889 shares with 40,889 free attaching option and sold 160,000 shares to a third party.

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the company would have adopted if dealing at arms length.

	Balance at 1 July 2008	Granted as remuneration	On exercise of options	Net other	Change	Balance 30 June 2009
	Ordinary Shares	Ordinary Shares	Ordinary Shares		Ordinary Shares	Ordinary Shares
<b>Key management personnel</b>						
G.A. Green	48,068,689	-	-	-	-	48,068,689
J.E. Green	83,568,690	-	-	-	-	83,568,690
Xu Huang	1,500,000	-	-	-	-	1,500,000
<b>Total</b>	<b>133,137,379</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,137,379</b>

(e) Loans to key management personnel

There were no loans to key management personnel at the beginning or during the year (2009: nil).

(f) Other transactions and balances with key management personnel

No transactions outside of normal employee, customer or supplier relationships and no transactions which were not on normal terms and conditions were recorded during the period.

Transactions with key management personnel

Jim Green participated in the equity raising to the extent of subscribing for 40,000 shares at 1.8 cents with a free attaching option exercisable at 3 cents and expiring 31 December 2012. Other than this there were no options held by directors at the beginning and end of the year. This subscription does not represent compensation.

15. AUDITOR'S REMUNERATION

Remuneration of the auditor of the company for:

- Audits or reviews
- Current Year

Note	ECSI LIMITED	
	2010 \$	2009 \$
	16,821	9,750
	<b>16,821</b>	<b>9,750</b>

## 16. RELATED PARTY DISCLOSURES

### Directors

The directors of ECSI Limited during the financial year were:

Mr G.A. Green  
Mr J. Green  
Dr. Xu Huang  
Mr J. Tan  
Mr D. Low

### Director-related entity transactions

#### Director-related entities

Girvy Holdings Pty Ltd is a company owned by Mr J Green who is sole director.

Badenada Pty Ltd is a company owned by Mr J Green and of which Mr G A Green & Mr J Green are directors.

ROCZ Pty Ltd is a company owned by Mr G A Green of which Mr G A Green is sole director.

All entities were used to hold loans with the company during the year (refer below)

Mr D Low is a Director of Atech Holdings Limited ('Atech') (ASX: ATH), a public listed company which is currently acquiring Alpha Wealth Financial Services Pty Ltd., the owner of Alphacoal Capital Pty Ltd and a consultant to ECSI. This acquisition is subject to shareholder approved and the meeting to consider the acquisition is expected to be held in October 2010 at a date to be fixed.

During the financial year, Alpha Wealth Financial Services Pty Ltd ('Alpha') were commissioned by ECSI to raise equity and to advise and assist in the re-quotations of ECSI.

- Alpha was paid \$151,099 in commission for raising \$2,352,400 in equity from March to May 2010.
- Alpha was paid \$100,000 as a fee to advise on the acquisition of suitable business for ECSI to acquire.
- The Atech Notice of Meeting dated 18 August 2010 notes Alpha will receive revenue of \$500,000 from the Chinaway Technology Company Ltd option contract; and
- \$2,000,000 from the Alphacoal Capital Pty Ltd options contract.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### Loans

Interest on loans provided by directors has not been accrued for the 2010 financial year and directors have foregone interest in this year. In the 2009 year interest was not accrued and directors have foregone interest in this year.

### Accounts payable to directors and director related entities

	2010	2009
	\$	\$
Beginning of the year	291,717	192,616
Services performed and cash advanced	132,983	99,101
Repayments received	(185,905)	-
End of year	<u>238,795</u>	<u>291,717</u>

## 17. SEGMENT REPORTING

The company operated in one business and geographic segment during the current reporting period that being the provision of security monitoring and access control system enhancements in Australia.

## 18. FINANCIAL INSTRUMENTS

### Liquidity risk

Liquidity risk is the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. As at the end of the reporting period all of the contractual maturities of the company's financial liabilities were 30 day terms and as such the values reported in the statement of financial position, equate fair value.

The company has no operating lease commitments which the Directors consider in managing the company's liquidity requirements.

## 19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 12 July 2010 ECSI Shareholders voted at a General Meeting of Shareholders to approve the issue of 8,870,135 shares at 2.5 cents in full payment of \$221,753 of debt and accrued Directors' Fees

### BUSINESS COMBINATION AFTER BALANCE DATE

#### Summary of acquisition

On 16 July 2010, ECSI announced the acquisition of 100% of the issued capital of Chinaway Technology Development Ltd ('CTD'). The fair value of the assets and liabilities is yet to be determined and as such, these values are only provisional and have been determined in accordance with the generally accepted accounting principles of the People's Republic of China.

Provisional  
values

\$

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Cash paid on 14 July 2010	100,000
Cash payment made on 6 August 2010	100,000
6,666,667 shares to be issued on completion of the final milestone achievements by 31 December, 2010 with a fair value assessed at 1.8 cents per share	120,000
Total purchase consideration	<u>320,000</u>

The provisional values of the assets and liabilities to be acquired are as follows:

Cash	83
Trade and other receivables	20,582
Prepayments	75,429
Investment in 50% joint venture entity	1,147,647
Fixed assets at written down value	8,051
Trade and other payables	(6,040)
Provision for employee benefits	(6,423)
Provision for tax	(48)
	<u>1,239,281</u>
Less: Discount on acquisition	(919,281)
Net assets acquired	<u>320,000</u>

**19. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)**

On 20 July 2010 ECSI issued 3,355,555 shares at 1.8 cents raising \$60,400 in additional equity, to provide additional working capital for proposed acquisitions.

On 9 August 2010 ECSI announced it had entered into an agreement subject to due diligence to acquire the Qitaihe Coking Facility for a total price of \$16 million. As part of the transaction ECSI has entered into an agreement to purchase Alphacoal Capital Pty Ltd for \$2 million consisting of a refundable deposit of \$1 million paid with a further \$1 million due in 18 months. The transaction is subject to satisfactory completion of due diligence by 23 September 2010.

On 31 August 2010 ECSI issued 6,972,223 shares at 1.8 cents raising \$125,500 in additional equity to provide additional working capital for proposed acquisitions.

Other than the above listed transactions, there have been no events subsequent to the end of the reporting period that would have a material impact on these financial statements for the year ended 30 June 2010.

**20. COMPANY DETAILS**

The registered address and principal place of business of the company is:

C/- Level 2, 145 Flinders Lane, Melbourne Vic 3000

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## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 10 to 27, are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standards and Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board



**Graeme A. Green**  
**Director**  
**Melbourne**  
**31 August 2010**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ECSI LIMITED**

ABN 68 004 240 313

***Report on the Financial Report***

We have audited the accompanying financial report of ECSI Limited (the "company"), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ("IFRS") ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

**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. These Auditing 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 judgment, 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 and fair presentation of the financial report 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.

**Independence**

In conducting our audit, we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ECSI LIMITED**

ABN 68 004 240 313 (Continued)

**Auditor's Opinion**

In our opinion:

- a) the financial report of ECSI Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Emphasis of Matter**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in note 19 *Business Combination after Balance Date*, there is a significant uncertainty as to whether or not the provisional values of assets and liabilities disclosed in the note to the financial statements, determined in accordance with the generally accepted accounting principles of the People's Republic of China, which are significantly different from the accounting policies set out in note 1 to the accounts, approximate their fair values as at acquisition date.

When the company finalises its business combinations accounting for the acquisition (within a year from the acquisition date of 16 July 2010) it is possible that the amounts acquired will not be comparable to the amounts represented in this subsequent event note disclosure.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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.

**Auditor's Opinion**

In our opinion the Remuneration Report of ECSI Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

**Hugh D. Paton**

Director

William Buck Audit (VIC) Pty Ltd

ABN 59 116 151 136

Dated in Melbourne, Australia on this 31<sup>st</sup> day of August 2010

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## Additional Information

### (a) Distribution of equity securities at 31 August 2010

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

	Ordinary Shares	
	Number of holders	Number of shares
1 - 1,000	28	22,278
1,001 - 5,000	247	800,818
5,001 - 10,000	123	1,061,512
10,001 - 100,000	442	18,798,312
100,001 and over	271	413,881,244
	<b>1,111</b>	<b>434,564,164</b>

### (b) Twenty largest shareholders at 31 August 2010

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

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Mr James Edward Green <The Jim Green Super Fund A/C>	56,344,730	12.966
2 Mr Graeme Allan Green <The Graeme Green S/F A/C>	34,918,929	8.035
3 ROCZ Pty Ltd	30,340,000	6.982
4 Xiao Bing Lu	16,000,000	3.682
5 Mrs Jean Percy	15,000,000	3.452
6 Dalian Develop Zone Guang Shun Economical Trade Co Ltd	11,709,603	2.695
7 Jin Xin International Pty Ltd	11,111,111	2.557
8 Wu Hua Auction Company Limited	10,000,000	2.301
9 Liao Ning Construction Group Ltd	10,000,000	2.301
10 Garang Pty Ltd	9,822,222	2.260
11 Mrs Enea Stella & Mr Tony Stella <AM & EM Stella Ben Fund A/C>	7,894,121	1.817
12 Mrs Lihua Zhang	6,666,667	1.534
13 Veslex Pty Ltd	6,480,000	1.491
14 Ms Jenny Jia Meng	5,555,556	1.278
15 S Ng Pty Ltd <Super Fund A/C>	5,555,555	1.278
16 Mr Tony Stella & Mrs Enea Stella <Am & Ea Stella Benefit A/C>	5,505,038	1.267
17 Dr Hock Poh Tan & Mrs Rosalind Tan <Dr Hock Poh Tan Super A/C>	5,055,555	1.163
18 Securities International Limited	5,000,000	1.151
19 Mr Mal Weston	4,387,366	1.010
20 Kui Du	4,000,000	0.920
	<b>261,346,453</b>	<b>60.140</b>

### (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
Mr James Edward Green <The Jim Green Super Fund A/C>	56,344,730
Mr Graeme Allan Green <The Graeme Green S/F A/C>	34,918,929
ROCZ Pty Ltd	30,340,000

### (d) Restricted securities - There are no restricted securities on issue.

### (e) Voting rights

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company. The options carry no voting rights until redeemed into ordinary shares of the company.

(f) **Distribution of options at 31 August 2010**

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

	Options	
	Number of holders	Number of options
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	1	40,889
100,001 and over	66	130,647,999
	<b>67</b>	<b>130,688,888</b>

(g) **Twenty largest option holders at 31 August 2010**

The names of the twenty largest holders of unquoted options are:

	Unlisted Options	
	Number of Options	Percentage of Options
1 Jin Xin International Pty Ltd	11,111,111	8.502
2 Garang Pty Ltd	9,722,222	7.439
3 Dr Hock Poh Tan & Mrs Rosalind Tan <Dr Hock Poh Tan Super A/C>	8,888,888	6.802
4 Ontex Holding Limited	6,666,667	5.101
5 Mrs. Lihua Zhang	6,666,667	5.101
6 Ms. Jenny Jia Meng	5,555,556	4.251
7 S Ng Pty Ltd <Super Fund A/C>	5,555,555	4.251
8 Hock Poh Tan & Rosalind Tan	3,888,888	2.976
9 Mr. Peter Gebhardt & Mrs. Carlene Gebhardt <Petard Super Fund A/C>	3,000,000	2.296
10 Sa Capital Funds Management Limited <Sacfm No 1 Fund A/C>	3,000,000	2.296
11 Mr Colin Ludwig	3,000,000	2.296
12 Firikami Pty Ltd	3,000,000	2.296
13 Dellta Pty Ltd <SIsd A/C>	2,800,000	2.142
14 Faroc Investments Pty Ltd	2,800,000	2.142
15 Leuchter Investments Pty Ltd <The Leuchter Family A/C>	2,777,778	2.125
16 Chu Teoh	2,777,778	2.125
17 Australian Trade Access Pty Ltd <Ata Super Fund A/C>	2,000,000	1.530
18 Mr. Danny Mai	2,000,000	1.530
19 Gregory J Wood & Associates Pty Ltd	2,000,000	1.530
20 Ks Capital Pty Ltd	2,000,000	1.530
	<b>89,211,110</b>	<b>68.261</b>

Options entitle their holder to one vote, either in person or by proxy, at a meeting of the company on the issue of options only.

The options carry no voting rights until redeemed into ordinary shares of the company.

# Corporate Governance Statement

## 1. Our approach to corporate governance

### 1a) Framework and approach to corporate governance and responsibility

The Board of ECSI Limited ('ECSI') is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the company's everyday activities – values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board's approach has been to be guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements.

The Corporate Governance statement has been updated to reflect the revised Principles and Recommendations required to be used in Annual Reports for the 1 July 2009 to 30 June 2010 Financial Year.

### 1b) Compliance with the ASX Corporate Governance Principles and Recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations in the reporting period.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

This Governance Statement describes ECSI's governance practices and notes where they do not comply with the ASX Corporate Governance Principles and Recommendations.

## 2. Date of this statement

This statement reflects our corporate governance policies and procedures as at 30 June 2010.

## 3. The Board of Directors

### 3a) Membership and expertise of the Board

The Board has a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, with details of individual Director's backgrounds, is set out in the Directors Report on pages 2 & 3.

*ASX Corporate Governance Principles and Recommendations: 2.5, 2.6*

### 3b) Board role and responsibility

The Board is accountable to shareholders for ECSI's performance.

In summary, the Board's responsibilities include:

- providing strategic direction and approving corporate strategic initiatives;
- planning for Board and executive succession;
- selecting and evaluating future Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO");
- setting CEO and Director remuneration within shareholder approved limits;
- approving budget and monitoring management and financial performance;
- considering and approving Annual Financial Report (including the Directors' Declaration) and the interim and final financial statements);
- approving ECSI's risk management strategy, monitoring its effectiveness and maintaining a direct and ongoing dialogue with ECSI's auditors and regulators; and
- considering and reviewing the social and ethical impact of ECSI's activities, setting standards for social and ethical practices and monitoring compliance with ECSI's social responsibility policies and practices.

## Corporate Governance (continued)

### 3. The Board of Directors (continued)

#### 3b) Board role and responsibility (continued)

The Board would normally delegate to management responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing ECSI's annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget; and
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board.

However the current circumstances require all these functions to be exercised by the Board Members or the Company Secretary. The company does not currently have a performance evaluation method due to the current size and limited nature of operations.

*ASX Corporate Governance Principles and Recommendations: 1.1, 1.2, 1.3, 2.5*

#### 3c) Board size and composition

The Board determines its size and composition, subject to the limits imposed by ECSI's Constitution. The Constitution requires a minimum of three and a maximum of 10 Directors. In addition, at least two of the Directors shall ordinarily reside within Australia. Currently the Board consists of three directors, two of which are Australian residents.

#### 3d) The selection and role of the Chairman

The Chairman is selected by the Board from the Non-executive Directors.

The Chairman's role includes:

- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring that, when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities;
- ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of Board Directors.

The company does not currently comply with the requirement that the Chairman be an independent director, as he is a substantial shareholder. However, the current Chairman, James ("Jim") Green is a non-executive Director, appointed 26 October 2001, and the board believes that it is appropriate given his skills and experience and the size and structure of the board.

ECSI complies with the requirement that the roles of Chairman and CEO be separate, with Graeme Allan Green as the company's CEO.

*ASX Corporate Governance Principles and Recommendations: 2.2, 2.3*

#### 3e) Directors' independence

The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if 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. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. In assessing independence, the Board considers whether the Director has a business or other relationship with ECSI, either directly, or as a partner, shareholder or officer of a company or other entity that has an interest, or a business or other relationship, with ECSI or another ECSI group member. Dr ('Ben') Huang Xu is an independent director in accord with this definition of independence.

## Corporate Governance (continued)

### 3. The Board of Directors (continued)

As both James Green (non-executive Chairman) & Graeme Green (CEO) are related (brothers) and substantial shareholders, they are not considered to be independent. Consequently the board does not have a majority of independent directors and does not comply with the requirement to have a majority of independent directors. Notwithstanding this, the board believes that its current composition of directors is appropriate for ECSI, given the skills and experience of the directors.

*ASX Corporate Governance Principles and Recommendations: 2.1, 2.5, 2.6*

#### **3f) Avoidance of conflicts of interest by a Director**

In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

#### **3g) Meetings of the Board and their conduct**

The Board meets formally at least four times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. This year the full Board has met 4 times. The Chairman and the Company Secretary establish meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year. The Directors and Company Secretary also maintain informal communications via email and phone.

#### **3h) Succession planning**

The Board plans succession of its own members taking into account the skills, experience and expertise required and currently represented, and ECSI's future direction. The Board is also responsible for CEO and CFO succession planning.

#### **3i) Review of Board performance**

The Board does not formally review its overall performance or the performance of individual Directors. The performance of non-executive Directors (including the Chairman) is not subject to any formal review process due to the current size of the board.

ECSI does not comply with ASX recommendations on this issue.

*ASX Corporate Governance Principles and Recommendations: 2.5, 2.6*

#### **3j) Nomination and appointment of new Directors**

Recommendations for nominations of new Directors are made by the Board as a whole. Those nominated are assessed by the Board against a range of criteria including background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities. If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election. It does not comply with the requirement to have a Nomination Committee. This is due to the current size of the board – 3 members – the Board does not consider there is any advantage to shareholders in creating a Nomination Committee in a Board consisting of 3 Directors.

*ASX Corporate Governance Principles and Recommendations: 2.4, 2.5, 2.6*

#### **3k) Retirement and re-election of Directors**

ECSI's Constitution states that one-third of our Directors must retire each year. The maximum time that each Director can serve in any single term is three years. Any Director who has been appointed during the year must retire at the next annual general meeting. Eligible Directors who retire each year may offer themselves for re-election by shareholders at the next annual general meeting.

#### **3l) Compulsory retirement of Directors**

The Board has no limit on the number of terms of office which any Director may serve.

#### **3m) Board access to information and advice**

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports. ECSI Limited Company Secretary provides Directors with ongoing guidance on issues such as corporate governance, ECSI's Constitution and the law. The Board collectively, and each Director individually, has the right to seek independent professional advice at ECSI's expense to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

*ASX Corporate Governance Principles and Recommendations: 2.5, 2.6*

## Corporate Governance (continued)

### 3. The Board of Directors (continued)

#### 3n) Securities Trading Policy

Directors and employees are subject to the Corporations Act restrictions on trading securities in the Company if they are in possession of inside information. This is regarded as any information that is non-public and, if it were public that a reasonable person would expect to have a material effect on the price of the Company's securities.

In addition, the company has established a policy on the trading in ECSI's securities, which applies to all Directors and employees. Key aspects of this policy are as follows:

- Directors and employees are encouraged to be long-term holders of the company's securities and are discouraged from any short-term trading;
- Directors and employees may trade shares for 4 weeks following announcement of the annual results, half-year results and the annual general meeting, provided the market has been fully informed. However a trading embargo of 2 days applies immediately after any significant announcement;
- Directors and employees need to ensure that the market is fully informed before they trade and to protect themselves should discuss the intended share trading with the Chairman or Company Secretary;
- Trading outside of the four-week period is required to be approved by the Chairman, prior to any transaction occurring. Generally, if the market is fully informed, the approval will be granted.
- Directors are required to notify the Company Secretary within 2 days of a change in their beneficial interest in the company's shares.
- Directors interest in the companies securities have not changed materially in the last 24 months.

*ASX Corporate Governance Principles and Recommendations: 3.2, 3.3*

### 3. Board committees

#### 4a) Board committees and membership

There are currently no Board Committees. ECSI does not comply with ASX recommendations on Board committees as ECSI's current board size (a total of 3 Directors) and the limited number of independent Directors does not allow for separate Board Committees to be effective or to add value. All issues are considered by all the Directors, unless a Director is unable to exercise independence.

*ASX Corporate Governance Principles and Recommendations: 2.4, 4.1, 4.2, 4.3, 4.4, 4.5, 8.1, 8.3*

#### 4b) Audit Committee

ECSI does not have an Audit Committee and it does not comply with the respective recommendations regarding Audit Committees for the reasons outlined above.

*ASX Corporate Governance Principles and Recommendations: 4.1, 4.2, 4.3, 4.4, 4.5*

#### 4c) Board Risk Oversight Committee

ECSI does not have a Board Risk Oversight Committee and it does not comply with this recommendation for the reasons outlined above.

*ASX Corporate Governance Principles and Recommendations: 7.1, 7.3*

#### 4d) Board Nominations Committee

ECSI does not have a Board Nominations Committee and any appointment would be considered by all directors. It does not comply with this recommendation for the reasons outlined above.

*ASX Corporate Governance Principles and Recommendations: 2.4, 2.5*

#### 4e) Board Remuneration Committee

ECSI does not have a Board Remuneration Committee and does not comply with ASX recommendations on this issue for the reasons outlined above.

Directors have been paid a fixed remuneration in the past, however currently no director's fees are being paid or are being accrued. Directors would in past years have been paid a directors fee for attending Board Meetings, as well as being able to claim for out-of-pocket expenses and any time spent on special issues.

## Corporate Governance (continued)

### 4. Board committees (continued)

ECSI remuneration principle is that payments to non-executive Directors (as detailed in the Financial Statements) are fixed remuneration, reimbursement of expenses and time spent on specific issues. The executive Directors are paid for their executive duties at a negotiated rate in line with their qualifications and experience. Full details regarding remuneration are contained in the audited Remuneration Report in the Director's Statement of the Annual Report.

*ASX Corporate Governance Principles and Recommendations: 8.1, 8.2, 8.3.*

### 4. Audit governance and independence

#### 5a) Approach to audit governance

The Board is committed to these basic principles:

- ECSI must produce true and fair financial reports; and
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies.

#### 5b) Engagement and rotation of external auditor

ECSI's independent external auditor is Anderson Roscoe.

#### 5c) Discussions with external auditor on independence

The Board requires the external auditor to confirm that they have maintained their independence.

#### 5d) Relationship with external auditor

ECSI's current policies on employment and other relationships with our external auditor are:

- the audit partners and any audit firm employee on the ECSI audit are prohibited from being an officer of ECSI;
- an immediate family member of an audit partner or any audit firm employee on the ECSI audit is prohibited from being a Director or an officer in a significant position at ECSI;
- a former audit firm partner or employee on the ECSI audit is prohibited from becoming a Director or officer in a significant position at ECSI for at least five years and after the five years, can have no continuing financial relationship with the audit firm;
- members of the audit team and firm are prohibited from having a business relationship with ECSI or any officer of ECSI unless the relationship is clearly insignificant to both parties;
- the audit firm, its partners, its employees on the ECSI audit and their immediate family members are prohibited from having a direct or material indirect investment in ECSI;
- officers of ECSI are prohibited from receiving any remuneration from the audit firm;
- the audit firm is prohibited from having a financial interest in any entity with a controlling interest in ECSI; and
- the audit firm engagement team in any given year cannot include a person who had been an officer of ECSI during that year.

#### 5e) Restrictions on non-audit services by the external auditor

The external auditor is not restricted in the provision of non-audit services to ECSI except as required by the Corporations Act or the ASX Listing Rules.

#### 5f) Attendance at Annual General Meeting

ECSI's external auditor attends the annual general meeting and is available to answer shareholder questions.

### 6. Controlling and managing risk

#### 6a) Approach to risk management

Taking and managing risk are central to business and to building shareholder value. ECSI's approach is to identify, assess and control the risks which affect its business. The intention is to enable risks to be balanced against appropriate rewards. The risk management approach links ECSI's vision and values, objectives and strategies, and procedures and training. Due to the current size of the Company and its limited operations it is not appropriate to maintain a formal risk management structure.

*ASX Corporate Governance Principles and Recommendations: 7.1*

## Corporate Governance (continued)

### 6. Controlling and managing risk (continued)

#### 6b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing ECSI's risk management strategy and policy. The Company Secretary is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of ECSI's activities.

ECSI does not comply with ASX recommendations on these issues as it does not have a formal verifiable system of risk management or any employees to implement such a system as it does not view this to be appropriate at the current time. It relies on the oversight of the Directors and the Company Secretary, together with the periodic verification of the external auditor.

#### 6c) Company Secretarial assurance

The Board receives periodic reports about the financial condition and operational results of ECSI. The CEO & the CFO periodically provide formal statements to the Board that in all material respects:

- the company's periodic financial statements present a true and fair view of ECSI's financial condition and operational results for those reporting periods, and
- that risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

*ASX Corporate Governance Principles and Recommendations: 7.1, 7.2, 7.3, 7.4*

### 7. Remuneration framework

#### 7a) Overview

Director's remuneration is approved and fixed by shareholders. ECSI does not currently pay its Directors and Company Secretary a fixed remuneration. These Officers can claim reimbursement of out-of-pocket expenses incurred on behalf of ECSI and time spent on specific issues. The Company Secretary is paid for all his time on an hourly basis.

#### 7 b) Officers Share Options

There are no Officers Share Options (OSO) granted over un-issued shares to directors or executives as part of their remuneration. The issue of any options would require approval by Shareholders.

Officers Share Options are designed to:

- further align the interests of officers and shareholders; and
- motivate officers to drive growth over the long-term for sustainable shareholder value.

*ASX Corporate Governance Principles and Recommendations: 8.1, 8.2, 8.3*

### 8. Corporate responsibility and sustainability

#### 8a) ECSI's approach to corporate responsibility and sustainability

ECSI's aim is to manage its business in a way that produces positive outcomes for all stakeholders and maximises economic, social and environmental value simultaneously. In doing so, ECSI accepts that the responsibilities flowing from this go beyond both strict legal obligations and just the financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin our everyday activities and corporate responsibility practices.

*ASX Corporate Governance Principles and Recommendations: 3.1*

#### 8b) ECSI's Code of Conduct

ECSI's currently does not have in operation a formally adopted Code of Conduct that applies to all Directors, executives and employees without exception. The intension of such a Code is to govern workplace and human resource practices, risk management and legal compliance, and ensure alignment to the Shareholders interests.

The Directors of ECSI's believe their core values of teamwork, integrity and performance ensure ethical outcomes and the alignment of the shareholders and Boards interests.

The ASX recommendations require that the Code of Conduct is reviewed periodically, specifically to reflect the ASX Corporate Governance Principles and Recommendations.

## Corporate Governance (continued)

### 8. Corporate responsibility and sustainability (continued)

ECSI does not comply with ASX recommendations on this issue as the Board does not believe that a formal Code of Conduct is appropriate for the company at the current time. The Board however, endeavours to act ethically at all times, in line with its obligations under the Corporations Act and the ASX Listing Rules.

*ASX Corporate Governance Principles and Recommendations: 3.1, 3.3*

#### **8c) Insider trading policy and trading in ECSI shares**

Both Directors and employees of a Corporation are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company (including ECSI), if they are in possession of inside information. Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the company.

*ASX Corporate Governance Principles and Recommendations: 3.2, 3.3*

#### **8d) Market disclosure policy and practices**

The Company Secretary has responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

ECSI is committed to giving all shareholders comprehensive and equal access to information about our activities, and to fulfil continuous disclosure obligations to the broader market. ECSI policy is designed to ensure compliance with ASX Listing Rules continuous disclosure requirements. It ensures any information that a reasonable person would expect to have a material effect on the price of ECSI's securities is disclosed.

ECSI currently does not maintain its own web site and relies on communication in this medium on the ASX Company Announcements platform carrying all the relevant information. In this respect it does not comply with Principle 6, but as all information it would carry on a Company web-site is carried on the ASX site it does not believe its stakeholders are disadvantaged.

*ASX Corporate Governance Principles and Recommendations: 5.1, 5.2, 6.1, 6.2*