



ENERGY ONE LIMITED

ABN 37 076 583 018

**APPENDIX 4E
for the year ended 30 June 2018**

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Reporting Period

Previous Reporting Period

for the year ended 30 June 2018

for the year ended 30 June 2017

Results for announcement to the market	2018	2017	Change
	\$	\$	%
Revenue and other income	9,926,946	6,116,698	62%
EBITDA *	2,500,205	1,414,847	77%
Profit before income tax	1,718,412	749,967	129%
Profit from ordinary activities after tax attributable to members	1,040,343	307,326	239%
Profit attributable to members	1,040,343	307,326	239%
Net tangible asset backing per ordinary share shown in cents **	14.86	9.83	51%

* Before acquisition and related costs in FY2017 of \$217k
 ** NTA includes software development used to generate income and excludes deferred tax assets

Dividends	Amount per ordinary share	Franked Amount per ordinary share
Dividend (declared, not provided at 30 June 2018)	2.00 Cents	0.00 Cents
The record date for the dividend will be 28 September 2018. The payment date for the dividend will be 26 October 2018.		
Dividend paid during the year	1.00 Cents	0.00 Cents
The record date for the dividend was 29 September 2017. The payment date for the dividend was 27 October 2017.		
There was no other dividend paid or declared for the year ended 30 June 2018.		
<i>Dividend Reinvestment Plan</i>		
Energy One Limited (EOL) has a Dividend Reinvestment Plan (DRP) allowing eligible shareholders to reinvest their dividends into EOL shares. The terms and conditions of the DRP has been distributed to all eligible shareholders.		
The DRP provides eligible shareholders with the opportunity to elect to take all or part of their dividends in the form of new shares issued in accordance with the DRP plan rules. Shares are provided under the plan free of brokerage and other transaction costs and will rank equally with all other ordinary shares on issue.		
The DRP will apply to dividends declared including the 2018 final dividend declared above. DRP Applications or notices received after 5.00pm (Sydney time) on 26 September 2018 will not be effective for payment of this final dividend but will be effective for any future dividend payments.		
The DRP price for the final dividend will be equal to the arithmetic average of the daily volume weighted average market price (rounded to the nearest cent) of all shares sold through a normal trade on the ASX automated trading system during the DRP price determination period for this dividend, being 20 August to 24 August 2018 (inclusive). If there are no share trades in the period the the DRP price will be the last traded price. The Board's reserves the right to set the DRP price at its sole discretion.		

Reporting Period
Previous Reporting Period

for the year ended 30 June 2018
for the year ended 30 June 2017

Commentary

Please refer to the attached Chief Executive Officer's Report and consolidated financial statements for the year ended 30 June 2018.

Other information

Control gained over entities having a material effect

N/A

Loss of control over entities having a material effect

N/A

Details of associates and joint venture entities

Please refer to the 30 June 2018 Financial Statements for details.

Audit Status

This report is based on accounts that have been audited.

Attachments

Further disclosure requirements can be found in the notes to the attached 30 June 2018 Financial Statements.

Shaun Ankers - Chief Executive Officer

17 August 2018

Chief Executive Officer's Report

I am pleased to report that FY18 was another profitable year for Energy One, with Revenue up 62% on last year; EBITDA up 77% and net profit before tax up 129% over the prior year.

This result includes the two successful acquisitions made during FY17, with both businesses complementing our existing products and services. For the year, the combined Group net profit after tax (NPAT) was \$1,040,343, up 239% on the FY17 result.

The Company's net assets increased by \$1,279,234 compared to the prior year. As of 30 June 2018 the Group's cash position of \$727,856 has increased by \$365,289 from FY17, and debt has decreased \$1,749,879.

Both the pypIT and Creative Analytics acquisitions were successfully integrated into the broader business enhancing not only our product offerings and expertise but also our delivery performance. This was achieved without any significant disruption to the products or operations, and without the loss of customers. Furthermore, opportunities for synergistic growth are now being realised via our ability to offer broader combined solutions (cross-selling) to our customers.

The FY18 result is the outcome of our diversification strategy and innovation in prior years. It also favourably positions us to pursue opportunities both here and abroad – via both organic growth and strategic acquisitions.

Domestic Business Review and Outlook

Energy One offers specialist software and services to the highly complex energy trading market. We offer a range of product solutions within a 'suite' of products to meet the wide and varied needs of energy traders, generators, retailers and users of bulk energy.

As the premier supplier of Energy Trading and Risk Management (ETRM) systems in Australia we are confident that our ongoing sales and marketing effort will result in new sales in FY19. During FY18, we acquired new customers. Our SimEnergy product has been of notable appeal to start-ups and new entrants in the energy market winning five new customers. We will continue to serve the rapidly changing market by providing software solutions to these new generators and retailers. The effects of cross-selling, upgrades and enhancements saw our installed customer base expand to over 95 installations during the year.

We experienced some churn during the year losing 4 customers. These losses all related to customers exiting the market and were minor installations, minimising their overall financial impact. At the small end of the market servicing start-ups we expect to experience similar ongoing churn. However project timings aside, we expect overall growth to exceed any churn, as it did this year.

We continue to make good progress winning large customers in our local market. At this time, the Company is confident of securing further medium to large, domestic ETRM projects in FY19, as well as some new smaller customers and ongoing work from existing customers.

Pleasingly over the last few years the company has managed to diversify not only its customer base but also its product range. At the smaller end of the market customers tend to be fast moving and less prone to procurement-related delays. This balances well with our larger, periodic projects allowing us to better manage and assign resources where required.

In FY18 80% of our revenue was recurring revenue. This is at the higher end of the range and we would typically expect going forward that 20-30% of revenue will be project related and subject to variables such as customer procurement, capex cycles and associated timing fluctuations. Project-related revenue should still be regarded as positive because it generates recurring revenue from license or support fees and typically comes from larger customers.

Chief Executive Officer's Report (continued)

In the year ahead, Energy One will continue to market its products and services to domestic energy companies focusing on opportunities to provide existing customers with new innovative solutions. Being able to deal with a single software vendor for trading, analytics and operations provides our customers with substantial productivity gains.

The energy market is changing rapidly through growth in new generation technology such as solar, battery storage and demand-side management. Our ability to adapt existing software will facilitate the accelerated market penetration of these new technologies.

Of note are the changes in the bulk gas market, with the impending move to a capacity trading mechanism in late 2018 (or possibly 2019). This mechanism will allow gas customers to trade un-allocated gas capacity with the objective of bringing greater efficiencies to the gas market. Energy One's products are well placed to enable both pipeliners and gas customers to meet the new requirements and market rules, which will be an area of focus for pypIT in the year ahead.

Furthermore, there are changes (foreshadowed for 2020) in the national electricity market, with the settlements period changing from the current 30-minute interval, to a more granular 5-minute interval. This change has been brought about by the need to incentivise investment and enable fast-start generation facilities such as large-scale battery storage. For all market participants, this means a 6-fold increase in the amount of trading data and complexity required to capture and settle contracts as well as trading in the physical spot market. EOL is well placed to provide solutions for customers and is already adapting the current software ahead of the change.

As reported last year, steady and continued migration towards hosted and software as-a-service type offerings continues, albeit slower at the large end of the market, where structural change is more complex. During the year, we completed a migration of a major customer over to a 'private cloud' deployment and we expect further migrations in the year ahead. Our product range is ideally suited for being managed as-a-service with the software performing complex trading operations in many instances. A specialist vendor (such as Energy One) with a detailed understanding of the clients' requirements and operating environment is better equipped to provide such services versus generic IT service providers.

In this regard, Energy One offers both a full-service, private cloud managed service for large clients and pure SaaS offerings for smaller clients. NemSight is a good example of this, with customers using the powerful analytics software without having to conduct a large installation or data migration project.

EnergyFlow continues to gain momentum in local markets, as customers see value in the opportunity to automate complex and time-consuming spreadsheets. In the past year, we undertook two projects for EnergyFlow and expect a similar outlook ahead as major energy companies continue to automate various aspects of their trading operations.

In addition, we expect to complete the two projects (highlighted earlier) for our large ETRM product, as well as winning new customers and upgrades for other packages. Projects for upgrades to the new 5-minute market will likely be forthcoming in 2019 or early 2020.

International business

In the year ahead, we plan to build upon the opportunities we have created both here and overseas. This means continuing to adapt and sell some products for overseas markets. This investment will see modest increase in headcount (currently ~45). Having said that, we continue to manage our cost base prudently ensuring any additional expenditure is in context of the potential opportunity.

Our Company is largely based around customers in Australia where we have the largest market share in ETRM systems. However, the Company has also recently acquired its first UK customer (a modest sale to a multi-national energy company) for our EnergyFlow product and is experiencing good interest, with proof-of-concepts and trials currently being performed. While this is promising it is still exploratory, and not financially material to the year ahead. Nonetheless, the EnergyFlow system has proved to be entirely appropriate to UK/EU markets and we anticipate further modest sales in the year ahead. We have been actively seeking to work with established partners in those markets as a cost-effective means of gaining traction off-shore. We have appointed a UK partner and have a relationship with a German partner. Talks are underway with a potential partner in the U.S.A.

The Company will continue to make modest investments in overseas marketing (based upon tangible progress and an expectation of returns) principally via the use of partner networks. These channels may also be augmented by an acquisition of existing businesses in those geographies, where appropriate.

Looking forward to the year ahead

The Energy One group is Australia's leading supplier of energy trading software. With a broad customer base, established brands and sound financials. The Company is keen (and has a good springboard) to build upon its local achievements through potential expansion into other products and markets.

We are in our second year of consolidating our recent acquisitions and we are looking to further leveraging our wholesale suite of offerings and to take advantage of structural market changes that are occurring. In addition to this organic growth, the Company actively seeks strategic growth through acquisitions and other strategic relationships in local and overseas markets and an acquisition of a highly complementary business (domestic or abroad) is part of our strategy to expand our operations.

We expect our core business to deliver continued profitability on a business-as-usual basis leaving aside any changes related to additional project wins or strategic acquisitions that may be forthcoming.

In closing, I would like to thank the Directors, our management team and all employees for their effort and commitment during this year. We look forward to another prosperous year ahead.

Shaun Ankers



**Consolidated Preliminary Financial Statements
for the year ended 30 June 2018**

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June, 2018

		Consolidated Group	
		2018	2017
	Note	\$	\$
Revenue and other income			
Revenue	2	9,299,107	5,428,921
Other income	2	627,839	687,777
		<u>9,926,946</u>	<u>6,116,698</u>
Expenses			
Direct project costs		(257,392)	(58,866)
Employee benefits expense	3	(4,964,443)	(3,065,400)
Depreciation and amortisation expense	3	(772,052)	(512,894)
Rental expenses on operating leases		(262,780)	(214,667)
Consulting expenses		(612,721)	(401,570)
Insurance		(93,996)	(70,954)
Accounting fees		(92,955)	(77,971)
Finance costs	3	(54,398)	(3,699)
Acquisition and related expenses		0	(217,056)
Overseas marketing and research costs		(157,134)	(136,197)
Other expenses		(940,663)	(607,457)
		<u>(8,208,534)</u>	<u>(5,366,731)</u>
Profit before income tax		<u>1,718,412</u>	<u>749,967</u>
Income tax expense	4	(678,069)	(442,641)
Profit after income tax attributable to owners of the parent entity		<u>1,040,343</u>	<u>307,326</u>
Other comprehensive income		<u>0</u>	<u>0</u>
Total comprehensive profit attributable to members of the parent entity		<u>1,040,343</u>	<u>307,326</u>
Basic earnings per share (cents per share)	7	<u>5.16</u>	<u>1.63</u>
Diluted earnings per share (cents per share)	7	<u>5.07</u>	<u>1.62</u>

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

Consolidated Statement of Financial Position

as at 30 June, 2018

		Consolidated Group	
		2018	2017
	Note	\$	\$
Current Assets			
Cash and cash equivalents	8	727,856	362,567
Trade and other receivables	9	1,828,785	2,867,204
Other assets	10	176,650	227,021
Total Current Assets		2,733,291	3,456,792
Non-Current Assets			
Trade and other receivables	9	323,602	426,757
Property, plant and equipment	11	523,989	429,442
Software development	12	5,064,637	4,661,594
Intangible assets	13	3,474,742	3,454,147
Other assets	10	146,672	220,653
Deferred tax asset	4	597,271	420,949
Total non Current Assets		10,130,913	9,613,542
Total Assets		12,864,204	13,070,334
Current Liabilities			
Trade and other payables	14	1,034,650	1,289,847
Borrowings	15	121	399,300
Income tax payable		801,771	588,156
Deferred revenue	17	2,124,630	2,027,073
Provisions	16	363,380	248,539
Total Current Liabilities		4,324,552	4,552,915
Non-Current Liabilities			
Trade and other payables	14	211,474	244,856
Borrowings	15	0	1,350,700
Deferred revenue	17	1,113,215	998,682
Provisions	16	120,849	108,301
Total Non Current Liabilities		1,445,538	2,702,539
Total Liabilities		5,770,090	7,255,454
Net Assets		7,094,114	5,814,880
Equity			
Contributed equity	18	9,242,736	8,956,381
Reserves	19	211,139	59,608
Accumulated losses		(2,359,761)	(3,201,109)
Total Equity		7,094,114	5,814,880

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

Consolidated Statement of Changes in Equity

for the year ended 30 June, 2018

	Note	Consolidated Group			Total
		Contributed Equity	Share Based Payments Reserve	Accumulated Losses	
		\$	\$	\$	\$
Balance as at 1 July 2016		8,519,309	118,818	(3,323,238)	5,314,889
Total comprehensive profit for the year		0	0	307,326	307,326
Transactions with owners in their capacity as owners:					
Share issues		313,996	0	0	313,996
Share based payments		0	63,866	0	63,866
Shares vesting		123,076	(123,076)	0	0
Dividends paid	6	0	0	(185,197)	(185,197)
Balance at 30 June 2017		8,956,381	59,608	(3,201,109)	5,814,880
Total comprehensive profit for the year		0	0	1,040,343	1,040,343
Transactions with owners in their capacity as owners:					
Share issues		200,909	0	0	200,909
Share based payments		21,996	214,981	0	236,976
Shares vesting		63,450	(63,450)	0	0
Dividends paid	6	0	0	(198,995)	(198,995)
Balance at 30 June 2018		9,242,736	211,139	(2,359,761)	7,094,114

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

Consolidated Statement of Cash Flows

for the year ended 30 June, 2018

	Note	Consolidated Group	
		2018	2017
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		11,399,384	5,528,031
Receipts of research and development incentives		814,771	751,291
Payments to suppliers and employees		(8,981,081)	(5,476,485)
Finance costs		(54,398)	(3,699)
Interest received		9,031	27,120
		<u>3,187,707</u>	<u>826,258</u>
Net cash provided by operating activities	8		
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	11	(155,567)	(10,859)
Proceeds from sale of fixed assets		0	3,400
Purchase of intangible assets - patents	13	(15,795)	(859)
Payments for software development costs	12	(1,019,776)	(983,015)
Payments for acquisitions of businesses	22	(150,000)	(3,867,999)
Cash obtained on acquisition of businesses		0	462,829
Net receipts from restricted term deposit - Bank Guarantee		184,308	0
		<u>(1,156,829)</u>	<u>(4,396,503)</u>
Net cash used in investing activities			
Cash Flows from Financing Activities			
Proceeds from borrowings		0	1,750,000
Repayment of borrowings		(1,749,879)	0
Receipts from share issues		152,107	137,073
Payment of dividend		(67,817)	(182,130)
		<u>(1,665,589)</u>	<u>1,704,943</u>
Net cash provided by / (used in) financing activities			
Net increase / (decrease) in cash held		365,289	(1,865,302)
Cash and cash equivalents at beginning of financial year		<u>362,567</u>	<u>2,227,869</u>
Cash and cash equivalents at end of financial year	8	<u>727,856</u>	<u>362,567</u>

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

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 1 Summary of Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the consolidated entity ("the Group") in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

Energy One Limited is a for-profit entity for the purpose of preparing the financial statements.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with all International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant note.

These financial statements have been prepared on an accruals basis under the historical cost convention and are presented in Australian dollars, which is Energy One Limited's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 August 2018. The directors have the power to amend and reissue the financial statements.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Energy One Limited ("company" or "parent entity") as at 30 June 2018 and the results of the subsidiary for the year then ended. Energy One Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

A subsidiary is an entity over which the parent entity has control. The parent entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A subsidiary is fully consolidated from the date on which control is transferred to the parent entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of the subsidiary are consistent with policies adopted by the Group.

(c) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment annually whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(d) Goods and services tax (GST)

Revenues, expenses, liabilities 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 balance sheet are shown inclusive of GST.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 1 Summary of Significant Accounting Policies (continued)

(e) Comparative figures

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

(f) New and amended standards adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current financial reporting period. There has been no material impact of these changes on the Groups' accounting policies.

(g) New accounting standards for application in future periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations are set out below :-

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets); depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components; variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date; by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and additional disclosure requirements. The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The consolidated entity will adopt this standard from 1 July 2019. On adoption, the consolidated entity will be required to capitalise operating lease commitments (as disclosed in Note 21) on the balance sheet. This will result in a non-current asset representing the right-of-use asset inherent in the lease, and the related current and non-current liability associated with the future lease payments. The assets will be valued at the present value of future minimum lease payments and depreciated over the term of the lease.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it creates an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12 month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional disclosures. The Group has both long term and short term trade receivables. When this standard is adopted, the Group's loss allowance on trade receivable should not increase due to the change to an expected credit loss method as there are no current provision for impairments recognised. The change is applied retrospectively, however comparatives need not be retrospectively restated. Instead, the cumulative effect of applying the change for the first time is recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 1 Summary of Significant Accounting Policies (continued)

(g) New accounting standards for application in future periods (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018.

Based on the Group's assessment, license fee revenue will continue to be recognised over time as the customer reasonably expects that the Group will undertake activities that will improve or modify the licence over the term of the license period and that the customers benefit will be directly linked to the entities activities over this term. Support and maintenance services exist over the period of the license or term of the agreement and will be continued to be recognised over time.

In relation to project and implementation services, the customer is considered to control the asset being created or enhanced and the asset does not provide the customer with alternate use. This, combined with an enforceable right to payment for performance completed to date, results in the Group continuing to record revenue over time in accordance with the term of the implementation. This revenue will be continued to be recognised on a stage of completion basis in accordance with the judgements disclosed in Note 2.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Consolidated Group	
	2018	2017
Note	\$	\$
Note 2 Revenue and Other Income		
<i>Revenue from continuing operations</i>		
Licences and related services	<u>9,299,107</u>	<u>5,428,921</u>
<i>Other income</i>		
Interest income	44,657	68,769
Research & development incentive income	583,182	615,608
Proceeds from sale of assets	0	3,400
	<u>627,839</u>	<u>687,777</u>
Total Revenue and other Income	<u>9,926,946</u>	<u>6,116,698</u>

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 2 Revenue and Other Income (continued)

Licences and related services

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of allowances, duties and taxes paid.

Licences and related service revenue is recognised by reference to the individual contracts with customers. The license fee portion of contract revenue is recognised on transferring of significant risks and rewards of ownership of the licensed software under the contract arrangement. The project, implementation, support and services revenue is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. All revenue is stated net of the amount of goods and services tax.

Key Estimates & Judgements - Revenue Recognition

There are two key judgements associated with License and related services revenue as noted above. These are as follows:

- (a) Revenue is recognised at the fair value of consideration received or receivable and there is judgement associated with the expected revenue to be received over the life of a contract with a customer. Management recognise revenue based on the best estimate of expected revenue to be received for individual contracts.
- (b) Project and implementation services provided to customers is determined with reference to the stage of completion of the transaction at reporting date. There is judgement associated with determining the stage of completion of each individual contract with a customer as noted in the accounting policy above.

Interest Income

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Research & development incentive income

The Group, through the continued development of its Software has invested funds in research and development. Under the Research & Development Tax Incentive scheme jointly administered by AusIndustry and the ATO, the Australian Government offers rebates for funds invested in research and development. Government grants relating to development costs capitalised are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. The remaining balance of government grants is directly recognised in the profit or loss.

Key Estimates - Research and development tax incentive

The Group recognises R&D Tax Incentive based on guidelines from the ATO and AusIndustry. Eligible overheads are apportioned to Research and Development based on R&D hours as a percentage of total hours.

	Note	Consolidated Group	
		2018	2017
		\$	\$
Note 3 Expenses			
The consolidated income statement includes the following specific expenses :			
Depreciation and amortisation			
Depreciation - Plant and equipment	11	63,470	40,360
Amortisation - Leasehold improvements	11	86,047	78,770
Amortisation - Software development	12	616,733	386,793
Amortisation - Patents	13	5,299	4,138
Loss / (Gain) on Disposal - Plant & equipment	11	503	2,833
		772,052	512,894
Interest Expense		54,398	3,699

Notes to the Financial Statements

for the year ended 30 June, 2018

		Consolidated Group	
		2018	2017
	Note	\$	\$
Note 3 Expenses (continued)			
Employee benefit expenses			
Superannuation expense		394,597	279,654
Employee option / share plan benefits	28	236,976	77,863
Other employee benefits	(a)	4,332,870	2,707,883
		<u>4,964,443</u>	<u>3,065,400</u>

(a) of the total employee benefit expense, \$723,963 represent expenditures related to research and development activities (2017: \$768,077).

Note 4 Income Tax Expenses

(a)	The components of tax expense comprise:		
	Current tax	835,709	475,555
	Prior year tax adjustment	(7,629)	24,695
	Effect of change in tax rates from 30% to 27.5% on FY17 opening balances	0	(15,995)
	Deferred tax	(150,010)	(41,614)
	Income tax expense	<u>678,069</u>	<u>442,641</u>
(b)	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 27.5%)	472,563	206,241
	Add tax effect of Non-deductible expenses (excluding research & development)	(18,531)	17,123
	Income Tax expense before effect of R&D Incentive and prior period adjustment	<u>454,032</u>	<u>223,364</u>
	Tax effect of R&D incentive	231,665	210,577
	Prior year tax adjustment	(7,629)	24,695
	Effect of change in tax rates from 30% to 27.5% on opening balances	0	(15,995)
	Income tax attributable to entity	<u>678,069</u>	<u>442,641</u>
(c)	Net deferred tax asset :-		
	Opening balance	420,949	191,938
	Charged to income	150,010	(41,614)
	Acquisition	0	259,689
	Prior year tax adjustment	26,312	26,930
	Effect of change in tax rates from 30% to 27.5% on opening balances	0	(15,995)
	Closing balance net deferred tax asset	<u>597,271</u>	<u>420,949</u>
(d)	The Group has no unrecognised accrued tax losses at 30 June 2018 (2017: \$0).		

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the Financial Statements

for the year ended 30 June, 2018

	Consolidated Group	
	2018	2017
Note	\$	\$

Note 4 Income Tax Expenses (continued)

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or directly in equity are also recognised directly in other comprehensive income or directly in equity, respectively.

The Group accounts for R&D incentives as government grants under AASB 120, resulting in the incentive being recognised in the profit or loss and the R&D expenditure treated as a non deductible for tax purposes.

Note 5 Auditor Remuneration

The Auditor of Energy One Limited is BDO East Coast Partnership.

Fees paid or payable for audit services :-

Auditing and reviewing the financial reports	76,000	67,000
Fees paid or payable for other services :-		
Taxation services	14,270	9,550
Other services	7,435	8,671
	<u>97,705</u>	<u>85,221</u>

Note 6 Dividends

Dividends paid during the year

Franking account balance

198,995	185,199
<u>0</u>	<u>0</u>

On 11 August 2016 the Company declared an unfranked dividend of 1 cent per ordinary share (\$185,199). The record date for the dividend was 2 September 2016. The payment date for the dividend was 30 September 2016.

On 22 August 2017 the Company declared an unfranked dividend of 1 cent per ordinary share (\$198,995). The record date for the dividend was 29 September 2017. The payment date for the dividend was 27 October 2017.

On 17 August 2018 the Company declared an unfranked dividend of 2 cents per ordinary share (\$412,716). The record date for the dividend is 28 September 2018. The payment date for the dividend is 26 October 2018.

Note 7 Earnings per Share

Basic EPS	0.0516	0.0163
Diluted EPS	0.0507	0.0162

Earnings used in calculating basic and diluted earnings per share	<u>1,040,343</u>	307,326
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Weighted average number of ordinary shares used in calculating basic earnings per share	<u>20,167,621</u>	18,866,549
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Weighted average number of options and share rights outstanding	<u>338,679</u>	156,709
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Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>20,506,300</u>	19,023,258
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Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any change in earnings per share that may arise from the conversion of options or convertible notes or other quasi equity instruments on issue at financial year end, into shares in the Company at a subsequent date.

There were 843,195 (2017 : 333,333) share rights outstanding at 30 June 2018. 294,926 share rights issued subject to performance provisions being met and are not included in the calculation of diluted earnings per share as the conditions are not yet or unlikely to be satisfied at year end (refer Note 28).

Notes to the Financial Statements

for the year ended 30 June, 2018

	Note	Consolidated Group	
		2018	2017
		\$	\$
Note 8 Cash and Cash Equivalents			
Cash at bank and on hand		727,856	457,607
Short term bank deposits		0	10,387
		727,856	467,994
Bank Overdraft	15	0	(105,427)
Cash and cash equivalents at end of financial year		727,856	362,567

The effective interest rate on short-term bank deposits for the year was 1.91% (2017: 1.88%); these deposits have an average maturity of 240 days. The weighted average effective interest on cash and cash equivalents was 0.51% (2017: 0.93%).

The company has a bank overdraft of \$250,000 of which Nil was drawn (2017: \$105,427) currently at an interest rate of 7.25% (2017: 7.26%). The Group's exposure to interest rate risk is discussed in Note 27.

Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

Profit from ordinary activities after income tax		1,040,343	307,326
Non-cash flows in profit from ordinary activities :			
Depreciation and amortisation		772,052	512,894
Proceeds on sale of assets		0	(3,400)
Employee share rights		(151,531)	(59,210)
Employee benefits		(5,784)	0
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries :			
(Increase)/decrease in trade and other receivables		1,133,737	(714,060)
(Increase)/decrease in other assets		160,697	12,074
(Increase)/decrease in deferred tax assets		(176,322)	30,678
Increase/(decrease) in trade and other payables		(138,579)	160,980
Increase/(decrease) in income tax payable		213,615	1,343
Increase/(decrease) in provisions		127,389	61,575
Increase/(decrease) in deferred income		212,090	516,058
Net cash provided by operating activities		3,187,707	826,258

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash with a maturity of three months or less and are subject to an insignificant risk of changes in value.

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

Cash and Cash Equivalents & Restrictive Cash Deposits

Cash and cash equivalents at end of financial year		727,856	362,567
Restrictive cash deposits held for bank guarantees :			
Other current assets	10	0	110,326
Other non-current assets	10	146,672	220,653
		874,528	693,546

Notes to the Financial Statements

for the year ended 30 June, 2018

	Note	Consolidated Group	
		2018	2017
		\$	\$
Note 9 Trade & Other Receivables			
<i>Current</i>			
Trade receivables		560,415	1,377,979
Accrued income	(a)	542,651	667,761
R&D tax incentive	(b)	724,845	810,409
Other receivables		874	11,055
		1,828,785	2,867,204
<i>Non current</i>			
Accrued income	(a)	323,602	426,757

(a) Accrued Income

Amounts recorded as accrued income represents revenues recorded on projects not invoiced to customers at year end. These amounts have met the revenue recognition criteria but have not reached the payment milestones contracted with customers. Revenue is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

(b) R&D Tax Incentive

The Company is expecting a research and development tax incentive of \$724,845 from the Australian Tax Office for FY18 for the R&D costs incurred in the 2018 financial year (2017: \$810,409). There are no unfulfilled conditions or other contingencies attaching to the tax incentive.

Fair Value, Credit and Interest Rate Risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 27 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables, along with interest risk.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past due but not impaired				Past due and impaired
		Within initial trade terms	31-60 days	61-90 days	>90 days	
2018						
Trade receivables and accrued income	1,426,668	1,361,036	65,632	0	0	0
Other receivables	725,719	725,719	0	0	0	0
Total	2,152,387	2,086,755	65,632	0	0	0
2017						
Trade receivables and accrued income	2,472,497	2,290,821	140,357	33,888	7,431	0
Other receivables	821,464	821,464	0	0	0	0
Total	3,293,961	3,112,285	140,357	33,888	7,431	0

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 9 Trade & Other Receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income. The Directors have not made a provision for impairment of receivables as at 30 June 2018 (2017 : Nil).

	Note	Consolidated Group	
		2018	2017
		\$	\$
Note 10 Other Assets			
<i>Current</i>			
Restricted term deposit		0	110,326
Prepayments and deposits		176,650	116,695
		<u>176,650</u>	<u>227,021</u>
<i>Non current</i>			
Restricted term deposit		146,672	220,653
		<u>146,672</u>	<u>220,653</u>
Note 11 Property, Plant and Equipment			
Plant and equipment at cost		500,844	360,127
Accumulated depreciation		(265,207)	(202,352)
		<u>235,637</u>	<u>157,775</u>
Leasehold improvements at cost		505,842	403,110
Accumulated depreciation		(217,490)	(131,443)
		<u>288,352</u>	<u>271,667</u>
Total property, plant and equipment		<u>523,989</u>	<u>429,442</u>
<i>Movements in Carrying Amounts</i>			
Opening balance		429,442	502,430
Additions - at cost		244,566	10,859
Additions - acquisition		0	38,118
Disposals	3	(503)	(2,833)
Depreciation & amortisation expense	3	(149,517)	(119,132)
Closing balance		<u>523,989</u>	<u>429,442</u>

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 Group and the cost of the item can be measured reliably. All other repairs, maintenance and minor renewals are charged to the income statement during the financial period in which they are incurred.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 11 Property, Plant and Equipment (continued)

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. 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.

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives at 20%-40%.

The cost of improvements to or on leasehold properties are amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are included in the consolidated statement of profit or loss and other comprehensive income.

Note	Consolidated Group	
	2018	2017
	\$	\$
Note 12 Software Development		
Software development - at cost	10,006,964	8,987,189
Software development - accumulated amortisation	(4,942,327)	(4,325,595)
	5,064,637	4,661,594
<i>Movements in Carrying Amounts</i>		
Opening balance	4,661,594	2,373,243
Additions - at cost	1,019,776	983,015
Additions - acquisition	0	1,692,129
Amortisation	(616,733)	(386,793)
Balance as at 30 June 2018	5,064,637	4,661,594

Software development costs are a combination of acquired software and internally generated assets and are carried at cost less accumulated amortisation. These assets are amortised over a period of ten years. The amortisation has been recognised in the statement of profit or loss in the line item "Depreciation and amortisation expense". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Costs incurred in the development of software are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be reliably measured. Development costs have a finite estimated life of ten years and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees time spent on the project.

Please refer to note 13 intangibles assets for impairment evaluation and key estimates and judgements.

Notes to the Financial Statements

for the year ended 30 June, 2018

	Consolidated Group		
	Note	2018 \$	2017 \$
Note 13 Intangible Assets			
Patents and trademarks - at cost		43,462	27,667
Patents and trademarks - Accumulated amortisation		<u>(11,911)</u>	<u>(6,612)</u>
		31,551	21,055
Goodwill		<u>3,443,191</u>	<u>3,433,092</u>
Total Intangible Assets		<u>3,474,742</u>	<u>3,454,147</u>
<i>Movements in Carrying Amounts</i>			
	Patents \$	Goodwill \$	Total \$
Balance as at 1 July 2016	24,334	617,107	641,441
Additions	859	2,815,985	2,816,844
Amortisation	<u>(4,138)</u>	0	<u>(4,138)</u>
Balance as at 30 June 2017	21,055	3,433,092	3,454,147
Additions	15,795	10,099	25,894
Amortisation	(5,299)	0	(5,299)
Balance as at 30 June 2018	31,551	3,443,191	3,474,742

Patents and Trademarks

Patents and trademark costs are costs associated with the lodging, renewal, and maintenance of patents and trademarks and are carried at cost less accumulated amortisation. These intangible assets are amortised over a period of five years. The amortisation has been recognised in the statement of profit or loss in the line item "Depreciation and amortisation expense". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Goodwill

Goodwill represents the excess of the cost of the acquisition of the net assets of an acquired company or business over the fair value of the Group's share of its net identifiable assets at the date of acquisition. Goodwill is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Key judgements and estimates - Recoverability of Intangible Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Goodwill is monitored by management as part of the whole business, which they believe is the only cash-generating-unit. The recoverable amount of the cash-generating-unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow plus a terminal value calculation. The cash flows are prepared applying a discount rate of 10.31% (2017: 11.59%) over a 5 year period and a terminal value calculated on the year five projected cash flow for a further five years at the same discount rate. A period of longer than 5 years has been used by management to better reflect the anticipated lifecycle of current and future licences.

Management has based the value-in-use calculations on budgets. These budgets use estimated and actual sales to project revenue. Costs are calculated taking into account historical gross margins. Discount rates are pre-tax.

Management have performed an impairment test of software, contracts and goodwill at the balance sheet date and have concluded that there are no impairments.

Notes to the Financial Statements

for the year ended 30 June, 2018

		Consolidated Group	
		2018	2017
		\$	\$
Note			
Note 14	Trade and Other Payables		
<i>Current</i>	Trade payables	223,191	410,206
	GST payable	177,991	185,775
	Sundry creditors and accruals	523,476	597,999
	Lease Incentive	<u>109,992</u>	<u>95,867</u>
		<u>1,034,650</u>	<u>1,289,847</u>
<i>Non Current</i>	Lease incentive	<u>211,474</u>	<u>244,856</u>

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which had not been settled at balance date. Trade and other payables are unsecured, non-interest bearing and are normally settled within 60 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Note 15	Borrowings		
<i>Current</i>	Bank Overdraft	0	105,427
	Term Loan	<u>121</u>	<u>399,300</u>
	Total current borrowings	<u>121</u>	<u>504,727</u>
<i>Non Current</i>	Term Loan	<u>0</u>	<u>1,350,700</u>

The company has a bank overdraft of \$250,000 of which \$Nil was drawn at balance date (2017: \$105,427). The overdraft facility attracts an interest rate at 7.25% (2017: 7.26%).

Commencing 28 May 2017, the Company had a 3 year term loan in the amount of \$1,750,000 with a monthly principal repayment of \$33,275 currently at an interest rate of 4.42% (2017: 4.26%). The funds provided from this term loan were used in the acquisition of Creative Analytics Pty Limited. The loan has been paid down to \$121 with \$1,388,924 available for redraw.

Both the term loan and the bank overdraft are secured by a fixed a floating charge over the company and its subsidiaries to Westpac Banking Corporation.

Note 16	Provisions		
<i>Current</i>	Employee benefits	<u>363,380</u>	<u>248,539</u>
<i>Non-Current</i>	Employee benefits	<u>120,849</u>	<u>108,301</u>

Provision for annual leave is presented as current since the Group does not have an unconditional right to defer settlement. However based on past experience, the Group does not expect all employees to take the full entitlement of leave within the next twelve months. The amount not expected to be taken with the next twelve months is \$61,475 (2017 : \$108,301).

Wages, salaries and annual leave

Liabilities for wages, salaries, superannuation benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are expected to be settled, including appropriate on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long service leave

A provision for long service leave is taken up for a range of employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Notes to the Financial Statements

for the year ended 30 June, 2018

		Consolidated Group	
		2018	2017
		\$	\$
Note			
Note 17	Deferred Revenue		
<i>Current</i>	Licences and related services received in advance	1,939,675	1,873,610
	Unearned R&D Tax Incentive	184,955	153,463
		<u>2,124,630</u>	<u>2,027,073</u>
<i>Non-Current</i>	Unearned R&D Tax Incentive	<u>1,113,215</u>	998,682

Deferred Revenue

Amounts received from customers in advance of provision of services are accounted for as unearned revenue.

Implementation revenue is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Unearned R&D Tax Incentive

Research and development tax incentive costs relating to capitalised development costs are deferred and recognised in the profit or loss over the period necessary to match them with the expenses that they are intended to compensate.

	2018	2017	2018	2017
	Number	Number	\$	\$
Note 18	Contributed Equity			
Issued capital at beginning of the financial period	19,732,842	18,519,876	8,956,381	8,519,310
Shares issued or under issue during the year -				
Shares Issued to employees	34,914	38,878	21,997	13,996
Shares issued as a result of the vesting of share rights	166,667	384,615	63,450	123,075
Shares issued on acquisition of Creative Analytics	0	789,473	0	300,000
Shares issued on dividend reinvestment plan	406,432	0	200,908	0
Balance at the end of the financial year	<u>20,340,855</u>	<u>19,732,842</u>	<u>9,242,736</u>	<u>8,956,381</u>

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. There is no current on-market buy-back.

Capital Management

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. The Group has an externally imposed capital requirement to maintain \$50,000 surplus cash, a requirement of holding an Australian Financial Services Licence. There have been no breaches during the year.

If the Company reacquires its own equity instruments, (e.g. as the result of a share buy-back), those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Notes to the Financial Statements

for the year ended 30 June, 2018

	Consolidated Group	
	2018	2017
Note	\$	\$
Note 19 Reserves		
<i>Share based payment reserve</i>		
Balance at the beginning of the financial year	59,608	118,818
Movement in share based payments	151,531	(59,210)
	<u>211,139</u>	<u>59,608</u>

Balance at the end of the financial year

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a volume weight average share price five days prior to the date the instruments were granted. The accounting estimates and assumptions relating to equity-settled payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 20 Contingent Assets and Liabilities

The Group had no contingent liabilities or contingent assets as at 30 June 2018.

Note 21 Commitments

Operating Lease Commitments

Non-cancellable operating leases (including tenancy leases) contracted for at the reporting date but not capitalised in the financial statements:

within one year	530,167	465,661
later than one year but not later than five years	1,074,443	1,061,580
	<u>1,604,610</u>	<u>1,527,241</u>

At the reporting date the Group leases three offices, under non-cancellable operating leases the later of which expires in November 2020.

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

Note 22 Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in statement of comprehensive income.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 22 Business combinations (continued)

pypIT

Energy One Limited completed the acquisition of the pypIT software business from Sydac Pty Limited on 25 August 2016 for the acquisition price of \$1,500,000.

Consideration on acquisition :-

Cash	1,317,999
Provision for leave	36,523
Deferred contract revenue	<u>145,478</u>
Acquisition Price	<u>1,500,000</u>

Fair value recognised on acquisition :-

Software development - at valuation	316,621
Contracts acquired	145,478
Goodwill on acquisition	<u>1,037,901</u>
Net Assets	<u>1,500,000</u>

Creative Analytics Pty Limited

Energy One Limited acquired all the shares in Creative Analytics Pty Limited on 31 May 2017 for an acquisition price of \$3,000,000.

Consideration on acquisition :-

Cash on acquisition	2,550,000
Cash payment on 28 September 2017	150,000
Equity - 789,473 shares @ \$0.38c	<u>300,000</u>
Acquisition Price	<u>3,000,000</u>

Fair value recognised on acquisition :-

Current Assets	<u>663,017</u>
Non Current Assets	
Property, plant and equipment	38,119
Software development - at valuation	1,375,508
Deferred tax asset	259,689
Goodwill on acquisition	<u>1,778,081</u>
	<u>3,451,398</u>
Total Assets	<u>4,114,415</u>
Current Liabilities	<u>1,088,917</u>
Non current Liabilities	<u>25,498</u>
Total Liabilities	<u>1,114,415</u>
Net Assets	<u>3,000,000</u>

Note 23 Segment information

The Group is managed primarily on the basis of product and service offerings and operates in one segment, being the Energy software industry, and in one geographical segment, Australia.

During the year ended 30 June 2018 the Group derived 52% (2017 : 74%) of revenue from three major customers to which it provided both licences and services. Management assess the performance of the operating segment based on the accounting profit or loss.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. There has been no impact on the measurement of the Company's assets and liabilities.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 24 Subsequent Events

No matter or circumstance has arisen since 30 June 2018 which is not otherwise dealt with in this report, that has significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of affairs of the Group.

Note 25	Controlled Entities	Country of Incorporation	% Equity		Investment \$	
			2018	2017	2018	2017
	<i>Ultimate Parent Company</i>					
	Energy One Limited	Australia				
	<i>Controlled Entity</i>					
	Energy One Employee Option Plan Managers Pty	Australia	100%	100%	2	2
	Creative Analytics Pty Limited	Australia	100%	100%	3,000,000	3,000,000
					Consolidated Group	
					2018	2017
					Note	\$

Note 26 Related Party Transactions

Key management personnel

Details regarding key management personnel, their positions, shares, rights, and options holdings are details in the remuneration report within the Directors' Report contained in the 2018 Annual Report.

Remuneration of key management personnel :

Short term employee benefits	1,112,489	1,013,767
Post employment benefits	61,441	91,196
Long term benefits	50,881	24,572
Share based payments	<u>173,829</u>	<u>65,868</u>
	1,398,640	1,195,403

Mr Vaughan Busby - Director

Mr Busby is a non-executive Director of Energy One Limited and Energy Queensland Limited. Ergon Energy Queensland Pty Ltd is a wholly owned subsidiary of Energy Queensland Limited and is a customer of the Company. Transactions between the company and Ergon Energy Queensland Pty Limited are on commercial terms and conditions and are completed at an arms length. The agreement generating transactions between the Company and Ergon Energy Queensland Pty Limited commenced prior to Mr Busby being inducted to Ergon's Board and have continued to operate under the terms and conditions of that agreement.

Note 27 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and aging analysis for credit risk.

Financial risk management is carried out by the Chief Financial Officer under policies approved by the Board of Directors and the Risk Committee. The CFO identifies, evaluates the financial risks in close co-operation with the Company's management and board.

Notes to the Financial Statements

for the year ended 30 June, 2018

	Consolidated Group	
	2018	2017
Note	\$	\$

Note 27 Financial Risk Management (continued)

The Group holds the following financial instruments measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements:

Financial assets

Cash and cash equivalents	8	727,856	362,567
Trade and other receivables	9	1,828,785	2,867,204
Deposit with bank for bank guarantee – due within 12 months	8	0	110,326
Due within 12 months		<u>2,556,641</u>	<u>3,340,097</u>
Deposit with bank for bank guarantee – due after 12 months	8	<u>146,672</u>	<u>220,653</u>

Financial liabilities

Trade and other payables - due within 12 months	14	(1,034,650)	(1,289,847)
Borrowings - due with 12 months	15	(121)	(504,727)
Due within 12 months		<u>(1,034,771)</u>	<u>(1,794,574)</u>
Trade and other payables - due after 12 months	14	(211,474)	(244,856)
Borrowings - due after 12 months	15	0	(1,350,700)
Due after 12 months		<u>(211,474)</u>	<u>(1,595,556)</u>

Net assets		<u>1,457,068</u>	<u>170,620</u>
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Cash flow and fair value interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows. The Group's main interest rate risk at year end arises from short-term deposits. The Group is exposed to earnings volatility on floating rate instruments.

The interest rate risk is managed using a mix of fixed and floating short-term deposits. At 30 June 2018 approximately 17% (2017 : 49%) of cash and cash equivalents are fixed short term deposits. Short-term deposits are used to ensure that the best interest rate is received. Interest rates are reviewed prior to deposits maturing and re-invested at the best rate, which is why the Group uses a number of banking institutions. The interest rate risk is detailed in the tables below :

	Weighted Avg Effective Interest rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<i>Consolidated entity 30 June 2018</i>					
Financial Assets :					
Cash and cash equivalents	0.51%	0	727,856	0	727,856
Receivables	0.00%	0	0	1,828,785	1,828,785
Deposit for bank guarantee	1.91%	146,672	0	0	146,672
Total financial assets		<u>146,672</u>	<u>727,856</u>	<u>1,828,785</u>	<u>2,703,313</u>
Financial Liabilities :					
Borrowings and payables - due within 12 months	0.00%	0	121	1,034,650	1,034,771
Borrowings and payables - due after 12 months	0.00%	0	0	211,474	211,474
Total financial liabilities		<u>0</u>	<u>121</u>	<u>1,246,124</u>	<u>1,246,245</u>

Consolidated entity 30 June 2017

Financial Assets :

Cash and cash equivalents	0.93%	10,387	457,607	0	467,994
Receivables	0.00%	0	0	2,867,204	2,867,204
Deposit for bank guarantee	1.80%	220,653	0	0	220,653
		<u>231,040</u>	<u>457,607</u>	<u>2,867,204</u>	<u>3,555,851</u>

Financial Liabilities :

Borrowings and payables - due within 12 months	1.37%	0	504,727	1,289,847	1,794,574
Borrowings and payables - due after 12 months	3.61%	0	1,350,700	244,856	1,595,556
		<u>0</u>	<u>1,855,427</u>	<u>1,534,703</u>	<u>3,390,130</u>

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 27 Financial Risk Management (continued)

Foreign exchange risk

The Group does not have any significant exposure to foreign exchange risk.

Sensitivity Analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

		Consolidated Group	
		2018	2017
		\$	\$
	Note		
Change in profit	Increase in interest rate by 1%	(7,436)	(179)
	Decrease in interest rate by 1%	7,436	179
Change in equity	Increase in interest rate by 1%	(7,436)	(179)
	Decrease in interest rate by 1%	7,436	179

The above interest rate risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to trading customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Banks without a rating of 'A', but included in the government guarantee will be considered with a maximum \$1M deposit. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by the CFO. The compliance with credit limits is monitored by the CFO.

The maximum exposure to credit risk by class of recognised financial assets at reporting date is equivalent to the carrying value and classification of those financial assets as presented in the balance sheet. Details with respect to credit risk of trade and other receivables are provided in Note 9. No single deposit was larger than \$1M. The Group does not hold any security or guarantees for the financial assets.

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through adequate amounts of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets, for instance cash.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value or amortised cost using the effective interest rate method.

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 27 Financial Risk Management (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

The effective interest rate is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period of the net carrying amount of the financial asset or liability.

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.

Financial assets

The Group does not have financial assets categorised as financial assets at fair value through profit or loss, held to maturity or available for sale.

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 expired. 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.

Financial liabilities

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

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

Notes to the Financial Statements

for the year ended 30 June, 2018

Note 28 Share Based Payments

The Company operates a number of share-based compensation plans. These include a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. Fair value of the options at the grant date is expensed over the vesting period.

The fair value of shares, and rights granted under all plans is recognised as an employee benefit expense with corresponding increase in equity. The fair value of shares is measured at grant date. The fair value of share rights is determined by using a volume weight average share price five days prior to the date the instruments were granted.

The following share-based payment arrangements existed at 30 June 2018:

Equity Incentive Plan

The Equity Incentive Plan (EIP) was established on 31 October 2014 and ratified on 26 October 2017. The EIP allows the Company to offer employees, and directors different share scheme interests, either as exempt shares or share schemes subject to satisfying performance and service conditions set down at the time of offer.

	Consolidated Group	
	2018	2017
Note	\$	\$
Total expense arising from EIP share based payments for the financial year	236,976	77,863
	2018	2017
	No of rights	No of rights
Movements in share rights under the EIP for the financial year :	333,333	717,949
Balance at the being of the financial year	843,195	0
Rights granted	(166,666)	0
Rights lapsing	(166,667)	(384,616)
Rights vested and issued as ordinary shares		
Balance at the end of the financial year	843,195	333,333
Average issue price in cents	49.43	38.16

166,667 share rights vested during the year ended 30 June 2018 (384,616 : 2017) and 166,666 share rights lapsed (0 : 2017). 843,195 share rights were issued during the year ended 30 June 2018. The weighted average share price at the date of issue was 62.22c. The exercise price is \$nil (2017: Nil). The weighted average share price during the financial year was

The weighted average remaining contractual life of the share rights under the EIP outstanding at the end of the financial year was 0.92 years (2017: 0.17 years).

Subsequent to 30 June 2018, of the outstanding share rights at 30 June 2018, the Board have approved the vesting of 294,928 share rights and the lapsing of 294,926 share rights effective 31 August 2018.

Key Estimates - Share based payment

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a volume weight average share price five days prior to the date the instruments were granted. The accounting estimates and assumptions relating to equity-settled payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Notes to the Financial Statements

for the year ended 30 June, 2018

	Consolidated Group	
	2018	2017
Note	\$	\$
Note 29		
Parent Entity Disclosures		
The following information has been extracted from the books and records of the parent, Energy One Limited and has been prepared in accordance with Accounting Standards.		
Current assets	2,561,183	2,893,529
Non current assets	7,987,256	8,883,370
Total Assets	10,548,439	11,776,899
Current liabilities	2,693,583	3,328,530
Non current liabilities	1,376,118	2,694,770
Total Liabilities	4,069,701	6,023,300
Net Assets	6,478,738	5,753,599
Issued capital	9,242,736	8,956,382
Reserves	211,139	59,608
Accumulated losses	(2,975,137)	(3,262,391)
Total Equity	6,478,738	5,753,599
Profit before income tax	925,580	665,435
Income Tax Expense	(439,330)	(419,392)
Profit for the year of the parent entity	486,250	246,043
Total comprehensive income for the parent entity	486,250	246,043

The Parent has deposits with banks that are used for bank guarantees of \$110,326 (2017: \$330,979) for rent on head office premises.

The Parent has no other contingent liabilities or contractual commitments for the acquisition of property, plant or equipment.

The financial information for the parent entity, Energy One Limited has been prepared on the same basis as the consolidated financial statements.