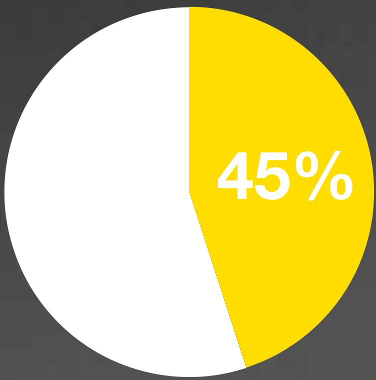
Energy Developments

EXPERIENCE DEFINED

Annual Report
2014

400+
staff globally



45% of staff globally have been with EDL for **5 years or longer**

Equivalent of about **600,000 homes** powered by EDL's clean energy

Abated **12 million tonnes** of carbon dioxide equivalent to removing **3.5 million cars from the road**

$1 million

Distributed to the **West Kimberley Community Benefit Fund**. Supporting a broad cross section of community activities

No Lost Time Injuries over
1.6 million
hours worked

Power generation across **83 sites globally**

CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

2014 saw EDL's power infrastructure business deliver on its growth strategy with strong results. 154MW of additional power generation capacity was added during the year. With an additional 21MW of remote energy committed, the Company is on track to exceed 900MW of installed capacity by 1 December 2014.

Revenue increased by 5% to $422.8 million, whilst EBITDA increased 3% to $182.2 million. Major projects and acquisitions were completed during the year, including the 53MW McArthur River remote power station expansion in January, the acquisition of the 43MW Envirogen waste coal mine gas power portfolio in April, and the acquisition of 30MW of upstream LNG power assets in June. The full year contribution of these projects are expected to contribute to increased revenue in FY15.

The Company's strategic growth and business optimisation strategies continue to deliver a stable and increasing earnings platform, with a low risk, largely contracted and diversified operating business.

In FY13 the Board noted its intention to pay regular dividends increasing progressively in the future. Having delivered strong financial performance this year, the Company announced a fully franked final dividend of 28 cents per share on 27 August 2014.

EDL is the market leader in its core remote and clean distributed energy businesses. The Company is the largest producer of clean energy from waste coal mine gas (WCMG) and landfill gas (LFG) in Australia, the largest provider of remote energy in the sub 100MW market in Australia and a scale producer of clean energy from landfill gas in the UK and US.

We recognise it is through the experience and expertise of our people that EDL continues to deliver safe, reliable, innovative power solutions to our valued customers. With the best people committed to achieving outstanding results, strong cashflows and funding, the Company goes forward in its strongest position yet, well positioned for continued growth.

This Annual Report acknowledges the dedication of the employees at EDL to our business and includes a series of profiles of the many people who contribute to EDL's success.

SAFETY AND ENVIRONMENT

Safety remains the Company's highest priority. Management and employees continuous focus on achieving Zero Harm has resulted in no lost time injuries being reported in the past 19 months, with over 1.6 million hours worked. Over that time major projects were completed without lost time injury, including the 53MW McArthur River project and the 18MW Moranbah North expansion in Queensland. We are pleased to note that the Lost Time Injury (LTI) Frequency Rate is currently zero (as at 31 August).

Similarly we are pleased to note that FY14 remained free of any significant reportable environmental incidents.

EDL is proud of its strong safety and environmental record and we remain committed to continuous improvement on the journey to Zero Harm as our business grows.

EDL is one of Australia's leading clean energy and greenhouse gas abatement businesses. In FY14 the Company's worldwide operations produced approximately 3.7 million MWh of energy, enough to power over 600,000 homes. EDL's landfill gas power stations around the world, and waste coal mine gas projects in Australia, abated and avoided approximately 12 million tonnes of carbon dioxide equivalent of greenhouse gas emissions, equivalent to removing 3.5 million cars from the road.

BUSINESS PERFORMANCE

AUSTRALIA – REMOTE ENERGY

Total installed capacity at 30 June 2014 was 368MW, up from 297MW at June 2013. The increase in generation capacity resulted from the completion of growth projects including the 53MW McArthur River Mine expansion project, which commenced commercial operations in January 2014 and the acquisition of 30MW of upstream LNG power assets on 30 June, commencing operations on 1 July 2014.

Remote energy revenue is derived primarily from capacity charges on installed capacity under long dated contracts. Therefore revenue is generally unaffected by any decline in customer demand. Increased EBITDA was achieved with a 6 month contribution from the expanded McArthur River Mine project ($6.3 million) and cost savings initiatives that yielded significant savings ($2.3 million).

AUSTRALIA – CLEAN ENERGY

The combined installed capacity at 30 June 2014 was 338MW across Queensland, New South Wales, Victoria, the ACT and South Australia, which represents an increase of 61MW. The Company completed the 43MW acquisition of Envirogen in April 2014 and the 18MW expansion of Moranbah North, commissioned in July 2014.

Generation increased 11% as a result of the Envirogen acquisition, a full year contribution from the German Creek expansion (6 months in FY13) and an increase in generation from existing assets. Revenue from increased generation was offset by softer LGC prices ($5.6 million) and softer electricity prices in the Queensland wholesale market ($6.4 million). The FY13 result also included $7.6 million from prior period Australian Carbon Credit Units (ACCU) booked in FY13.

EUROPE - CLEAN ENERGY

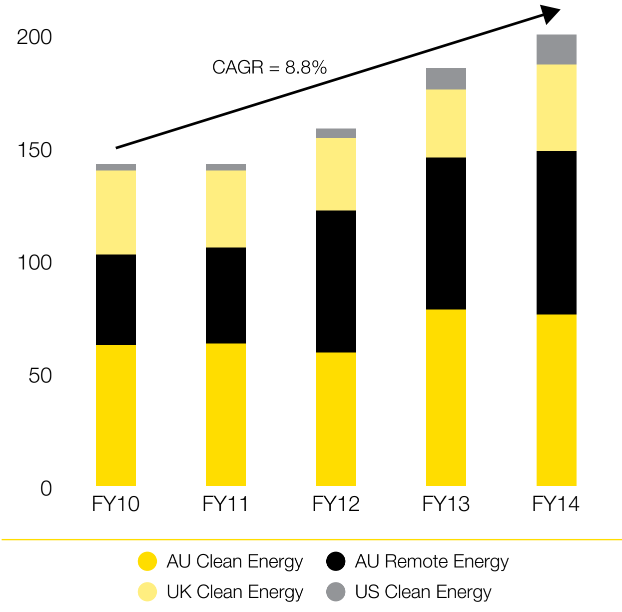
Total installed capacity of EDL's European operations increased to 83MW, up 3MW on 2013 through expansions at two sites.

EBITDA increased 28% from the prior year, mainly attributed to improved electricity and green credit pricing, improved engine availability, favourable foreign exchange and increased generation.

UNITED STATES - CLEAN ENERGY

The 94MW United States Landfill Gas (LFG) power generation business increased 5MW with the Sand Valley LFG project being commissioned in October 2013.

OPERATING EBITDA (A$M)



EBITDA increased by 39% from the prior year due to improved electricity and green credit pricing, improved gas flow, favourable foreign exchange and generation and a 9 month contribution from Sand Valley.

FUNDING

Capital management initiatives have resulted in the Company being a strong financial position. This strong position underpins EDL's capacity to undertake growth projects.

As at 30 June 2014, the Company has $780 million of debt facilities in place with no significant refinancing required until July 2016. At year end, the Company has $276 million in available cash and credit.

The following funding initiatives were completed during 2014:

- A new $75 million facility from the Clean Energy Finance Corporation, providing finance for renewable or low emission projects
- An additional $50 million commitment to the Multi-Option Syndicated Facility by the Industrial and Commercial Bank of China (ICBC)
- A fully-subscribed $50 million equity placement to institutional investors (used to fund the 51MW acquisition of upstream LNG power assets and acquisition of the Envirogen WCMG business).

A refinancing process is now underway that is expected to deliver significantly lower finance costs in the FY15 year.

We were also pleased to announce in July 2014 an $18.5 million funding arrangement provided by the Australian Renewable Energy Agency (ARENA) for the upgrade and expansion of the Coober Pedy diesel power station with an innovative hybrid solar PV and wind generation power project. This new project will target a 70% displacement of diesel fuel currently used in the project.

REGULATORY ENVIRONMENT

AUSTRALIA

The Company is well-placed to manage the changes arising in the Australian regulatory environment. Bipartisan support remains to achieve Australia's target to reduce greenhouse gas emissions by 5% below 2000 levels by 2020. With the removal of the carbon pricing mechanism from 1 July 2014, the Coalition Government intends to achieve this policy objective though an Emissions Reduction Fund (ERF) under their Direct Action Plan.

EMISSION REDUCTION FUND

The ERF is the centrepiece of the Government's Direct Action Plan. Legislation to implement the ERF passed the House of Representatives in June 2014 and is expected to be debated in the Senate in first half of this financial year. The Company continues to consult with Government and Opposition parties on the design and implementation of policies to achieve Australia's emissions reduction target.

Under the legislation currently before Parliament, the Company expects the following projects which EDL undertakes in Australia to be eligible to participate in the ERF:

- Existing landfill gas projects eligible under the current Carbon Farming Initiative (CFI)
- New (and expansions to existing) waste coal mine gas projects.

RENEWABLE ENERGY TARGET (RET)

The RET requires that by 2020 45,000GWh is supplied from renewable generation sources. Although the RET is legislated to continue until 2030, it has been subject to a Federal statutory review process, with the Report of the Expert Panel released in August 2014. The Company is currently eligible to generate large-scale generation certificates (LGCs) from certain of its LFG and WCMG projects.

Relevantly to EDL, the recommendations by the Expert Panel include

- Allow no new large scale renewables into the RET, but the RET continues with existing participants
- RET target is frozen and only grows when electricity demand grows, with the Clean Energy Regulator (CER) to determine this annually.

Under both of these recommendations EDL's qualifying projects would remain eligible under the RET. The Federal Government's response to the Expert Panel is expected in October 2014. The Company continues to consult with the Government and Opposition parties in relation to the important policy principle of avoiding unintended consequences to existing long term investments eligible under the scheme which have been made in good faith and in relation to the benefits of the RET achieving its policy objectives.

INTERNATIONAL

Both the European and US regulatory environments remain supportive of EDL's greenhouse gas abatement business.

In June 2014, the Obama Administration and the US Environmental Protection Agency (EPA) proposed rules to reduced carbon-dioxide emissions from existing power stations. Under the proposal, the EPA will set different emissions goals for each state, based on analysis of what cuts are feasible. States will be able to propose a variety of measures to meet these targets, including increasing the use of lower emission power generation (such as landfill gas) or joining regional cap-and-trade systems (such as the Ohio Renewable Energy Portfolio Standard, in which EDL currently participates).

EDL will continue to monitor closely the policy and regulatory developments in the US and Europe.

LOOKING FORWARD

2015 will present EDL with additional opportunities for growth and the Company will continue its focus on driving operational synergies. The underlying performance in 2014 and the strength of our balance sheet provide a solid platform for the Company to undertake expansions and new projects.

This will only be made possible by drawing on the talents of our people. Over 400 people across 3 continents make up EDL and the Board would like to thank our people for their contributions in 2014 and their ongoing commitment in 2015 to deliver a safer and growing profitable business.

Rob Koczkar
Chairman

Greg Pritchard
Managing Director

EXCELLENCE

THE EDL BUSINESS

The Company has over 25 years' experience in the construction and operation of distributed generation projects.

GLOBAL SITE MAP

Landfill Gas Power Project · Waste Coal Mine Gas Power Project · Remote Energy Power Project · Liquefied Natural Gas / Compressed Natural Gas · Office

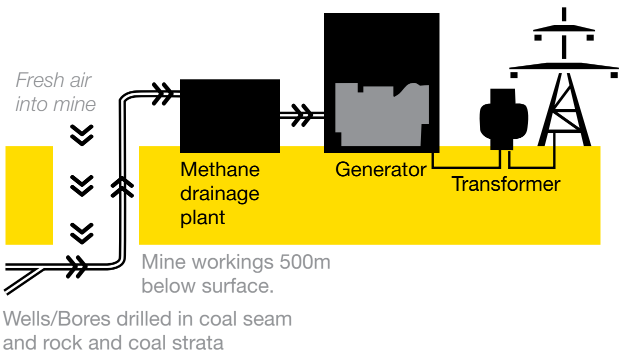
REMOTE ENERGY

EDL OPERATES PROVEN AND RELIABLE ASSETS

TECHNOLOGY	OVERVIEW	GENERATION PROCESS
REMOTE ENERGY	Remote energy provides electricity to remote towns, communities and mines that are not connected to the electricity network EDL provides power to its customers either on a tolling basis or with a cost pass-through of fuel costs, thereby eliminating fuel cost risk	EDL has developed remote power plants which utilise natural gas (pipeline or LNG) and/or distillate to economically meet the energy requirements of mining operations, remote towns and communities

CLEAN ENERGY

LFG AND WCMG ARE PROVEN, LOW RISK, MATURE CLEAN ENERGY GENERATION TECHNOLOGIES

TECHNOLOGY	OVERVIEW	GENERATION PROCESS
WCMG	Coal mining process has always required the removal of methane for safety reasons. However, there are also strong environmental and commercial considerations for draining and beneficiating the gas Historically, methane has been either flared or released directly into the atmosphere. However, given WCMG can be used as a fuel for power generation, there is an opportunity to capture the gas and generate electricity WCMG is extracted from the coal seam as a part of the coal mining process and is then transported via pipeline to an EDL WCMG generation facility	

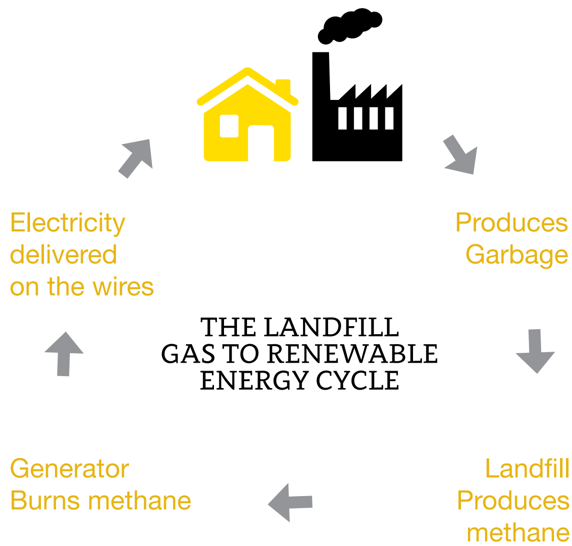
GROWTH HISTORY

Formation of EDL	Listed on the ASX	Appin/Tower first WCMG generation project	First WCMG generation project with Anglo American
1988	1993	1997	2006

CLEAN ENERGY

LFG AND WCMG ARE PROVEN, LOW RISK, MATURE CLEAN ENERGY GENERATION TECHNOLOGIES

TECHNOLOGY	OVERVIEW	GENERATION PROCESS
LFG	Landfill gas (LFG) produced from the anaerobic decomposition of biodegradable waste which has been deposited in landfill sites LFG generation is now regarded as one of the most mature and successful renewable energy technologies, providing efficient base load generation Gases are collected via a system of wells and pipes that extract gas from the landfill to supply the engines	



MARK JONKER

I am a Business Development Manager, growing the Clean Energy business in Australia including WCMG & other generation technologies that export power to the grid. I have exposure to all areas of the business specifically operations, project delivery, finance, executive and Board level. I like having the freedom and encouragement to come up with innovative solutions that can create value for the business and to our customers.

Acquired enGen from Wesfarmers

2011

18MW Moranbah North expansion announced

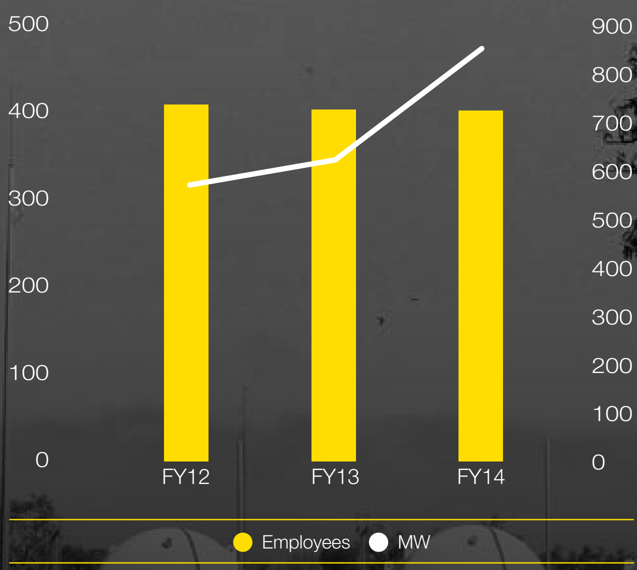
2013

53MW MRM Expansion commissioned

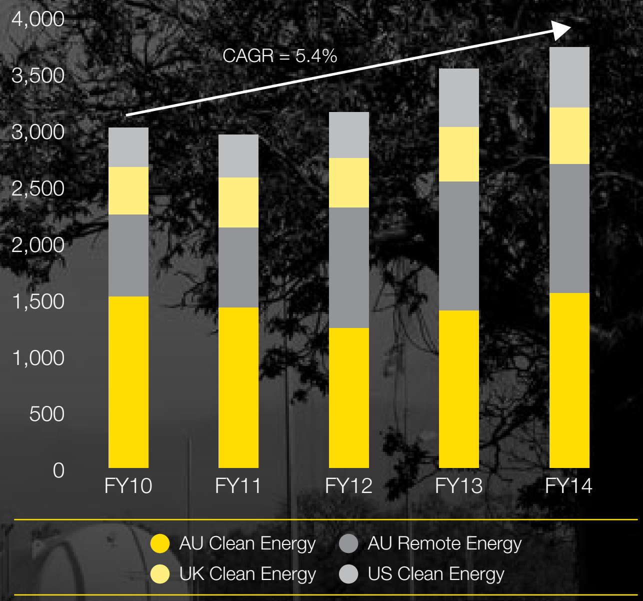
Acquired Envirogen

2014

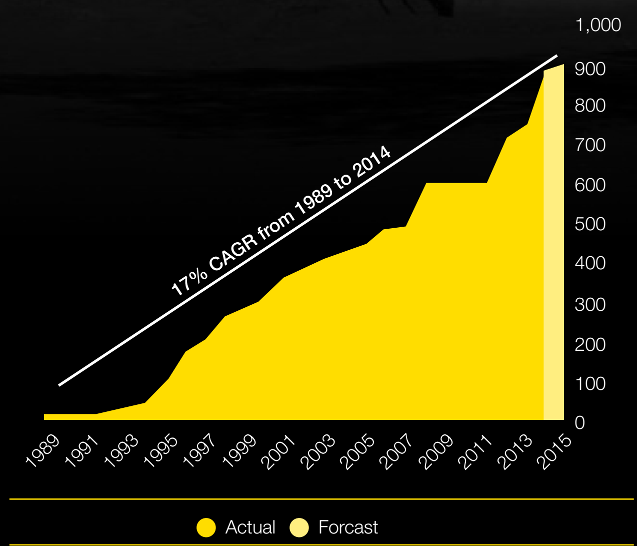
EMPLOYEE (FTE) AND MW INSTALLED



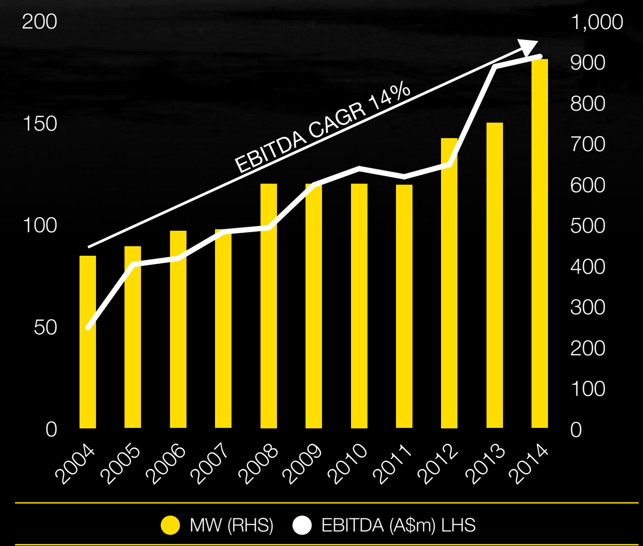
TOTAL GENERATION (GWH)



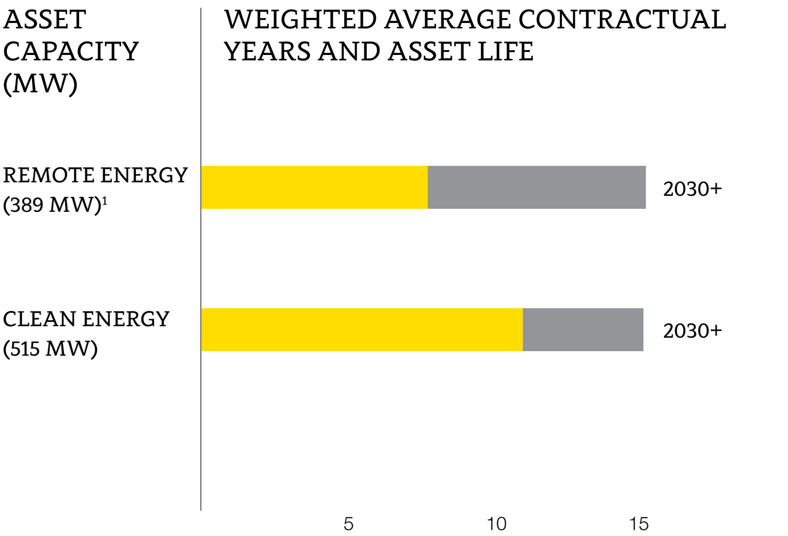
HISTORICAL AND COMMITTED MWS



EBITDA AND CAPACITY GROWTH



LONG DATED CONTRACTS WITH BLUE CHIP COUNTERPARTIES



Contracted years remaining Asset life

[1] Includes 21MW to be commissioned Dec 2014

BLUE CHIP COUNTERPARTIES

- bhpbilliton
- ANGLO AMERICAN
- AMP
- EnergyAustralia
- VALE
- AGL
- TERRITORY GENERATION
- HORIZON POWER
- GLENCORE
- 五礦資源有限公司 MINMETALS RESOURCES LIMITED
- INCORPORATING MMG

ISAAC FISCHMAN

I am a Compliance Engineer – Shared Services. My role is diverse with the technical aspects offering some interesting challenges. I've always had an interest and passion for carbon abatement and its impact on current and future generations so I feel lucky to work for a company that provides safer, cleaner energy solutions. There are never any dull moments here, largely due to EDL being such a nimble company.

SARAH MERRIOTT

I am Legal Counsel and responsible for all UK legal matters including employee relations, and HR strategy. The scope of my role has broadened and I am now involved in commercial areas and operational matters. I enjoy being part of a business where I can see the impact of decisions made on the advice I am giving. The best thing about EDL is the people, particularly working with my existing team.

ENHANCE

GROWTH AND INNOVATION

EDL has a demonstrated track record of strong growth achieved through the commitment of its people.
The Company continues to pursue profitable growth acquisitions, new projects and incremental expansions of existing projects, safely on time and on budget.

GROWTH

COMPLETED PROJECTS –IN FY14

The successful completion of two major development projects, on time and safely, in some of the most remote parts of Australia are a testimony to the capability of our people.

The successful completion of the Moranbah North and McArthur River projects with no reportable OHS or environmental incidents highlights the Company's position as Australia's leading developer of remote and clean energy.

EDL now has 253MW of WCMG power generation following the acquisition of the 43MW Envirogen portfolio in April 2014, with further expansion opportunities under active discussion.

STRATEGIC FOCUS

1. SAFER	• Continue towards Zero Harm
2. OPERATIONS	• Increase capacity factors in Clean Energy • Deliver continued efficiencies including Envirogen synergies • Implementation of asset management plans and centralised maintenance planning
3. DELIVERS	• Deliver construction projects on time and on budget • Continue track record of contract renewals and extensions • Extend long-dated gas reserves in LFG and WCMG
4. FUNDED	• Reduce borrowing cost and extend tenor through refinancing in FY15 • Strong cash flow and committed funding available for profitable growth
5. GROWTH	• Expand relationship/capacity with key customers in remote and clean energy • Selective acquisitions to expand incumbency in core areas • Opportunities to expand distributed generation including non-network solutions and diesel displacements • Develop technology options – Integrated renewables

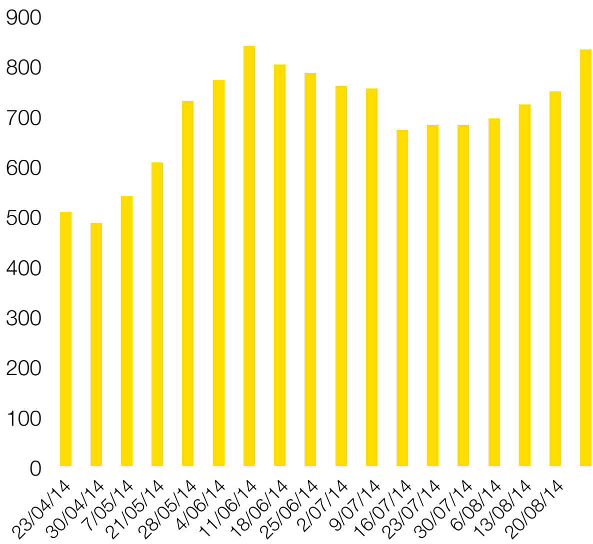
ACQUISITION OF ENVIROGEN

The successful integration of the 43MW Envirogen WCMG business into EDL's operations demonstrates the full capabilities and leadership of our people in the WCMG power generation business.

On Day 1 of EDL operating the assets, EDL safety systems were implemented bringing the new operations to the EDL group standard. OHSE verification was subsequently undertaken and full connectivity of the new sites was made with the Brisbane Remote Operations Centre for seamless integration into the EDL management portfolio.

The focus on these new assets has been the safe rectification of the installed capacity. Since acquisition, over a 50% improvement in daily exported generation has been achieved. This was achieved through EDL's 20 years experience of WCMG operations and the application of the intricate knowledge and skillset of our staff in the field of WCMG power generation.

IMPROVEMENT IN GENERATION SINCE ENVIROGEN ACQUISITION (MWh)



UPSTREAM LNG POWER ASSETS

The Company announced in 2014 two asset acquisitions which would see EDL extend its footprint as a remote energy provider to the upstream LNG industry. The two deals see an additional 51MW of generation capacity purchased, with the equipment being leased-back for an initial 12 months (with an option to extend) to be employed as island mode power generation for the upstream LNG sector. At the end of their lease period, the assets are expected to be redeployed in future WCMG projects.

These assets are seen as a strategic fit to the nearby existing waste coal mine generation assets. EDL's ability to undertake the transaction demonstrates the strength of its balance sheet and capacity to undertake initiatives to generate incremental income streams.

MORANBAH NORTH

EDL completed the 18MW expansion of the Moranbah North WCMG Project in July 2014, two months ahead of schedule and with no reportable OHS incidents.

EDL's Moranbah North WCMG Project has been operational since 2008 using WCMG from Anglo American's Moranbah North mine. The 18MW expansion is underpinned by a 25 year extension of gas supply arrangements with Anglo American, including from Anglo American's new Grosvenor metallurgical coal mine, which is currently under construction.

The expansion of the Project also enables EDL to provide network support services and substantial network capital savings in the Bowen Basin area under a two year Network Support Agreement with Powerlink Queensland. This project therefore provides valuable distributed generation and network support services to the mining communities in the Bowen Basin.

Supporting Anglo American's commitment to reducing carbon emissions

45MW WCMG power project since 2008

18MW expansion underpinned by:

- 25 year WCMG supply extension to 2038 with Anglo
- Network support agreement with Powerlink

Total installed capacity increased to 64MW

COD July 2014, ahead of schedule

MCARTHUR RIVER

A new 53MW gas fired power station at Glencore's McArthur River Mine commenced operations in January 2014 to complement the existing power generation. McArthur River is located approximately 900 kilometres south-east of Darwin in the Northern Territory of Australia and the project presented a sizeable logistic challenge to transport the generation equipment from the port of Darwin to the Mine site.

The project was constructed and commissioned within budget, in line with the expansion requirements of the Glencore mine, and with a seamless integration of the existing and the new power stations.

The successful completion of the new power station with zero reportable OHS or environmental incidents over the more than 200,000 hours worked to deliver the project highlights EDL's commitment to be a competitive, safe and reliable provider of electricity to the Australian mining sector.

Supporting Glencore's McArthur River mine expansion

- Doubling capacity and increasing mine life to 2033

24MW gas power station since 1995

20 year Power Purchase Agreement for 68MW

- 53MW Wärtsilä expansion
- Continued utilisation of existing 24MW power station

EDL's largest remote energy power station

INNOVATION

Our people have been the driving force in developing innovative systems and application of new and emerging technologies.

GLOBAL ASSET MANAGEMENT PLAN

The innovation of our people has led to the collaborative management of our global assets in order to maximise the collective knowledge of our people under a Global Asset Management Plan (GAMP). The GAMP represents the documentation of our proven experience in operating and maintaining our fleet of assets and provides a market-leading competitive advantage.

The GAMP, together with the Remote Operation Centres, allow our people to work in a collaborative fashion to consistently drive improvements and operational efficiency across the business.

COOBER PEDY – EMERGING TECHNOLOGY

The Company announced in July 2014 that funding had been granted by the Australian Renewable Energy Authority to upgrade and expand the Coober Pedy power station currently owned and operated by EDL.

The funding will see the deployment of innovative technology to transform the station into a renewable hybrid power station with up to 2MW of solar PV and 3MW of wind generation to be integrated with the existing diesel fuelled facility. The first stage of the process to be undertaken in 2015 will involve EDL undertaking a detailed project assessment to confirm the viability of the project. Subject to final investment decision and execution of project agreements, EDL is targeting Project completion and commencement of commercial operations in 2017.

This Project highlights the Company's potential to implement renewable hybrid systems in off grid applications to provide customers with innovative energy solutions providing greater certainty and stability over the long term. It also strategically positions EDL to be a leader in renewable hybrid systems in the remote off grid sector.

The Company sees the Coober Pedy project as the springboard to other renewable hybrid projects which could be implemented across Australia to meet the growing interest in displacing existing diesel consumption with renewable technology, resulting in reduced emissions and reduced exposure to volatile diesel prices.

ADAM KAMARETSOS

I was accepted for and completed a mechanical apprenticeship at the Engine Rebuild facility and am currently employed as Mechanical Operator at Grasstree Power Station. My duties include scheduled/unscheduled maintenance of the plant which includes servicing, oil changes, station and gas plant daily checks. My enthusiasm and eagerness to learn has never ceased.

Working with such a dynamic and goal driven team made my apprenticeship constantly challenging and enjoyable.

MICHELLE ROONEY

I work as HSE Advisor for the Clean Energy business. I am passionate about HSE because it touches every aspect of the business and I enjoy having exposure to a broad range of people from senior management to site personnel. As a fast paced, medium sized business I'm aware that we need strategic planning to keep us on track and sometimes the best solutions come from those performing the task daily, the balance is to keep both facets communicating and moving the business forward.

IN-HOUSE REMOTE OPERATION CENTRES

EDL has recently invested in state-of-the-art in-house integrated Remote Operations Centre (ROC) in Brisbane (Clean Energy) and Perth (Remote Energy) with a dedicated team of Operations, Engineering and Maintenance staff responsible for asset performance that allows real time condition based monitoring.

This platform allows the Remote Energy and Clean Energy power stations to be remotely monitored and controlled using a Supervisory Control and Data Acquisition ("SCADA") package.

This real-time operational data on each engine supports EDL's Global Asset Management Plan significantly increasing operational performance and reducing the need for outages and optimisation of maintenance expenditure.

A POWER HOUSE OF EXPERIENCE

EDL's talented, experienced and committed people consistently deliver safe and outstanding business performance to our valued customers. With this platform in place, the Company will continue to deliver a safe, reliable, innovative and growing business.

EXPERIENCE

EDL has developed proven in-house capabilities in the construction, project management and operation of innovative energy projects with over 25 years of experience. This has been built from the collective expertise of our people over this time.

This expertise has been fostered through investing in the skills of our people and sharing their collective experiences.

SAFETY

Safety is EDL's number one priority in the development and operation of its projects. We work closely with our customers, suppliers and stakeholders to ensure we achieve continuous improvement in our safety culture, processes and behaviours.

The health and safety of our people is governed by the OHS Strategic Plan. EDL works on continuously improving policies and procedures with the aim of achieving a ZERO HARM work environment. This is achieved through:

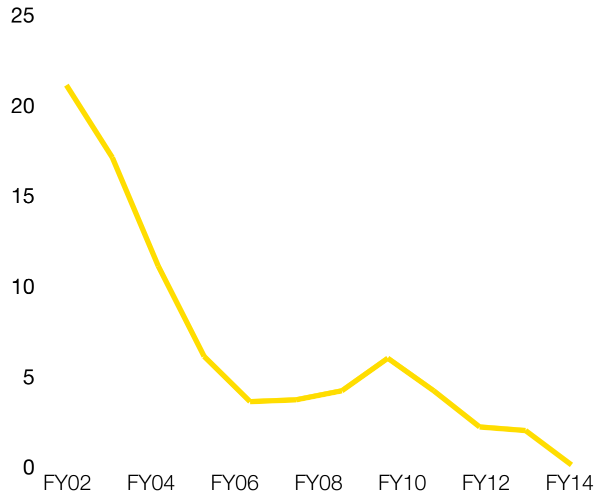
- identifying and managing the risks and exposures that exist within the business and improving the protocols and fundamentals that relate to our people, plant and procedures
- reviewing our actions and learning from our experiences
- developing a culture where any person feels comfortable to intervene to improve safety
- conducting ourselves and our business in strict accordance with the organisation's compass – we call these our SPIRIT values.

2014 was the safest year on record at EDL and this can be directly attributed to the ongoing development in our safety culture, processes and behaviours. In 2014, no Lost Time Incidents (LTI) were recorded and a 78% reduction in Significant Incidents was reported.

OHS OBJECTIVES AND TRAINING

EDL's people understand that safety is the first priority in our business and this has enabled our business to achieve continuous improvements in our safety culture.

LOST TIME INJURY FREQUENCY RATE



Transparent reporting of key safety indicators are provided to all staff and shared on an ongoing basis. Culture surveys are routinely undertaken to gain an understanding of our people's appreciation of OHS culture at EDL.

Training is paramount in EDL's business. Core training modules for all operations staff at EDL have been standardised across the group.

Examples of safety initiatives in FY14:

- Accountability initiatives and training
- Head protection upgrade with the inclusion of Bump caps
- Mandatory gloves policy
- Group Electronic Visitor Induction
- Vehicle Incident Reduction program including In Vehicle Monitoring System and Reverse parking initiatives.

TIM YOONG

I started in April 2004 as Control System Engineer and my current role is Operational Technology Manager. My role is diverse, it's definitely technically focused which is my main area of expertise and can be challenging at times.

EDL has given me the opportunity to grow within the business and apply my skills to the wider group. A highlight for me was working on the West Kimberley project as it was a unique and innovative project which had real tangible community benefits.

MANAGEMENT TEAM

The senior management team has a strong track record, having successfully grown the business organically and through recent acquisitions. The team is committed to growing the business through sound capital investment and safe and efficient operations.

The key to the success of the management team has been its stability and depth of industry experience.

Specifically in FY14:

- organic growth has been driven by strong relationships with key customers, innovative solutions, strong technical capability and proven track record; and
- growth via acquisition has been achieved through identification and integration of strategic targets including the recent Envirogen deal comprising 43MW of WCMG assets across 4 sites and two new customers.

SENIOR MANAGEMENT PROFILES

GREG PRITCHARD

MANAGING DIRECTOR

30 years industry experience

STEVE COWMAN

PRESIDENT –
ENERGY DEVELOPMENTS, INC. (USA)

25 years industry experience

PAUL ANDREWS

CEO, EUROPE

22 years industry experience

GERARD DOVER

CHIEF FINANCIAL OFFICER

25 years industry experience

KEITH BARKER

EXECUTIVE GENERAL MANAGER –
TECHNOLOGY

30 years industry experience

ROGER PATTISON

EXECUTIVE GENERAL MANAGER –
BUSINESS DEVELOPMENT

30 years industry experience

GREG BREADSELL

EXECUTIVE GENERAL MANAGER –
AUSTRALIAN OPERATIONS

19 years industry experience

SHANE MCLAUGHLIN

EXECUTIVE GENERAL MANAGER –
REMOTE ENERGY

30 years industry experience

STEPHEN CAKE

EXECUTIVE GENERAL MANAGER –
STRATEGY / M&A

25 years industry experience

OUR PEOPLE

The Company has over 25 years' experience in the construction and operation of distributed generation projects. The expertise of our people over this time forms the backbone of our ability to provide outstanding operating performance for our customers.

The values of our people are guided by SPIRIT:

- **S**afety, Health and Environment
- **P**erformance
- **I**nnovation and Initiative
- **R**espect and Responsibility
- **I**ntegrity
- **T**eamwork

INVESTMENT IN OUR FUTURE WORKFORCE

GRADUATE RECRUITMENT OF ENGINEERS IN REMOTE OPERATION CENTRES

EDL invested in the development of a Remote Operations Centre (ROC) in Brisbane in FY13 to enable greater integration of the operational function of the Australian clean energy sites.

Part of this investment saw the introduction of a new graduate program. The ROC provides a high performance entry point to EDL's operations for graduate engineers. After a dedicated training period, graduates are allocated to monitor Australian operations remotely. During the training period of up to 2 years, the graduates are developed directly through exposure to a wide range of business assets and processes.

The ROC therefore provides an accelerated avenue for the development of new talent into the operations business.

APPRENTICESHIP PROGRAMS – NATIONAL MAINTENANCE CENTRE

EDL has always seen the benefit from investing in trainees to renew and extend the talent pool of the Company's operator workforce. During 2014, an overarching apprenticeship strategy was developed in order to enhance the benefits under the existing programs.

One example of this was the implementation of an expanded apprenticeship program which will see the intake of apprentices employed at the Company's Rebuild Facility nearly doubled over the course of the next year. This program is seen as the ideal training ground for new operations personnel, working under the guidance of our experienced mechanical operators.

It is anticipated that the success of this apprenticeship program will be expanded to other EDL operational hubs across Australia.

The apprenticeship programs also provides an opportunity for the Company to enhance the diversification of its workforce through the active encouragement of women and Indigenous Australian participation in the training.

LEADERS OF TOMORROW

EDL fosters the development of its future leaders through an executive training program – Leaders of Tomorrow. This program provides an environment where our future leaders gain insights and mentoring from our executive management team alongside a structured external training program. The program, which has been running for over 9 years, has been critical in bringing peers together from diverse fields of the business, such as engineering, operations and finance, to create a more dynamic and collaborative management team.

ENGAGED

COMMUNITIES

EDL is committed to supporting the communities in which we operate, as a core component of our SPIRIT values.

COMMUNITIES

CAREERTRACKERS

EDL is proud to be involved with an innovative program called CareerTrackers.

CareerTrackers is a national non-profit organisation that creates private sector internship opportunities for talented Indigenous university students. Leveraging off the INROADS African-American internship program in the United States, CareerTrackers has adapted this model to address the Indigenous disadvantaged and provide them with real world work experiences.

In early July 2014, three undergraduate students commenced an initial 4 week placement (as part of an ongoing placement program during their study course) where they were provided with work in their chosen discipline and an opportunity to participate in the EDL work community.

In addition, CareerTrackers provides a wide spectrum of support services to help prepare students for leadership in the workplace and the community. Through participation in CareerTrackers EDL is able to add diversity to our workforce as well as help young Australians.

WEST KIMBERLEY COMMUNITY BENEFIT FUND

EDL's West Kimberley Community Benefit Fund has delivered funding to not for profit Indigenous, cultural and sporting groups throughout Broome, Derby Fitzroy Crossing, Halls Creek, Camballin and Looma.

The Fund principles are:

- Support social cohesion, inclusiveness, equal opportunity and the wellbeing of the community
- Support long term community development
- Be genuinely community-driven initiatives
- Address community needs in towns where EDL operates
- $1m Community Benefit Fund, helping to support the local communities in which we operate.

In FY14 the Fund has supported a variety of community initiatives including:

- Australian Dance Council Inc.
- Jack and Jill Playgroup
- Broome Youth Support Group
- Boab Festival
- Garnduwa Amboorny Wirnan
- Derby Volunteer Marine Rescue
- Broome Aboriginal Media Association
- Mowanjum Artists Spirit of the Wandjina Aboriginal Corporation.

PETER HULKENBERG

I work as Lead Electrical Engineer and provide leadership to a group of highly skilled electrical engineers. The opportunity and the invitation to participate in the EDL Leaders of Tomorrow program has allowed me to expand my skill portfolio and created personal and career growth. I'm most passionate about providing concepts for improving efficiency and enhancing quality of the services provided by EDL.

The highlight of my career at EDL has been being promoted to Lead Electrical Engineer and the opportunity to develop within the company.

CORPORATE GOVERNANCE

Board meetings held in Moranbah, Brisbane and Sydney.

Policy and procedure updates included review and update of:

- Privacy Policy
- Whistleblower Policy
- Diversity Policy

CORPORATE GOVERNANCE

INTRODUCTION

The Board is committed to the achievement of high standards of safety, integrity and governance in the Company's activities. This statement reports on the Company's key governance principles and practices for the reporting period 1 July 2013 to 30 June 2014 based on the Second Edition of the Australian Securities Exchange (**ASX**) Corporate Governance Council's Principles and Recommendations, including the 2010 amendments (**ASX Governance Principles**).

Throughout the reporting period, the Company complied with the ASX Governance Principles, except as set out in this statement, including where full adoption of the ASX Governance Principles is not considered practical or does not provide an optimal outcome, as a result of the Company's specific circumstances, given that Greenspark Power Holdings Ltd (**Greenspark**) was the majority shareholder of the Company during the reporting period, and that Greenspark has the power to control the composition of the Board.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

The Company complies with this Recommendation and has adopted a Board and Governance Charter (available on the Company website) which outlines the key responsibilities of the Board and those responsibilities delegated to management. The key responsibilities of the Board are to:

- review, advance and approve the Company's objectives and strategies, plans, budgets and investments, and capital management;
- monitor the Company's businesses, financial performance and corporate governance;
- oversee the financial position of the Company;
- report to shareholders;
- ensure effective control, accountability and compliance systems are in place;
- appoint, and appraise the performance of, the Managing Director;
- review risk management procedures and policies;
- oversee the senior management team by reviewing their performance evaluation, and assessing their succession planning and proposed remuneration;
- establish a culture of high ethical, environmental, health and safety standards; and
- ensure the Board is effective.

The business of the Company, including the day to day implementation of the Company's objectives and strategies, is managed by the Managing Director, and by those other officers and employees to whom the management function is properly delegated by the Managing Director, subject to specific limits on authority in accordance with the Company's Authority Levels Policy. A position description for the Managing Director is developed and agreed between the Board and the Managing Director, along with periodic statements of the objectives of the Managing Director.

New Directors receive a formal letter of appointment along with an induction pack. The appointment letter and induction pack contain sufficient information to allow new Directors to gain an understanding of the business of the Company and the role of the Board and the senior management team.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives

The Company complies with this Recommendation.

The Board and Governance Charter states that key Board responsibilities include:

- appointing and appraising the performance of the Managing Director; and
- overseeing the senior management team by reviewing performance, remuneration and succession planning.

There are formal position descriptions in place for the Managing Director and senior management team members, and key performance measures are assessed and calibrated based on relevant roles and responsibilities. The Board, receiving input from the Remuneration Committee, assesses the performance of the Managing Director and senior management team members against the key performance measures on an annual basis, or more frequently if required, particularly in relation to assessing short term incentive bonuses linked to relevant key performance measures. Executive performance evaluations were conducted during the financial year ending 30 June 2014. Further details about linkages between the performance evaluation results and short term remuneration are located in the section entitled Remuneration Report in the annual report (page 42).

It is Company practice to issue newly appointed senior management team members with formal letters of appointment describing their terms of appointment, duties, rights and responsibilities, and termination entitlements.

CORPORATE GOVERNANCE

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
An explanation of any departure from Recommendations 1.1, 1.2 or 1.3.	The Company has complied with Recommendations 1.1, 1.2 and 1.3.
Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.	A performance evaluation for senior executives has taken place in the reporting period and it was in accordance with the process disclosed.
A statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.	These matters are addressed in the Board and Governance Charter which is available on the Company website under Corporate Governance.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent directors

The Board composition did not comply with ASX Recommendation 2.1 as the Board did not include a majority of directors classified as being 'independent' during the reporting period. However, the Board directors each add significant value and expertise across a variety of commercial fields, and given the circumstances of the Company, a majority independent board is not considered to be the most appropriate means for fulfilling the aims and goals of the Company.

The Board composition during the reporting period comprised five non-executive directors, and one executive director. The Company assessed two of the five non-executive directors to be "independent" based on the ASX Governance Principles.

The personal and professional details of the directors for the financial year ended 30 June 2014 are located in the section entitled Company Leadership in the annual report (page 34).

The details of office of each director is as follows:

DIRECTOR NAME	DATE OF APPOINTMENT	ANNUAL GENERAL MEETING AT WHICH RETIREMENT BY ROTATION IS REQUIRED	RETIRING AT 2014 AGM	INDEPENDENT DURING REPORTING PERIOD
Rob Koczkar	22 January 2010	2016	No	No *
Greg Martin	16 May 2006	2014	Yes	Yes
Philip Kapp	17 February 2010	2016	No	Yes
David Grayce	22 January 2010	2015	No	No *
Tony Duthie	17 February 2010	2016	No	No *
Greg Pritchard	24 July 2001	N/A **	N/A **	No

* Messrs Koczkar, Grayce and Duthie were not assessed to be "independent" directors during the reporting period due to their relationship in that time as officers of or otherwise associated directly with Pacific Equity Partners Pty Ltd, an adviser to Greenspark, the majority (~80%) shareholder in the Company.

** As Managing Director, Greg Pritchard is not required to retire by rotation in accordance with the Company's Constitution and the ASX Listing Rules.

Recommendation 2.2: The chair should be an independent director

The Company Chairman is Mr Rob Koczkar, a non-independent director during the reporting period, and accordingly the Company's structure in relation to the Chairman does not comply with ASX Recommendation 2.2 given Mr Koczkar's position as an officer of Pacific Equity Partners Pty Ltd, an adviser to Greenspark, the majority shareholder in the Company for the financial year ended 30 June 2014.

However, this non-compliance is moderated by the following key factors:

- **The Chairman's experience**: notwithstanding Mr Koczkar's non-independent director status during the reporting period, Mr Koczkar is an appropriate person for the Chairman role given his considerable business experience, expertise and skills particularly in providing support and guidance to management teams in developing and implementing effective business plans designed to improve shareholder value;
- **Overall shareholder interest alignment**: while three (3) from six (6) of the Board members, including the Chairman, were, during the reporting period, associated with Greenspark, generally speaking, in most circumstances, the interests of Greenspark are aligned with the general interests of shareholders as a whole, including in relation to the tailored growth of the Company to maximise value for all shareholders, and the desirability of the Company adhering to appropriate high standards of management integrity, accountability and governance;
- **Established conflict mechanisms**: where the interests of Greenspark actually or potentially conflict with the interests of minority shareholders as a whole in a material way in connection with material issues, the Company has conflict mechanisms through the Conflicts Charter and the Conflicts Committee to deal with these matters in an appropriate manner with appropriate guidance from independent directors. This is discussed further on page 31.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual

The Company complies with this Recommendation.

Recommendation 2.4: The board should establish a nomination committee

In accordance with the Board and Governance Charter, the Board as a whole acts as a nomination committee. The processes for nominations are contained within the Company's Board and Governance Charter.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The performance of the Company committees, individual directors and the Board as a whole is considered and evaluated by the Board on an informal basis as and when appropriate. A more formal or structured approach is not considered necessary or appropriate given the specific circumstances of the Company.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.	Refer to the directors' profiles at page 34 of the annual report.
The names of the directors considered by the board to constitute independent directors and the company's materiality thresholds.	Refer to the Company response to Recommendation 2.1 on page 26. The Company has regard to the ASX Governance Principles criteria when assessing the independence of directors.
The existence of any of the relationships listed in Box 2.1 (of the ASX Governance Principles) and an explanation of why the board considers a director to be independent, notwithstanding the existence of those relationships.	Refer to the Company response to Recommendation 2.1 on page 26. The Company has not, during the reporting period, assessed any director with a relationship listed in Box 2.1 as being "independent".
A statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.	Refer to the Company response to Recommendation 2.1 on page 26: in accordance with the Board and Governance Charter, where reasonably necessary any director may obtain independent advice at the expense of the Company after notifying the Chairman.

CORPORATE GOVERNANCE

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
The period of office held by each director in office at the date of the annual report.	Refer to the Company response to Recommendation 2.1 on page 26.
The names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out.	As per the Company response to Recommendation 2.4 on page 27, the Company did not have a stand alone Nomination Committee during the reporting period, and the relevant nomination functions are structured to be performed by the full Board per the Board and Governance Charter.
Whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed.	As per the Company response to Recommendation 2.1 on page 27, performance evaluation is dealt with informally, and there was no formal performance evaluation process during the reporting period.
An explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.	The Company complies with Recommendations 2.3 and 2.6. The status with respect to Recommendations 2.1, 2.2, 2.4 and 2.5 is explained on pages 26 and 27.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the company's integrity**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices**

The Company has adopted a Code of Conduct (available on the Company website) setting out the standards expected of all employees and directors. The Code of Conduct follows best practice guidelines in that it contains provisions relating to compliance, conflicts, fair dealing, company assets and property, confidential information, employment practices, gifts and entertainment, and reporting. The reporting provision requires employees to report any circumstance which the employee believes in good faith to be a breach of the law or the Code of Conduct. In addition, the Company has adopted a Whistleblower Policy under which employees may raise appropriate concerns relating to possible unlawful conduct, financial malpractice, breach of Company policies, or dangers to the public or the environment in the workplace.

Recommendations 3.2, 3.3 and 3.4: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board

The Company has established a Diversity Policy that has been reviewed and approved by the Board. The Company recognises that a diverse and inclusive workforce is good for employees and good for business. The Diversity Policy is published on the Company's website.

The Company's Diversity Policy is based on the following key principles:

1. Hiring the best qualified person available for the job without discrimination;
2. Appraising and promoting employees on the basis of management assessment, past performance and the potential of the employee to handle greater responsibility. These decisions will be made without discrimination;
3. Maintain a workplace that is free from discriminatory harassment, and conducting all Company activities without discrimination;
4. Encouraging all employees to advance their careers at the Company, irrespective of gender, age, ethnicity, background or circumstances.

No targets were set during this financial year, and the matter is under further ongoing consideration.

There were no female Board directors during the reporting period, and as at 14 August 2014, the proportion of women in the Company as a whole was 12.7%. 16.6% of the Company's Leadership Program participants are female.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3

Refer to the above responses to Recommendations 3.1 to 3.4.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee.

The Company complies with this Recommendation.

Recommendation 4.2: The audit committee should be structured so that it:

- **consists only of non-executive directors**
- **consists of a majority of independent directors**
- **is chaired by an independent chair, who is not chair of the board**
- **has at least three members**

The Company complies with this Recommendation.

As at 30 June 2014 and the date of the annual report, the members of the Audit and Risk Committee were Greg Martin (Chairman), Philip Kapp and David Grayce.

Recommendation 4.3: The audit committee should have a formal charter

The Company complies with this Recommendation.

The Company has adopted an Audit and Risk Committee Charter which is available on the Company website. The Audit and Risk Committee provides advice and assistance to the Board in fulfilling its responsibilities to provide shareholders with timely and reliable financial reports.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee, or, where a company does not have an audit committee, how the functions of an audit committee are carried out.	See page 34 and 35 of the annual report.
The number of meetings of the audit committee.	See page 35 of the annual report.
An explanation of any departures from Recommendation 4.1, 4.2, 4.3 or 4.4.	The Company complies with Recommendations 4.1, 4.2, 4.3 and 4.4.
The audit committee charter.	The Audit and Risk Committee Charter is available on the Company website under Corporate Governance.
Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	The Audit and Risk Committee Charter provides for the Committee's review, at least annually, of the performance of external auditors. The Committee may recommend changes in the selection of external auditors as it deems appropriate. The Committee also obtains and reviews, at least annually, a report by the external auditor describing the external auditor's internal quality control and independence procedures. External audit engagement partners rotate in accordance with Corporations Act Part 2M.4, Division 5 (rotation following 5 successive financial year audits or 5 out of 7 successive financial year audits).

CORPORATE GOVERNANCE

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Company complies with this Recommendation.

The Company has adopted a Continuous Disclosure Policy (available on the Company website) dealing with the disclosure of information reasonably expected to have a material effect on the price of the Company's shares (subject to ASX listing rules exclusions) to ensure that investors can readily have sufficient information to ascribe a fair value to the Company's shares, as well as understanding the objectives, strategies, financial position and growth prospects of the Company.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
• Explanation of any departures from Recommendation 5.1 or 5.2.	• The Company complies with Recommendations 5.1 and 5.2.
• A summary of the policies and procedures designed to guide compliance with ASX Listing Rule disclosure requirements.	• The Company's Continuous Disclosure Policy is available on the Company website under Corporate Governance.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Company complies with this Recommendation.

The Board and Governance Charter outlines the Company's approach to shareholder communications. These are designed to ensure that shareholders are informed of major developments affecting Energy Developments in accordance with the ASX continuous disclosure requirements.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
Explanation of any departures from Recommendation 6.1 or 6.2.	The Company complies with Recommendations 6.1 and 6.2.
A summary of how the company will communicate with its shareholders publicly.	The Company's Board and Governance Charter is available on the Company website under Corporate Governance. The Company's "E-news updates" section of the website also allows shareholders to sign up to receive email notifications of announcements made to the ASX by the Company.

While Principle 6 focuses on communication with shareholders as addressed above, on the broader matter of respecting shareholders' rights, it is noted that the Company also has in place a Conflicts Committee which operates pursuant to a Conflicts Charter. These conflict arrangements are intended to provide a defined process for the independent directors of the Board to review and deal with situations where the interests of Greenspark actually or potentially conflict with the interests of minority shareholders as a whole in a material way in connection with material issues.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Company complies with this Recommendation.

The Company has adopted a Risk Management Framework (available on the Company website) to recognise and manage risk. The objective of this framework is to assist with the achievement of key business objectives, principally creating and maintaining shareholder value. Based on reviews of each segment of the Company's business, an overall profile of key strategic risks has been established.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

The Company complies with this Recommendation.

Consistent with the Risk Management Framework, the Company undertakes a regular review of key risks relevant to the Company, corresponding mitigants, and further steps to be taken to monitor or mitigate the risks, as appropriate. The risk review is conducted at least annually by senior management, including the Company's internal auditor, and results form part of a risk matrix which is reported to the Audit and Risk Committee and Board. The risk matrix is used throughout appropriate levels of the Company to facilitate appropriate application in Company business, and the internal auditor provides an independent assessment on the effectiveness of the risk mitigants contained in the risk matrix annually, and reports results to the Audit and Risk Committee and to the Board.

In addition, the Internal Audit function serves as a governance control and the internal auditor provides compliance, risk and control assurance activities to the Board, Audit and Risk Committee, and Management. This is achieved by regularly and systematically reviewing the effectiveness of corporate governance procedures including risk mitigation actions, and assessing the adequacy and efficiency of internal controls and their effectiveness in managing known key entity level, industry and business line risks. Throughout the year the internal auditor performs pre planned and ad hoc audit reviews and issues formal reports and makes recommendations where appropriate to Management. Significant issues are discussed with the Audit and Risk Committee, and reported to the Board.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

The adoption of the Company's financial statements for the year ended 30 June 2014 followed written representations from the Managing Director and Chief Financial Officer made in accordance with Recommendation 7.3 and in accordance with section 295A of the Corporations Act 2001.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
Explanation of any departures from Recommendation 7.1, 7.2, 7.3 or 7.4.	The Company complies with Recommendations 7.1, 7.2, 7.3 and 7.4.
Whether the board has received the report from management under Recommendation 7.2	Refer to the Company's response to Recommendation 7.2 above.
A summary of the company's policies on risk oversight and management of material business risks.	Refer to the Company's responses to Recommendation 7 above. The Company's Risk Management Policy is available on the Company website under Corporate Governance.

CORPORATE GOVERNANCE

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee

The Company complies with this Recommendation.

Recommendation 8.2: The remuneration committee should be structured so that it:

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members**

The Company complies with this Recommendation.

As at 30 June 2014 and the date of the annual report, the members of the Remuneration Committee were Philip Kapp (Chairman), Greg Martin and Tony Duthie.

The Company has adopted a Remuneration Committee Charter which is available on the Company website. The Remuneration Committee provides assistance to the Board in relation to remuneration policies and practices and the remuneration of the Managing Director, other senior executives and non-executive directors. It also links remuneration with specific goals and objectives.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company complies with this Recommendation.

The basis and background to the Company's remuneration policies and the different approaches adopted for setting remuneration of non-executive directors, and remuneration of executive directors and senior executives are contained in the remuneration report included in the Directors' Report at page 34 of the annual report.

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8

The following table contains the recommended information:

INFORMATION IN ACCORDANCE WITH THE GUIDELINES	ANNUAL REPORT OR WEBSITE REFERENCE
The names of the members of the remuneration committee and their attendance at meetings of the committee.	See page 35 of the annual report.
The existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors.	Other than superannuation, there are no schemes for retirement benefits for non-executive directors.
An explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4.	The Company complies with Recommendations 8.1, 8.2, 8.3 or 8.4.
The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	The Company's Remuneration Committee Charter is available on the Company website under Corporate Governance.
A summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	As per the Company's Securities Trading Policy (available on the Company website under Corporate Governance) directors, officers and employees must not engage in hedging arrangements over unvested securities issued pursuant to any Company share scheme, performance rights plan or option plan.

FINANCIAL REPORT

For the year ended 30 June 2014

ABN 84 053 410 263

DIRECTORS' REPORT

Your directors submit their report for Energy Developments Limited (the "Company") together with the financial statements of Energy Developments Limited and its controlled entities (the "Consolidated Entity" or "EDL") for the year ended 30 June 2014.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

R I Koczkar BEng (Mech and Manuf) (Hons) (Melb)

During the financial year, Rob was a Managing Director of Pacific Equity Partners. After the financial year, as announced to the ASX on 2 July 2014, Rob stepped down as a Managing Director of Pacific Equity Partners, but has continued in the role as Company Chairman and Non-Executive Director. Rob currently serves as a director of Spotless Group Holdings Limited, and has previously worked for Texas Pacific Group and Bain & Company.

G J Pritchard MAppFin, BCom, FCA

Greg was appointed Managing Director of the Company in December 2007, having previously been the Company's Finance Director. Greg is an experienced corporate executive whose previous positions include Chief Financial Officer of QCT Resources Limited and QNI Limited. He has held various senior posts at KPMG and Wardley James Capel in Australia, the United Kingdom and continental Europe.

A J Duthie BCom (Finance/Marketing) UNSW, MBA (INSEAD)

Tony is a Managing Director of Pacific Equity Partners. Tony has previously worked for Bain & Company.

D C Grayce LLB / BCom (UNSW), MBA (Stanford)

David is a Managing Director of Pacific Equity Partners. David has previously worked for Bain Capital and Bain & Company.

P J Kapp LLB / BProc

Philip is a Partner of Corrs Chambers Westgarth Lawyers and is a senior lawyer with over 25 years' experience in law, with considerable expertise in the areas of mergers and acquisitions, corporate restructurings, joint ventures and capital raisings. Philip is also a non-executive director of RHYPE Ltd.

G J W Martin BEc, LLB, FAIM, MAICD

Greg is a Non-Executive Director of a number of listed and unlisted companies including Santos Limited (since October 2009) and the Australian Energy Market Operator (AEMO – since July 2009). He is the current Chairman and Joint Managing Partner of Prostar Capital (since July 2012), current Chairman of Iluka Resources Limited (since December 2013 and a director of Iluka Resources Limited since January 2013) and the former Managing Director of Murchison Metals Limited (director 2011-2012), and the former Managing Director and CEO of AGL, with over 30 years' experience in the utilities, energy and energy related infrastructure sectors in Australia, New Zealand and internationally. He is also a former chairman and director of Everest Financial Group Limited (2009 – 2011).

Company Secretary

G E Marshall BBus (Acc)/LLB, LLM

Glen has worked for the Company as Legal Counsel since 2003 and was appointed Company Secretary in January 2008. Glen has previously worked at various legal firms in Australia and overseas, covering a broad range of corporate, commercial and project work in various sectors.

Directors' interests
As at the date of this report, the interests of directors in shares and options of the Company were:

	Ordinary shares Number	Options/ordinary shares on conversion Number
R I Koczkar	-	-
D C Grayce	-	-
P J Kapp	-	-
A J Duthie	-	-
G J W Martin	10,667	-
G J Pritchard	1,409,606	7,020,000

No director is a party entitled to a benefit under a contract giving a right to call for shares in the Company other than as disclosed in this report.

Directors' meetings
The number of meetings of directors (including meetings of committees of directors) held and attended by each director during the year was as follows:

	Board (Regularly Scheduled)	Board (Other)	Audit and Risk Committee	Remuneration Committee	Occupational Health Safety and Environment (OHSE) Committee	Conflicts Committee
Number of Meetings Held	**10**	**3**	**5**	**2**	*****	**1**
Number of meetings attended						
R I Koczkar	(10 of 10)#	(3 of 3)#	^	^	*	^
D C Grayce	(10 of 10)	(3 of 3)	(5 of 5)	^	*	^
P J Kapp	(9 of 10)	(1 of 3)	(4 of 5)	(2 of 2)#	*	(1 of 1)
A J Duthie	(10 of 10)	(2 of 3)	^	(2 of 2)	*	^
G J W Martin	(10 of 10)	(3 of 3)	(5 of 5)#	(2 of 2)	*	(1 of 1)#
G J Pritchard	(10 of 10)	(3 of 3)	^	^	*	^

* there were no stand-alone OHSE Committee meetings during the year as the Board dealt with OHSE matters directly
^ not a member of the relevant committee
# denotes Chairman of the relevant Committee

Principal activities
The continuing principal activities of the Consolidated Entity during the year were the development and operation of power generation projects.

Results
The net profit of the Consolidated Entity for the financial year was $45,425,000 (2013: $55,017,000).

Dividends
During the financial year, the directors declared and paid a final dividend of 11 cents per fully paid share totaling $17.9 million out of retained earnings at 30 June 2013. In the financial year 30 June 2013, no interim or final dividends were paid.

Since the end of the financial year, the directors have declared a full year final dividend of 28 cents per share fully franked for the year ended 30 June 2014, totalling $47.5 million, to be paid on Thursday 23 October 2014 based on a record date of Tuesday 23 September 2014. The Company's Dividend Reinvestment Plan will not apply to this dividend.

Significant changes in the state of affairs
Other than matters mentioned in this report, there were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Likely developments and expected results
Likely developments in and expected results of the operations of the Consolidated Entity are discussed generally in the Review of Operations. In the opinion of the directors, it would prejudice the interests of the Consolidated Entity if any further disclosure of information was included.

Share options and Performance Rights (PR)
Details of options granted to directors or relevant officers as part of their remuneration are set out in the section of this report headed Remuneration Report. Details of shares and interests under options and PR are set out in Note 20 to the financial statements and form part of this report. There have been no changes to shares and interests under options to the date of this report.

REVIEW OF OPERATIONS

Financial Performance

12 months ended 30 June	2014	2013	Change
Revenue ($m)	422.8	403.3	5%
EBITDA[1] ($m)	**182.2**	**177.0**	**3%**
Profit after tax ($m)	45.4	55.0	(17%)
EPS (cents per share)	**27.6**	**33.1**	**(17%)**
Dividend declared for the year (cents per share)	**28**	**11**	**154%**
Return on Equity[2] (%)	**13.5%**	**18.9%**	**(5.4)**
Growth capex and investment ($m)	139.3	82.8	68%
Stay-in-business capex ($m)	33.6	24.0	40%
Total capital expenditure	**172.9**	**106.8**	**62%**
Net operating cash flow ($m)	**136.4**	**131.2**	**4%**
Net debt/EBITDA (x)	2.6x	2.4x	0.2x
Gearing (%) (net debt to net debt plus equity)	55%	57%	(2)
Safety (LTIFR)	nil	1.9	-
Installed capacity (MW)	883	742	19%
Generation (GWh)	3,727	3,537	5%

During the year EDL delivered strong growth with a mix of new projects and strategic acquisitions. Total installed capacity at 1 July 2014 was 883MW, which represents a 141MW increase in installed capacity from June 2013.

EDL's generation output increased 5% on the prior year to 3,727GWh. This increase was mainly attributable to a full 12 months of the 13MW German Creek expansion (6 months in FY13), 6 month contribution from the McArthur River 53MW expansion (commenced in January 2014) and a 2 month contribution from the Envirogen assets acquired on 22 April 2014 (see Note 24).

Revenue was $422.8 million for the financial year, up 5% on the prior year, in line with the increase in generation.

EDL's EBITDA was $182.2 million for the financial year, a 3% increase on the prior year EBITDA of $177.0 million. The increase in financial performance was attributable to contributions from new assets noted above in combination with favourable operating and market conditions in the US and UK operations delivering increased generation and prices. A weaker Australian dollar through the year also contributed $7.0 million in translated US and European earnings. These gains were offset by softer market conditions in Australia for wholesale energy in the National Electricity Market and Large-scale Generation Certificate (LGC) prices.

Net profit after tax was $45.4 million, down from $55.0 million in the prior year due to higher depreciation in the current year from one-off accelerated depreciation of certain projects.

Key Investments

EDL invested $139.3 million in growth projects during the year. The following key projects were completed during the year.

McArthur River Mine Expansion
The 53MW McArthur River Mine expansion project was commissioned in January 2014, supporting Glencore's mine expansion which will double output and increase mine life to 2039. The power is contracted for twenty years and is now EDL's largest remote energy power station.

Envirogen Acquisition
The Envirogen acquisition completed in April 2014 was a 43MW bolt-on to the existing waste coal mine gas (WCMG) business. There are four power stations in close proximity to existing sites which has allowed EDL to extract significant operating synergies and performance improvements. Certain of the mine sites where the power assets are located have excess gas for future potential expansions.

This acquisition cements EDL's position as the leader in providing distributed energy and abatement of WCMG in Australia.

Moranbah North Expansion
The Moranbah North 18MW expansion was completed in July 2014 and continues the successful partnership with Anglo American. The expansion to the existing 45MW project is underpinned by a 25 year WCMG supply extension with Anglo and incorporates a network support agreement with Powerlink.

Upstream LNG Power Assets
EDL has also invested in two upstream LNG power assets totaling 51MW, which comprise the purchase and leaseback of assets. The first project of 30MW commenced on 1 July 2014 and the second project of 21MW commences on 1 December 2014. The new revenue stream from leasing these assets for use in upstream LNG power assets in the Surat Basin in Queensland will commence in FY15. This investment extends EDL's reach into new distributed energy markets where traditional poles and wires networks have not yet been established or are not competitive.

1 – Profit before Interest, Tax, Depreciation and Amortisation
2 – Net Profit after Tax/Average Equity

Key Investments (continued)

Sand Valley Project
A new greenfield LFG project of 5MW was undertaken in Sand Valley, Alabama. This project delivers on EDL's growth strategy into the expanding LFG market in the United States. A 20-year Power Purchase Agreement (PPA) with the Tennessee Valley Authority underpins this project.

Regional Operating Performance

EDL's operations are reported under four regional business units: Australian Clean Energy, Australian Remote Energy, Europe Clean Energy and US Clean Energy.

Australian Clean Energy - Operating EBITDA A$75.9 million (2013: A$85.7 million)

EDL is Australia's largest provider of safe, clean, low greenhouse gas emission energy, being the market leader in both landfill gas (LFG) and WCMG power stations in Australia. The division earns revenue from the sale of electricity, the sale of LGCs under the RET target and the sale of Australian Carbon Credit Units (ACCUs) under CFI legislation.

The combined installed capacity at 30 June 2014 was 338MW across Queensland, New South Wales, Victoria, the ACT and South Australia, which represents an increase of 61MW in installed capacity. The increase in MWs installed is due to the 43MW acquisition of Envirogen in April 2014 and the 18MW expansion of Moranbah North, commissioned in July 2014.

Generation increased 11% as a result of the Envirogen acquisition, a full year contribution from the German Creek expansion (6 months in FY13) and an increase in generation from existing assets. Revenue from increased generation was offset by softer LGC prices ($5.6 million) and softer electricity prices in the Queensland wholesale market ($6.4 million). The FY13 result also included $7.6 million from prior period ACCUs booked in FY13.

Australian Remote Energy - Operating EBITDA A$72.4 million (2013: A$67.3 million)

EDL is the leading Australian provider of safe, reliable, remote energy in the sub-100MW segment of the market. Total installed capacity at 30 June 2014 was 368MW, up from 297MW at June 2013. The increase in generation capacity resulted from the completion of growth projects including the 53MW McArthur River Mine expansion project, which commenced commercial operations in January 2014 and the acquisition of 30MW of upstream LNG power assets on 30 June, commencing operations on 1 July 2014.

The remote energy business revenue is based primarily on capacity charges on available installed capacity under long-dated contracts. Therefore revenue is generally unaffected by any decline in customer side demand. Increased EBITDA was achieved with a 6 month contribution from the expanded McArthur River Mine operations ($6.3 million) and cost savings initiatives that yielded significant savings ($2.3 million).

Europe Clean Energy – Operating EBITDA A$38.2 million (2013: A$29.8 million)

The European business comprises electricity generation facilities using LFG. Projects are located in the UK (wholly owned) and Greece (50% joint venture) with total installed capacity of 83 MW, up 3 MW on the prior period through expansions at 2 sites in May/June 2014. The UK green prices are essentially a fixed price under legislation with annual increases based on CPI.

Generation increased 4% as a result of improved engine availability. EBITDA increased 28% from the prior year, mainly attributable to improved electricity and green credit pricing ($2.4 million), increased generation ($0.9 million) and a lower AUD relative to GBP and Euro, which led to a benefit in translated earnings in Australian dollars ($5.4 million).

United States Clean Energy – Operating EBITDA A$13.4 million (2013: A$9.6 million)

The United States business comprises electricity generation facilities using LFG with total installed capacity of 94MW. Generation capacity increased 5MW on the prior period with the Sand Valley project being commissioned in October 2013.

Generation increased 3%, mainly due to improved gas flow to major projects and the new Sand Valley operation. EBITDA increased by 39% from the prior year, which can be mainly attributable to improved electricity and green credit pricing ($1.5 million), improved generation from existing assets ($1.2 million) and a 9 month contribution from Sand Valley ($0.9 million). A lower AUD/USD led to a benefit in translated earnings in Australian dollars ($1.6 million).

Capital Management

Cash conversion

FY14 net operating cash flow of $136.4 million was 4% higher than the prior period, due to higher EBITDA and improved working capital management.

Liquidity

EDL has available cash and undrawn debt financing facilities of $276 million at 30 June 2014, which is available to fund EDL's committed projects and support new investment opportunities. During the year EDL obtained a $50 million addition to the Multi-Option Syndicated Facility and a new $75 million facility from the Clean Energy Finance Corporation providing finance for eligible renewable and low emission projects.

Borrowings and Gearing

Group gearing (net debt to net debt plus equity) at 30 June 2014 was 55% (30 June 2013: 57%). Capital expenditure incurred on growth and maintenance projects was $139.3 million and $33.6 million respectively (30 June 2013: $82.8 million and $24.0 million respectively), with borrowings increasing from $468.0 million to $511.1 million. Total available facilities at 30 June 2014 was $780 million. Cash on hand at 30 June 2014 was $45.7 million (30 June 2013: $42.3 million).

Capital Raising

In February 2014, the Company raised $50 million through a fully underwritten placement to eligible institutional and sophisticated investors to assist funding of the acquisitions of the upstream LNG power assets and the 43MW Envirogen portfolio. The placement was at an issue price of $5.55 per share.

Buy-back

The Company bought-back 2,519,134 shares under an on-market share buyback program (originally announced on 22 August 2012), during the period to 30 June 2014. Cumulatively the Company bought back 7,830,486 shares under the share buyback program. No shares have been bought back since 25 February 2014 following the $50 million capital raising. The share buyback program will expire on 5 September 2014.

Dividends

For FY13, the Company declared a 34% franked final dividend of 11 cents per share totaling $17.9 million which was paid in September 2013.

Since the end of the financial year, the directors have declared a full year final dividend of 28 cents per share fully franked for the year ended 30 June 2014, totalling $47.5 million, to be paid on Thursday 23 October 2014 based on a record date of Tuesday 23 September 2014. The Company's Dividend Reinvestment Plan will not apply to this dividend.

It is the Board's current intention to maintain a progressive dividend policy where, supported by growing earnings, the Company pays regular franked dividends at a sustainable level, which will be maintained or increased each period.

REVIEW OF OPERATIONS (continued)

Summary of Financial Position

As at 30 June	2014	2013	Change
Cash ($m)	45.7	42.3	8%
Receivables, Inventory, Green Credits and Prepayments ($m)	112.1	103.8	8%
Property, Plant and Equipment ($m)	790.4	698.0	13%
Intangibles ($m)	46.2	50.3	(8%)
Deferred tax and other assets ($m)	49.0	41.0	20%
Payables and Provisions ($m)	(92.8)	(86.4)	7%
Borrowings ($m)	(511.1)	(468.0)	9%
Derivative liabilities ($m)	(22.9)	(26.9)	(15%)
Deferred revenue ($m)	(24.7)	(25.0)	(1%)
Deferred tax liabilities ($m)	(8.1)	(12.0)	(33%)
Net assets/equity ($m)	**383.8**	**317.1**	**21%**

The significant changes in the Statement of Financial Position were:

- Receivables, Inventory, Green Credits and Prepayments increased due to the commencement of new operations as noted below
- Property, Plant and Equipment increased due to the acquisitions of Envirogen and upstream LNG power assets, and expansion projects of McArthur River, Moranbah North and the greenfield Sand Valley project
- Borrowings increased to partially fund the acquisitions and expansions noted above
- The Company raised $50 million through a fully underwritten share placement

Strategy

EDL's key areas of strategic focus include:

- Driving operational improvements across the business, including through increased generation in the Clean Energy portfolios and continued drive for cost efficiencies across all operations and maintenance activities
- Extending and increasing access agreements to gas supplies for WCMG and LFG
- Contract extensions and expansions with existing customers
- Acquisitions, winning new contracts and increasing installed generation capacity in the Clean Energy and Remote Energy sectors
- Commissioning committed growth projects on time and within budget

Business Risks

EDL's business faces certain risks that could affect the success of the strategies and the outlook for future financial years. These risks are summarised below as are certain mitigating factors EDL has in place intended to manage these risks. EDL has in place risk management policies and systems intended to manage these risks and has a diversified portfolio of assets to limit individual project related risks to the group. The risks are not listed in any order of importance.

Gas Supply

EDL's production in Clean Energy relies on gas supply from underground coking coal mines and landfills. Gas supply constraints could reduce generation and revenue in the Clean Energy business. EDL actively works with various gas supply sources to reduce supply issues.

Green Credits

Creation and prices of green credits can vary depending on legislation and the potential supply and demand of certificates. EDL mitigates price fluctuations by forward selling a proportion of expected green credits in Australia and US. Green credits in the UK are essentially a fixed price under legislation that increase with CPI.

Electricity Prices

Clean Energy sites in Australia are connected to the National Electricity Market and EDL either sells for a contracted price or the spot market price. Currently 6% of total EDL revenue is exposed to spot prices in that market. In the US, all sites are contracted with an average contract life of over 7 years. In the UK, usual practice is to sell electricity for pre-agreed prices for terms usually based on a minimum of 12 months with longer contracts in place for certain generation.

Business Risks (continued)

Foreign Exchange

Movements in foreign exchange rates (particularly the British pound and US dollar) could adversely affect EDL's financial performance. EDL does not generally hedge its foreign exchange movements in the ordinary course of its business operations other than through the natural hedge of its foreign currency borrowings.

Future Growth

Future growth plans and contract renewals with existing and new customers could be restricted or delayed with market fluctuations in the mining and waste sectors. EDL has an active pipeline of new projects, expansions, acquisitions and contract extensions to deliver growth in its core businesses.

Workplace Health, Safety and the Environment (OHSE)

Failure to implement effective OHSE and public safety procedures could give rise to OHSE and/or public safety risks which in turn may create reputational, regulatory risk and/or future earnings risk. Failure could lead to a loss of EDL's social licence to operate power projects. EDL has an extensive OHSE management system intended to mitigate this risk.

Asset Management

Asset management risk could impact operating costs and increase downtime, reducing revenue. EDL has Asset Management Plans in place for all key sites and equipment which is intended to mitigate this risk.

Legislation

EDL creates ACCUs from eligible landfill gas abatement projects accredited under the Carbon Farming Initiative (CFI), an abatement scheme established by the Carbon Credits (Carbon Farming Initiative) Act and Regulations 2011 (CFI Act).

The Coalition Government intends to legislate a Direct Action abatement scheme, through amendments to the CFI Act, as part of a suite of measures to achieve an emissions reduction target of 5% below 2000 levels by 2020. Direct Action is intended to enable abatement projects (including waste coal mine gas and landfill gas abatement projects) to bid for up to seven year contracts to sell their abatement under a $2.55 billion emissions reduction fund. Existing landfill gas abatement projects accredited under the CFI are intended to transition into Direct Action. Legislation amending the CFI Act to implement Direct Action has passed the House of Representatives and is expected to be voted on in the Senate in September 2014.

A legislative review of the Renewable Energy Target (RET) is expected to report in H1 FY15.

Outlook

The outlook for FY15 is an EBITDA of between $192 million to $202 million, compared to $182.2 million for FY14, mainly reflecting the $139 million of investment made in FY14 despite lower Australian wholesale electricity and ACCU prices following the repeal of the carbon tax.

REMUNERATION REPORT (AUDITED)

Overview

The Remuneration Report provides an overview of the Company's remuneration policy applicable to the Company's key management personnel (KMP) and how the Company aligns KMP performance with the Company's strategic direction and performance. It also sets out the KMP's remuneration details for the year ended 30 June 2014.

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

Key Management Personnel

The KMP of the Consolidated Entity are those responsible for planning, directing and controlling the major activities of the Consolidated Entity throughout the year, and the KMP referred to in this report are:

- **Non-Executive Directors** – there were five Non-Executive Directors during the year as follows:
  - Rob Koczkar
  - David Grayce
  - Philip Kapp
  - Tony Duthie
  - Greg Martin

- **The Managing Director and Senior Executives** – as at 30 June 2014 there were four senior executive KMPs including the Managing Director and Chief Executive Officer (CEO), as follows:
  - Greg Pritchard, Managing Director and CEO
  - Gerard Dover, Chief Financial Officer
  - Steve Cowman, President – United States Operations (appointed 9 May 2011) and acting CEO – Europe Operations (1 October 2012 to 16 September 2013)
  - Greg Breadsell, Executive General Manager – Australian Clean Energy Operations and Compliance

- **Former Executives** – there are two former ex-employee executives referred to in this report for historical reasons because they were classified as KMPs in previous accounting periods:
  - David Kent, former Managing Director – Europe (resigned 30 September 2012)
  - Chris Murray, former General Manager – Remote Energy (resigned 20 December 2012)

Approach to Remuneration

The Company's approach to remuneration is to have market competitive remuneration structures which:

- Attract, motivate and retain highly skilled directors and executives
- Motivate executives to focus on the business objectives of short and long term success of the Company

Align remuneration and annual operating performance and longer term shareholder value creation.

Remuneration Governance

The Company has a Remuneration Committee which assists the Board by reviewing and making recommendations in relation to the Company's overall human resource policies and strategies. This includes overall remuneration policy guidelines, and the structure and level of the remuneration of the Managing Director, non-executive directors and of other key management personnel. The members of the Remuneration Committee at the date of this report are Philip Kapp (Chairman), Greg Martin and Tony Duthie. The Committee's charter can be viewed or downloaded from the Company's website: www.energydevelopments.com.au

The Company also has a Securities Trading Policy that forms part of the Company's remuneration governance framework as it prohibits employees with options or similar instruments over the Company's securities from entering into transactions in products (such as warrants) designed or intended to hedge exposure to the Company's securities.

Remuneration Structure

The structure of non-executive director and executive KMP remuneration is separate and distinct.

Non-executive director remuneration

Non-executive directors' fees are determined within the shareholder-approved aggregate directors' feel pool limit. The current limit is $850,000 per annum. This has not been increased since the 2005 Annual General Meeting. Non-executive directors' annual fee bands are set out as follows (inclusive of compulsory superannuation where relevant):

Chairman	$100,000 base; plus $140,000 for Chairman's role TOTAL $240,000
Audit Committee Chairman	$100,000 base; plus $20,000 for Chairman's role TOTAL $120,000
Remuneration Committee Chairman	$100,000 base; plus $15,000 for Chairman's role TOTAL $115,000
Other Non-executive directors	$100,000 base

Remuneration Structure (continued)

Managing Director and Executive KMP Remuneration

The pay and reward framework for the Managing Director and Executive KMP (in this section "**Executives**") has three components:

- Total fixed remuneration including base pay and benefits and statutory remuneration benefits such as superannuation / pension, etc;
- short-term cash-based performance incentives (STI); and
- long-term share-based incentives (LTI).

(i) Total Fixed Remuneration

Total fixed remuneration is structured as a total employment cost package which may be delivered as a mix of cash and limited prescribed non-financial benefits. Total fixed remuneration for Executives is reviewed annually and may also be reviewed on promotion or re-assignment of duties. There are no guaranteed or fixed total remuneration increases. Total fixed remuneration also includes statutory superannuation, pension and similar contributions for the benefit of Executives as required under relevant schemes.

(ii) STI

The objective of the cash bonus STI is to link Executive remuneration to the achievement of the Company's short term safety, financial, operational and strategic targets. The total maximum potential STI available is set at a level which provides meaningful incentive to Executives to achieve set targets at a reasonable cost to the Company.

Each year, the Board considers and sets STI targets relevant to each Executive, including setting the minimum and maximum performance and STI levels – taking account of Remuneration Committee recommendations. Each Executive has tailored STI targets depending on their role, responsibilities and impact on the Company or business unit performance. Business unit performance is evaluated on a range of factors including financial performance and health and safety measures. The Board retains an overall discretion on whether to pay all or no STI or to pay a portion of STI, including to adjust STI up or down in line with under or over achievement against the STI targets.

(iii) LTI

The objective of the Company's LTI plan is to reward participating Executives in a manner which aligns this element of remuneration with the longer term creation of shareholder wealth. Accordingly, LTI grants are only made to participating Executives whom the Board considers are able to influence the long term creation of shareholder wealth.

The Company's current LTI plan was approved by shareholders on 7 June 2011 (New Plan) and comprises options and direct share holdings – each paid for by the participating Executives.

The Board is currently reviewing a new LTI scheme to incentivise and reward senior employees, aligned with the creation of shareholder wealth, which is expected to be implemented in the first half of FY15.

(a) Options

Eligible Executives (Participants) were invited to apply and pay an agreed amount for options to acquire ordinary shares in the Company in two series, subject to the New Plan rules:

- Series A – with an option exercise price of $4.12 (1.5x Options)
- Series B – with an exercise price of $6.87 (2.5x Options)

The Options vest (become exercisable) over time, and were awarded with steep vesting hurdles – to have any value for Participants, the price of EDL shares have to increase by more than 1.5 times the original benchmark price for the Series A options, and the price of EDL shares have to increase by more than 2.5 times the original benchmark price for the Series B options.

For options paid for and granted to KMPs, other than for Steve Cowman and Gerard Dover, 20% of the options vested immediately with the remaining options vesting annually from grant date in equal 20% instalments over the next 4 years. For Steve Cowman and Gerard Dover, the options vest in equal 20% instalments over a 5 year period.

The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company (as defined in the New Plan), or takeover or scheme of arrangement proposal, or the option holder leaving as a "good leaver". There are a range of defined good leaver criteria, but in the main, a good leaver is an employee who is made redundant, reaches retirement, or has their employment terminated by the Company without cause. The options expire on the 8th anniversary of the grant date. Options may be reconstructed to reflect any split, consolidation or other adjustment to underlying shares (except shares issued under a capital raising), in compliance with the relevant provisions of the ASX Listing Rules including Listing Rule 7.22.

(b) Direct Share Investments

Selected Participants were invited to subscribe for the Company's ordinary shares at $2.75 per share (or the average trading price if higher), up to limits approved by the Board. The Company also made available a loan to each Participant for an amount matching the Participant's investment to acquire further ordinary shares, on a limited recourse and interest free basis. The loan is secured by a mortgage over all the shares owned by the Participant.

Shares subscribed to by the Participants are restricted from trading until the earlier of exit by the majority shareholder (as defined in the New Plan rules), cessation of the Participant's employment with the Company, or 10 years from the date of share subscription.

Employment agreements

The Company or a relevant subsidiary has entered into employment contracts with each Executive. Each employment contract is for an open duration, subject to rights of termination given to the Executive and the employer entity. A summary of the key provisions of the Executives is set out in the following table:

Executive	Notice required from Executive	Notice required from EDL[1]	Maximum Termination Payment	Other Payments
Greg Pritchard	6 months	12 months	12 months	Yes[2]
Gerard Dover	3 months	6 months	6 months	No
Steve Cowman	3 months	8 months	6 months	No
Greg Breadsell	1 month	1 month	6 months	No

1 Payments may be made in lieu of notice period and shorter periods apply for termination for gross misconduct, etc

2 In addition, Mr Pritchard will be entitled to a pro-rata payment of his then current STI, any unvested option issued as an LTI will vest at the discretion of the Board, and Mr Pritchard is entitled to receive executive outplacement services to the value of $20,000 to be used within three months.

The Links between Financial Performance and Shareholder Wealth

The various components of the way that the Consolidated Entity remunerates Executives and the achievement against specific financial and non-financial performance measures over short-term and long-term timeframes are designed to create near term and longer term sustained shareholder value. When setting targets and reviewing remuneration changes, particularly fixed remuneration, the Board has regard to a number of factors, including the financial performance data set out in the following table relating to financial performance in respect of the current and previous financial years.

	Year ended 30 June 2014	Year ended 30 June 2013
LTIFR	-	1.9
Profit before interest, tax, depreciation and amortisation ($)	182,170,000	177,016,000
Earnings per share (cents)	27.6	33.1
Net operating cash flows ($)	136,445,000	131,185,000

Over the last five years to 30 June 2014, the Consolidated Entity has increased earnings per share (before specific items) from 18.0 to 27.6 cents, an increase of 53%. The table below shows the earnings per share (before specific items), dividends paid per share each financial year for the last five years and also details the share price on 30 June in those years:

	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year ended 30 June 2010
Earnings per share (cents)	27.6	33.1	17.3	21.0	18.0
Total dividends per share (cents)	28.0	11.0	-	-	-
Share price ($)	5.19	4.57	2.40	2.52	2.42

Voting and comments made at the Company’s 2013 Annual General Meeting

The Company received more than 90% of “yes” votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Directors' and executives' remuneration

Details of the nature and amount of each element of the remuneration of each director of the Company and each of the executives of the Company and the Consolidated Entity for the financial year are as follows:

	Short term benefits			Post-employment	Long term benefits	Equity	Total			
	Fixed Remuneration $	Bonuses $	Other Benefits[5] $	Pensions/ Super-annuation $	Annual and long service leave[6] $	Options[1] at Amortised Cost $	Total $	Short term bonuses as % of maximum available %	Options as % of Remuneration %	Performance Related %
Year ended 30 June 2014										
Directors										
A J Duthie	91,533	-	-	8,467	-	-	100,000	-	-	-
D C Grayce	91,533	-	-	8,467	-	-	100,000	-	-	-
G J W Martin	109,840	-	-	10,160	-	-	120,000	-	-	-
P J Kapp	105,263	-	-	9,737	-	-	115,000	-	-	-
R I Koczkar	222,225	-	-	17,775	-	-	240,000	-	-	-
G J Pritchard	875,000	457,812	110,368	25,000	100,445	23,719	1,592,344	89	1	30
Total	1,495,394	457,812	110,368	79,606	100,445	23,719	2,267,344			
Executives										
G Breadsell	348,680	105,751	12,735	25,000	38,914	3,163	534,243	94	1	20
G Dover	354,250	104,340	5,694	25,000	3,346	7,269	499,899	94	1	22
S Cowman[4]	495,186	116,688	7,061	20,393	-	7,750	647,078	79	1	19
Total	1,198,116	326,779	25,490	70,393	42,260	18,182	1,681,220			

REMUNERATION REPORT (AUDITED) (CONTINUED)

Directors' and executives' remuneration (continued)

	Short term benefits				Post-employment	Long term benefits	Equity	Total			
	Fixed Remuneration $	Non-Monetary $	Bonuses $	Other Benefits[5] $	Pensions/ Super-annuation $	Annual and long service leave[6] $	Options[1] at Amortised Cost $	Total $	Short term bonuses as % of maximum available %	Options as % of Remuneration %	Performance Related %
Year ended 30 June 2013											
Directors											
A J Duthie	91,743	-	-	-	8,257	-	-	100,000	-	-	-
D C Grayce	91,743	-	-	-	8,257	-	-	100,000	-	-	-
P J Kapp	105,505	-	-	-	9,495	-	-	115,000	-	-	-
R I Koczkar	223,530	-	-	-	16,470	-	-	240,000	-	-	-
G J W Martin	110,092	-	-	-	9,908	-	-	120,000	-	-	-
G J Pritchard	836,000	-	364,229	130,749	25,000	95,873	25,666	1,477,517	71	2	26
Total	1,458,613	-	364,229	130,749	77,387	95,873	25,666	2,152,517			
Executives											
C R Murray[2]	394,074	-	-	209,419	18,480	-	(1,080)	620,893	-	-	-
D Kent[3]	161,081	7,861	-	110,171	58,553	-	(7,351)	330,315	-	-	-
G Breadsell	348,682	-	85,413	15,087	24,989	38,813	3,422	516,406	80	1	17
G Dover	345,462	-	50,000	5,618	24,569	2,356	9,096	437,101	117	2	14
S Cowman[4]	441,283	6,359	76,208	21,924	18,018	-	9,010	572,802	67	2	15
Total	1,690,582	14,220	211,621	362,219	144,609	41,169	13,097	2,477,517			

1 – Options granted as part of senior management remuneration have been valued using a Binomial pricing model, which takes into account factors such as the Company's dividend yield, the current level and volatility of the underlying share price, the time to maturity and the market based performance conditions for vesting. The value amortised represents the pro-rata apportionment of the theoretical option value to the reporting period and takes account of the period to vesting. Negative values disclosed for D Kent and C Murray relate to reversal of unvested options due to forfeiture. For more details of the valuation of options including assumptions used, refer to Note 20 to the financial statements.
2 – C Murray resigned on 20 December 2012 and was paid $195,365 in termination benefits including accrued entitlements that is included as Other Benefits.
3 – D Kent resigned on 30 September 2012 and was paid $106,101 in termination benefits including accrued entitlements that is included as Other Benefits.
4 – S Cowman was appointed as President - United States Operations on 9 May 2011 and as Chief Executive Officer - Europe Operations from 1 October 2012 to 16 September 2013.
5 – Other benefits includes deemed interest on the interest free loans to KMPs. Other benefits also include termination benefits as described above in 3 and 4.
6 – Annual and long service leave included as remuneration in this report is the portion that is considered long term and is measured under AASB 119 *Employee Benefits*. These amounts were not paid to the KMP during the year.

Share-based compensation for key management personnel and directors

Options

(a) The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Value per option at grant date	% Vested
13 Oct 2011	13 Oct 2019	*	$4.12	$0.024	60%
13 Oct 2011	13 Oct 2019	*	$6.87	$0.011	60%
13 Oct 2011	13 Oct 2019	*	$4.12	$0.024	40%
13 Oct 2011	13 Oct 2019	*	$6.87	$0.011	40%
30 Aug 2012	30 Aug 2020	*	$4.12	$0.017	20%
30 Aug 2012	30 Aug 2020	*	$6.87	$0.009	20%

* These options have a graded vesting pattern with either 20% of options granted vesting on grant date and the remainder vesting in equal 20% instalments annually, or the options vesting in equal 20% instalments annually. The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company (as defined in the New Plan), or takeover or scheme of arrangement proposal, or the option holder leaving as a good leaver.

Options granted under the plan carry no dividend or voting rights.

(b) Options granted, vested, exercised and forfeited during the year

		Series A			Series B		
Name	Grant date	Vested during the year Number	Balance at 30 June 2014 Number	Vested %	Vested during the year Number	Balance at 30 June 2014 Number	Vested %
Director							
G J Pritchard	13 Oct 2011	324,000	1,620,000	60	1,080,000	5,400,000	60
Executives							
G Breadsell	13 Oct 2011	43,200	216,000	60	144,000	720,000	60
S Cowman	13 Oct 2011	108,000	540,000	40	360,000	1,800,000	40
G Dover	30 Aug 2012	108,000	540,000	20	360,000	1,800,000	20

No options were granted, forfeited or exercised during the year.

No other share-based compensation is in place for key management personnel and directors. No share options were issued to non-executive directors.

Equity instruments held by key management personnel and directors

The following tables show the number of options over ordinary shares in the Company, and shares in the Company that were held during the financial year by key management personnel and directors, including their close family members and entities related to them. Directors and key management personnel excluded from the following tables had nil share or option holdings during the year ended 30 June 2014.

*(a) Options holding**

		Series A				Series B			
Name	Grant date	Balance at 30 June 2013 Number	Balance at 30 June 2014 Number	Vested and exercisable	Unvested	Balance at 30 June 2013 Number	Balance at 30 June 2014 Number	Vested and exercisable	Unvested
Director									
G J Pritchard	13 Oct 2011	1,620,000	1,620,000	972,000	648,000	5,400,000	5,400,000	3,240,000	2,160,000
Executives									
G Breadsell	13 Oct 2011	216,000	216,000	129,600	86,400	720,000	720,000	432,000	288,000
S Cowman	13 Oct 2011	540,000	540,000	216,000	324,000	1,800,000	1,800,000	720,000	1,080,000
G Dover	30 Aug 2012	540,000	540,000	108,000	432,000	1,800,000	1,800,000	360,000	1,440,000

No options were granted, forfeited or exercised during the year.

* Includes options held directly, indirectly and beneficially by KMP

Equity instruments held by key management personnel and directors (continued)

*(b) Share holdings**

Year ended 30 June 2014	Balance at 1 July 2013 Number	Balance at 30 June 2014 Number
Directors		
G J W Martin	10,667	10,667
G J Pritchard	1,409,606	1,409,606
Executives		
G Breadsell	162,650	162,650
S Cowman	93,211	93,211
G Dover	72,727	72,727
Total	1,748,861	1,748,861

* Includes shares held directly, indirectly and beneficially by KMP

Loans to key management personnel and directors

	Balance at 1 July 2013	Deemed interest for the year	Interest not charged	Repayments	Balance at 30 June 2014
Year ended 30 June 2014					
Directors					
G J Pritchard	1,938,209	110,368	(110,368)	(95,043)	1,843,166
Executives					
G Breadsell	223,644	12,735	(12,735)	(10,966)	212,678
S Cowman	128,166	7,061	(7,061)	(10,253)	117,913
G Dover	100,000	5,694	(5,694)	(4,904)	95,096
Total	2,390,019	135,858	(135,858)	(121,166)	2,268,853

During the previous financial years, eligible key management personnel and the Managing Director subscribed to ordinary shares in the Company and were issued a matching dollar for dollar interest-free loan to purchase further shares.

The Share Loan has a 10 year term but is repayable early in certain circumstances, principally if an executive ceases to be an EDL Group employee (repayable within 1 month if a “bad leaver”, 6 months if a good leaver, although a good leaver can elect to keep the Share Loan remaining on foot), or if there is a defined Greenspark exit. The Share Loan is secured by a mortgage over the executives’ EDL shares, and Share Loan recourse is limited to the executives’ EDL shares.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

Indemnification of officers
During the financial year, a related body corporate paid an insurance premium in respect of a contract insuring the Company's directors against liabilities arising as a result of work performed in their capacity as directors. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract. The Company Constitution also contains an indemnity provision in favour of each director, Company Secretary and executive officers against liability incurred in this capacity, to the extent permitted by law. The Company has also entered into or committed to enter into indemnity deeds with directors of the Company containing similar indemnity provisions.

Indemnification of auditors
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Environmental regulation and performance
The Consolidated Entity's operations in Australia, Europe and the United States are subject to environmental laws in these jurisdictions. The Company operates a rigorous environmental compliance program, and reports to the appropriate authorities against relevant compliance standards. During the year, no member of the Consolidated Entity was prosecuted nor was any fine imposed on it for breach of environmental laws in any jurisdiction.

Auditor's independence declaration
Refer to the following page for the auditor's independence declaration.

Non audit services
In addition to the audit fees, the Consolidated Entity paid $327,619 to the auditors, Ernst & Young for non-audit work performed in relation to other transaction related services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001*. The nature and scope of these services means that auditor independence was not compromised.

Significant matters since year end
Since the end of the financial year, the directors have declared a full year final dividend of 28 cents per share fully franked for the year ending 30 June 2014, totalling $47.5 million, to be paid on Thursday 23 October 2014 based on a record date of Tuesday 23 September 2014. The Company's Dividend Reinvestment Plan will not apply to this dividend.

There were no other material subsequent events.

Rounding
The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Consolidated Entity under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:

G J Pritchard
Director

Brisbane, 27 August 2014

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Building a better
working world

Auditor's Independence Declaration to the Directors of Energy Developments Limited

In relation to our audit of the financial report of Energy Developments Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
27 August 2014

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	CONSOLIDATED 2014 $'000	2013 $'000
Sales revenue	2	412,656	392,296
Cost of sales excluding depreciation and amortisation of operating assets		(222,940)	(211,000)
Gross profit		189,716	181,296
Other income		7,746	8,580
Corporate and general expenses		(10,359)	(9,161)
Business acquisition and strategy costs		(2,530)	-
Development expenses		(4,786)	(6,148)
Share of net results of joint venture accounted for using the equity method	2, 22	2,383	2,449
Profit from continuing operations before depreciation, amortisation, borrowing costs and income tax		182,170	177,016
Depreciation and amortisation	2	(84,891)	(69,369)
Interest income	2	783	1,288
Borrowing costs	2	(41,162)	(43,045)
Profit from continuing operations before income tax		56,900	65,890
Income tax expense	3	(11,475)	(10,873)
Profit attributable to members of the Company		45,425	55,017
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences for foreign operations, net of tax (refer note 3 (c))		329	7,781
Net gains on cash flow hedges, net of tax (refer note 3 (c))		4,190	5,683
Net gain in the fair value of other financial asset		-	259
Transfer of investment revaluation reserve to other income on sale of other financial asset		-	(259)
Total comprehensive income for the year		49,944	68,481
Basic earnings per share (cents)	4	27.6	33.1
Diluted earnings per share (cents)	4	27.5	33.1

The accompanying notes form an integral part of this Statement of Comprehensive Income.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

		CONSOLIDATED	
	Note	2014 $'000	2013 $'000
Current assets			
Cash assets	17(a)	45,739	42,347
Receivables	5	60,642	51,123
Inventories	6	16,812	13,477
Green credits held for sale		21,730	20,580
Financial instruments - derivatives	10	2,957	718
Other	7	8,090	10,952
Total current assets		155,970	139,197
Non-current assets			
Receivables	5	4,283	3,251
Green credits held for sale		-	3,786
Investments accounted for using the equity method	22	18,776	16,178
Property, plant and equipment	8	790,401	697,996
Deferred tax assets	14(a)	25,910	22,605
Intangible assets	9	46,243	50,263
Financial instruments - derivatives	10	1,258	1,561
Other assets	7	519	653
Total non-current assets		887,390	796,293
Total assets		1,043,360	935,490
Current liabilities			
Payables	11	55,165	58,585
Borrowings	13	2,560	6,185
Financial instruments – derivatives	10	10,149	10,381
Provisions	12	6,511	6,518
Current tax payable		15,179	4,056
Deferred income		164	142
Unearned grant income		1,617	1,546
Total current liabilities		91,345	87,413
Non-current liabilities			
Payables		14,027	15,503
Borrowings	13	508,513	461,842
Deferred tax liabilities	14(b)	8,082	11,984
Provisions	12	1,909	1,741
Deferred income		-	194
Unearned grant income		22,928	23,146
Financial instruments – derivatives	10	12,730	16,556
Total non-current liabilities		568,189	530,966
Total liabilities		659,534	618,379
Net assets		383,826	317,111
Equity			
Contributed equity	15	489,613	455,079
Reserves		(32,689)	(37,316)
Retained profits/(accumulated losses)		(73,098)	(100,652)
Total equity		383,826	317,111

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Note	Issued capital $'000	Foreign currency translation reserve $'000	Capital profits reserve $'000	Employee share benefits reserve $'000	Deferred gain/(loss) on financial instruments reserve $'000	Total reserves $'000	Retained profits/(accumulated losses) $'000	Total equity $'000
At 1 July 2012		473,052	(38,460)	6,720	3,931	(23,024)	(50,833)	(155,669)	266,550
Other comprehensive income		-	7,781	-	-	5,683	13,464	-	13,464
Profit for the period		-	-	-	-	-	-	55,017	55,017
Total comprehensive income		-	7,781	-	-	5,683	13,464	55,017	68,481
Transactions with owners in their capacity as owners:									
Contribution of equity from employee share issue		745	-	-	-	-	-	-	745
Share buyback		(18,718)	-	-	-	-	-	-	(18,718)
Settlement of performance rights		-	-	-	(65)	-	(65)	-	(65)
Issue of options to employees		-	-	-	64	-	64	-	64
Cost of share-based payments		-	-	-	54	-	54	-	54
At 30 June 2013		455,079	(30,679)	6,720	3,984	(17,341)	(37,316)	(100,652)	317,111
Other comprehensive income		-	329	-	-	4,190	4,519	-	4,519
Profit for the period		-	-	-	-	-	-	45,425	45,425
Total comprehensive income		-	329	-	-	4,190	4,519	45,425	49,944
Transactions with owners in their capacity as owners:									
Contribution of equity from share issue, net of transaction costs and tax	15	47,717	-	-	-	-	-	-	47,717
Share buyback		(13,183)	-	-	-	-	-	-	(13,183)
Cost of share-based payments		-	-	-	108	-	108	-	108
Dividends	16	-	-	-	-	-	-	(17,871)	(17,871)
At 30 June 2014		489,613	(30,350)	6,720	4,092	(13,151)	(32,689)	(73,098)	383,826

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Capital profit reserve
The capital profit reserve is used to record the difference between issue and buy-back prices of preference shares.

Employee share benefits reserve
The employee share benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Deferred gain/(loss) on financial instruments reserve
The deferred gain/(loss) on financial instruments reserve records the portion of the movements in the fair value of cash flow hedges under AASB 139 *Financial Instruments: Recognition and Measurement* requirements.

CASH FLOW STATEMENT
for the year ended 30 June 2014

	Note	CONSOLIDATED 2014 $'000	2013 $'000
		Inflows/(outflows)	
Cash flows from operating activities			
Receipts from customers		447,375	405,783
Payments to suppliers and employees		(267,901)	(244,341)
Grant received		2,006	6,973
Interest received		807	1,024
Interest and other finance costs paid		(35,642)	(37,398)
Income tax paid		(10,200)	(856)
Net operating cash flows	17(b)	136,445	131,185
Cash flows from investing activities			
Payments for property, plant, equipment		(159,274)	(93,114)
Payments for intangible assets		-	(1,173)
Proceeds from sale of other financial asset		-	5,354
Proceeds from sale of plant and equipment		3,005	-
Payment for acquisition of subsidiary		(25,000)	-
Loan advanced to external party		(2,941)	-
Repayment of loan from external party		613	-
Joint venture distributions		245	-
Net investing cash flows		(183,352)	(88,933)
Cash flows from financing activities			
Proceeds from issue of shares		46,818	383
Proceeds from issue of options		-	62
Proceeds from borrowings		139,053	52,093
Repayment of borrowings		(101,009)	(77,156)
Proceeds from repayment of employee loans		156	601
Payments for establishment of debt facility		(2,623)	(1,575)
Share buyback		(14,477)	(17,423)
Dividend paid		(17,871)	-
Settlement of performance rights		-	(65)
Net financing cash flows		50,047	(43,080)
Net increase/(decrease) in cash held		3,140	(828)
Cash at the beginning of the financial year		42,347	42,761
Effects of exchange rate changes on cash		252	414
Cash at the end of the financial year	17(a)	45,739	42,347

The accompanying notes form an integral part of this Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on an historical cost basis, except for derivative financial instruments, which has been measured at fair value. The financial report of Energy Developments Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Board of directors on 27 August 2014.

(b) Statement of compliance
The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Adoption of new accounting standards

The Consolidated Entity has applied the following standards and amendments for the first time that are mandatory for the current financial year beginning 1 July 2013:
- *AASB 10 Consolidated Financial Statements*
- *AASB 11 Joint Arrangements*
- *AASB 12 Disclosure of Interests in Other Entities*
- *AASB 128 Investments in Associates and Joint Ventures*
- *AASB 13 Fair Value Measurement*
- *AASB 119 Employee Benefits*
- *Improvements to AASBs 2009-2011 Cycle*

The Consolidated Entity early adopted *AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets*.

The adoption of these standards had no material financial impact on the current or prior financial years and is not likely to affect future periods. The adoption of *AASB 13 Fair Value Measurement* has enhanced fair value disclosures without significantly impacting the amounts recognised in the financial statements.

Certain other new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Consolidated Entity will apply the new standards from their effective dates unless the Consolidated Entity decides to early adopt the relevant standard where permitted. The Consolidated Entity's assessment of the impact of the relevant new standards and interpretations is set out below. Standards and interpretations not disclosed below are not applicable to the Consolidated Entity or would not have a significant impact on adoption.

- *AASB 9 Financial Instruments (effective from 1 January 2018)*
  AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. The Consolidated Entity is yet to assess its full impact and has not yet decided when to adopt AASB 9.
- *AASB15 Revenue from Contracts with Customers (effective from 1 January 2017)*
  AASB 15 *Revenue from Contracts with Customers* establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2017 but is available for early adoption. The Consolidated Entity is yet to assess its full impact and has not yet decided when to adopt AASB 15.

(d) Summary of significant accounting policies

(i) Basis of consolidation
The consolidated financial statements include the financial statements of Energy Developments Limited and its controlled entities, referred to collectively throughout these financial statements as the Consolidated Entity. The Consolidated Entity controls an entity when it 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. An entity is fully consolidated from the date on which control is transferred to the Consolidated Entity, and deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Comprehensive Income and Statement of Financial Position respectively.

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(d)(xxx)). Financial statements of foreign controlled entities and joint venture partnership presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with Consolidated Entity policy and Australian Accounting Standards.

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

- Electricity revenue is recognised or accrued at the time of supply.
- Green credit revenue is recognised at initial generation (refer xi below) and adjusted for changes in market value when sold.
- Interest revenue is brought to account when entitlement to interest occurs using the effective interest method.
- Construction and consulting revenue is recognised under the terms of the contract using the percentage of completion method.

(iii) Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Comprehensive Income over the expected useful life of the relevant asset.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(iv) Borrowing costs
Borrowing costs are expensed as incurred except where they relate to the financing of projects under development, in which case they are capitalised up to the date of commissioning or sale.

(v) Income tax
Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are recognised for all deductible temporary differences, and carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(vi) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the cash flow statement 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 taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(vii) Foreign currency translation
Both the functional and presentation currency of Energy Developments Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences on foreign currency transactions in the consolidated financial report are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currencies of the overseas subsidiaries (EDL Holdings (UK) Limited and EDL Holdings (US), Inc and their subsidiaries) are Great British pounds (£) and United States dollars (US$) respectively.

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Energy Developments Limited at the rate of exchange ruling at the reporting date and the Statement of Comprehensive Income are translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation of overseas subsidiaries are recognised in other comprehensive income and accumulated in reserves in equity.

On disposal of a foreign entity or settlement of long term intercompany debts with overseas subsidiaries, the deferred foreign currency translation amount recognised in equity relating to that particular foreign operation is recognised in profit or loss in the Statement of Comprehensive Income.

(viii) Cash and cash equivalents
Cash includes cash on hand and in banks and deposits at call, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(ix) Inventories
Inventories are valued at the lower of cost and net realisable value. Cost comprises the purchase price and is assigned on a first-in-first-out basis.

(x) Trade and other receivables
Trade receivables are non-interest bearing, which generally have 21-30 day terms, are recognised and carried at original invoice amount.

(xi) Green credits held for sale
Green credits held for sale are recognised at the point of generation at the lower of spot and net realisable value (NRV) where an active market exists without thin trading. Where the market is inactive or thin trades are noted, management uses best estimates based on expert advice to recognise revenue at the point of generation. Green credits that are not expected to be realised within 12 months of the reporting date are recognised as a Non-Current Asset. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xii) Intangible assets

Goodwill

Goodwill is measured as described in note 1(d)(xxx). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (refer Note 9). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Software

Software acquired as part of a business combination are recognised separately from goodwill. Software acquired in a business combination is carried at its fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over 10 years.

Customer Contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 20 years.

Land Tenure

Land tenure comprises land tenure and access rights that are capitalised at the fair value of consideration paid and recorded at cost less accumulated amortisation and impairment. The intangible is amortised over 14 years commencing upon the date the asset is commissioned for use.

Energy Usage Rights

Energy Usage Rights comprise gas rights at landfill gas projects that are capitalised at the fair value of consideration paid and recorded at cost less accumulated amortisation and impairment. The intangible is amortised over 17 years commencing upon the date the asset is commissioned for use.

Impairment and Amortisation

Intangible assets with finite lives are amortised over the economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at least at the end of each reporting period and any change is treated as changes in accounting estimates.

Review of useful lives

At the beginning of the year, the Consolidated Entity revised its estimate of the useful lives of a customer contract. This resulted in an increase in amortisation expense of $1,803,000 for the year ended 30 June 2014 (2013: nil). The asset was fully amortised in the current financial year and will not impact on amortisation expense in future years.

(xiii) Property, plant and equipment

Property, plant and equipment are measured at cost and depreciated or amortised over their useful economic lives as follows:

	Life	Method
Owned plant and equipment:		
- power plants and associated facilities	20-40 years	straight line
- other	2-9 years	straight line
Leased plant and equipment	3-5 years	straight line

Depreciation or amortisation is charged from the commencement of the following month after the property, plant and equipment is placed in service.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Major items of plant and equipment, comprising a number of components that have different useful lives, are accounted for as separate assets. The components may be replaced during the useful life of the complex asset and are then depreciated over their estimated useful lives.

Review of useful lives

During the year, the Consolidated Entity revised its estimate of the useful lives of certain plant and equipment. This resulted in an increase in depreciation expense of $7,723,000 for the year ended 30 June 2014 (2013: $2,592,000). These assets were fully depreciated in the current financial year and will not impact on depreciation in future years. The Consolidated Entity also revised its estimate of the useful lives of certain other plant and equipment that resulted in a net reduction in depreciation expense of $2,441,000 for the year ended 30 June 2014 and are expected to reduce depreciation in future financial years by $4,882,000 until the assets are fully depreciated.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount and included as an impairment expense in the Statement of Comprehensive Income.

Property, plant and equipment that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.
The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xiv) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

(xv) Development expenditure
Development expenditure is capitalised when it is incurred for a specific project and when it is probable that future economic benefits attributable to the project will flow to the Consolidated Entity. The costs incurred for specific projects are amortised from the commencement of commercial production on a straight line basis over the period of expected benefit.

(xvi) Investments in joint venture partnership
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Interests in joint venture partnership are included in non-current investments and brought to account using the equity method. Under this method, investments are initially recorded at cost of acquisition and the carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the joint venture partnership. The investments in joint venture partnership are decreased by the amount of dividends received or receivable. Investments in joint venture partnership are carried at the lower of the equity accounted amount and recoverable amount of the Consolidated Entity's share of the investee company. The Consolidated Entity does not have any joint operations.

(xvii) Impairment of financial assets
If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the financial asset would be reduced either directly or through use of an allowance account. The amount of the loss would be recognised in profit or loss.

(xviii) Payables
Liabilities for trade creditors and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. Trade creditors are non-interest bearing and normally settled within 30 days.

(xix) Interest bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any establishment costs for facilities, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss in the Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

(xx) Provisions
Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(xxi) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Consolidated Entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xxii) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for annual leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the future cash outflows. Regardless of when the actual settlement is expected to occur, annual leave is recognised as current liabilities in the balance sheet as the Consolidated Entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Long service leave

The liability for long service expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with other employee benefits above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the future cash outflows.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Cash settled Long Term Incentives

The liability for cash settled Long Term Incentives expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits. The liability is recognised as employees render services and is measured at the amounts expected to be paid when the liability is settled. When determining the value of the liability consideration is given to the expectation of employee departures.

(xxiii) Share based payment transactions

The Consolidated Entity provides benefits to employees (including key management personnel) of the Consolidated Entity in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions), or are otherwise selectively invited to subscribe for shares and options.

Equity and cash-settled transactions

The cost of equity and cash-settled transactions with employees is measured by reference to the accounting fair value of the equity instruments at the date at which they are granted or modified. The accounting fair value of PR and options is determined using the Binomial option pricing model and Black Scholes model respectively. These models take into account factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options and PR. In determining the fair value of PR, the Binomial model also takes into account market based performance conditions for vesting of these rights.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Energy Developments Limited (market based performance conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market based performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date or date of modification. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for equity-settled transactions that do not ultimately vest, except for such transactions where vesting is only conditional upon a market based performance condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options or PR is reflected in the computation of earnings per share.

The fair value of cash-settled transactions is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including settlement date with changes in fair value recognised as expense in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xxiv) Financial instruments - derivatives
The Consolidated Entity uses financial instruments such as interest rate swaps and fixed price electricity contracts to hedge its risk associated with interest rate and electricity price fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of fixed price electricity contracts is measured by reference to forward electricity prices. For the purposes of accounting, these are classified as cash flow hedges where they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss of the ineffective portion is recognised in profit or loss.

At the inception of a hedge relationship, the Consolidated Entity formally designates and documents the hedge relationship to which the Consolidated Entity wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to profit or loss in the same year in which the hedged firm commitment affects the net profit or loss (e.g. when a forecast purchase actually occurs). For financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss in the Statement of Comprehensive Income. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss in the Statement of Comprehensive Income.

(xxv) Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Consolidated Entity no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xxvi) Contributed equity
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.

(xxvii) Earnings per share
Basic earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax-effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(xxviii) Operating segments – refer note 19
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes startup operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar location of assets and operations. The Consolidated Entity has one principal activity, being development and operation of power generation projects.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xxix) Significant accounting judgments, estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Consolidated Entity 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 or modified. The fair value is determined using the assumptions detailed in Note 20. The Consolidated Entity measures the cost of cash-settled share based payments at fair value at the reporting date using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 20.

Recognition of US Tax Losses
The Consolidated Entity recognised tax losses carried forward by the US subsidiary which are in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of this deferred tax asset is supported by forecast modelling of taxable profits based on revised long-term power purchase agreements, green credits where applicable, and other project arrangements.

Impairment testing of non-financial assets
The recoverable amounts of cash-generating units have been determined based on value-in-use calculations using a discounted cash flow model. These calculations require the use of assumptions. The Consolidated Entity tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1 (xii). Refer to note 9 for details of these assumptions and the potential impact of changes to the assumptions.

Useful economic lives of plant and equipment and intangibles
Management uses best available information to estimate the useful lives of plant and equipment and finite life intangibles. Best available information includes contractual information, original equipment manufacturer specification and internal and external expert advice.

Green credits held for sale
As disclosed in note 1 (xi), management uses best estimates to recognise green credits revenue where an inactive or thinly traded market exists.

(xxx) Business combination
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(xxxi) Fair value measurement
The Consolidated Entity measures derivative financial instruments at fair value at each balance sheet date. Fair values of other financial instruments measured at amortised cost are also considered for disclosure. Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Consolidated Entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Consolidated Entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Consolidated Entity determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Consolidated Entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xxxii) Rounding of amounts
The Consolidated Entity is a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases to the nearest dollar.

(xxxiii) Comparatives
Comparative information has been reclassified where necessary to conform to changes in presentation in the current year.

(e) Carbon Pricing, Carbon Farming and Changes to Australian Emissions Reduction Policy
During the financial year, a carbon pricing mechanism (CPM) established under the Clean Energy Act 2011 imposes a liability ("Carbon Liability") which attaches to persons who have operational control of facilities which meet the threshold test for emissions or where the facility is a large gas consuming facility or persons that are natural gas suppliers. The Consolidated Entity records this Carbon Liability in Payables, and the pass-through to customers in Receivables in the Statement of Financial Position. The Consolidated Entity passes through Carbon Liability under contractual mechanisms within relevant offtake agreements or through an effective price uplift in the national electricity market to reflect the introduction of the CPM.

The Consolidated Entity creates Australian Carbon Credit Units (ACCUs) from eligible landfill gas abatement projects accredited under the Carbon Farming Initiative (CFI), an abatement scheme established by the Carbon Credits (Carbon Farming Initiative) Act and Regulations 2011 (CFI Act). ACCUs generated are classified as Green credits held for sale in the Statement of Financial Position and recognised as Green credit revenue in profit and loss. The carrying amount of ACCUs at 30 June 2014 is considered recoverable as the ACCUs have been forward sold.

On 17 July 2014 the Australian Coalition Government repealed the CPM effective 1 July 2014. The final date for liable entities under the CPM to satisfy their liability for year ending 30 June 2014, which in part can include the purchase of ACCUs, is 2 February 2015.

Both the Coalition Government and Labor Opposition in Australia are committed to achieving a greenhouse gas emissions reduction target of 5% below 2000 levels by 2020.

The Coalition Government intends to legislate a Direct Action abatement scheme, through amendments to the CFI Act, to achieve that 2020 emissions reduction target. Direct Action is intended to enable abatement projects (including waste coal mine gas and landfill gas abatement projects) to bid for up to seven year contracts to sell their abatement under a $2.55 billion emissions reduction fund. Existing landfill gas abatement projects accredited under the CFI are intended to transition into Direct Action. Legislation amending the CFI Act to implement Direct Action has passed the House of Representatives and is expected to be voted on in the Senate in September 2014.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: PROFIT AND LOSS ITEMS

	Note	CONSOLIDATED 2014 $'000	2013 $'000
Profit from continuing operations is after crediting the following revenues:			
Sales revenue			
Electricity sales		343,496	321,482
Green credit revenue[i]		69,160	70,814
		412,656	392,296
Share of net results of joint venture accounted for using the equity method			
Share of net results of joint venture	22	2,383	2,449
		2,383	2,449
Profit from continuing operations is after charging the following expenses:			
Borrowing costs			
Interest and finance charges paid or payable :			
- unrelated corporations		36,608	38,682
Amortisation of borrowing costs		4,554	4,363
		41,162	43,045
Interest income			
Interest received or receivable from:			
- other unrelated corporations		783	1,288
		783	1,288
Other expense items			
Employee benefits:			
- wages and salaries		51,168	46,592
- workers' compensation costs		268	412
- long service leave provision		962	55
- other employee benefits		1,627	1,341
- share based payment expense		108	54
		54,133	48,454
Operating lease rentals		4,090	3,930
Depreciation and amortisation			
Depreciation of property, plant and equipment		80,594	66,763
Amortisation of intangibles		4,297	2,606
		84,891	69,369

[i] Green credit revenue for current year includes ACCUs and LGC revenue in Australia, ROC revenue in the UK and REC revenue in the USA. During the year ended 30 June 2013, the Consolidated Entity had recognised $7.6m of green credit revenue (ACCUs) under the Carbon Credits (Carbon Farming Initiative) Act and Regulations 2011 for the period 1 July 2010 to 30 June 2012.

NOTE 3: INCOME TAX

	Note	CONSOLIDATED 2014 $'000	2013 $'000
(a) Income tax expense			
Current tax		21,272	6,175
Deferred tax		(11,815)	5,543
Under/(over) provided in prior years – current tax		(18)	(139)
Under/(over) provided in prior years – deferred tax		2,036	(706)
		11,475	10,873
Income tax expense is attributable to:			
Profit from continuing operations		11,475	10,873
Aggregate income tax expense		11,475	10,873
Deferred income tax expense/(revenue) included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	14	(1,653)	4,203
Increase/(decrease) in deferred tax liabilities	14	(8,126)	634
		(9,779)	4,837

NOTE 3: INCOME TAX (CONTINUED)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED 2014 $'000	2013 $'000
Profit from continuing operations before income tax	56,900	65,890
Tax at the Australian tax rate of 30% (2013: 30%)	17,070	19,767
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- non assessable income	(272)	(556)
- non-deductible expenses	684	305
- depreciation and amortisation	349	175
- share of net results of joint venture	(715)	(735)
- share based payments	35	18
- recognition of priors years tax losses *	(4,753)	(6,223)
- foreign exchange translation adjustments	(516)	886
- US deferred interest adjustment	1,689	-
- foreign tax rate differential and future tax rate changes	(2,425)	(1,919)
	11,146	11,718
Under/(over) provision in prior years	329	(845)
Income tax expense attributable to profit from continuing operations	11,475	10,873

(c) Amounts recognised in equity

	2014 $'000	2013 $'000
Foreign currency translation difference for foreign operations	1,582	(948)
Net gains on cash flow hedges	1,905	2,432
Amounts recognised in other comprehensive income	3,487	1,484
Share capital issue costs	(899)	-
	2,588	1,484

(d) Deferred tax asset not taken into account

The potential deferred tax asset in a controlled foreign entity, which is a company, arising from tax losses and temporary differences has not been recognised as a net asset because recovery of the tax losses and temporary differences is not probable at 30 June 2014:

	2014 $'000	2013 $'000
Tax losses carried forward#	10,263	13,579
	10,263	13,579

* A further deferred tax asset of $4,753,000 (2013: $6,223,000) has been recognised in the current period which is attributable to tax losses carried forward by a controlled entity. The recognition of this deferred tax asset is supported by forecast modelling of taxable profits up based on revised long-term power purchase agreements and other project arrangements and from the reversal of existing assessable temporary differences.

Unrecognised tax losses carry forward have an expiration between 30 June 2027 and 30 June 2034.

(e) Tax consolidation

Energy Developments Limited and its 100% wholly owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Energy Developments Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities based on individual tax obligations should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*.

The head entity, Energy Developments Limited, and the members of the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity is a modified separate taxpayer within the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: EARNINGS PER SHARE

		CONSOLIDATED 2014	CONSOLIDATED 2013
Basic earnings per share	Cents	27.6	33.1
Diluted earnings per share	Cents	27.5	33.1
Weighted average number of shares on issue used in the calculation of basic earnings per share	Number	164,395,993	166,167,205
Weighted average number of shares on issue used in the calculation of diluted earnings per share	Number	165,363,999	166,230,853
Earnings used in calculating basic and diluted earnings per share	$'000	45,425	55,017

16,056,000 options (2013: 19,188,000) were not considered dilutive at 30 June 2014.

NOTE 5: RECEIVABLES (CURRENT AND NON-CURRENT)

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Current		
Trade debtors	54,723	49,851
Loan receivable from unrelated parties	1,225	-
Other	4,694	1,272
	60,642	51,123
Non-current		
Employee loans (non-trade)	2,847	3,026
Loan receivable from unrelated parties	1,103	-
Other	333	225
	4,283	3,251

Employee loans are non-interest bearing and arise from the management incentive plan, refer note 21(b).

At balance date, the ageing analysis of trade and other receivables is as follows:

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Total outstanding	64,925	54,374
Unimpaired:		
within terms	63,881	52,952
past due 1 – 30 days	713	958
past due 31 – 60 days	122	141
past due 60+ days	209	323

Receivables past due but not considered impaired are: $1,044,000 (2013: $1,422,000); Payment terms on these debts have not been renegotiated; however, discussions with the counterparties and/or receipts subsequent to reporting date have satisfied management that payment will be received in full.

NOTE 6: INVENTORIES (CURRENT)

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Fuel and store items at cost	16,812	13,477
	16,812	13,477

NOTE 7: OTHER ASSETS (CURRENT AND NON-CURRENT)

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Current		
Prepaid expenses	7,974	10,443
Other	116	509
	8,090	10,952
Non-current		
Prepaid expenses	519	653
	519	653

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2014 $'000	2013 $'000
Freehold land at cost	448	448
Plant and equipment		
Cost		
Opening balance	1,142,319	1,065,014
Additions	4,471	2,592
Acquisition of subsidiary	25,000	-
Transfer from plant and equipment under construction	157,115	62,578
Disposals	(17,376)	(11,709)
Currency translation differences	5,538	23,844
Closing balance	1,317,067	1,142,319
Accumulated depreciation and amortisation		
Opening balance	534,097	468,746
Depreciation and amortisation	80,594	66,763
Disposals	(15,688)	(10,818)
Currency translation differences	3,347	9,406
Closing balance	602,350	534,097
Net book value	714,717	608,222
Plant and equipment under construction		
Cost		
Opening balance	89,326	46,980
Additions	143,477	104,258
Transfers to plant and equipment	(157,115)	(62,578)
Sales to external parties	(932)	(978)
Currency translation differences	480	1,644
Closing balance	75,236	89,326
Plant and equipment under lease		
Cost		
Opening balance	81	161
Currency translation differences	7	(80)
Closing balance	88	81
Accumulated amortisation		
Opening balance	81	161
Currency translation differences	7	(80)
Closing balance	88	81
Net book value	-	-
Total property, plant and equipment at cost	1,392,839	1,232,174
Total property, plant and equipment net	790,401	697,996

Plant and equipment includes $23,123,184 (2013: $19,800,348) of net capitalised interest. These costs are capitalised to the asset up to the date the plant and equipment are commissioned as operational. Borrowing costs capitalised during the year to plant and equipment was $3,578,000 (2013: $nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 8.4% which is the effective interest rate of the specific borrowing.

NOTE 9: INTANGIBLE ASSETS

	CONSOLIDATED 2014 $'000	2013 $'000
Goodwill [i]		
Cost		
Opening balance	11,948	11,948
Closing balance	11,948	11,948
Land Tenure		
Cost		
Opening balance	8,181	8,181
Closing balance	8,181	8,181
Accumulated amortisation		
Opening balance	876	292
Amortisation	584	584
Closing balance	1,460	876
Net book value	6,721	7,305
Energy Usage Rights		
Cost		
Opening balance	3,217	2,959
Currency translation differences	277	258
Closing balance	3,494	3,217
Customer Contracts		
Cost		
Opening balance	29,500	29,900
Disposals	(2,200)	(400)
Closing balance	27,300	29,500
Accumulated amortisation		
Opening balance	3,340	1,918
Disposal	(2,200)	(400)
Amortisation	3,513	1,822
Closing balance	4,653	3,340
Net book value	22,647	26,160
Software		
Cost		
Opening balance	2,000	2,000
Closing balance	2,000	2,000
Accumulated amortisation		
Opening balance	367	167
Amortisation	200	200
Closing balance	567	367
Net book value	1,433	1,633
Total intangibles at cost	52,923	54,846
Total intangibles net	46,243	50,263

i - Impairment tests for goodwill
Goodwill was recognised on acquisition through business combination when the Consolidated Entity acquired a remote area business. Accordingly, the carrying value of goodwill $11,948,000 (2013: $11,948,000) is allocated to and monitored by management at a subgroup level of the Australia Remote operating segment. The recoverable amount of this subgroup is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the future contracted and expected renewal periods.

Key assumptions for the Australia Remote sub-group to which goodwill has been allocated are budgeted EBITDA margins, growth rates and post-tax discount rates. Budgeted EBITDA margins are based on average values achieved in the period since acquisition in August 2011 and take into account expected efficiency improvements in the current budget period. Budgeted growth/(decline) rates were estimated to be (2%) for the current and preceding financial year, reflecting the passage of time for fixed-term contracts. In performing the value-in-use calculations for each cash generating unit, the group has applied post-tax discount rate of 7.7% (2013: 7.7%) to discount the forecast future attributable post-tax cash flows.

No impairment charge was recorded against goodwill in the current year (2013: nil). For all reasonably possible changes in the key assumptions on which management has based its determination of the recoverable amount, no impairment charge would result.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2014 $'000	2013 $'000

NOTE 10: FINANCIAL INSTRUMENTS - DERIVATIVES

	2014 $'000	2013 $'000
(a) Current Assets		
Electricity derivatives	2,957	718
	2,957	718
(b) Non-current Assets		
Electricity derivatives	1,258	1,561
	1,258	1,561
(c) Current Liabilities		
Electricity derivatives	627	470
Interest rate swaps	9,522	9,911
	10,149	10,381
(d) Non-current Liabilities		
Interest rate swaps	12,730	16,556
	12,730	16,556

NOTE 11: PAYABLES (CURRENT)

	2014 $'000	2013 $'000
Trade creditors and accruals	45,382	50,856
Carbon liability (see Note 1(e))	9,783	7,729
	55,165	58,585

NOTE 12: PROVISIONS (CURRENT AND NON-CURRENT)

	2014 $'000	2013 $'000
Current		
Employee benefits	6,511	6,518
	6,511	6,518
Non-current		
Employee benefits	1,909	1,741
	1,909	1,741

NOTE 13: BORROWINGS (CURRENT AND NON-CURRENT)

	2014 $'000	2013 $'000
Current		
Secured bank loans (i)	2,560	2,513
Other bank loans (ii)	-	3,672
	2,560	6,185
Non-current		
Secured bank loans (iii)	441,282	421,260
Other secured loans (iv)	62,884	36,308
Other loans – unsecured (v)	4,347	4,274
	508,513	461,842

(i) The current portion of the borrowings relates to specific projects that were generally debt financed on a limited recourse basis post construction, with lender recourse limited primarily to the relevant operating controlled entities and their assets.

(ii) Other bank loans are secured by a company guarantee at commercial interest rates.

(iii) The bank loans at 30 June 2014 are secured by fixed and floating charges over the majority of the assets of the Consolidated Entity.

(iv) The other secured loans are cumulative drawdowns from a $US50,000,000 (2013: $US50,000,000) bilateral facility; and $A42,925,000 (2013: $A19,579,000) from other facilities. All loans are secured by fixed and floating charges over certain assets of the Consolidated Entity.

(v) During the financial year ended 30 June 2012, BioGas Energy Ano Liossia SA (Beal EPE), a joint venture, provided a 5-year unsecured facility of €2.75 million under commercial terms and conditions.

NOTE 14: DEFERRED TAX ASSETS/LIABILITIES (NON-CURRENT)

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
(a) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Accrued expenses	102	167
Provision for employee benefits	2,477	2,516
Deferred revenue	2,883	3,168
Depreciation	-	384
Project expenditure	64	558
Deferred interest	4,567	6,951
Tax losses*	30,388	25,149
Other	1,026	669
	41,507	39,562
Amounts recognised in equity		
Share capital	899	-
Derivatives	6,617	7,849
	49,023	47,411
Set-off of deferred tax liabilities	(23,113)	(24,806)
Deferred tax assets - closing balance at 30 June	25,910	22,605
Movements		
Deferred tax assets - opening balance at 1 July	47,411	50,430
(Charged)/credited to profit or loss	1,653	(4,203)
(Charged)/credited to other comprehensive income	(1,200)	(1,838)
(Charged)/credited to share capital	899	-
Charged to foreign currency translation reserve	(783)	2,799
Reclassifications	1,043	223
Deferred tax assets - closing balance at 30 June	49,023	47,411
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Inventories	3,485	2,921
Depreciation	17,444	23,812
Accrued revenue	6,863	7,737
Borrowing costs	849	1,092
Other	1,289	685
	29,930	36,247
Amounts recognised directly in equity		
Derivatives	1,265	543
	31,195	36,790
Set-off of deferred tax assets	(23,113)	(24,806)
Deferred tax liabilities - closing balance at 30 June	8,082	11,984
Movements		
Deferred tax liabilities - opening balance at 1 July	36,790	33,745
(Credited)/charged to profit or loss	(8,126)	634
Credited to other comprehensive income	705	543
Charged to foreign currency translation reserve	783	1,645
Reclassifications	1,043	223
Deferred tax liabilities - closing balance at 30 June	31,195	36,790

* A deferred tax asset of $30,388,000 (2013: $25,149,000) has been recognised which is attributable to tax losses carried forward by a controlled foreign entity which is in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of this deferred tax asset is supported by forecast modelling of taxable profits based on revised long-term power purchase agreements and other project arrangements. The remaining deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

NOTE 15: CONTRIBUTED EQUITY

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Issued share capital		
Attributable to members of the Company:		
Ordinary shares(i)	482,462	447,928
Employee shares(ii)	7,151	7,151
Total contributed equity attributable to members of the Company	489,613	455,079

	2014 Number	2013 Number
Movements in contributed equity for the year		
Ordinary shares		
Opening balance	163,174,419	168,240,841
Issue of shares[(i)]	9,009,010	-
Issued under employee share scheme[(ii)]	-	244,930
Share buyback[(iii)]	(2,519,134)	(5,311,352)
Closing balance	169,664,295	163,174,419

(i) The Company issued 9,009,010 ordinary shares during the financial year at an issue price of $5.55 per share; and incurred related incremental transaction costs of $2,283,000, net of tax.

(ii) During the financial year ended 30 June 2013, the Company issued 72,727 ordinary shares at an issue price of $2.75 per share and 172,203 ordinary shares at an issue price of $3.28 per share to eligible executives as part of a management incentive plan. Half of these issues were in the form of interest-free loans that were discounted to present value on the day of issue and adjusted in contributed equity.

(iii) During the year, the Company bought-back 2,519,134 (2013: 5,311,352) shares at a weighted average buyback price of $5.23 (2013: $3.52) per share.

Employee options over ordinary shares in the Company
Information relating to the Company employee share option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 20.

(i) Terms and conditions
Ordinary shares are fully paid and have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Ordinary shares issued to eligible executives as part of the management incentive plan have the same rights and obligations as other ordinary shares.

Capital management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that enables a low cost of capital.

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed in Note 13, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in this Note 15 and the statement of changes in equity. The Consolidated Entity operates internationally, primarily through subsidiary companies established in the markets in which the Consolidated Entity trades. None of the consolidated entities is subject to externally imposed capital requirements. Throughout the reporting period, the Consolidated Entity has complied with all the financial covenants under the terms of the major borrowing facilities. Operating cash flows are used to maintain and expand the Consolidated Entity's electricity generating assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Consolidated Entity coordinates borrowing centrally, using borrowing facilities and/or Australian market equity issues to meet anticipated funding requirements, as required. Management periodically reviews the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may, subject to Board approval, as appropriate, change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or for other purposes. The Company paid $17.9 million dividends during the financial year (2013: nil).

Gearing ratio
The Consolidated Entity's Corporate Finance Group reviews the capital structure on a regular basis. As a part of this review, the Company considers the cost of capital and the risks associated with each class of capital. The Consolidated Entity has a target gearing ratio of 50%-70% that is determined as the proportion of net debt to net debt plus equity. The Consolidated Entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The gearing ratios based on continuing operations at 30 June 2014 and 2013 were as follows:

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Total borrowings *	511,073	468,027
Less cash assets	(45,739)	(42,347)
Net debt	465,334	425,680
Total equity	383,826	317,111
Total capital	849,160	742,791
Gearing ratio	55%	57%

* Includes current and non-current borrowings as detailed in note 13.

	CONSOLIDATED 2014 $'000	2013 $'000

NOTE 16: DIVIDENDS PAID AND PROPOSED

	2014 $'000	2013 $'000
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid:		
Final dividend for the year ended 30 June 2013 – 11.0 cents per share	17,871	-
	17,871	-

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013: 30%) is $3,279,000 at 30 June 2014 (2013: $1,075,000).

Since the end of the financial year, the directors have declared a full year final dividend of 28 cents per share fully franked for the year ending 30 June 2014, totalling $47.5 million, to be paid on Thursday 23 October 2014 based on a record date of Tuesday 23 September 2014. The Company's Dividend Reinvestment Plan will not apply to this dividend.

NOTE 17: NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash

For the purposes of the cash flow statement, cash includes the meaning in note 1(viii).
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

	2014 $'000	2013 $'000
Current deposits with banks	45,739	42,347

Call deposits with banks are paying interest at current bank deposit rates; details of the average rates are disclosed in Note 26. Under certain project borrowing facilities, there are restrictions imposed on the timing of cash movements. These restrictions relate to a requirement to maintain funds to meet minimum debt servicing requirements and security for project borrowings. This amount was $5.0 million at 30 June 2014 (2013: $5.0 million).

(b) Reconciliation of net profit to net operating cash flows

	2014 $'000	2013 $'000
Net profit	45,425	55,017
Adjustments		
Depreciation and amortisation	84,891	69,369
Share of net results of joint venture partnership	(2,383)	(2,449)
Share based payments expense	108	54
Amortisation of borrowing costs	4,554	4,363
Other	1,046	(1,172)
Changes in assets and liabilities		
Receivables (increase)	(4,661)	(4,224)
Green credits on hand decrease/(increase)	2,636	(21,749)
Other assets decrease/(increase)	3,001	(2,420)
Inventories (increase)/decrease	(3,291)	1,927
Payables increase	3,901	17,562
Interest payable increase	26	183
Deferred income (decrease)/increase	(318)	6,783
Current tax liability increase	11,123	5,025
Net deferred income tax asset (increase)/decrease	(9,778)	3,716
Provisions increase/(decrease)	165	(800)
Net operating cash flows	136,445	131,185

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) Finance facilities

At 30 June 2014, the Consolidated Entity had access to total financing facilities of $780,057,000 (2013: $662,789,000), of which $235,805,000 was unused at balance date (2013: $155,242,000). Details of these facilities in Australian dollars include:

		AS AT 30 JUNE 2014			AS AT 30 JUNE 2013			
	Denominated currency	Facility available A$'000	Facility utilised A$'000	Facility unutilised A$'000	Facility available A$'000	Facility utilised A$'000	Facility unutilised A$'000	Expiry date
Bank loan	A$	222,800	115,000	107,800	172,800	95,000	77,800	2016
Bank loan	A$	125,000	125,000	-	125,000	125,000	-	2017
Other loan	A$	-	-	-	3,672	3,672	-	
Bank loan	A$	129,914	114,466	15,448	136,594	121,147	15,447	2018
Bank loan	£	63,348	63,348	-	58,314	58,314	-	2016
Bank loan	US$	37,159	37,159	-	38,323	38,323	-	2016
Other loan	A$	75,000	13,520	61,480	-	-	-	2019
Other loan	US$	53,084	22,077	31,007	54,747	17,808	36,939	2018
Other loan	Euro/$A	29,405	29,405	-	29,065	19,579	9,486	2020
Other loan	Euro	4,347	4,347	-	4,274	4,274	-	2017
		740,057	524,322	215,735	622,789	483,117	139,672	
Letters of credit	A$	40,000	19,930	20,070	40,000	24,430	15,570	2016
Total facilities		780,057	544,252	235,805	662,789	507,547	155,242	

(d) Financial guarantees

The Consolidated Entity has provided guarantees to external parties which commit the Consolidated Entity to make payments should a Consolidated Entity default under a relevant contract. The fair value of these guarantees is considered to be immaterial, and the likelihood of defaulting under or not completing the relevant contracts is minimal.

NOTE 18: EXPENDITURE COMMITMENTS

	CONSOLIDATED	
	2014 $'000	2013 $'000
(a) Operating lease expenditures (non-cancellable) are payable as follows:		
Not later than one year	3,351	3,383
Later than one year but not later than five years	6,467	6,169
Later than five years	2,040	1,194
	11,858	10,746

Operating leases have an average lease term of three to five years. Assets that are the subject of operating leases include vehicles, offices and office equipment with varying renewal rights.

	2014 $'000	2013 $'000
(b) Capital expenditure commitments are payable as follows:		
Plant and equipment	9,582	16,043
	9,582	16,043

Capital expenditure commitments represent expenditure to be incurred on major energy projects.

NOTE 19: SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the location and nature of the assets and operations. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The Consolidated Entity has one principal activity, being the development and operation of power generation projects.

The accounting policies used by the Consolidated Entity in reporting segments internally are the same as those contained in note 1 to the financial statements and in the prior period.

The following items (or a portion thereof) of income and expenditure are not allocated to operating segments as they are not part of the core operations of any segment:
- Interest income
- Borrowing costs; and
- Income tax

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: SEGMENT INFORMATION (CONTINUED)

	AUSTRALIA CLEAN		AUSTRALIA REMOTE		AUSTRALIA TOTAL		EUROPE		UNITED STATES		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue												
- Electricity sales	98,548	94,146	178,361	173,701	276,909	267,847	41,112	32,232	25,475	21,403	343,496	321,482
- Green credit revenue	37,498	47,681	-	-	37,498	47,681	26,350	20,139	5,312	2,994	69,160	70,814
- Other income	3,430	3,209	2,220	4,168	5,650	7,377	734	517	1,362	686	7,746	8,580
- Share of joint venture net profit	-	-	-	-	-	-	2,383	2,449	-	-	2,383	2,449
Total segment income	139,476	145,036	180,581	177,869	320,057	322,905	70,579	55,337	32,149	25,083	422,785	403,325
Segment result (before interest, depreciation, amortisation and tax)	75,906	85,679	72,391	67,285	148,297	152,964	38,197	29,776	13,351	9,585	199,845	192,325
Corporate expenses					(10,359)	(9,161)	-	-	-	-	(10,359)	(9,161)
Business acquisition and strategy costs					(2,530)	-	-	-	-	-	(2,530)	-
Development expenses					(3,953)	(5,375)	-	(31)	(833)	(742)	(4,786)	(6,148)
Profit from continuing operations before depreciation, amortisation, borrowing costs and tax					131,455	138,428	38,197	29,745	12,518	8,843	182,170	177,016
Depreciation and amortisation	(25,723)	(26,316)	(39,984)	(27,763)	(65,707)	(54,079)	(9,866)	(7,410)	(9,318)	(7,880)	(84,891)	(69,369)
Net borrowing costs											(40,379)	(41,757)
Consolidated entity profit from ordinary activities before income tax expense											56,900	65,890
Income tax expense											(11,475)	(10,873)
Net profit											45,425	55,017
Cash					28,945	36,806	11,332	4,213	5,462	1,328	45,739	42,347
Carrying amount of investments in joint venture					-	-	18,776	16,178	-	-	18,776	16,178
Segment other assets					746,037	649,921	100,896	89,511	106,002	114,928	952,935	854,360
Tax assets											25,910	22,605
Total assets											1,043,360	935,490
Segment liabilities – Financing					432,267	396,744	63,448	58,983	37,610	38,767	533,325	494,494
Segment liabilities – Operating					55,717	64,462	14,035	10,122	33,196	33,261	102,948	107,845
Tax liabilities											23,261	16,040
Total liabilities											659,534	618,379
Purchase of segment assets	34,175	18,442	95,746	67,880	129,921	86,322	11,886	9,834	6,141	10,694	147,948	106,850

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: SEGMENT INFORMATION (CONTINUED)

More than 10% of the consolidated entity's revenue is derived from a public company (included in the S&P/ASX 100 as at 30 June 2014), and a state based energy retailer. The table below details the percentage of consolidated revenue derived from each of these customers and the segments that these revenues are reported, as a percentage of the consolidated entity's revenue.

	AUSTRALIA	
	2014 $'000	2013 $'000
Public company (S&P/ASX 100)*	12%	12%
State based energy retailer	17%	19%

* Customer included in S&P/ASX 100 as at 30 June 2014

NOTE 20: SHARE BASED PAYMENTS

(a) Employee share and option plans

Employee share option plan

During the year, certain employees held Performance Rights (PR), that were issued in prior years under the 1999 employee share option plan (Old Employee Plan). At an Extraordinary General Meeting (EGM) held on 7 June 2011, shareholders approved a new Management Incentive Plan (New Plan) to provide a simplified system of share option based long term incentives which are designed to more effectively align the economic interests of the Company's executives with the interests of Shareholders. The New Plan resulted in the issue of Series A and Series B options.

(b) Grants/issues made under Employee Plan

(i) Options

Grant date	Expiry date	Vesting date	Weighted Average exercise price	Balance at 1 July Number	Granted during the financial year Number	Expired during the financial year Number	Forfeited during the year Number	Balance at 30 June Number
Year ended 30 June 2014								
13 Oct 2011	13 Oct 2019	**	$4.12	3,520,800	-	-	-	3,520,800
13 Oct 2011	13 Oct 2019	**	$6.87	11,736,000	-	-	-	11,736,000
30 Aug 2012	30 Aug 2020	**	$4.12	540,000	-	-	-	540,000
30 Aug 2012	30 Aug 2020	**	$6.87	1,800,000	-	-	-	1,800,000
22 Mar 2013	22 Mar 2021	**	$4.80	756,000	-	-	-	756,000
22 Mar 2013	22 Mar 2021	**	$6.87	2,520,000	-	-	-	2,520,000
				20,872,800	-	-	-	20,872,800
Weighted average exercise price				$6.26	-	-	-	$6.26
Year ended 30 June 2013								
25 Nov 2002	25 Nov 2012	25 Nov 2005	*	45,000	-	(45,000)	-	-
13 Oct 2011	13 Oct 2019	**	$4.12	4,374,000	-	-	(853,200)	3,520,800
13 Oct 2011	13 Oct 2019	**	$6.87	14,580,000	-	-	(2,844,000)	11,736,000
30 Aug 2012	30 Aug 2020	**	$4.12	-	540,000	-	-	540,000
30 Aug 2012	30 Aug 2020	**	$6.87	-	1,800,000	-	-	1,800,000
22 Mar 2013	22 Mar 2021	**	$4.80	-	756,000	-	-	756,000
22 Mar 2013	22 Mar 2021	**	$6.87	-	2,520,000	-	-	2,520,000
				18,999,000	5,616,000	(45,000)	(3,697,200)	20,872,800
Weighted average exercise price				$6.23	$6.33	$5.00	$6.24	$6.26

* Options were issued at an exercise price of $5.00 plus 15% of any surplus over $5.00 in the market price of ordinary shares when exercised.

** These options have a graded vesting pattern with either 20% of options granted vesting on grant date and the remainder vesting in equal 20% instalments annually; or the options vesting in equal 20% instalments annually. The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company (as defined in the New Plan), or takeover or scheme of arrangement proposal, or the option holder leaving as a good leaver.

No options were exercised during the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: SHARE BASED PAYMENTS (CONTINUED)

(b) Grants/issues made under Employee Plan (continued)

(ii) Performance Rights

Grant date	Expiry date	Vesting date	Weighted average exercise price	Balance at 1 July Number	Cancelled and settled during the year Number	Balance at 30 June Number
Year ended 30 June 2014						
2 Feb 2005	2 Feb 2015	*	$0.01	6,628	-	6,628
28 Nov 2006	28 Nov 2016	*	-	5,000	-	5,000
17 Jan 2008	17 Jan 2018	*	-	37,500	-	37,500
Year ended 30 June 2013						
2 Feb 2005	2 Feb 2015	*	$0.01	6,628	-	6,628
28 Nov 2006	28 Nov 2016	*	-	5,000	-	5,000
17 Jan 2008	17 Jan 2018	*	-	57,500	(20,000)	37,500

* The PRs above had fully vested in prior years as the conditions of the Old Employee Plan were satisfied.

No PR were granted or exercised during the current or prior year.

(c) Weighted average remaining life of options at reporting dates
The weighted average remaining contractual life of share options outstanding was 5.6 years (2013: 6.7 years).

(d) Fair value of options granted

The fair value of equity-settled share options is estimated at date of grant using the Black Scholes model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option. The expected price volatility reflects the assumption that the historical volatility is indicative of future trends which may not necessarily be the actual outcome.

No options were issued during the current financial year. The following table lists the inputs into the model used for grants of options in the prior years:

	August 2012 Options A	August 2012 Options B	March 2013 Options A	March 2013 Options B	October 2011 Options A	October 2011 Options B
Dividend yield (per annum)	-	-	-	-	-	-
Expected volatility	17%	17%	17%	17%	17%	17%
Exercise price	$4.12	$6.87	$4.80	$6.87	$4.12	$6.87
Share price at grant date	$2.35	$2.35	$3.23	$3.23	$2.42	$2.42
Interest rate	3.8%	3.8%	2.9%	2.9%	3.8%	3.8%

(e) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED	
	2014 $'000	2013 $'000
Amortisation of options issued	108	54

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: RELATED PARTY DISCLOSURES

(a) Key management personnel compensation

	CONSOLIDATED 2014 $	2013 $
Short-term employee benefits	3,613,959	4,232,233
Post-employment benefits	149,999	221,996
Long-term benefits	142,705	137,042
Share based payment expense	41,901	38,763
Total	**3,948,564**	**4,630,034**

Detailed remuneration disclosures are provided in the Remuneration Report in the Directors' Report.

(b) Loans to key management personnel and directors

	CONSOLIDATED 2014 $	2013 $
Balance at 1 July	2,390,019	2,891,475
Loans advanced	-	100,000
Deemed interest for the year	135,858	178,223
Interest not charged	(135,858)	(178,223)
Repayments	(121,166)	(601,456)
Balance at 30 June	2,268,853	2,390,019

The Share Loan has a 10 year term but is repayable early in certain circumstances, principally if an executive ceases to be an EDL Group employee (repayable within 1 month if a "bad leaver", 6 months if a good leaver, although a good leaver can elect to keep the Share Loan remaining on foot), or if there is a defined Greenspark exit. The Share Loan is secured by a mortgage over the executives' EDL shares, and Share Loan recourse is limited to the executives' EDL shares.

(c) Interests held by key management personnel and directors

(i) Options

Grant date	Expiry date	Exercise price	2014 Number	2013 Number
13 Oct 2011	13 Oct 2019	$4.12	2,376,000	2,764,800
13 Oct 2011	13 Oct 2019	$6.87	7,920,000	9,216,000
30 Aug 2012	30 Aug 2020	$4.12	540,000	540,000
30 Aug 2012	30 Aug 2020	$6.87	1,800,000	1,800,000
			12,636,000	14,320,800

Refer to note 20 for further details on the Options.

(ii) Shares

	2014 Number	2013 Number
Balance at 1 July	1,748,861	2,113,556
Issue of shares	-	72,727
Share buyback	-	(437,422)
Balance at 30 June	1,748,861	1,748,861

(d) Other transactions with key management personnel and directors

Current directors R I Koczkar, D C Grayce and A J Duthie were associated with Pacific Equity Partners (PEP) during the current financial year. PEP is an adviser to Greenspark Power Holdings Ltd. Under a service arrangement between the Consolidated Entity and PEP the Consolidated Entity paid PEP an agreed specific transaction support fee of $375,000 in connection with the February 2014 equity placement and associated matters, a monthly management fee of $50,000 (2013: $50,000) and out of pocket expenses of $65,865 (2013: $169,000) incurred while providing services to the Consolidated Entity. These amounts are included in note 21 (e) as Purchases and Share issue costs.

Current director P J Kapp is a partner of the legal firm Corrs Chambers Westgarth for the current financial year. Corrs Chambers Westgarth has provided legal services to the Consolidated Entity during the current financial year at a cost of $30,716 (2013: $22,985). Transactions are conducted on commercial terms and conditions.

Current director G J W Martin is a director of Santos Limited. A subsidiary of Santos Limited supplies gas to the EDL Group under a long term arm's length arrangement which was entered into prior to Mr Martin being a director of either EDL or Santos. Purchases of gas from Santos totalled $3,026,195 during the current financial year (2013: $3,154,662)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: RELATED PARTY DISCLOSURES (CONTINUED)

(e) Transactions with other related parties

Related parties	Sales to related parties $'000	Purchases $'000	Share issue costs $'000	Interest expense $'000	Amounts owed to related parties $'000	Loans advanced from related parties $'000
2014						
Consolidated						
Joint venture (Beal EPE)	475	-	-	177	4,397	-
Parent and its related entities	-	666	375	-	50	-
2013						
Consolidated						
Joint venture (Beal EPE)	409	-	-	156	4,457	320
Parent and its related entities	-	769	-	-	50	-

Terms and conditions of transactions with related parties

All transactions with other related parties are conducted on commercial terms and conditions.

Loans to related parties are unsecured. No allowances for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Ultimate controlling entity

The ultimate controlling entity of the Consolidated Entity is Energy Developments Limited, incorporated in Australia.

The directors' are aware that Energy Developments Limited is majority owned by Greenspark Power Holdings Ltd, incorporated in Jersey.

NOTE 22: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of interests in the joint venture partnership is as follows:

Name and principal activities	Place of incorporation	OWNERSHIP INTEREST 2014 %	OWNERSHIP INTEREST 2013 %	CARRYING AMOUNT 2014 $'000	CARRYING AMOUNT 2013 $'000
Greece *	Greece	50	50	18,776	16,178
- Beal EPE					
- Tomi ED1 Operations EPE					
				18,776	16,178

* The joint venture partnership has the same reporting date as the Consolidated Entity. Principal activity is the development and operation of landfill gas power projects.

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Joint venture's results		
Revenues	23,072	21,614
Finance income	470	327
Cost of sales	(14,431)	(12,788)
Depreciation	(3,162)	(2,712)
Profit before tax	5,949	6,441
Income tax expense	(1,183)	(1,543)
Profit for the year (continuing operations)	4,766	4,898
Consolidated Entity's ownership interest	50%	50%
Share of net results of joint venture	2,383	2,449
Joint venture's assets and liabilities		
Current assets (i)	39,491	32,896
Non-current assets	28,492	31,114
Current liabilities	(20,490)	(18,642)
Non-current liabilities	(10,607)	(11,520)
Net assets	36,886	33,848
Consolidated Entity's ownership interest	50%	50%
Share of net assets	18,443	16,924
(i) includes share of cash and cash equivalents	9,261	3,735

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23: REMUNERATION OF AUDITORS

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Amounts received or due and receivable by the auditor for audit or review of the financial report		
Ernst & Young (Australia)	558,055	621,437
Ernst & Young affiliates:		
- Ernst & Young (United Kingdom)	43,802	108,649
- Ernst & Young (Greece)	12,315	22,340
	614,172	752,426
Amounts received or due and receivable by the auditor for other services *		
Ernst & Young (Australia)	327,619	87,757
	327,619	87,757

* Other services primarily represents work performed on due diligence associated with equity raising.

NOTE 24: BUSINESS COMBINATION

During the year, the Consolidated Entity acquired a business, the details of which are as follows:

(a) Summary of acquisition

On 22 April 2014 the consolidated entity acquired 100% of the issued capital of Envirogen Pty Limited (Envirogen). Envirogen specialises in electricity generation through its waste coal mine gas (WCMG) power stations. The acquisition provides significant competitive advantage and synergies to the group by providing scale to the group's existing WCMG business.

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

	CONSOLIDATED 2014 $'000
Purchase consideration	
Cash paid	25,000
Receivable from vendor	(1,975)
Total consideration	23,025

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

Trade and other receivables	1,776
Inventories	44
Prepayments and deposits	7
Property, plant and equipment	25,000
Trade and other payables	(1,445)
Carbon tax payable	(2,357)
Net identifiable assets acquired	23,025

(i) Acquired receivables
The fair value of acquired trade and other receivables is $1,776,000. The gross contractual amount for trade receivables due is $1,776,000, all of which is expected to be collectable.

(ii) Revenue and profit contribution
The acquired business contributed revenues of $4,093,000 and net profit of $1,403,000 to the group for the period from 23 April 2014 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, revenue and profit for the year ended 30 June 2014 would have been $18,151,000 and $3,783,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2013, together with the consequential tax effects.

(iii) Provisional accounting for the business combination
The initial accounting for the business combination is provisional subject to finalisation of working capital adjustments that forms part of the consideration, and receipt of final valuation report for property, plant and equipment. Therefore, the fair value of the assets and liabilities and total consideration are to be confirmed.

(iv) Acquisition-related costs
Acquisition-related costs of $1,966,000 are included in 'Business acquisition and strategy costs' in the Statement of Comprehensive Income.

(v) Purchase consideration – cash outflow
The acquisition resulted in a net cash outflow of $25,000,000 during the financial year, representing the initial purchase price paid.

There was no business combination in the year ended 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: CONTROLLED ENTITIES

(a) The consolidated financial statements include the following controlled entities:

Name of controlled entity	Place of incorporation/formation	% of shares/ interests held 2014	2013
EDL CNG (NT) Pty Ltd*	Australia	100	100
EDL CSM (NSW) Pty Ltd*	Australia	100	100
EDL CSM (QLD) Pty Ltd*	Australia	100	100
EDL Holdings (Australia) Pty Ltd*	Australia	100	100
Energy Generation Pty Limited*	Australia	100	100
Statewest Power Pty Limited	Australia	100	100
EDL (TT) Pty Ltd (formerly Envirogen Pty Limited, acquired 22 April 2014)*	Australia	100	-
EDL (OCI) Pty Ltd (formerly Envirogen (Oaky) Pty Limited, acquired 22 April 2014)*	Australia	100	-
EDL Developments (Australia) Pty Ltd#	Australia	100	100
Brightstar Environmental Holdings Pty Limited	Australia	100	100
EDL Retail Pty Limited*	Australia	100	100
Cosmo Power Pty Ltd*	Australia	100	100
EDL Group Operations Pty Ltd*	Australia	100	100
EDL International Holdings Pty Limited*	Australia	100	100
EDL LFG (ACT) Pty Ltd*	Australia	100	100
EDL Operations (Belrose) Pty Ltd	Australia	100	100
EDL Operations (Berwick) Pty Ltd	Australia	100	100
EDL Operations (Broadmeadows) Pty Ltd	Australia	100	100
EDL Contracting Pty Ltd (formerly EDL Operations (Brooklyn) Pty Ltd)	Australia	100	100
EDL LFG (Qld) Pty Ltd*	Australia	100	100
EDL LFG (Vic) Pty Ltd*	Australia	100	100
EDL Operations (Corio) Pty Ltd	Australia	100	100
EDL Operations (Eastern Creek) Pty Ltd*	Australia	100	100
EDL NGD (WA) Pty Ltd#	Australia	100	100
EDL Operations (Highbury) Pty Ltd	Australia	100	100
EDL LFG (NSW) Pty Ltd*	Australia	100	100
EDL Operations (Lucas Heights) Pty Ltd	Australia	100	100
EDL Operations (Lyndhurst) Pty Ltd	Australia	100	100
EDL Operations (Pedler Creek) Pty Ltd*	Australia	100	100
EDL Operations (Tea Tree Gully) Pty Ltd	Australia	100	100
EDL LFG (SA) Pty Ltd*	Australia	100	100
EDL Operations Pty Limited	Australia	100	100
EDL Operations (Australia) Pty Ltd#	Australia	100	100
EDL Properties Pty Ltd	Australia	100	100
EDL Technologies Pty Ltd	Australia	100	100
Energy Corridors (Holdings) Pty Ltd	Australia	100	100
Energy Developments International Pty Ltd	Australia	100	100
EDL Pilbara Pty Ltd#	Australia	100	100
EDL Projects (Australia) Pty Ltd*	Australia	100	100
EDL NGD (NT) Pty Ltd*	Australia	100	100
EDL LNG (WA) Pty Ltd#	Australia	100	100
EDL NGD (Qld) Pty Ltd*	Australia	100	100
Tower Energy Pty Limited	Australia	100	100
Whytes Gully Environmental Pty Ltd	Australia	100	100
Pine Creek Power Pty Ltd	Australia	100	100
Bio Energy (UK) Limited	United Kingdom	100	100
Brightstar Environmental Investments Limited^	United Kingdom	100	100
EDL Holdings (UK) Limited	United Kingdom	100	100
EDL Franklin UK Limited	United Kingdom	100	100
EDL Operations (Barling) Limited^	United Kingdom	100	100
EDL Operations (Bellhouse) Limited^	United Kingdom	100	100
EDL Generation Ltd^	United Kingdom	100	100
EDL Operations (LFG 1) Limited^	United Kingdom	100	100
EDL Operations (Mucking) Limited^	United Kingdom	100	100
EDL Operations (Packington) Limited	United Kingdom	100	100
EDL Operations (Pitsea) Limited^	United Kingdom	100	100
Ryton Energy Limited^	United Kingdom	100	100
EDL Operations (Rainham) Limited^	United Kingdom	100	100
EDL (UK) LFG Generation Ltd	United Kingdom	100	100
Energy Developments (UK) Limited	United Kingdom	100	100
EDL Hellas Monoprosopi EPE	Greece	100	100
EDL Holdings (Europe) BV (deregistered on 22 May 2014)	The Netherlands	-	100
EDL Holding (France) SARL(deregistered on 12 December 2013)	France	-	100

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: CONTROLLED ENTITIES (CONTINUED)

Name of controlled entity	Place of incorporation/formation	% of shares/ interests held 2014	2013
Bio Energy (I), LLC	United States of America	100	100
Bio Energy (II), LLC	United States of America	100	100
Bio Energy (III), LLC	United States of America	100	100
Bio Energy (Austin), LLC	United States of America	100	100
Bio Energy (Austin II), LLC	United States of America	100	100
Bio Energy (Alabama), LLC	United States of America	100	100
Bio Energy (California), LLC	United States of America	100	100
Bio Energy (Georgia), LLC	United States of America	100	100
Bio Energy (Illinois), LLC	United States of America	100	100
Bio Energy (Ohio), LLC	United States of America	100	100
Bio Energy (Ohio II), LLC	United States of America	100	100
Bio Energy (Tennessee), LLC	United States of America	100	100
Bio Energy (Texas), LLC	United States of America	100	100
Bio Energy (US), LLC	United States of America	100	100
EDL Holdings (US), Inc	United States of America	100	100
Energy Developments, Inc	United States of America	100	100
Energy Developments (Operations), Inc	United States of America	100	100
Brightstar Environmental, LLC (deregistered on 30 June 2014)	United States of America	-	100
Brightstar Environmental Holdings, LLC (deregistered on 30 June 2014)	United States of America	-	100

The financial year of all controlled entities is the same as that of the Consolidated Entity, unless otherwise noted.

* These companies have entered into a deed of cross guarantee dated 23 July 2007 with Energy Developments Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a Class Order issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements.

^ At 30 June 2014, these companies are in the process of being deregistered pending approval by UK Companies House.

These companies were released from the deed of cross guarantee in the financial year ending 30 June 2013.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position of all entities included in the class order "closed group" are set out in note 25 (b).

(b) Financial information for class order Closed Group:

Statement of Comprehensive Income of the Closed Group

	2014 $'000	2013 $'000
Sales revenue	265,096	265,843
Cost of sales excluding depreciation and amortisation of operating assets	(144,063)	(140,645)
Gross profit	121,033	125,198
Other income	14,822	19,768
Corporate and general expenses	(10,241)	(9,135)
Business acquisition and strategy costs	(2,530)	-
Development expenses	(3,953)	(5,375)
Impairment expenses	(4,008)	(3,581)
Profit from continuing operations before depreciation, amortisation, borrowing costs and income tax	115,123	126,875
Depreciation and amortisation	(53,265)	(43,003)
Interest income	11,202	13,072
Borrowing costs	(27,946)	(26,241)
Profit from continuing operations before income tax	45,114	70,703
Income tax expense	(10,707)	(16,222)
Profit after tax	34,407	54,481
Other comprehensive income		
Foreign currency translation differences	457	6,152
Net gains/(losses) on cash flow hedges	4,454	7,089
Total comprehensive income for the year	39,318	67,722

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: CONTROLLED ENTITIES (CONTINUED)

(b) Financial information for class order Closed Group (continued):

Statement of Financial Position of the Closed Group

	2014 $'000	2013 $'000
Current assets		
Cash assets	16,288	24,989
Receivables	35,956	28,868
Inventories	11,618	9,217
Green credits held for sale	20,126	20,580
Financial instruments – derivatives	2,957	718
Other	6,832	8,446
Total current assets	93,777	92,818
Non-current assets		
Receivables	166,560	163,643
Investments at cost	202,191	202,191
Financial instruments – derivatives	1,258	1,561
Property, plant and equipment	440,636	340,009
Intangible assets	42,758	47,055
Other assets	493	630
Total non-current assets	853,896	755,089
Total assets	947,673	847,907
Current liabilities		
Payables	35,033	44,194
Borrowings	-	1,065
Financial instruments – derivatives	5,415	4,383
Provisions	6,044	6,061
Unearned grant income	776	776
Deferred income	164	142
Current tax liability	12,509	1,496
Total current liabilities	59,941	58,117
Non-current liabilities		
Borrowings	296,142	250,789
Deferred tax liabilities	25,720	24,956
Provisions	1,909	1,741
Financial instruments – derivatives	4,356	7,837
Unearned grant income	8,671	9,641
Other	20	3
Total non-current liabilities	336,818	294,967
Total liabilities	396,759	353,084
Net assets	550,914	494,823
Equity		
Contributed equity	489,613	455,079
Reserves	10,631	5,611
Retained profits	50,670	34,133
Total equity	550,914	494,823

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash, held by the Consolidated Entity:

		30 JUNE 2014		30 JUNE 2013	
		Loans and receivables	FVTOCI*	Loans and receivables	FVTOCI*
Consolidated	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets – current:					
Loan receivable from external parties	5	1,225	-	-	-
Trade and other receivables	5	59,417	-	51,123	-
Derivatives	10	-	2,957	-	718
		60,642	2,957	51,123	718
Financial assets – non-current:					
Loan receivable from external parties	5	1,103	-	-	-
Employee loans (non-trade)	5	2,847	-	3,026	-
Derivatives	10	-	1,258	-	1,561
		3,950	1,258	3,026	1,561
Total		64,592	4,215	54,149	2,279
Financial liabilities – current:					
Trade and other payables	11	55,165	-	58,585	-
Borrowings	13	2,560	-	6,185	-
Derivatives	10	-	10,149	-	10,381
		57,725	10,149	64,770	10,381
Financial liabilities – non-current:					
Trade and other payables		14,027	-	15,503	-
Borrowings	13	508,513	-	461,842	-
Derivatives	10	-	12,730	-	16,556
		522,540	12,730	477,345	16,556
Total		580,265	22,879	542,115	26,937

* Instruments allocated to FVTOCI column (Fair value through other comprehensive income) are derivative financial instruments designated in cash flow hedges.

Other financial instruments that are not recognised at fair value have carrying amounts that are not materially different to fair value, since the interest applicable on those financial instruments is close to current market rates, or the financial instruments are of a short-term nature.

Financial risk management objectives and policies
The main financial risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage these risks to which it is exposed. These include entering into derivative transactions, including interest rate swaps and forward currency contracts to manage its exposure to interest rate and currency risks arising from the Consolidated Entity's operations and its sources of finance. Reports are reviewed on a monthly basis detailing the Consolidated Entity's exposure to these key financial risks (excluding credit risk). This includes reviews of the levels of hedging for each finance facility, any foreign exchange exposure above a set limit and foreign currency contracts entered into to manage this risk as well as comparisons of cash flow forecasts projecting available cash and credit against specified minimum liquidity levels. It is, and has been throughout the period under review, the Consolidated Entity's policy that no speculative trading in financial instruments shall be undertaken. Ageing analysis is also undertaken to manage credit risk.

The policies for managing each of the financial risks identified above are outlined below. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

(a) Interest rate risk
The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity's long and short-term debt obligations with a floating interest rate. The level of debt at respective balance dates is disclosed in Note 13.

The Consolidated Entity's policy is to manage a portion of its interest cost using interest rate swap agreements. These swap agreements are used to convert floating interest rate exposures on certain non-recourse debt to fixed rates. These swaps also entitle the Consolidated Entity to receive, or oblige it to pay, the amounts if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts. The Consolidated Entity's general policy is to hedge a minimum of at least 50% of its non-recourse term borrowings at fixed rates of interest. The table below details the actual hedging cover as at 30 June 2014 for facilities in each of its geographic regions.

	2014		2013	
	Hedging cover	Effective rate pa	Hedging cover	Effective rate pa
Interest bearing borrowings				
Australia	67%	7.08%	75%	7.40%
UK	100%	4.95%	100%	5.36%
US	100%	5.11%	100%	5.20%
Total	73%	6.69%	80%	6.98%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

Cash flow hedge - interest rate swaps

At 30 June 2014, the Consolidated Entity had interest rate swap agreements in place with a notional amount of $383,474,961 (2013: $387,082,554) whereby it pays a fixed rate of interest and receives a variable rate equal to the BBSY, LIBOR UK or LIBOR US as applicable on the notional amount. The secured loans and interest rate swaps have the same critical terms. As at 30 June 2014, after taking into account the effect of interest rate swaps, approximately 73% (2013: 80%) of the Consolidated Entity's borrowings are at a fixed rate of interest. The Consolidated Entity regularly analyses its interest rate exposure taking into consideration potential renewals of existing positions, alternative financing and alternative hedging positions.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the Consolidated Entity's post-tax profit and equity (excluding the effect of net profit) would have been affected as follows:

	PROFIT AFTER TAX HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
Interest rate risk	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Judgements of reasonably possible movements				
Consolidated				
+1% pa (100 basis points)	(418)	(391)	6,637	9,043
-1% pa (100 basis points)	418	391	(6,637)	(9,043)

(b) Foreign currency risk

The Consolidated Entity has transactional currency exposures arising from project commitments and sales and purchases denominated in currencies other than the Consolidated Entity's functional currency (A$). The Consolidated Entity requires the use of forward exchange contracts to reduce currency exposures on such project commitments where the unhedged commitments exceed US $5 million at any one time and the timing of the commitments is firmly established. It is the Consolidated Entity's policy not to enter forward contracts until a firm commitment is in place. At 30 June 2014 and 2013, no unhedged project commitments exceeding US$5 million were in place. At 30 June 2014 and 2013, the Consolidated Entity held no forward exchange contracts designated as hedges of contracted future project commitments. Other commitments not relating to project commitments have been structured in a manner that they are effectively hedged. The denomination of the commitment differs from the Consolidated Entity's functional currency, however this commitment is serviced by the cash flows of subsidiaries with the same functional currency as the commitment.

The Consolidated Entity has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Consolidated Entity's foreign operations is managed primarily through matching with borrowings denominated in the relevant foreign currencies. The Consolidated Entity has no significant transactional exposure to foreign currency risk.

The table below indicates the currencies to which the Consolidated Entity has significant exposures at balance date. Had the exchange rate in relation to each of the currencies increased or decreased by 5% from rates as at the end of the 2014 and 2013 financial year, with all other variables remaining constant, the impact on the profit after tax (for transactional exposures) and equity (for translation exposures) of the Consolidated Entity would have been as follows:

		+5% HIGHER/(LOWER)		-5% HIGHER/(LOWER)	
Foreign exchange rate risk	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Year ended 30 June 2014					
Financial assets					
US dollar	8,946	-	(428)	-	468
Great British Pounds	28,059	-	(1,349)	-	1,491
Euro	1,250	(21)	2	23	(3)
		(21)	(1,775)	23	1,956
Financial liabilities					
US dollar	77,515	-	2,640	-	(2,918)
Great British Pounds	77,843	-	3,707	-	(4,097)
Euro	5,840	194	1	(214)	(1)
		194	6,348	(214)	(7,016)
Net exposure		173	4,573	(191)	(5,060)
Year ended 30 June 2013					
Financial assets					
US dollar	4,331	-	(206)	-	228
Great British Pounds	17,461	-	(840)	-	928
Euro	1,256	(24)	(35)	27	39
		(24)	(1,081)	27	1,195
Financial liabilities					
US dollar	74,970	594	2,722	(656)	(3,009)
Great British Pounds	69,790	-	3,323	-	(3,673)
Euro	5,827	220	(3)	(243)	4
		814	6,042	(899)	(6,678)
Net exposure		790	4,961	(872)	(5,483)

The above movements that would be recognised in equity represent the Consolidated Entity's foreign currency exposure to investment on foreign operations. These movements in exchange differences would be recognised in the foreign currency translation reserve in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk exposures

Credit exposure represents the extent of credit related losses that the Consolidated Entity may be subject to on amounts to be exchanged under the derivatives or to be received from trade receivables. The notional amounts of derivatives are not a measure of this exposure. The Consolidated Entity minimises concentration of credit risk by undertaking transactions with a large number of customers from across the range of segments in which the Consolidated Entity operates. The Consolidated Entity, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations given their high credit quality. Note 5 details further information on receivables by payment due status as at 30 June 2014 and 30 June 2013.

(d) Price risk

(i) Green credits

As at 30 June 2014, the entity held $21,730,000 green credits for sale (2013: $24,366,000). The Consolidated Entity has a policy of entering into forward sales contracts for a proportion of green credits to manage its exposure to price risk on its green credit holdings.

(ii) Electricity prices

The Consolidated Entity entered into fixed price electricity contracts to reduce the volatility attributable to price fluctuations of electricity. These contracts are for 100% of the electricity generated at certain sites for periods ranging from 1 to 2 years. Hedging the price volatility of electricity is in accordance with the Consolidated Entity's risk management strategy.

As at 30 June 2014, the fair value of these full effective hedges amounted to an asset of $4,215,000 (2013: $2,279,000) and liability of $627,000 (2013: $470,000). The change in fair value was recognised in other comprehensive income.

At 30 June 2014, if electricity prices had moved, as illustrated in the table below, with all other variables held constant, the Consolidated Entity's post-tax profit and equity (excluding the effect of net profit) would have been affected as follows:

		+10% HIGHER/(LOWER)		-10% HIGHER/(LOWER)	
Electricity price risk	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Year ended 30 June 2014					
Financial assets					
Electricity derivative	4,215	-	(818)	-	818
Financial liabilities					
Electricity derivative	627	-	(647)	-	647
Year ended 30 June 2013					
Financial assets					
Electricity derivative	2,279	-	(2,039)	-	2,039
Financial liabilities					
Electricity derivative	470	-	(220)	-	220

(e) Net fair value of derivative financial assets and liabilities

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 – valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 – valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Consolidated Entity determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Net fair value of derivative financial assets and liabilities (continued)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	Year ended 30 June 2014				Year ended 30 June 2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets								
Electricity derivatives – current	-	2,957	-	2.957	-	718	-	718
Electricity derivatives – non current	-	1,258	-	1,258	-	1,561	-	1,561
	-	4,842	-	4,842	-	2,279	-	2,279
Financial liabilities								
Interest rate swaps – current	-	9,522	-	9,522	-	9,911	-	9,911
Interest rate swaps – non current	-	12,730	-	12,730	-	16,556	-	16,556
Electricity derivatives – current	-	627	-	627	-	470	-	470
	-	22,879	-	22,879	-	26,937	-	26,937

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, forward interest yield curves and the current creditworthiness of the swap counterparties for derivative assets and the Consolidated Entity's own credit risk for derivative liabilities. The fair value of electricity derivatives is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into our out of Level 3 fair value measurements in any of the financial years presented.

(f) Liquidity risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and working capital lines. At 30 June 2014, available cash and undrawn borrowing facilities amounted to $276,544,000 (2013: $192,589,000). This comprises finance facilities available as disclosed in note 17(c) and unrestricted cash as disclosed in note 17(a).

The following is an analysis of the contractual undiscounted cash flows payable under financial assets and liabilities as at the reporting date:

	Less than 6 months $'000	Over 6 months to 12 months $'000	Over 1 year to 2 years $'000	Over 2 years to 5 years $'000	More Than 5 years $'000	Total $'000
30 June 2014						
Financial assets						
Cash assets	45,739	-	-	-	-	45,739
Receivables	55,458	490	4,085	343	-	60,376
Electricity derivatives (net-settled)	807	2,054	1,431	-	-	4,292
	102,004	2,544	5,516	343	-	110,407
Financial liabilities						
Trade and other payables	45,952	10,494	1,922	5,072	9,420	72,860
Borrowings	19,409	19,223	38,878	499,314	46,288	623,112
Interest rate swaps (net-settled)	4,927	4,796	9,538	7,392	-	26,653
Electricity derivatives (net-settled)	635	-	-	-	-	635
	70,923	34,513	50,338	511,778	55,708	723,260
30 June 2013						
Financial assets						
Cash assets	42,347	-	-	-	-	42,347
Receivables	51,123	-	225	3,148	-	54,496
Electricity derivatives (net-settled)	647	82	1,483	152	-	2,364
	94,117	82	1,708	3,300	-	99,207
Financial liabilities						
Trade and other payables	49,361	9,224	1,321	4,386	11,882	76,174
Borrowings	19,627	16,404	33,519	492,454	23,086	585,090
Interest rate swaps (net-settled)	4,825	4,701	9,336	16,268	-	35,130
Electricity derivatives (net-settled)	248	231	-	-	-	479
	74,061	30,560	44,176	513,108	34,968	696,873

NOTE 27: PARENT ENTITY INFORMATION

	2014 $'000	2013 $'000
Information relating to Energy Developments Limited		
Current assets	4	-
Total assets	962,062	829,964
Current liabilities	14,890	-
Total liabilities	259,775	163,751
Issued capital	489,613	455,079
Retained earnings	201,862	200,430
Capital profits reserve	6,720	6,720
Employee share benefits reserve	4,092	3,984
Total shareholders equity	702,287	666,213
Profit of the parent entity	19,300	15,632
Total comprehensive income of the parent entity	19,300	15,632

Energy Developments Limited and certain of the wholly owned entities listed in note 25 are parties to a deed of cross guarantee as described in note 25. The nature of the deed of cross guarantee is such that each company which is a party to the deed, guarantees, to each creditor, payment in full of any debt on a winding up in accordance with the deed of cross guarantee. No deficiency of net assets existed for the group as at 30 June 2014. No liability was recognised by Energy Developments Limited in relation to these guarantees, as the fair value of the guarantees is immaterial.

The Company has no contingent liabilities at 30 June 2014 or any contractual commitments for the acquisition of material property, plant or equipment.

NOTE 28: CONTINGENT LIABILITIES

The Consolidated Entity has a number of commercial disputes ongoing in the ordinary course of business, none of which is material.

The Consolidated Entity has given indemnities of $19,930,000 in the form of bank guarantees and letters of credit in the ordinary course of business.

NOTE 29: SUBSEQUENT EVENTS

Since the end of the financial year, the directors have declared a full year final dividend of 28 cents per share fully franked for the year ending 30 June 2014, totalling $47.5 million, to be paid on Thursday 23 October 2014 based on a record date of Tuesday 23 September 2014. The Company's Dividend Reinvestment Plan will not apply to this dividend.

There are no other material subsequent events.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30: OTHER NON-FINANCIAL INFORMATION

Energy Developments Limited
ABN 84 053 410 263

Registered Office
Building 17
2404 Logan Road
Eight Mile Plains Queensland 4113

Phone	+61 7 3275 5555
Fax	+61 7 3341 5150

Email	enquiries@edl.com.au
Website	www.energydevelopments.com.au

Investor Relations Enquiries

Phone	+61 7 3275 5650
Email	enquiries@edl.com.au

Auditor
Ernst & Young
111 Eagle Street
Brisbane Queensland 4000

Share Register
Link Market Services Limited
Level 15
324 Queen Street
Brisbane Queensland 4000
Phone 1300 554 474

Stock Exchange Listing
ENE

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Energy Developments Limited, we state that in the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

> (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
>
> (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1 (b);

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board:

GJ Pritchard
Director

Brisbane, 27 August 2014

Building a better working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent auditor's report to the members of Energy Developments Limited

Report on the financial report

We have audited the accompanying financial report of Energy Developments Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Building a better
working world

Opinion

In our opinion:

a. the financial report of Energy Developments Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Energy Developments Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M J Hayward

Mark Hayward
Partner
Brisbane
27 August 2014

SHAREHOLDER INFORMATION

Substantial shareholders as at 25 September 2014

Energy Developments has been notified of the following substantial shareholdings (details are taken from ASX lodged substantial shareholding notices)

NAME	NUMBER	%
Greenspark Power Holdings Ltd*	117,092,416	69.01
Investors Mutual Limited	15,102,586	9.13
Coopers Investors Pty Ltd	10,810,000	6.368

* Greenspark Power Holdings Ltd as nominee for the entities comprising Pacific Equity Partners Fund IV

TOP 20 HOLDERS OF FULLY PAID ORDINARY SHARES AS AT 25 SEPTEMBER 2013

NAME	NUMBER	%
Greenspark Power Holdings Ltd	114,836,566	67.25
RBC Investor Services Australia Nominees Pty Limited	14,400,214	8.43
JP Morgan Nominees Australia	9,826,946	5.76
National Nominees Limited	9,348,264	5.47
HSBC Custody Nominees (Australia) Limited	3,962,568	2.32
Citicorp Nominees	1,516,224	0.89
Mr Gregory James Pritchard	1,409,606	0.83
Sandhurst Trustees Ltd	1,102,705	0.65
Pan Australian Nominees Pty Limited	903,101	0.53
UBS Nominees Pty Ltd	817,753	0.48
JJBT Pty Ltd	750,000	0.44
HSBC Custody Nominees (Australia) Limited-A/C 3	623,849	0.37
Brispot Nominees Pty Ltd	475,384	0.28
RBC Investor Services Australia Nominees Pty Limited	460,134	0.27
Mirrabooka Investments Limited	350,000	0.20
CS Fourth Nominees Pty Ltd	347,792	0.20
BNP Paribas Nominees Pty Ltd	332,299	0.19
Mr Gerard Vernon Dover	288,727	0.17
Amcil Limited	250,000	0.15
Stephen Cake	236,363	0.14

DISTRIBUTION OF SHAREHOLDINGS AS AT 25 SEPTEMBER 2014

SIZE OF HOLDING	NUMBER OF ORDINARY SHAREHOLDERS	NUMBER OF ORDINARY OPTION HOLDERS
100,001 and Over	27	11
50,001 to 100,000	12	0
10,001 to 50,000	118	0
5,001 to 10,000	199	0
1,001 to 5,000	969	0
1 to 1,000	1,405	0
Total	2730	11

As at 25 September 2014, 428 shareholders held less than a marketable parcel of Fully Paid Ordinary Shares

SHARE BUYBACK

As noted in the 2013 Annual Report the Company has been undertaking an on-market share buy back. The share buy back program expired on 5 September 2014 and there is no current on-market buy back. Cumulatively the Company bought back 7,830,486 shares under the share buy back program and paid a total on market price of $31,834,181.64. The lowest price paid during the share buy back was $2.40 and the highest price paid during the share buy back was $6.00.

Energy Developments