

# GROUP FINANCIAL RESULTS

HALF YEAR FY19 | 27 FEBRUARY 2019

**JOHN HUGGART**

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Energy Action Limited

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Energy Action Limited



# **HALF YEAR FY19 RESULTS AGENDA**

- 1. RESULTS HIGHLIGHTS & BUSINESS UPDATE**  
John Huggart
- 2. GROUP FINANCIALS**  
Tracy Bucciarelli
- 3. OPERATIONAL PERFORMANCE**  
John Huggart
- 4. FY19 PRIORITIES**  
John Huggart

# FY19 HALF YEAR RESULTS HIGHLIGHTS

Statutory profit of -\$9.93 million	----->	\$10.8M of significant items (\$10.6M non cash items)
Operating profit of \$0.89 million	----->	Down 63% vs 1H FY18
Operating EBITDA of \$1.76 million	----->	Margin was at 12.97% down 11.6 pts
Operating cash flow \$1.94 million	----->	Operating EBITDA conversion to cash at 111%
Operating Costs reduced by 11%	----->	Operational efficiencies being realised
Net Debt down \$2.26M (31%) on pcp to \$4.96M	----->	Bank facility extended for additional 2 years
Secured over 1,000 sites under management	----->	Won multi-year contract for Retail billing services



# OPERATING REVIEW

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H1 FY18 has been a difficult period with a decline in revenue and Operating EBITDA. The main causes for this decline are :

- Sustained poor performance of the Project & Advisory Services division (PAS) in achieving commercially acceptable margins on project management and supply and installation services.
- In the core procurement and Contract Management and Environmental Reporting (CMER) segments:
  - The failure to recognise and adapt to retailers contacting and contracting customers ahead of expected renewal.
  - Ineffective management of sales, customer service and follow up.
- Lack of integration of core systems resulting in inefficiencies and higher costs to serve and delay in delivery of the transformation project to correct these issues.
- The strategic review distracting the executive team, creating insecurity for staff and lower levels of staff engagement.
- The completion of the Strategic Review highlighted that the Company should continue to focus on delivering its strong market position in core energy procurement and monitoring services and streamline the delivery of its energy efficiency solutions.





# WHERE TO FROM HERE?

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- The business remains profitable and continues to generate operating cash of \$1.94M in the first half FY19.
- The core strength and relevance of Energy Action remains, with a large customer base facing rising energy costs, regulatory uncertainty and an increasing range of often confusing options relating to buying, using or generating energy.
- The Energy Action proprietary platform delivers an average of 6.8% savings on energy contract offers and a significant net promoter score of +50 is consistently achieved.
- Energy Action has identified savings of over \$3.9 Million in H1 FY19 for customers with our automated bill validation process (retailer error rate 6-10%) and network tariff reviews.
- A “back to basics” priority plan has been developed with a refreshed leadership team and encouraging progress on core products, sales, capability and services.
- Success with these priorities provides a platform for future growth based on the scalable platform, increasingly automated processes and lower cost services.
- The rapid organic growth of the Embedded Network business, and addition of retail billing services, demonstrates the opportunity to add complementary, scalable services that create long term value to the Energy Action platform.
- The leadership team intend to demonstrate significant progress following full year results with a robust strategic plan for growth.

# CORPORATE HIGHLIGHTS

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An increase in embedded network tenancies under management of 629 (46% growth)

Winning a multi year contract to supply retail billing services to CS Energy with a successful go-live in January 2019

Delivering a comprehensive multi-year energy strategy for Western Sydney Airport

Expansion of the Business Processing Offshore team to 12 Full Time Equivalent (FTE)

Continued focus on Operating Cash Flow with the conversion of Operating EBITDA to Operating Cash Flow a healthy 111%

Action to adopt a leaner management structure and reduce operating costs



A photograph of three business professionals (two men and one woman) sitting around a white table, looking at a laptop. The scene is brightly lit, likely from a large window in the background. Overlaid on the right side of the image is the text 'GROUP FINANCIAL RESULTS' in white, bold, sans-serif font, with a short horizontal line underneath. In the bottom left corner, there is a logo for 'EnergyAction' consisting of a stylized geometric icon made of white triangles and the company name in a white sans-serif font. Additionally, there is a semi-transparent blue graphic overlay in the bottom left corner that features a 3D architectural rendering of a modern building with a grid-like facade.

# GROUP FINANCIAL RESULTS

# OPERATING NPAT OF \$0.89M

STATUTORY LOSS \$9.93M, OPERATING PROFIT DOWN 63%

P&L	1H FY19 6 Months to Dec 18	Restated^ 1H FY18 6 Months to Dec 17	% Variance
Revenue	13,545,008	17,993,978	(25%)
COGS	1,812,374	2,526,560	28%
<b>Gross Margin</b>	<b>11,732,634</b>	<b>15,467,418</b>	<b>(24%)</b>
Opex - excl D&A	9,976,402	11,053,914	10%
<b>EBITDA</b>	<b>1,756,232</b>	<b>4,413,504</b>	<b>(60%)</b>
Depn & Amortisation	519,898	742,373	30%
<b>EBIT</b>	<b>1,236,334</b>	<b>3,671,131</b>	<b>(66%)</b>
Financing Costs	228,376	272,712	16%
<b>Profit before tax</b>	<b>1,007,958</b>	<b>3,398,419</b>	<b>(70%)</b>
Tax expense	122,787	988,923	88%
<b>Underlying NPAT</b>	<b>885,171</b>	<b>2,409,496</b>	<b>(63%)</b>
<b>Significant items:</b>			
Tax rate changes	(169,010)	-	100%
Strategic Review	116,268	-	(100%)
Restructuring Costs*	151,267	-	(100%)
Accelerated D&A **	772,450	-	(100%)
Impairment of Goodwill	9,944,796	-	(100%)
<b>Total Significant items</b>	<b>10,815,771</b>	<b>-</b>	<b>(100%)</b>
<b>Statutory Profit/(Loss) after tax</b>	<b>(9,930,600)</b>	<b>2,409,496</b>	<b>(512%)</b>

----->

Decline in revenues

----->

Lower COGS with some improvement in margin

----->

Opex lowered by 10% vs 1H FY18

----->

Accelerated D&A reducing remaining NBV

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Lower net debt down \$2.5M pcg

----->

Operating NPAT declined 63%

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Statutory NPAT declined 512%

\* Costs associated with restructuring and closure of rental premises.

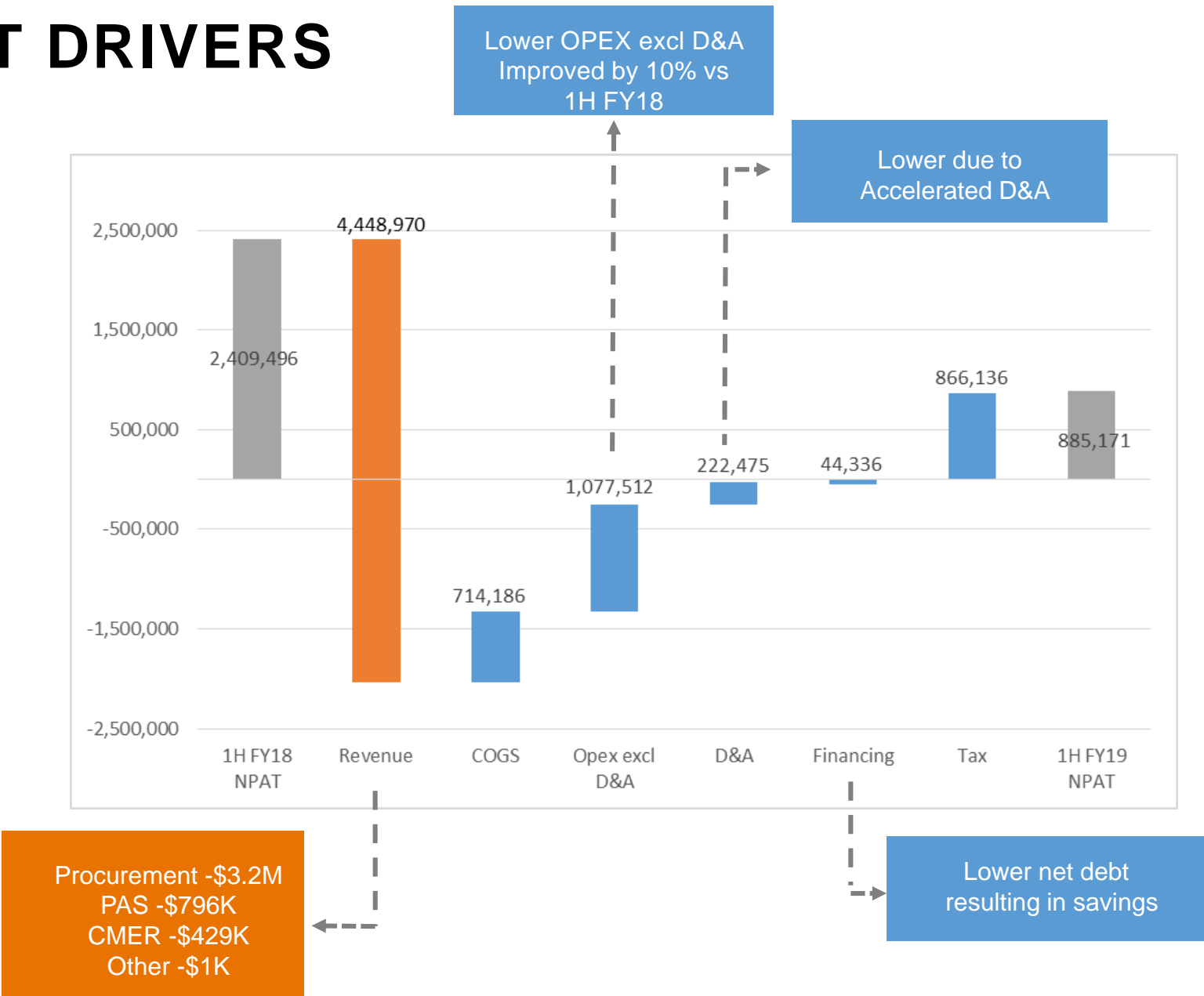
\*\* Accelerated Depreciation on Customer Relationships and specific items of Software

^ Energy Action has adopted the full retrospective approach to implement AASB15 Revenue from Contracts with Customers and AASB9 Financial Instruments. Company Accounting Policy for Sales Commission Expense was changed. The Prior Corresponding Period has been restated accordingly. The impact of adopting this standard is detailed in the Appendix .



# OPERATING PROFIT DRIVERS

25% REDUCTION IN REVENUE  
OFFSET WITH SAVING IN  
COGS AND OPEX RESULTING  
IN 63% LOWER NPAT



# REVENUE AND OTHER INCOME FOR THE HALF YEAR DECLINED BY 25%

*LOWER REVENUES IN PROCUREMENT, CMER AND PAS*

	1H FY19	1H FY18	Variance	% Variance
Procurement	3,755,656	6,978,374	(3,222,718)	(46%)
Contract Mgmt & Energy Reporting	7,356,122	7,785,552	(429,430)	(6%)
Projects & Advisory Services	2,433,106	3,228,646	(795,540)	(25%)
Other Revenue	124	1,406	(1,282)	(91%)
<b>Total Revenue</b>	<b>13,545,009</b>	<b>17,993,978</b>	<b>(4,448,970)</b>	<b>(25%)</b>

- In procurement, energy retailers have been contacting and contracting customers directly up to a year ahead of contract expiry.
- Auction revenues down 46% as a result of lower auction volumes (down 41% on pcp) and lower \$/MWH down 15%
- CMER revenue declined by 5.5% with a small decline in sites under management. Work is continuing to improve the customer value of the CMER service and arrest this decline.

- Embedded Network revenues grew 41%. With increase in tenancies under management of 629 (an increase of 46%).
- PAS revenue decreased 25% vs the pcp across the full range of services. Project delivery has been behind schedule due to third party project delays.
- Operating performance has been impacted by high staff turnover in the PAS division.

# SIGNIFICANT ITEMS

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The Group incurred significant items totaling \$10,815,771. Of this amount \$10,615,407 were non-cash items. These after tax significant items were:

- Impairment of goodwill of \$9,944,796 related to previous acquisitions
- Accelerated amortization of customer relationships of \$583,545 related to previous acquisitions
- Accelerated amortization of software of \$188,905
- Costs associated with an organizational restructure of \$151,267
- Costs associated with the recently completed strategic review of \$116,268
- Benefit associated with the reduction in tax rate on Deferred Tax Liability \$169,010.





# STRONG OPERATING CASHFLOW

**OPERATING CASHFLOW BEFORE INTEREST & TAX \$1.9 MILLION**

- Continued positive cash management
- EBITDA to cash conversion 111%.
- Continued focus on receivables maintaining debtor collections.
- Reduction in Revenue not Invoiced with invoicing exceeding new contract added.
- A decrease in Project Work in Progress.
- Lower Creditors, primarily lower employee provisions.
- Cash significant items relate to Strategic review and restructuring expenses.

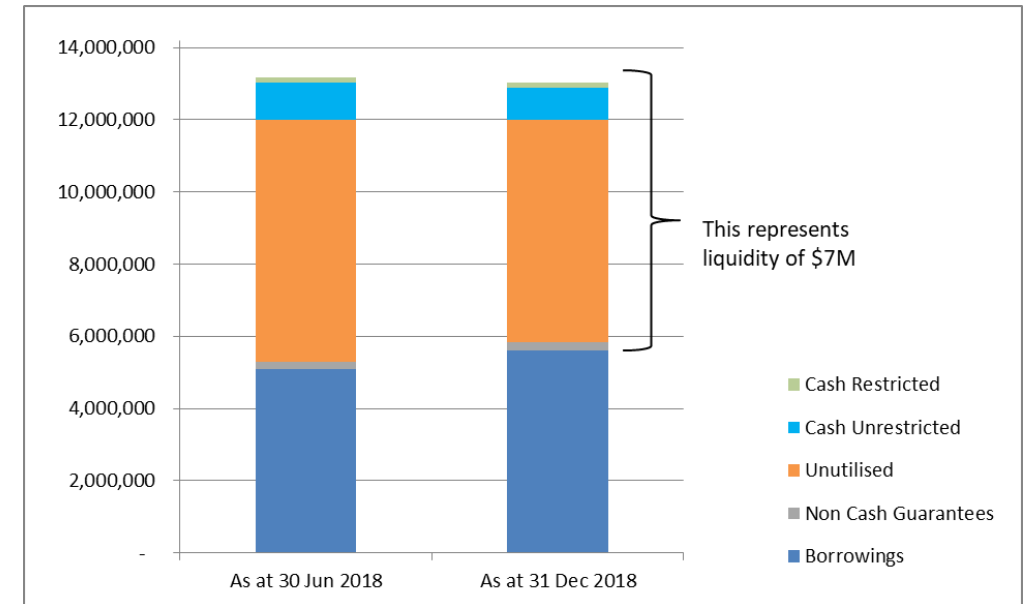
Operation Cash Flow	1H FY19	1H FY18
<b>Operating EBITDA</b>	1,756,232	4,413,504
Share based payments	(128,200)	9,152
Trade debtors	(10,013)	724,659
Other debtors	114,584	92,011
Work in Progress	191,807	(575,474)
Revenue not Invoiced	538,720	(1,734,243)
Trade creditors	180,677	318,386
Other creditors	(701,694)	(1,041,897)
Other working capital movements	-	(97,966)
Working Capital movements	185,881	(2,305,372)
<b>Operating Cash Flow before Interest &amp; Tax</b>	<b>1,942,112</b>	<b>2,108,132</b>
Net Financing costs	(190,553)	(231,365)
Income taxes paid	(148,341)	(519,713)
<b>Operating Cash Flow</b>	<b>1,603,218</b>	<b>1,357,054</b>
Cash flow related to Sig Items	(276,365)	-
<b>Statutory net cash from operating activities</b>	<b>1,326,853</b>	<b>1,357,054</b>

Operating Cash flow as a % of EBITDA	111%	48%
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# DEBT STRUCTURE AND KEY FINANCIAL RATIOS

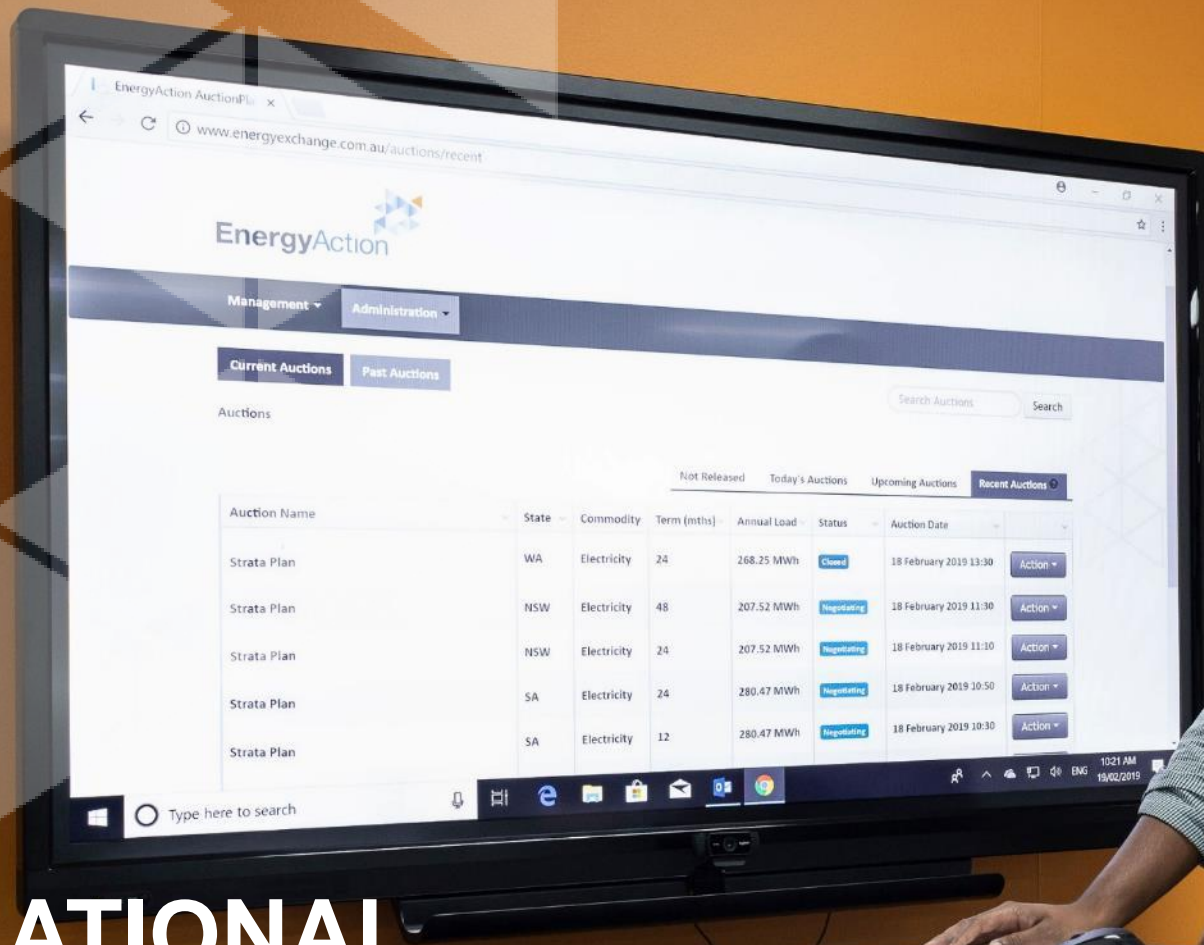
*NET DEBT REDUCED \$2.26M (31%) FROM DEC 17 TO \$4.96M*

- EAX currently has a 5 year, \$12 million multi-option facility agreement expiring October 2019. EAX has accepted a firm offer from the bank for an extension of its current facility for a period of 2 years, with a revised limit of \$9 million on substantially the same terms and conditions.
- Can be provided under the facility as loans, bank guarantees or as letters of credit.
- Current net debt \$4.96 million comprising facility loan of \$5.6 million and bank guarantees \$0.24 million principally in relation to rental properties and a PAS Project, less available cash on hand of \$0.87 million.



Financial covenant metrics	Threshold	Dec18	June 18 Restated
Interest cover ratio (EBITDA : Interest)	min 3.0	8.15	13.69
Gearing ratio (Total Debt : EBITDA)	max 2.0	1.27	0.65

# OPERATIONAL PERFORMANCE



The monitor displays the EnergyAction Auctions website. The website has a navigation bar with 'Management' and 'Administration' tabs. Below this, there are tabs for 'Current Auctions' and 'Past Auctions'. A search bar is located on the right side of the page. The main content area shows a table of recent auctions.

Auction Name	State	Commodity	Term (mths)	Annual Load	Status	Auction Date
Strata Plan	WA	Electricity	24	268.25 MWh	Closed	18 February 2019 13:30
Strata Plan	NSW	Electricity	48	207.52 MWh	Negotiating	18 February 2019 11:30
Strata Plan	NSW	Electricity	24	207.52 MWh	Negotiating	18 February 2019 11:10
Strata Plan	SA	Electricity	24	280.47 MWh	Negotiating	18 February 2019 10:50
Strata Plan	SA	Electricity	12	280.47 MWh	Negotiating	18 February 2019 10:30



# PROCUREMENT

**TOTAL REVENUE DECLINE 46%**

Energy Action provides a complete range of procurement options across four distinct market segments:

- AEX auctions
- Tariff (SME)
- RFP's or tenders
- Structured Products

	1H FY19	1H FY18	Variance
No. of successful AEX Auctions <sup>1</sup>	501	854	(41%)
Average AEX contract duration	26.4mth	26.5mth	-
TWhs procured via Auction <sup>2</sup>	0.53	0.98	(46%)
Average \$/MWh	\$80.97	\$95.77	(15%)
Total Auction Bid Value <sup>3</sup>	\$95m	\$208m	(54%)
No. of electricity tenders <sup>4</sup>	86	97	(11%)
No. of gas tenders <sup>4</sup>	43	50	(14%)

1. Contracted auctions
2. Annualised equivalent
3. Electricity component of contract only, i.e. excluding network and other charges
4. Includes C&I and tariff tenders

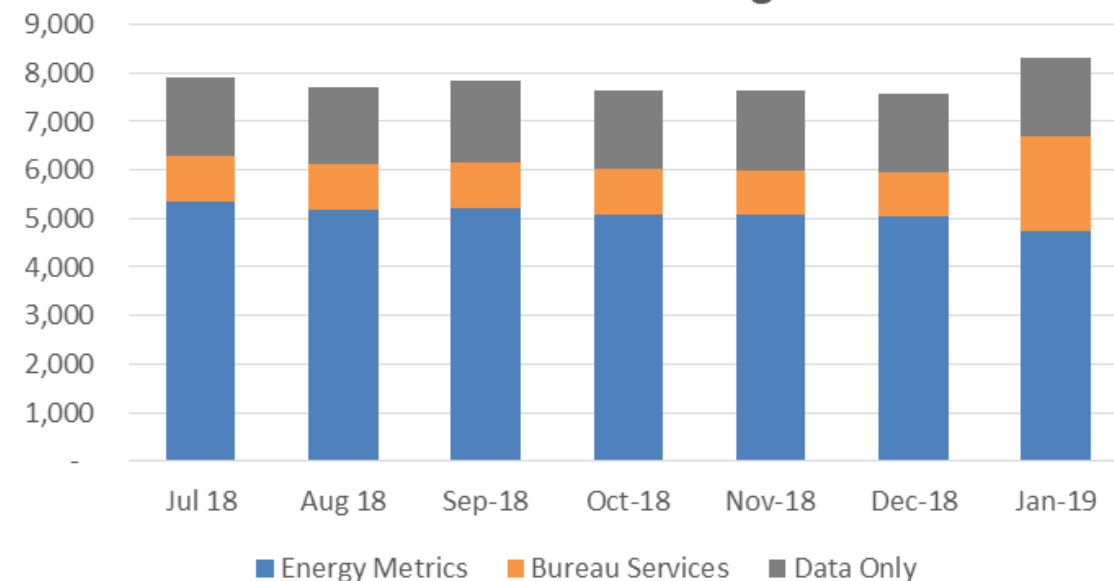
- AEX auctions volume significantly below a high growth period in 1H FY18.
- Stable contract duration, lower volumes and lower \$/MWh resulted in 54% decline in total auction bid value.
- Over 6% of savings achieved through Auction for customers (comparing high to low bid in 1H FY19).
- Number of clients using strategic procurement increased from 7 to 15.
- Decline in tariffs and tender revenue.

# CONTRACT MANAGEMENT & ENVIRONMENTAL REPORTING

*CMER REVENUE DECLINED 5.5% SITES  
UNDER MANAGEMENT DOWN 6%*

- Over 7,500 sites are under management.
- CMER revenue declined 5.5% with sites under management in the core Metrics service declining by circa 450 sites in 1H FY19.
- Won a multi year contract to supply retail billing services for several hundred sites, with a successful go-live in January 2019.
- Introduction of Metrics Insight into the product portfolio as a low cost, system generated product option.
- Focus in 2H on refresh of Metrics platform for retention and growth in CMER.

## Sites Under Management



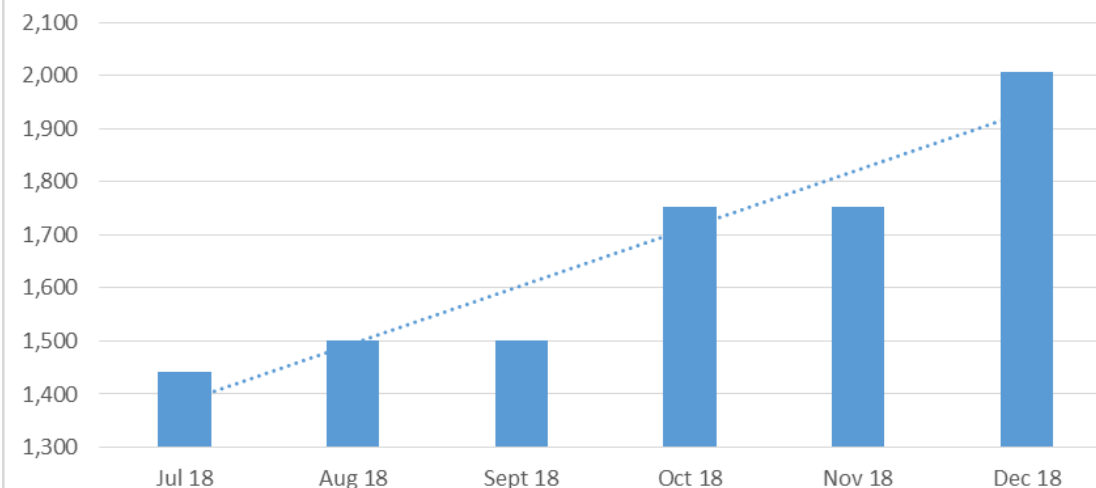
- Over \$3.9 Million of potential bill validation and network tariff review savings to clients generated in H1 FY19.
- Over \$100K in a single billing error discovered for a client in July 2018.
- Energy Metrics Insight launched June 2018 with several clients already onboarded.
- Streamlined processes, increased service automation and improved speed to market.
- Energy Action has recently completed the successful implementation of a large-scale energy retailer billing system and customer portal on behalf of CS Energy. The implementation, which involved the successful transfer and billing of several hundred NMI's in less than three months, is a scalable application of an improved project deployment approach, market leading technology and energy data management processes to a growing market segment that was previously not accessible to Energy Action.

# EMBEDDED NETWORK & MICROGRIDS

**46% GROWTH IN SITES ADDED**

- Embedded Networks had **+629 sites added** during the period (46% growth)
- Sector results improved to positive profit position

Tenancies Under Management



- Portfolio diversified across retail, airports and commercial buildings.
- Sustained growth in sites and tenancies under management/
- Including addition of one major real estate trust to the portfolio.
- Project development capacity expanded to support green field and brown field conversions.

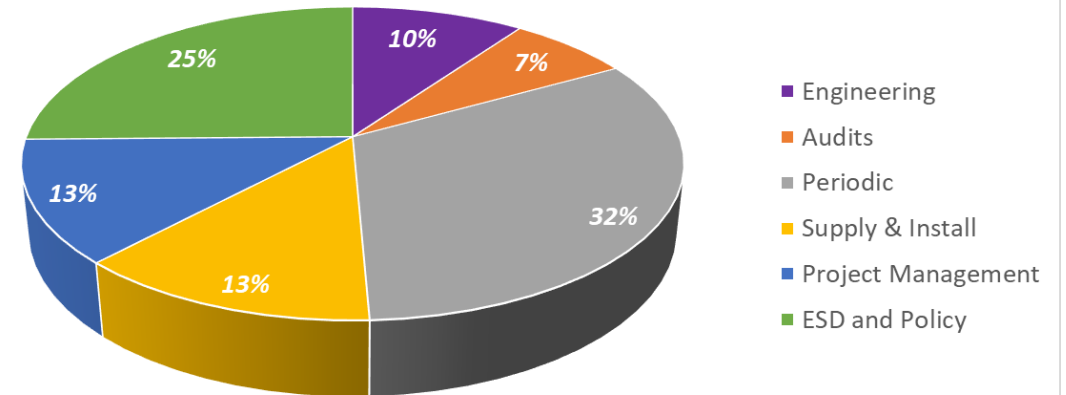


# PROJECTS & ADVISORY SERVICES

- Master energy strategy developed for Western Sydney Airport
- Rooftop Solar PPA Program tendered on behalf of a major real estate trust
- Co-Authoring peer review tech paper published on Thermal Bridging in Ecolibrium, the official journal of AIRAH
- Winner of the W.R Ahern Award at the AIRAH Awards in November 18 for the Best Technical Paper
- Finalist in the Best HVAC Retrofit or Energy Upgrade category for the NABERS upgrade project at 221 London Circuit, Canberra

221 London Circuit, Canberra

PAS Revenue by Sectors  
6 mth ended Dec 18



- PAS revenues declined 25% across the full range of services.
- Delivery slower than expectations exacerbated by high staff turnover in the division.
- Significant staff reduction in the 1st half of FY19 due to natural attrition.
- The division is engaging with partners with appropriate expertise to ensure delivery of services to clients.
- Continued focus on margin and operations improvement.
- Project management activities will be limited with focus shifted to higher margin Reporting and Advisory Services with no head-contracting projects.
- Leichhardt Marketplace head-contractor works have been delayed with anticipated completion 2H FY19.

# OPERATIONAL SAVINGS

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Operating overheads totalled \$10.5 million for the period, compared to \$11.8 million in the pcp, a decrease of \$1.3 million, reflecting a continued focus on cost management, in particular:

- The number of employees in the PAS business reduced by 11 FTE
- The Company continues to expand its offshore resources replacing on-shore transactional roles as appropriate. Expansion of the Business Processing Offshore team to 12 Full Time Equivalent (FTE).
- Closure of 4 rental premises, with consolidation of 3 office locations into Sydney and Melbourne and the Perth office relocating into a flexible serviced office. This will result in cost savings of approximately \$0.2 million per annum.
- Reduction of Directors fees by 40% resulting in annualized savings of \$0.126 million effective 1 February 2019.
- Flattening of the management structure reducing leadership by 5 FTE and resulting in forecasted annual savings in excess of \$1 million per annum from FY20, with savings flowing from the second half of FY19.
- Ongoing strict cost control across all discretionary spend areas.
- A decline in operating D&A with accelerated depreciation and amortization from the reassessment of customer relationships and specific software useful life to 30 June 2019.





# 2H FY19 PRIORITIES





# ENERGY ACTION VALUE FOR CLIENTS

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*WE HAVE THE POWER TO HELP BUSINESS SAVE ON ENERGY COSTS, REDUCE EMISSIONS, AND INCREASE THE VALUE OF THEIR ASSETS*

**Over 6%**

of savings achieved through Auction  
for customers (comparing high to  
low bid in 1H FY19)

**Over \$3.9M**

of savings identified through Bill  
Validation and Network Tariff  
Reviews for CMER clients in 1H  
FY19

**Over 7.9%**

of energy bills identified with errors  
in 1H FY19

**Our power comes from:**

## **Our Expertise**

A national team with knowledge and  
capability to offer better ways of  
buying, using and generating energy

## **Our Independence**

To fight for a better deal, ensure  
“apples” to “apples” comparison and  
that retailers and providers deliver  
what they promise

## **Our Systems & Processes**

That ensure automated and reliable  
delivery of valuable information and  
insights, validated bills and tariff  
reviews

# OUR TOP PRIORITIES FOR 2H FY19

## *BUSINESS STRATEGY & PROSPECTS FOR FUTURE FINANCIAL YEARS*

### KEY PRIORITIES

Following the finalisation of the Strategic Review in Dec 18 and the appointment of John Huggart as CEO, the key priorities for the 2H FY19 have been established:

- Sales growth - Working with the mid-market sales team to accelerate acquisitions and retention of customers. A substantive change in the sales & service model for the team has commenced.
- Capability – Delivery of strategic transformational projects:
  - The delivery of retail billing project which has now been completed
  - The delivery of the replacement of Group's core Customer and Contract Management platforms
  - The refresh of the Metrics platform for retention and growth in CMER
- Service - Improve customer interactions and delivery to achieve improved retention and net promoter score outcomes.
- Profit - Continue to improve the operating margins of the Project and Advisory Services division, develop partnerships to assist with delivery of services to customers and strong performance and cost management
- Engagement – Building a high performance culture

# GETTING IN TOUCH

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Any investment decision with respect to any transaction involving Energy Action Limited should be made based Solely upon any offering documents, if applicable, and appropriate due diligence by the prospective investor.

We believe the information provided herein is reliable, as of the date hereof, but do not warrant its accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Past performance is not a reliable indicator of future performance. This presentation may include forward-looking statements that represent opinions, estimates and projections, which may not be realised. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Energy Action Limited. Actual results may vary from any forecasts and any variation may be materially positive or negative. This presentation includes forward-looking statements that

represent opinions, estimates and projections, which may not be realised. We believe the information provided herein is reliable, as of the date hereof, but do not warrant its accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

All information contained herein is current as at 31 December 2018 unless otherwise stated.



A photograph of three business professionals (two men and one woman) sitting around a white table, looking at a laptop. The woman is on the left, wearing a dark blazer. The man in the center is wearing a light blue button-down shirt. The man on the right is wearing a dark suit. They are all looking at the laptop screen. The background is a bright, out-of-focus office space with large windows.

# APPENDIX

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# BALANCE SHEET

Balance Sheet As at - Dec 2018			
	31 Dec 18	Restated 30 Jun 18	% Variance
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,026,933	1,171,288	(12%)
Trade and other receivables	3,848,599	3,838,586	0%
Current Tax Asset	23,921	56,738	(58%)
Other Assets	452,096	522,884	(14%)
Work in Progress	673,434	865,241	(22%)
Revenue not Invoiced	3,701,522	4,526,091	(18%)
<b>TOTAL CURRENT ASSETS</b>	<b>9,726,505</b>	<b>10,980,828</b>	<b>(11%)</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	88,671	91,358	(3%)
Revenue not Invoiced	3,575,799	3,289,971	9%
Property, plant and equipment	390,922	529,890	(26%)
Software Development	4,158,021	3,959,113	5%
Goodwill	-	9,944,796	(100%)
Customer relationships	583,545	1,167,090	(50%)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,796,958</b>	<b>18,982,218</b>	<b>(54%)</b>
<b>TOTAL ASSETS</b>	<b>18,523,463</b>	<b>29,963,046</b>	<b>(38%)</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	2,355,854	2,606,507	10%
Short Term provisions	783,364	1,000,837	22%
Loans and Borrowings – Current	5,538,335	-	(100%)
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,677,553</b>	<b>3,607,344</b>	<b>(141%)</b>
<b>NON-CURRENT LIABILITIES</b>			
Other long term provisions	294,611	354,256	17%
Loans and Borrowings – Non-Current	-	4,997,225	100%
Deferred tax liabilities	1,670,702	2,071,216	19%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,965,313</b>	<b>7,422,697</b>	<b>74%</b>
<b>TOTAL LIABILITIES</b>	<b>10,642,866</b>	<b>11,030,041</b>	<b>4%</b>
<b>NET ASSETS</b>	<b>7,880,597</b>	<b>18,933,005</b>	<b>(58%)</b>
<b>EQUITY</b>			
Issued capital	6,537,906	6,537,906	0%
Share based payments reserve	190,025	318,226	(40%)
Retained earnings	1,155,486	12,124,250	(90%)
Interest Swap Reserve	(2,820)	(7,567)	63%
Foreign currency translation reserve	-	(39,810)	100%
<b>TOTAL EQUITY</b>	<b>7,880,597</b>	<b>18,933,005</b>	<b>(58%)</b>

# STATUTORY TO OPERATING PROFIT RECONCILIATION

\$	Operating profit after tax			EBITDA		
	1H FY19	1H FY18	Variance	1H FY19	1H FY18	Variance
<b>Statutory results after tax / Operating EBITDA</b>	<b>(9,930,600)</b>	<b>2,409,496</b>	<b>(512%)</b>	<b>(8,557,578)</b>	<b>4,413,504</b>	<b>(294%)</b>
Add back Significant Items after tax :						
Tax rate changes	(169,010)	-	-	-	-	-
Strategic Review	116,268	-	-	160,370	-	-
Significant items other*	151,267	-	-	208,644	-	-
Accelerated Depreciation & Amortisation**	772,450	-	-	-	-	-
Impairment of Goodwill	9,944,796	-	-	9,944,796	-	-
<b>Operating Profit after tax / Operating EBITDA</b>	<b>885,171</b>	<b>2,409,496</b>	<b>(63%)</b>	<b>1,756,232</b>	<b>4,413,504</b>	<b>(60%)</b>

Statutory Profit / (Loss) is prepared in accordance with Australian Accounting Standards and the Corporations Act. Statutory Profit / (Loss) after tax (NPAT) of (\$9,930,600) for the half year ended 31 December 2018 compared to a statutory net profit after tax of \$2,409,496 for prior corresponding period (pcp). The FY19 half year results included significant Items of \$10,815,772 (nil pcp) resulting in operating net profit after tax for the half year ended 31 December 2018 of \$885,171 compared to \$2,409,496 for the pcp, a decrease of 63%.

\* Costs associated with restructuring and closure of rental premises.

\*\* Accelerated Depreciation on Customer Relationships and specific items of Software

Operating Profit is reported to give information to shareholders that provides a greater understanding of operating performance by removing Significant Items and therefore facilitating a more representative comparison of performance between financial periods.



# 1H FY19 ACCOUNTING STANDARD CHANGE

Energy Action has adopted the following Australian Accounting Standards, AASB interpretations and change in the company accounting policy as of 1 July 2018:

- AASB15 Revenue from Contracts with Customers
- AASB9 Financial Instruments
- Sales Commission Expense

The Company has restated 2018 comparative figures to reflect the adoption of these new standards.

This table summarises the adjustments against the Financial Statements including the Consolidated Statement of Comprehensive income and Consolidated Statement of Financial Position.

Refer Note 2.3 in the Financial Report for the Half Year ending 31 Dec 2018 for a full summary of the overall impact of adoption of new and revised Standards and Interpretations.

Consolidated Statement of Comprehensive Income	1H FY18 6 Months to Dec 17 (As reported)	AASB 15 Adjustment	AASB 9 Adjustment	Sales Commission Expenses	1H FY18 6 Months to Dec 17 (Restated)
<b>Total Revenue</b>	16,259,736	1,734,242	-	-	17,993,978
Cost of goods & services sold	(2,537,412)	-	-	10,852	(2,526,560)
Expenses	(11,318,458)	-	-	264,544	(11,053,914)
<b>EBITDA</b>	<b>2,403,866</b>	<b>1,734,242</b>	<b>-</b>	<b>275,396</b>	<b>4,413,504</b>
Depreciation & amortisation	(742,373)	-	-	-	(742,373)
<b>EBIT</b>	<b>1,661,493</b>	<b>1,734,242</b>	<b>-</b>	<b>275,396</b>	<b>3,671,131</b>
Financing costs	(272,712)	-	-	-	(272,712)
<b>Profit/(Loss) before tax</b>	<b>1,388,781</b>	<b>1,734,242</b>	<b>-</b>	<b>275,396</b>	<b>3,398,419</b>
Income tax expense	(367,093)	(536,616)	-	(85,214)	(988,923)
<b>Profit/(Loss) after tax</b>	<b>1,021,688</b>	<b>1,197,626</b>	<b>-</b>	<b>190,182</b>	<b>2,409,496</b>

Consolidated Statement of Financial Position	30 Jun 2018 (As reported)	AASB 15 Adjustment	AASB 9 Adjustment	Sales Commission Expenses	30 Jun 2018 (Restated)
Total Current Assets	7,440,656	4,111,610	-	(571,438)	10,980,828
Total Non-Current Assets	16,031,636	3,289,971	-	(339,389)	18,982,218
<b>Total Assets</b>	<b>23,472,292</b>	<b>7,401,581</b>	<b>-</b>	<b>(910,827)</b>	<b>29,963,046</b>
Total Current Liabilities	2,928,535	-	-	678,809	3,607,344
Total Non-Current Liabilities	5,679,113	2,220,474	-	(476,890)	7,422,697
<b>Total Liabilities</b>	<b>8,607,648</b>	<b>2,220,474</b>	<b>-</b>	<b>201,919</b>	<b>11,030,041</b>
<b>Net Assets</b>	<b>14,864,644</b>	<b>5,181,107</b>	<b>-</b>	<b>(1,112,746)</b>	<b>18,933,005</b>
<b>Equity</b>					
Issued Capital	6,537,906	-	-	-	6,537,906
Retained Earnings	5,467,532	5,181,107	-	(1,112,746)	9,535,893
Profit/(Loss) for the period	2,588,357	-	-	-	2,588,357
Reserves	270,849	-	-	-	270,849
Dividend paid	-	-	-	-	-
<b>Total Equity</b>	<b>14,864,644</b>	<b>5,181,107</b>	<b>-</b>	<b>(1,112,746)</b>	<b>18,933,005</b>

# FULL RETROSPECTIVE IMPACT OF ACCOUNTING STANDARD CHANGE

Total Impact as at 1 July 2018 is increase to retained earnings of \$4.068M as a result of adjustments as below:

- Revenue adjustment with Auctions and Commission-based Tender revenue being recognized upfront once the Auction is complete and contracts signed between the Retailer and the Customer.
- The commercial and payment terms of Auctions and Commission-based Tenders remain unchanged, with a “Revenue not Invoiced” Asset being recognised on the Statement of Financial Position.
- The Company has historically experienced cancellation of Auction revenue during the contract period. Accordingly a “Provision for Cancellations” has been recognised on the Statement of Financial Position.
- The Company has expensed sales representative and agents’ commissions upfront in line with the revenue also being recognised upfront
- Tax impact of these changes
- Nil impact as a result of adoption of AASB9

Total Impact to Group's Retained Earnings	1H FY18 6 Months to Dec 17	2H FY18 6 Months to Jun 18	FY18 Full Year Jun 18	FY17 Full Year Jun 17	Total Impact
<b>Retained Earnings, as previously reported</b>	-	-	-	5,830,890	5,830,890
<b>Retained Earnings, Restated (B/F)</b>	<b>9,226,934</b>	<b>11,273,072</b>	<b>9,226,934</b>	-	-
Changes arising from the application of AASB 15	1,734,242	(1,140,744)	593,498	6,392,509	6,986,007
Changes arising from the application of AASB 19	-	-	-	-	-
Changes in relation to sales commission expense	275,396	91,559	366,955	(1,541,017)	(1,174,062)
Tax impact of the above	(621,830)	333,694	(288,136)	(1,455,448)	(1,743,584)
<b>Profit/(Loss) after tax</b>	<b>1,387,808</b>	<b>(715,491)</b>	<b>672,317</b>	<b>3,396,044</b>	<b>4,068,361</b>
Profit/(Loss) for the period	1,021,688	1,566,669	2,588,357	-	2,588,357
Dividends paid	(363,358)	-	(363,358)	-	(363,358)
<b>Retained Earnings, Restated</b>	<b>11,273,072</b>	<b>12,124,250</b>	<b>12,124,250</b>	<b>9,226,934</b>	<b>12,124,250</b>