

Thursday, 19 February 2015

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Please find attached the following documents relating to ERM Power's results for the six months ended 31 December 2014:

1. Appendix 4D
2. Half Year Financial Report including Management Discussion and Analysis and Directors' Report

A handwritten signature in purple ink, appearing to be "P. Jans".

Peter Jans  
Group General Counsel & Company Secretary  
ERM Power Limited

### For further information

Garry West  
Corporate Communications and Investor Relations Manager  
Phone: +61 7 3020 5165  
Mobile: +61 457 140 650  
Email: [gwest@ermpower.com.au](mailto:gwest@ermpower.com.au)

### About ERM Power

ERM Power is an Australian energy company that operates electricity generation and electricity sales businesses. Trading as ERM Business Energy and founded in 1980, we have grown to become the 4th largest electricity retailer in Australia with operations in every state and the Australian Capital Territory. We are also licensed to sell electricity in several markets in the United States. We have equity interests in 497 megawatts of low emission, gas fired peaking power stations in Western Australia and Queensland, both of which we operate.

[www.ermpower.com.au](http://www.ermpower.com.au)



**Appendix 4D**  
**ERM Power Limited**  
**ABN 28 122 259 223**

**Results for announcement to the market  
for the half year ended 31 December 2014**

**Notification in Accordance with Listing Rule 4.2A.3**

**(The amount and percentage changes are in relation to the previous corresponding period)**

<b>1. Results for the half year</b>					<b>1H 2015</b>	<b>1H 2014</b>
					<b>\$'000</b>	<b>\$'000</b>
<b>1.1. Revenue from ordinary activities:</b>						
1.1.1 Revenue from ordinary activities:						
ERM Power Limited and controlled entities	up	13%	to		1,099,141	970,090
<b>1.2. Profit from ordinary activities:</b>						
1.2.1. Underlying EBITDAIF*:						
ERM Power Limited and controlled entities	up	30%	to		44,592	34,395
(*Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss and gains / losses on onerous contracts and excluding significant items. Underlying EBITDAIF includes any profit or loss from associates)						
1.2.2. Underlying NPAT**:						
ERM Power Limited and controlled entities	up	113%	to		14,746	6,841
(**Statutory net profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains/losses on onerous contracts and excluding significant items. Underlying NPAT includes any profit or loss from associates)						
<b>1.3. Net profit after tax for the period attributable to members:</b>						
1.3.1 Net profit after tax for the period attributable to members:						
ERM Power Limited and controlled entities	up	465%	to		74,993	13,263

## **2. Dividend**

A fully franked interim dividend of 6.0 cents per share has been declared and will be paid on 1 April 2015. Record date is 3 March 2015. The Company's shares will trade ex-dividend from 27 February 2015.

A final fully franked 6.0 cents per share dividend was declared on 21 August 2014 and paid on 13 October 2014 to shareholders on record at 11 September 2014.

The Company's dividend reinvestment plan (DRP) will apply to this dividend with no discount. The last date for receipt of notifications to participate in the DRP is 4 March 2015.

## **3. Brief explanation of any of the figures reported above or other items of importance not previously released to the market**

The attached Directors' Report and Management Discussion and Analysis provide further information and explanation.

## **4. Commentary on the results for the half year**

The attached Directors' Report and Management Discussion and Analysis provide further information and explanation.

## **5. Net tangible assets per share**

	<b>1H 2015</b>	<b>1H 2014</b>
	<b>Cents</b>	<b>Cents</b>
Net tangible assets (cents per share)	134	137

## **6. Entities in which control was gained or lost during the half year**

During the period 1 July 2014 to 31 December 2014 the Company did not lose or gain control of any entities.

## **7. Details of associates and joint ventures**

The following entities are proportionately consolidated as joint ventures

- NewGen Power Neerabup Pty Ltd (50%)
- NewGen Neerabup Pty Ltd (50%)
- NewGen Neerabup Partnership (50%)

The following entity is accounted for as an associate:

- Empire Oil & Gas NL (19.99%)



**ERM Power Limited**

**Half Year Financial Report  
for the period ended 31 December 2014**

# ERM Power Limited

## Half Year Financial Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Contents	Page
Management Discussion and Analysis	2
Directors' Report	22
Auditor's Independence Declaration	23
Half Year Financial Statements	
Consolidated Income Statement	24
Consolidated Statement of Comprehensive Income	25
Consolidated Statement of Financial Position	26
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Cash Flows	28
Notes to the Financial Statements	29
Directors' Declaration	43
Independent Auditor's Review Report	44
Corporate Information	46

ABN 28 122 259 223

*A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 22. The directors' report does not form part of the financial report.*

*ERM Power Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is as set out on page 30.*

*The financial statements were authorised for issue by the directors on 19 February 2015. The directors have the power to amend and reissue the financial statements.*



**ERM Power Limited and Controlled Entities  
ABN 28 122 259 223**

**Management Discussion and Analysis  
for the half year ended 31 December 2014**

# ERM Power Limited

## Management Discussion and Analysis

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### Contents

	Page
1. 1H FY2015 Results overview	4
2. Group overview	5
3. Review of operating results	6
3.1 Summary of Group financial results	6
3.2 Operating division results	7
3.2.1 Electricity sales	7
3.2.2 Generation	8
3.2.3 Gas	9
3.2.4 Corporate	9
3.3 Cash flow	10
3.3.1 Working capital changes	10
3.4 Capital Structure	11
3.4.1 Net debt	11
3.4.2 Dividend strategy and history	12
4. Business strategies and future prospects	12
4.1 Electricity sales	12
4.2 Generation	12
4.3 Other (Gas, Metering and Corporate)	13
5. Safety, environment and community	13
5.1 Safety	13
5.2 Environment	13
5.3 Community	13
Non-IFRS financial information	14
Appendices	15
Glossary	21

ERM Power Limited (ERM Power, Company, Group, we, our) was listed on the Australian Securities Exchange on 10 December 2010. This review is for the half year ended 31 December 2014 with comparison against the previous corresponding period ended 31 December 2013 (previous year or previous period).

All reference to \$ is a reference to Australian dollars unless otherwise stated. Individual items totals and percentages are rounded to the nearest approximate number or decimal. Some totals may not add down the page due to rounding of individual components.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 1. 1H FY 2015 RESULTS OVERVIEW

	1H FY 2015	1H FY 2014	1H FY 2013
Electricity sold (TWh)	7.9	6.5	5.2
Underlying EBITDAIF (\$m)	44.6	34.4	44.4
Underlying NPAT (\$m)	14.7	6.9	14.4
Statutory NPAT attributable to equity holders (\$m)	75.0	13.2	26.4
Interim dividend (cents per share)	6.0	6.0	5.0
Underlying EPS (cents per share)	6.1	3.2	8.4

#### Continued strong growth and profitability in Electricity Sales

Electricity sales volume continued to grow strongly, up 22% to 7.9TWh for the period, from 6.5TWh in the previous period. Underlying EBITDAIF of the electricity sales business increased by 64% over the previous period to \$23.1m.

Electricity sales revenue for the period increased by 13% over the previous period, from \$929m to \$1.05b. The increase in electricity sales revenue was not proportional to the increase in volume due primarily to the removal of the carbon tax in July 2014, which was partially offset by increased network costs (passed through to customers without transaction margin).

Forward contracted electricity sales were a record 29TWh at 31 December 2014, highlighting the sustained growth in contracted sales. This represents an increase of 21% from 24TWh at 31 December 2013, which in turn was a 20% increase from 20TWh at 31 December 2012.

Sales volumes to Small to Medium Enterprise (SME) customers were more than double the previous period with more than 6,000 new small business customer sites contracted during the period. We anticipate SME business reaching the breakeven point this financial year.

#### Steady growth in Generation

The Generation business continued to deliver steady financial results with underlying EBITDAIF up 6% to \$26.3m from \$24.7m in the previous period. The generation business contributed \$7.7m towards the Group underlying NPAT of \$14.7m.

Safety is always a priority with the financial returns from the two power stations delivered on the back of outstanding availability.

#### Underlying EBITDAIF<sup>1</sup> up 30% to \$44.6m

Underlying EBITDAIF for the period was \$44.6m compared to \$34.4m in the previous period. Most of this growth was in our electricity sales business, which increased its EBITDAIF by 64% to \$23.1m, from \$14.1m in the previous period.

#### Underlying NPAT<sup>1</sup> up 113% to \$14.7m

Underlying NPAT was \$14.7m compared to \$6.9m in the previous period, an increase of 113%. The high statutory NPAT of \$75.0m is largely due to the net fair value movement in financial instruments, which are excluded from the underlying NPAT result.

#### Interim dividend of 6.0 cents per share to be paid on 1 April 2015

A fully franked interim dividend of 6.0 cents per share has been declared and will be paid on 1 April 2015. The record date is 3 March 2015. The Company's shares will trade ex-dividend from 27 February 2015. This dividend is at the same rate as last year's interim dividend.

#### FY 2015 Outlook

There is no change to guidance. The full year load is expected to increase by 15% to 16.2TWh (excl. US business). This is slightly less than the previous forecast of 17.0TWh and is mainly due to a short period of unusual competitor behaviour in the first half of the financial year.

<sup>1</sup> Refer Non IFRS Financial Information on page 14 for definition.



# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 2. GROUP OVERVIEW

ERM Power Limited is a diversified energy company that operates electricity sales and electricity generation businesses in Australia and the United States.

We are licensed to sell electricity in all Australian states and territories and are the 4th largest seller<sup>2</sup> of electricity by volume in Australia and the second largest to our target business market. We are now also licensed in several markets in the USA with the acquisition of SPG Energy Group LLC (Source) in January 2015. In Australia we focus on providing a specialised electricity retail service to business customers, with this segment of the market comprising approximately 12% of all customers and 70% of all contestable electricity sold.

We own 497MW of low emission gas-fired peaking power stations, comprising 100% of the 332MW Oakey Power Station (Oakey) and 50% of the 330MW Neerabup Power Station (Neerabup) both of which we operate. We have developed more than 2,000MW of gas-fired power generation. Completed projects include the Oakey, Braemar 1 and Braemar 2 power stations in Queensland, the Uranquinty power station in New South Wales (NSW), and Neerabup and the Kwinana power station in WA.

We are due to complete the sale of our WA gas interests to Empire Oil & Gas NL (Empire) in 2015 and will then have a 20% equity interest in that company together with a debt instrument. We continue to consider the future of our gas interests in NSW. We also hold strategic shareholdings in several small gas exploration companies.

The diverse nature of the Group necessitates different measures to be applied to each of its operating businesses in assessing performance.

The strategic priorities of each operating business and key performance indicators and operating metrics are set out below.

Electricity sales	Generation	Other (Gas, Metering and Corporate)
<b>Strategic priorities</b> <ul style="list-style-type: none"> <li>- Increase earnings</li> <li>- Increase market penetration</li> <li>- Improve gross margins in each segment</li> <li>- Enter new energy markets and segments</li> <li>- Expand and develop new offerings in existing markets</li> <li>- Maintain leading customer satisfaction position with customers</li> </ul>	<b>Strategic priorities</b> <ul style="list-style-type: none"> <li>- Increase earnings</li> <li>- Exploit merchant opportunities</li> <li>- Utilise industry expertise in operating power stations and gas pipelines</li> <li>- Investment opportunities</li> </ul>	<b>Strategic priorities</b> <ul style="list-style-type: none"> <li>- Increase earnings</li> <li>- Optimise existing capital</li> <li>- Identify and pursue investment opportunities that have strategic and commercial value</li> <li>- Grow our electricity metering business</li> </ul>
<b>Key performance indicators and operating metrics</b> <ul style="list-style-type: none"> <li>- Earnings</li> <li>- Sales (load sold)</li> <li>- Gross margin in \$ per MWh</li> <li>- Operating cost in \$ per MWh</li> <li>- Collection rate</li> <li>- Billing accuracy</li> <li>- Customer satisfaction</li> <li>- Capital efficiency</li> <li>- Market diversification</li> </ul>	<b>Key performance indicators and operating metrics</b> <ul style="list-style-type: none"> <li>- Safety</li> <li>- Earnings</li> <li>- Reliability</li> <li>- Availability</li> <li>- Operating income</li> <li>- Fuel and operating costs</li> </ul>	<b>Key performance indicators and operating metrics</b> <ul style="list-style-type: none"> <li>- Earnings</li> <li>- Overhead costs</li> <li>- Capital efficiency</li> <li>- Penetration of electricity metering market</li> </ul>

<sup>2</sup> ERM Power's forecast league table for volume of electricity sold in the National Electricity Market (NEM) for FY 2014. The analysis draws on 2011 SRES scheme liability data, ERM Power signed contracts and broad assumptions about the market and participants. This is not an independently verified forecast.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3. REVIEW OF OPERATING RESULTS

#### 3.1 Summary of Group financial results

\$m	1H FY 2015	1H FY 2014	Change	Change %
Revenue	1,098.2	970.1	128.1	13%
Expenses	(1,053.6)	(935.7)	(117.9)	-13%
<b>Underlying EBITDAIF</b>	<b>44.6</b>	<b>34.4</b>	<b>10.2</b>	<b>30%</b>
Significant items (refer appendix A1.1)	(2.6)	(1.2)	(1.4)	-117%
<b>Statutory EBITDAIF</b>	<b>42.0</b>	<b>33.2</b>	<b>8.8</b>	<b>27%</b>
Depreciation and amortisation	(9.8)	(8.9)	(0.9)	-10%
Net fair value gain / (loss) on financial instruments	91.7	(28.1)	119.8	N/A
Impairment expense	(3.0)	-	(3.0)	N/A
Finance expense	(13.8)	(16.3)	2.5	15%
Profit / (loss) before tax	107.1	(20.1)	127.2	N/A
Tax (expense) / benefit	(32.1)	34.2	(66.3)	N/A
<b>Statutory net profit after tax (NPAT)</b>	<b>75.0</b>	<b>14.1</b>	<b>60.9</b>	<b>432%</b>
Non-controlling interest	-	(0.8)	0.8	100%
Add back:				
Net fair value (gain) / loss on financial instruments after tax	(64.3)	19.7	(84.0)	N/A
Significant items (refer appendix A1.1)	4.0	(26.1)	30.1	N/A
<b>Underlying NPAT</b>	<b>14.7</b>	<b>6.9</b>	<b>7.8</b>	<b>113%</b>
Underlying EPS (cents per share)	6.1	3.2	2.9	91%
Dividends paid in period (cents per share)	6.0	5.5	0.5	9%

Group statutory EBITDAIF for the period was \$42.0m compared to \$33.2m in the previous period, an increase of 27%. The increase is primarily attributable to the electricity sales division.

Depreciation and amortisation expense increased \$0.9m following completion of software development work whilst finance expense decreased by \$2.5m. The decrease was largely attributable to the repayment of the Oakey term debt towards the end of the previous period.

An impairment expense of \$3.0m has been recognised on gas assets held for sale to Empire. The carrying value of these assets has been written down to the expected sale price.

The tax benefit in the previous period includes a one off permanent adjustment of \$27.7m resulting from the reset of the Oakey tax base following the acquisition of the minority interest. Excluding this adjustment the tax effective rate is similar in both periods.

Underlying NPAT more than doubled compared to the previous period from \$6.9m to \$14.7m largely as a result of earnings from both the electricity sales and generation businesses.

Dividends paid during the period per share were fully franked and 9% higher than the prior period.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3.2 Operating division results

#### 3.2.1 Electricity sales

	1H FY 2015	1H FY 2014	Change	Change %
Sales load (TWh)	7.9	6.5	1.4	22%
Total revenue excluding interest income (\$m)	1,052.4	928.5	123.9	13%
Contestable revenue (\$m)	539.9	529.5	10.4	2%
Gross margin (\$m)	32.1	23.4	8.7	37%
Interest income (\$m)	1.8	1.4	0.4	29%
Operating expenses (\$m)	(10.8)	(10.7)	(0.1)	-1%
Underlying EBITDAIF (\$m)	23.1	14.1	9.0	64%
Gross margin \$ per MWh	4.06	3.60	0.46	13%
Operating expenses \$ per MWh	(1.37)	(1.65)	0.28	17%

#### 1H FY 2015 performance

Revenue figures have two components, contestable and pass-through. Contestable is that component on which we earn a margin and pass-through (being network costs) on which we do not. Contestable revenue per MWh reduced approximately 16% during the period following the repeal of the carbon tax.

The 22% increase in sales load together with 64% increase in underlying EBITDAIF is an outstanding result for the business. Market share in our target business energy market is now challenging the biggest electricity retailer in this sector. We have achieved this by delivering competitive electricity retail price and service offerings to Australia's most important industrial, commercial, educational, hospitals and similar non-residential electricity consumers, creating a continuing competitive environment for them.

Contracted forward sales of 29TWh places us in a strong position to continue to deliver growth. Recontracting rates remain high at 72% overall since inception of the business. The geographic diversification continues with sales volumes outside Queensland rising by 1.1TWh, representing most of the load growth. The increase in sales volume over the previous period in the larger markets was 15% in Victoria, 32% in New South Wales and 12% in Queensland.

Gross margin per MWh improved from \$3.60 in the previous period to \$4.06. The previous period result had a bias to the second half as a result of derivative contracts entered into to manage uncertainty around the carbon tax repeal.

The full year load is expected to increase by 15% to 16.2TWh (excl. US business). This is slightly less than the previous forecast of 17.0TWh and is mainly due to a short period of unusual competitor behaviour in the first half of the financial year.

Operating costs per MWh have reduced largely reflecting the improved economies of scale in our SME business and continued growth of our Commercial and Industrial (C&I) business.

#### SME market

Progress in the SME market is ahead of expectations with 24,000 sites now under contract and we are now regularly contracting over 1,000 additional new sites contracted per month. These wins are being derived from a multitude of sales channels positioning us well for further growth. Currently our primary markets are NSW, Victoria and South Australia. The deregulation of the Queensland market in July 2015 may present opportunities in that state. Our systems are now operating at scale with only relatively minor incremental increases in operational expenditure as we continue to grow. We anticipate SME business reaching the breakeven point this financial year.

#### US market

In January 2015 we acquired Source, an early stage electricity retailer based in Texas with 20,000 customers and currently retailing an annualised load of 1.4TWh. The US\$7.8m acquisition provides us with entry into the US market through an existing business that is anticipated to break-even in FY 2016.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### Operational performance

Our billing accuracy exceeded 99.96% for the year and our billing collection rate exceeded 99.90%. We have achieved these industry leading performance levels by designing, building, owning and operating our own retailing processes and IT systems.

### 3.2.2 Generation

\$m	1H FY 2015	1H FY 2014	Change	Change %
<b>Revenue and other income</b>				
Oakey	18.4	17.4	1.0	6%
Neerabup	17.5	14.8	2.7	18%
Generation development and operations	3.7	4.1	(0.4)	-10%
<b>Total revenue</b>	<b>39.6</b>	<b>36.3</b>	<b>3.3</b>	<b>9%</b>
<b>EBITDAIF</b>				
Oakey	14.7	14.3	0.4	3%
Neerabup	12.5	11.1	1.4	13%
Generation development and operations	(1.2)	(0.7)	(0.5)	-71%
<b>Total EBITDAIF</b>	<b>26.0</b>	<b>24.7</b>	<b>1.3</b>	<b>5%</b>
Significant items (refer Appendix A1.1)	0.3	0.0	0.3	100%
<b>Underlying EBITDAIF</b>	<b>26.3</b>	<b>24.7</b>	<b>1.6</b>	<b>6%</b>

### 1H FY 2015 performance

Revenue for Oakey and generation development and operations was largely consistent with the previous period whilst revenue from Neerabup increased principally as a result of additional energy sales.

Underlying EBITDAIF for the period was \$26.3m, up 6% from \$24.7m in the previous corresponding period. The Generation business contributed more than half of the Group underlying EBITDAIF for the period.

The long-term Oakey off-take agreement finished on 31 December 2014. Oakey has now entered into gas and electricity transactions with both third parties and our electricity sales business. These market based energy transactions will form the basis of its commercial operations for the remainder of FY 2015.

Further financial information on the power station assets is contained in Appendix A1.3.

### Generation development activities

Development opportunities continue to be limited by low electricity demand. Our generation projects are well positioned to support electricity sales growth as an alternative to buying market product when market conditions improve.

### Power station operating performance

Oakey continued to operate as a peaking plant during the period and ran only in response to dispatch directions under its off-take agreement, providing steady returns reliant on plant availability, but without market pool price exposure. During the period it operated for less than 3% of the time. Oakey maintained its outstanding availability and overall performance record, with 98.5% availability during the period.

Neerabup operated for 5.9% of the period and also maintained its outstanding availability and overall performance record with availability of 99.98%.

### Safety

During the period we continued to maintain an outstanding safety record with no lost-time injuries from any staff or contractors on the facilities during commercial operation.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3.2.3 Gas

\$m	1H FY 2015	1H FY 2014	Change	Change %
Exploration expenditure capitalised	0.5	0.5	0.0	0%
Development expenditure capitalised	-	1.0	(1.0)	-100%
EBITDAIF	1.2	0.7	0.5	71%

#### 1H FY 2015 performance

In December 2014 we entered into a transaction to sell our WA joint venture gas interests, including the Red Gully gas and condensate project, to Empire. The sale is due to be completed in 2015. At 31 December 2014 the value of these assets was written down to the expected recoverable value in line with the expected sale consideration under the asset purchase agreement with Empire. The sale consideration has been valued for accounting purposes as \$17.3m. As part of the transaction, we acquired an additional interest in Empire taking the total shareholding to 20% as at 31 December 2014.

We have retained our NSW gas interests, which comprise a passive interest in Metgasco Limited together with our own exploration areas. These assets are being impacted by regulatory uncertainty in NSW which, at this point, seems far from being resolved. We will continue to keep these assets on minimum expenditure until investment conditions materially improve.

### 3.2.4 Corporate

\$m	1H FY 2015	1H FY 2014	Change	Change %
Revenue	1.7	2.2	(0.5)	-23%
Expenses	(7.7)	(7.3)	(0.4)	-5%
<b>Underlying EBITDAIF</b>	<b>(6.0)</b>	<b>(5.1)</b>	<b>(0.9)</b>	<b>-18%</b>
Significant items (refer appendix A1.1)	(2.3)	(1.2)	(1.1)	-92%
<b>Total corporate EBITDAIF</b>	<b>(8.3)</b>	<b>(6.3)</b>	<b>(2.0)</b>	<b>-32%</b>

#### 1H FY 2015 financial performance

Corporate revenue decreased slightly from the prior period to \$1.7m primarily due to less interest earned on lower cash balances held at the corporate level. Excluding significant items, expenses overall increased by \$0.4m. Underlying corporate expenses as a proportion of underlying operational EBITDAIF decreased from 18% in the prior period to 15% in the current period.

Expenditure on significant items included Source acquisition expenses and staff rationalisation costs. The prior period significant item costs include costs associated with the Macquarie Generation bid.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3.3 Cash flow

\$m	1H FY 2015	1H FY 2014	Change
EBITDAIF net of non-cash items	41.4	34.1	7.3
Tax paid	(0.3)	(3.1)	2.8
Operating cashflow before working capital changes	41.1	31.0	10.1
Working capital changes	141.7	20.7	121.0
Operating cashflow	182.8	51.7	131.1
Investing cashflow	(7.6)	(12.2)	4.6
Financing cashflow	(135.1)	4.1	(139.2)
Total net change in cash	40.1	43.6	(3.5)

Operating cash flow for the period, excluding changes in working capital, was \$41.1m compared to \$31.0m in the previous period. Tax paid reduced as a result of Oakey joining the ERM Power tax consolidation group and utilising available tax losses.

The reconciliation of EBITDAIF to operating cash flows, together with a summary of cash flows, is shown in Appendix A1.2 and an explanation for the working capital changes is set out below.

The prior period investing cash flows included \$5.4m for the acquisition of shares in Empire. Excluding this item, investing cash flows were consistent with the prior period.

Net financing cash outflows increased as more working capital debt was paid down with available cash.

#### 3.3.1 Working capital changes

\$m	1H FY 2015	1H FY 2014	Change
<b>(Increase) / decrease in assets</b>			
Renewable energy certificates	25.9	(12.4)	38.3
Diesel and gas inventory	0.3	(0.1)	0.4
Customer accounts receivable and accrued income	7.1	(21.0)	28.1
Prepaid expenses	3.3	(4.5)	7.8
<b>Increase / (decrease) in liabilities</b>			
Network and other trade payables	(18.4)	11.6	(30.0)
Wholesale and electricity market payables	83.5	(1.1)	84.6
Emissions trading scheme liability	40.0	48.2	(8.2)
<b>Net change in working capital</b>	<b>141.7</b>	<b>20.7</b>	<b>121.0</b>

Working capital changes and resultant operating cash flows can fluctuate extensively intra-month and between balance dates in our electricity sales business due to the factors below. Working capital items excluding renewable energy certificates and the associated emissions trading scheme liability generally clear within a short period after balance date.

- Changes in inventory levels and timing of purchases of renewable energy certificates to cover emissions trading scheme liabilities
- Weekly market settlement terms for electricity pool purchases and counterparty derivative settlements resulting in payments falling after balance date
- Variability of invoice issue dates and resulting payment due dates for network charges and other trade payments resulting in required payment timing falling before or after balance dates
- Timing of customer receipts after the invoice issue date

During the period there was a \$65.9m working capital timing benefit from deferring the purchase of environmental certificates until the second half of FY 2015 to cover emissions trading scheme liabilities (consisting of an increase in the liability of \$40.0m and a reduction in certificates to cover this liability of \$25.9m). Where available, forward sales contracts are utilised for the purchase of these certificates rather than buying and holding inventory through the period. A similar benefit of \$35.8m arose in the prior period. The liability for surrendering these certificates is recognised in earnings progressively as customers use electricity.

A further net timing benefit of \$83.5m arose in the period as a result of cash payment of electricity pool purchases and counterparty derivative settlements falling after 31 December 2014. In the prior period a timing disadvantage of \$1.1m arose.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Customer cash receipt timing, the timing of network and trade payables and other working capital movements resulted in a net timing disadvantage of \$7.7m in the period. In the prior period these components resulted in a timing disadvantage of \$14.0m.

### 3.4 Capital structure

#### 3.4.1 Net debt

\$m	1H FY 2015	FY 2014	Change
Term debt - recourse to Neerabup Power Station project only	152.9	156.3	(3.4)
Convertible notes - recourse to Neerabup Power Station project only	40.0	40.0	-
Convertible notes redemption premium *	7.2	6.5	0.7
Capitalised borrowing costs **	(1.2)	(1.2)	-
Total Neerabup debt	198.9	201.6	(2.7)
Electricity sales working capital facility	27.0	129.9	(102.9)
Total debt	225.9	331.5	(105.6)

\* Redemption premium payable on maturity of notes in February 2023 of \$20m. A lower redemption premium is payable on early redemption up until 30 September 2016. Early redemption is at the option of ERM. For accounting purposes, the maximum redemption premium of \$20m is accumulated up until February 2023 using the effective interest rate method. The effective interest rate is the rate that exactly discounts the \$20m through the expected life of the convertible note.

\*\* For accounting purposes the cost associated with establishing term and other long-term debt facilities is amortised over the life of the respective financial liability.

Net debt at 31 December 2014 decreased from the position at 30 June 2014 as the group used operating cash flow to pay down the electricity sales working capital facility. In November 2014 the electricity sales financing facilities were increased from \$300m to \$355m to fund future growth in the electricity sales business. As set out below, at 31 December 2014 the Group had no net debt.

The acquisition of Source in January 2015 was fully funded from internal cash reserves.

A significant portion of the Group debt relates to long-term funding of Neerabup. This debt is recourse only to the Neerabup assets. The financing of the power station is under-pinned by an off-take agreement with a Western Australian government entity.

To consider the risk of the Company's capital structure it is appropriate to segregate the projects (together with their project debt) from the rest of the Group. The table below illustrates the gearing and interest cover for the Group. When the Neerabup assets and associated non-recourse debt are excluded the Group had no net debt at 30 June 2014 or 31 December 2014.

The interest cover ratio improved during the period as a result of the repayment of the Oakey debt in the prior period and improved EBITDAIF.

\$m	1H FY 2015	FY 2014	Change
<b>Capital Risk Management</b>			
Current borrowings	34.5	138.0	(103.5)
Non-current borrowings	191.4	193.5	(2.1)
Total debt	225.9	331.5	(105.6)
Cash and cash equivalents	(288.8)	(247.7)	(41.1)
Net debt	(62.9)	83.8	(146.7)
Total equity excluding reserves	384.5	323.5	61.0
Total capital	321.6	407.3	(85.7)
Gearing percentage	0%	21%	21%
Gearing percentage excluding Oakey and Neerabup	0%	0%	0%
EBITDA interest cover ratio	3.04	2.54	0.50

Gearing percentage is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt less reserves attributable to fair value adjustments.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 3.4.2 Dividend strategy and history

A fully franked interim dividend of 6.0 cents per share for FY 2015 was declared on 19 February 2015 equating to an annualised pre-tax dividend yield of 5.7% at 31 December 2014. The previous interim dividend was 6.0 cents per share.

Total shareholder return over the period since the IPO on 10 December 2010 is more than 37.4% based on a closing share price of \$2.12 at 31 December 2014.

We have a progressive dividend policy with consideration of current and future cash flow and growth capital requirements. When determining the dividend payable, directors take into consideration any significant non-recurring items in respect of either earnings or capital expenditure.

Directors intend to pay dividends bi-annually after the respective period results are published. The final decision to pay a dividend will be made subject to actual results and other considerations with reference to the underlying cash flow requirements of the business.

## 4. BUSINESS STRATEGIES AND FUTURE PROSPECTS

### 4.1 Electricity sales

The immediate strategies for our Australian operations are as follows:

- Continued growth in C&I with achievement of load targets a key focus, but not at the expense of margin
- Continued delivery on operational excellence and business category expertise as a differentiator in a competitive market
- Refinement of product and service offering as the market matures and customer expectations increase
- Concentration on growth and improving economies of scale in SME with continued expansion of our channels to market
- Trial of gas retailing over the 2015 calendar year with first customers served in January 2015

The immediate strategies for our US operations are as follows:

- To integrate ERM Power culture and processes across Source
- To improve and increasingly automate the operating systems of Source to enable rapid growth
- To expand into other markets in order to increase exposure to additional customers
- To continue to grow in existing markets by adding additional sales channels

### 4.2 Generation

Neerabup is in the early years of its long term off-take and project financing arrangements and will continue to operate and self-fund its debt servicing obligations. It will continue to take advantage of merchant energy market opportunities when not being fully utilised under its off-take agreement.

Oakey's long term off-take agreement finished at the end of the period, and Oakey is now operating as a merchant facility completing electricity and gas transactions with our electricity sales business and with third parties. The off-take agreement was based upon a capacity of up to 276MW. The full rated capacity of 332MW can now be utilised.

Following a change in the pricing strategies of a number of large Queensland generators, the volatility of electricity prices in Queensland during the 2014/2015 summer has been much higher than anticipated, with electricity spot market prices reaching the maximum price cap of \$13,500/MWh on numerous occasions. This creates both challenges and opportunities for a peaking plant like Oakey, with the accompanying wide range of potential earnings for merchant peaking plant.

We continue to minimise expenditure on our generation development activities while market conditions do not currently justify new entrant generation.



# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 4.3 Other (Gas, Metering and Corporate)

#### Gas

We continue to consider opportunities to realise the full value from our remaining gas interests in NSW.

#### Metering

We obtained the necessary accreditation from the Australian Electricity Market Operator in September 2014 and commenced providing metering services.

As at the end of December 2014, we had installed approximately 250 electricity meters at sites where our electricity sales business is the retailer. It is now delivering daily data to the market.

To replace an outgoing metering provider we are now providing metering services to a large number of Commonwealth Government Agencies. It is expected that the business will deploy upwards of 500 meters at these government sites over the next several months.

## 5 SAFETY, ENVIRONMENT AND COMMUNITY

### 5.1 Safety

Our key safety vision is to achieve "Zero Harm" to any employee or contractor. Our safety performance is measured by recording the number of injuries experienced in a year.

Our employees did not incur any lost time or permanent injuries during the period. This is an excellent achievement.

Our safety performance is the result of a commitment to implementing safety programs that focus on the key factors that could potentially lead to injuries. Our Health, Safety, Environment and Sustainability Policy provides a pathway to achieving "Zero Harm" in the workplace.

### 5.2 Environment

Our key environmental value is to care for people and the planet, and our environmental performance is measured by recording the number of environmental incidents in a year, and monitoring carbon emissions and water usage.

During the period we did not experience any reportable environmental incidents, nor were there any breaches of any environmental licence conditions at Oakey or Neerabup.

During the period Oakey and Neerabup's carbon dioxide emissions were in line with expectations and the carbon emission intensity of the facilities were less than the average carbon emissions intensity in each state.

Water usage at our power stations is low in comparison to other technologies, with little domestic fresh water used in the operation of the facilities. There were no unexpected changes in water usage at Oakey or Neerabup during the period.

### 5.3 Community

We are proud to contribute to the communities in which we operate through partnership and sponsorship programs. We are committed to building positive and long lasting relationships that harness community spirit, build local skills and leverage combined expertise to deliver tangible outcomes.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### NON-IFRS FINANCIAL INFORMATION

The directors believe the presentation of certain non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business.

The non-IFRS financial profit measures are used by the managing director to review operations of the group and include but are not limited to:

1. EBITDAIF - Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss and gains / losses on onerous contracts. EBITDAIF includes any profit or loss from associates.
2. Underlying EBITDAIF - EBITDAIF excluding significant items.
3. Underlying NPAT - Statutory net profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains / losses on onerous contracts and other significant items. Underlying NPAT includes any profit or loss from associates.

A reconciliation of underlying NPAT and underlying EBITDAIF is detailed in Appendix A1.1 of this document. The above non-IFRS financial measures have not been subject to review or audit. However, the Company's auditor, PricewaterhouseCoopers, have separately undertaken a set of agreed upon procedures over these non-IFRS financial measures disclosed.

The Group is required to value its forward electricity purchase contracts at market prices at each reporting date. Changes in values between reporting dates are recognised as unrealised gains or losses in the particular reporting period.

The directors believe that EBITDAIF, underlying EBITDAIF and underlying NPAT provide the most meaningful indicators of the Group's underlying business performance. Significant items adjusted in deriving these measures are material items of revenue or expense that are unrelated to the underlying performance of the group.

During the period the Group changed the definition of underlying NPAT to exclude significant items. In prior periods these items were shown as adjusting items to underlying earnings measures. The change was made to reflect how financial information is reported to senior management and the managing director.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### APPENDICES

#### A1.1 Reconciliation of underlying EBITDAIF and underlying NPAT

To allow shareholders to make an informed assessment of operating performance for the period, a number of significant items of revenue or expense in each period have been identified and excluded to calculate an underlying EBITDAIF and underlying NPAT measure. These items may relate to one-off transactions or revenue or costs recognised during the period that are not expected to routinely occur as part of the Group's normal operations. A reconciliation of underlying EBITDAIF and underlying NPAT are shown in the tables below.

1H FY 2015

\$m	Electricity sales	Generation	Other	Group
<b>Statutory EBITDAIF</b>	<b>23.1</b>	<b>26.0</b>	<b>(7.1)</b>	<b>42.0</b>
<i>Significant items</i>				
a) New business establishment costs	-	-	2.2	2.2
b) Foreign exchange gain	-	-	(1.0)	(1.0)
c) Arbitration costs	-	0.3	-	0.3
d) Staff rationalisation costs	-	-	1.1	1.1
Total significant items	-	0.3	2.3	2.6
<b>Underlying EBITDAIF</b>	<b>23.1</b>	<b>26.3</b>	<b>(4.8)</b>	<b>44.6</b>
<b>Statutory NPAT</b>	<b>76.0</b>	<b>7.5</b>	<b>(8.5)</b>	<b>75.0</b>
<i>Significant items</i>				
EBITDAIF adjustments (above)	-	0.3	2.3	2.6
e) Impairment of WA gas assets	-	-	3.0	3.0
Tax effect of above adjustments	-	(0.1)	(1.5)	(1.6)
Total significant items	-	0.2	3.8	4.0
Fair value (gain) / loss on financial instruments net of tax	(64.3)	-	-	(64.3)
<b>Underlying NPAT</b>	<b>11.7</b>	<b>7.7</b>	<b>(4.7)</b>	<b>14.7</b>

- a) Costs incurred in respect of establishing our metering business and acquiring an electricity retailer in the US.
- b) Unrealised foreign exchange gains on funds held in a US dollar bank account.
- c) Costs net of contributions received in respect of the Neerabup contractor arbitration.
- d) Costs associated with changes and rationalisation of staff.
- e) Impairment of WA gas assets held for sale to Empire.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### A1.1 Reconciliation of underlying EBITDAIF and underlying NPAT (continued)

1H FY 2014

\$m	Electricity sales	Generation	Other	Group
<b>Statutory EBITDAIF</b>	<b>14.1</b>	<b>24.7</b>	<b>(5.6)</b>	<b>33.2</b>
<i>Significant items</i>				
a) Macquarie Generation bid and other corporate costs	-	-	1.2	1.2
Total significant items	-	-	1.2	1.2
<b>Underlying EBITDAIF</b>	<b>14.1</b>	<b>24.7</b>	<b>(4.4)</b>	<b>34.4</b>
<b>Statutory NPAT</b>	<b>(13.3)</b>	<b>31.4</b>	<b>(4.8)</b>	<b>13.3</b>
<i>Significant items</i>				
EBITDAIF adjustments (above)	-	-	1.2	1.2
b) Oakey term debt repayment costs	-	1.6	-	1.6
c) Tax effect of Oakey minority interest buyout	-	(27.7)	-	(27.7)
Tax effect of above adjustments	-	(0.5)	(0.7)	(1.2)
Total significant items	-	(26.6)	0.5	(26.1)
Fair value (gain) / loss on financial instruments net of tax	19.7	-	-	19.7
<b>Underlying NPAT</b>	<b>6.4</b>	<b>4.8</b>	<b>(4.3)</b>	<b>6.9</b>

- a) Costs in respect to the bid for the Macquarie Generation assets.
- b) Accelerated amortisation of capitalised debt establishment costs and swap break fee resulting from the early repayment of Oakey term debt.
- c) Tax benefit resulting from buyout of Oakey minority interest resulting in the reset of tax cost base upon entry to ERM Power tax consolidated group.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### A1.1 Reconciliation of underlying EBITDAIF and underlying NPAT (continued)

1H FY 2013

\$m	Electricity sales	Generation	Other	Group
<b>Statutory EBITDAIF</b>	<b>23.6</b>	<b>20.4</b>	<b>(5.0)</b>	<b>39.0</b>
<i>Significant items</i>				
a) Small business start-up and marketing campaign costs	0.8	-	0.9	1.7
b) Staff rationalisation costs	-	0.2	0.1	0.3
c) Arbitration costs	-	3.4	-	3.4
Total significant items	0.8	3.6	1.0	5.4
<b>Underlying EBITDAIF</b>	<b>24.4</b>	<b>24.0</b>	<b>(4.0)</b>	<b>44.4</b>
<b>Statutory NPAT</b>	<b>30.0</b>	<b>(0.2)</b>	<b>(3.4)</b>	<b>26.4</b>
<i>Significant items</i>				
EBITDAIF adjustments (above)	0.8	3.6	1.0	5.4
Tax effect of above adjustments	(0.2)	(1.1)	(0.3)	(1.6)
Total significant items	0.6	2.5	0.7	3.8
Fair value (gain) / loss on financial instruments net of tax	(15.8)	-	-	(15.8)
<b>Underlying NPAT</b>	<b>14.8</b>	<b>2.3</b>	<b>(2.7)</b>	<b>14.4</b>

- a) Costs incurred in respect of developing our capability to sell electricity to SME customers and advertising and branding expenditure in respect of the advertising campaign and brand launch earlier in FY 2013.
- b) Costs associated with changes and rationalisation of staff.
- c) Costs in respect of the Neerabup contractor arbitration.

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### A1.2 Reconciliation of movements in cash and cash equivalents

\$m	1H FY 2015	1H FY 2014	Change	Change %
<u>Operating Activities</u>				
EBITDAIF	42.0	33.2	8.8	27%
Share-based payments	0.4	0.9	(0.5)	-56%
Unrealised exchange gains	(1.0)	-	(1.0)	-100%
Net change in working capital	141.7	20.7	121.0	585%
Net tax paid	(0.3)	(3.1)	2.8	90%
<b>Net operating cash flows</b>	<b>182.8</b>	<b>51.7</b>	<b>131.1</b>	<b>254%</b>
<u>Development Investing Activities</u>				
Capital expenditure - gas development	-	(0.8)	0.8	100%
Capital expenditure - gas exploration	(0.7)	(0.6)	(0.1)	-17%
Capital expenditure - other PPE and Intangibles	(6.9)	(5.5)	(1.4)	-25%
<b>Net capital expenditure cash flows</b>	<b>(7.6)</b>	<b>(6.9)</b>	<b>(0.7)</b>	<b>-10%</b>
<u>Financing and other Investing Activities</u>				
Repayment of minority interest borrowings	-	(1.5)	1.5	100%
Repayment of project borrowings	(3.5)	(42.6)	39.1	92%
Loan to Empire Oil & Gas NL	(1.8)	-	(1.8)	-100%
Net (repayment) / drawdown of Electricity Sales borrowings	(102.9)	16.8	(119.7)	N/A
Proceeds from issue of shares	-	83.7	(83.7)	-100%
Purchase of shares	-	(5.3)	5.3	100%
Dividends paid	(13.9)	(10.7)	(3.2)	-30%
Net cash cost of additional interest acquired in Oakey	-	(30.0)	30.0	100%
Net interest paid	(13.0)	(11.6)	(1.4)	-12%
<b>Other financing and investing cash flows</b>	<b>(135.1)</b>	<b>(1.2)</b>	<b>(133.9)</b>	<b>N/A</b>
<b>Net increase in cash</b>	<b>40.1</b>	<b>43.6</b>	<b>(3.5)</b>	<b>-8%</b>
Effects of exchange rate changes on cash and cash equivalents	1.0	-	1.0	100%
	<b>41.1</b>	<b>43.6</b>	<b>(2.5)</b>	<b>-6%</b>
<u>Closing cash balances</u>				
Free cash held in ERM Power	127.4	129.0	(1.6)	-1%
Free cash held in projects	4.9	8.9	(4.0)	-45%
<b>Total free cash</b>	<b>132.3</b>	<b>137.9</b>	<b>(5.6)</b>	<b>-4%</b>
Restricted cash	156.5	121.1	35.4	29%
<b>Total closing cash balances</b>	<b>288.8</b>	<b>259.0</b>	<b>29.8</b>	<b>12%</b>

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### A1.3 Power station assets

\$m	1H FY 2015	FY 2014	Change	Change %
<u>Oakey power station (100% interest)</u>				
Property, plant and equipment	223.0	226.8	(3.8)	-2%
Net tangible assets	242.0	240.8	1.2	0%
Borrowings	-	-	-	0%
\$m	1H FY 2015	1H FY 2014	Change	Change %
<u>Oakey power station (100% interest)</u>				
EBITDA	14.7	14.3	0.4	3%
EBIT	10.8	10.4	0.4	4%
Interest expense	-	(3.3)	3.3	100%
Depreciation	(3.9)	(3.9)	-	0%

\$m	1H FY 2015	FY 2014	Change	Change %
<u>Neerabup power station (50% interest)</u>				
Property, plant and equipment	171.8	173.9	(2.1)	-1%
Net tangible liabilities	(9.8)	(8.6)	(1.2)	-14%
Borrowings	198.9	201.6	(2.7)	-1%
\$m	1H FY 2015	1H FY 2014	Change	Change %
<u>Neerabup power station (50% interest)</u>				
EBITDA	12.5	11.2	1.3	12%
EBIT	10.3	9.0	1.3	14%
Interest expense	(8.6)	(8.8)	0.2	2%
Depreciation	(2.2)	(2.2)	-	0%

# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### A1.4 Supplementary information

\$m unless otherwise indicated	1H FY15	FY14	FY13	FY12	FY11
Revenue	1,099.1	2,076.5	1,569.6	937.9	549.8
EBITDAIF	42.0	74.2	69.8	85.4	45.0
Underlying EBITDAIF	44.6	84.6	78.4	70.1	40.3
Statutory NPAT attributable to equity holders	75.0	(23.9)	36.5	34.2	16.2
Underlying NPAT	14.7	26.3	20.0	13.9	2.9
Operating cash flow before working capital changes	41.1	71.9	64.0	61.1	42.5
Total net debt	-	83.8	123.5	168.9	25.3
Load sold (TWh)	7.9	14.1	11.1	8.3	5.6
Shares on issue (millions of shares)	241.5	239.3	203.3	168.3	162.1
Share price (\$ per share)	2.12	1.82	2.50	2.00	1.57
Market capitalisation <sup>3</sup>	511.9	435.5	508.3	336.6	254.6
Weighted average shares (number of shares)	240.3	226.3	175.7	164.7	138.4
Statutory EPS (cents per share)	31.2	(10.6)	20.8	20.7	11.7
Underlying EPS (cents per share)	6.1	11.6	11.4	8.4	2.1
Dividends paid in period (cents per share)	6.0	11.5	9.5	7.5	-
Franking %	100%	100%	100%	100%	-
Annual pre-tax dividend yield <sup>1</sup>	N/A	6.3%	3.8%	3.8%	-
CFPS <sup>2</sup> (cents per share)	17.1	31.8	36.4	37.1	30.7

<sup>1</sup> Total annual dividends paid during financial year as a percentage of closing share price

<sup>2</sup> Operating cash flow before working capital changes per share using weighted average number of shares on issue during the period

<sup>3</sup> Based on share price at balance date and shares on issue



# ERM Power Limited

## Management Discussion and Analysis (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### GLOSSARY

<b>\$m</b>	<b>Millions of dollars</b>
<b>C&amp;I</b>	Commercial and Industrial
<b>Contestable Revenue</b>	Contestable revenue is the electricity sales revenue component on which we earn a margin and excludes pass-through items such as network charges.
<b>EBITDAIF</b>	Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss and gains / losses on onerous contracts. EBITDAIF includes any profit or loss from associates.
<b>EBIT</b>	Earnings before interest and taxes
<b>1H</b>	First half of financial year
<b>FY</b>	Financial year ended or ending 30 June
<b>GWh</b>	Gigawatt hours, abbreviated as GWh, is a unit of energy representing one billion watt hours
<b>IFRS</b>	International Financial Reporting Standards
<b>MWh</b>	Megawatt hours, abbreviated as MWh, is a unit of energy representing one million watt hours
<b>NEM</b>	The National Electricity Market
<b>NPAT</b>	Net profit after tax
<b>Oakey Tax Benefit</b>	Tax benefit resulting from buyout of Oakey minority interest allowing reset of tax cost base upon entry to ERM Power tax consolidated group
<b>SME</b>	Small to Medium Enterprise
<b>TWh</b>	Terawatt hours, abbreviated as TWh, is a unit of energy representing one thousand gigawatt hours (GWh)
<b>UMI Survey</b>	Utility Market Intelligence (UMI) survey of major retail electricity retailers by independent research company NTF Group in 2014 (19th year of Survey). Research based on survey of 300 business electricity customers between November 2014 and January 2015. Four major electricity retailers benchmarked.
<b>Underlying EBITDAIF</b>	EBITDAIF excluding significant items
<b>Underlying NPAT</b>	Statutory net profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains / losses on onerous contracts and other significant items. Underlying NPAT includes any profit or loss from associates.
<b>US or USA</b>	United States of America

# ERM Power Limited

## Directors' Report

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

The directors submit their report for the half year period ended 31 December 2014. The term "ERM Power Group" or "Group" is used throughout this report to refer to the company ERM Power Limited (Company) and its controlled subsidiary entities.

### 1. DIRECTORS

The following persons were directors of ERM Power Limited during the period and up to the date of this report, unless otherwise noted:

A Bellas	Independent Non-Executive Chairman
T St Baker	Non-Executive Director, Deputy Chairman and Founder
A Goller	Independent Non-Executive Director (appointed 1 January 2015)
M Greenberg	Independent Non-Executive Director
A Iannello	Independent Non-Executive Director
J Stretch	Managing Director (appointed 2 February 2015)
P St Baker	Managing Director (resigned 21 August 2014)

### 2. COMPANY SECRETARY

The following persons were company secretaries of ERM Power Limited during the financial period and up to the date of this report, unless otherwise noted:

P Jans  
G Walker (resigned 17 December 2014)  
P Davis (appointed 17 December 2014)

### 3. DIVIDENDS

A fully franked interim dividend of 6.0 cents per share has been declared and will be paid on 1 April 2015. Record date is 3 March 2015. The Company's shares will trade ex-dividend from 27 February 2015. The Company's dividend reinvestment plan ("DRP") will apply to this dividend with no discount. The last date for receipt of notifications to participate in the DRP is 4 March 2015.

A final fully franked 6.0 cents per share dividend was declared on 21 August 2014 and paid on 13 October 2014 to shareholders on record at 11 September 2014. An interim fully franked 6.0 cents per share dividend was paid in respect of the half year to 31 December 2013.

### 4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial period were:

- electricity sales to business;
- generation of electricity; and
- gas production and exploration.

### 5. REVIEW OF OPERATIONS

A review of the operations of the Group can be found in the Management Discussion and Analysis ("MD&A") on pages 2 to 21.

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 23 January 2015 the Group acquired SPG Energy Group LLC (Source) for US\$7.8m. Source is a Texas based electricity retailer with approximately 20,000 customers and an annualised load of 1.4TWh.

Other than the above matters there have been no matter or circumstance that has arisen since 31 December 2014 that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

### ROUNDING OF AMOUNTS

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 Group and the Company under ASIC Class Order 98/100. The Group and the Company are entities to which the class order applies.

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



A Bellas  
Chairman  
19 February 2015



## Auditor's Independence Declaration

As lead auditor for the review of ERM Power Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of ERM Power Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Michael Shewan'.

Michael Shewan  
Partner  
PricewaterhouseCoopers

Brisbane  
19 February 2015

# ERM Power Limited

## Consolidated Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Half year ended	
	Notes	31 December 2014 \$'000	31 December 2013 \$'000
<b>CONTINUING OPERATIONS</b>			
Revenue		1,097,903	969,989
Other income		1,238	101
<b>Total revenue</b>		<b>1,099,141</b>	<b>970,090</b>
Expenses		(1,057,188)	(936,862)
<b>EBITDAIF</b>		<b>41,953</b>	<b>33,228</b>
Depreciation and amortisation		(9,790)	(8,918)
Impairment expense	4	(3,044)	-
Net fair value gain / (loss) on financial instruments designated at fair value through profit or loss		91,750	(28,131)
<b>Profit / (loss) before finance costs</b>		<b>120,869</b>	<b>(3,821)</b>
Finance expense		(13,809)	(16,284)
<b>Profit / (loss) before income tax</b>		<b>107,060</b>	<b>(20,105)</b>
Income tax (expense) / benefit		(32,067)	34,190
<b>Statutory profit for the period</b>		<b>74,993</b>	<b>14,085</b>
Non-controlling interest		-	(822)
<b>Statutory profit for the period attributable to equity holders of the Company</b>		<b>74,993</b>	<b>13,263</b>

### Earnings per share based on earnings attributable to the ordinary equity holders of the Company

		Cents	Cents
Basic earnings per share	10	31.20	6.11
Diluted earnings per share	10	31.20	6.11

The above consolidated income statement should be read in conjunction with the accompanying notes.

Operational business segment performance and underlying profit of the consolidated entity is presented in note 2.

# ERM Power Limited

## Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Half year ended	
	31 December 2014 \$'000	31 December 2013 \$'000
<b>Statutory profit for the period</b>	<b>74,993</b>	14,085
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Change in the fair value of cash flow hedges, net of tax	(4,218)	5,034
<i>Items that will not be reclassified subsequently to profit and loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	(153)	1,649
<b>Other comprehensive income for the year attributable to equity holders of the Company, net of tax</b>	<b>(4,371)</b>	6,683
<b>Total comprehensive income for the year</b>	<b>70,622</b>	20,768
Non-controlling interest	-	(822)
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>	<b>70,622</b>	19,946

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# ERM Power Limited

## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	31 December 2014 \$'000	30 June 2014 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		288,759	247,687
Trade and other receivables at amortised cost		193,476	202,357
Inventories		30,250	56,396
Other assets		7,925	10,721
Derivative financial instruments	5	3,369	2,133
		<b>523,779</b>	<b>519,294</b>
Assets classified as held for sale	4	19,171	-
<b>Total Current Assets</b>		<b>542,950</b>	<b>519,294</b>
<b>Non-Current Assets</b>			
Trade and other receivables at amortised cost		394	682
Investments accounted for using the equity method		8,210	-
Financial assets at fair value through other comprehensive income		2,720	7,636
Derivative financial instruments	5	2,846	837
Property, plant and equipment		430,782	435,691
Exploration and evaluation costs		9,264	15,313
Gas assets		-	16,308
Deferred tax assets		-	9,789
Intangible assets		14,033	10,924
<b>Total Non-Current Assets</b>		<b>468,249</b>	<b>497,180</b>
<b>TOTAL ASSETS</b>		<b>1,011,199</b>	<b>1,016,474</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		296,846	249,402
Current tax liabilities		222	564
Borrowings	3	27,038	129,949
Borrowings – limited recourse	3	7,448	8,079
Derivative financial instruments	5	85,911	114,367
Provisions		1,749	2,014
		<b>419,214</b>	<b>504,375</b>
Liabilities directly associated with assets classified as held for sale	4	1,819	-
<b>Total Current Liabilities</b>		<b>421,033</b>	<b>504,375</b>
<b>Non-Current Liabilities</b>			
Borrowings – limited recourse	3	191,463	193,518
Derivative financial instruments	5	40,384	40,479
Deferred tax liabilities		20,405	-
Provisions		908	897
<b>Total Non-Current Liabilities</b>		<b>253,160</b>	<b>234,894</b>
<b>TOTAL LIABILITIES</b>		<b>674,193</b>	<b>739,269</b>
<b>NET ASSETS</b>		<b>337,006</b>	<b>277,205</b>
<b>EQUITY</b>			
Contributed equity	6	325,657	322,337
Reserves		(47,501)	(46,283)
Retained earnings		58,850	1,151
<b>TOTAL EQUITY</b>		<b>337,006</b>	<b>277,205</b>

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

# ERM Power Limited

## Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
<b>Balance at 1 July 2013</b>		233,291	(34,776)	50,820	249,335	22,508	271,843
Profit for the period		-	-	13,263	13,263	822	14,085
Other comprehensive gain		-	6,683	-	6,683	-	6,683
<b>Total comprehensive income for the period</b>		-	6,683	13,263	19,946	822	20,768
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	7	741	-	(11,446)	(10,705)	-	(10,705)
Issue of shares and share options exercised pursuant to employee incentive scheme	6	3,851	(286)	-	3,565	-	3,565
Purchase of treasury shares	6	(2,078)	-	-	(2,078)	-	(2,078)
Contribution of equity from capital raising	6	84,700	-	-	84,700	-	84,700
Transaction costs arising on share issue (net of tax)	6	(1,667)	-	-	(1,667)	-	(1,667)
Share based payment expense		-	882	-	882	-	882
Transactions with non-controlling interests		-	(8,604)	-	(8,604)	(23,330)	(31,934)
<b>Balance at 31 December 2013</b>		<b>318,838</b>	<b>(36,101)</b>	<b>52,637</b>	<b>335,374</b>	<b>-</b>	<b>335,374</b>
<b>Balance at 1 July 2014</b>		<b>322,337</b>	<b>(46,283)</b>	<b>1,151</b>	<b>277,205</b>	<b>-</b>	<b>277,205</b>
Profit for the period		-	-	74,993	74,993	-	74,993
Other comprehensive loss		-	(4,371)	-	(4,371)	-	(4,371)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>(4,371)</b>	<b>74,993</b>	<b>70,622</b>	<b>-</b>	<b>70,622</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	7	518	-	(14,432)	(13,914)	-	(13,914)
Issue of shares and share options exercised pursuant to employee incentive scheme	6	3,694	(81)	-	3,613	-	3,613
Purchase of treasury shares	6	(892)	-	-	(892)	-	(892)
Share based payment expense		-	372	-	372	-	372
Acquisition of associate (net of tax)		-	2,862	(2,862)	-	-	-
<b>Balance at 31 December 2014</b>		<b>325,657</b>	<b>(47,501)</b>	<b>58,850</b>	<b>337,006</b>	<b>-</b>	<b>337,006</b>

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

# ERM Power Limited

## Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		Half year ended	
	Notes	31 December 2014 \$'000	31 December 2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		1,256,708	1,025,686
Payments to suppliers and employees (inclusive of goods and services tax)		(1,076,842)	(975,139)
Interest received		3,264	4,230
Income tax paid		(342)	(3,091)
<b>Net cash flows from operating activities</b>		<b>182,788</b>	<b>51,686</b>
<b>Cash flows from investing activities</b>			
Payments for gas exploration and evaluation		(663)	(602)
Payments for gas development		(38)	(761)
Payments for plant and equipment		(1,988)	(1,701)
Payments for intangible assets		(4,937)	(3,783)
Purchase of shares in listed companies		-	(5,377)
Net cash acquired as part of acquiring non-controlling interest		-	62
<b>Net cash flows used in investing activities</b>		<b>(7,626)</b>	<b>(12,162)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,185,073	1,327,622
Repayments of borrowings		(1,287,984)	(1,312,255)
Repayments of borrowings - limited recourse		(3,476)	(42,605)
Loans to investees		(1,750)	-
Finance costs		(12,999)	(11,605)
Dividends paid	7	(13,914)	(10,705)
Issues of shares from capital raising net of transaction costs		-	83,653
Payment for acquisition of non-controlling interest		-	(30,000)
<b>Net cash flows (used in) / from financing activities</b>		<b>(135,050)</b>	<b>4,105</b>
Net increase in cash and cash equivalents		40,112	43,629
Cash and cash equivalents at the beginning of the half year		247,687	215,355
Effects of exchange rate changes on cash and cash equivalents		960	-
<b>Cash and cash equivalents at the end of the half year</b>		<b>288,759</b>	<b>258,984</b>

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



# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	<b>INDEX TO NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>PAGE</b>
1	BASIS OF PREPARATION OF THE HALF YEAR REPORT	30
2	SEGMENT REPORT	31
3	BORROWINGS	34
4	NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE	34
5	FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES	35
6	CONTRIBUTED EQUITY	38
7	DIVIDENDS PAID AND PROPOSED	39
8	COMMITMENTS AND CONTINGENCIES	39
9	RELATED PARTY DISCLOSURES	41
10	EARNINGS PER SHARE	42
11	SUBSEQUENT EVENTS	42

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 1. BASIS OF PREPARATION OF THE HALF YEAR REPORT

This interim financial report covers ERM Power Limited the consolidated entity ('Group' or 'consolidated entity') consisting of ERM Power Limited and its subsidiaries. The report is presented in Australian dollars.

ERM Power Limited (Company) is incorporated and domiciled in Australia. Its registered office and place of business is Level 52, One One One, 111 Eagle Street, Brisbane, Queensland, 4000.

A description of the nature of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 22.

This report was authorised for issue by the directors on 19 February 2015.

#### (a) Statement of compliance

This interim financial report for the half year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Securities Exchange Listing Rules.

#### (b) Estimates and critical judgements applied

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

#### Investment in Empire Oil & Gas NL accounted for as an associate

During December 2014, the Company acquired additional shares in Empire Oil & Gas NL (Empire) through a Share Subscription Agreement to bring its total shareholding and voting rights up to 19.99%. In addition, a member of the Company's key management personnel continues to represent Empire on its board of directors and the Company extended its Credit Facility to Empire to provide support for their business operations. Given the shareholding of 19.99% and extension of the Credit Facility, the Company directors are of the view that the Company is deemed to have significant influence over Empire.

Except for the above changes, in preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

#### (c) Significant accounting policies

The Company has not had to change its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014. The accounting policies adopted are consistent with those of the previous financial year, which are accessible at <http://www.ermpower.com.au/investor-centre>.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 2. SEGMENT REPORT

	Electricity Sales		Generation Assets		Other		Total	
	Half year ended 31 December		Half year ended 31 December		Half year ended 31 December		Half year ended 31 December	
\$'000	2014	2013	2014	2013	2014	2013	2014	2013
<b>Revenue</b>								
Non-statutory revenue	1,054,118	929,891	41,178	36,331	5,005	5,913	1,100,301	972,135
Other income	-	-	15	17	1,223	84	1,238	101
Intersegment sales elimination	-	-	(1,579)	-	(819)	(2,146)	(2,398)	(2,146)
<b>Total segment revenue</b>	<b>1,054,118</b>	<b>929,891</b>	<b>39,614</b>	<b>36,348</b>	<b>5,409</b>	<b>3,851</b>	<b>1,099,141</b>	<b>970,090</b>
Less Expenses	(1,031,055)	(915,770)	(13,694)	(11,645)	(12,439)	(9,447)	(1,057,188)	(936,862)
<b>EBITDAIF<sup>(i)</sup></b>	<b>23,063</b>	<b>14,121</b>	<b>25,920</b>	<b>24,703</b>	<b>(7,030)</b>	<b>(5,596)</b>	<b>41,953</b>	<b>33,228</b>
Depreciation and amortisation	(1,576)	(999)	(6,116)	(6,032)	(2,098)	(1,887)	(9,790)	(8,918)
Impairment expense	-	-	-	-	(3,044)	-	(3,044)	-
Net fair value gain / (loss) on financial instruments designated at fair value through profit or loss	91,750	(28,131)	-	-	-	-	91,750	(28,131)
<b>Results from operating activities</b>	<b>113,237</b>	<b>(15,009)</b>	<b>19,804</b>	<b>18,671</b>	<b>(12,172)</b>	<b>(7,483)</b>	<b>120,869</b>	<b>(3,821)</b>
Finance expenses	(5,148)	(4,113)	(8,614)	(12,140)	(47)	(31)	(13,809)	(16,284)
<b>Profit / (loss) before income tax</b>	<b>108,089</b>	<b>(19,122)</b>	<b>11,190</b>	<b>6,531</b>	<b>(12,219)</b>	<b>(7,514)</b>	<b>107,060</b>	<b>(20,105)</b>
Income tax (expense) / benefit							(32,067)	34,190
<b>Statutory profit after tax</b>							<b>74,993</b>	<b>14,085</b>
Non-controlling interest							-	(822)
<b>Statutory profit after tax attributable to equity holders of the Company</b>							<b>74,993</b>	<b>13,263</b>
<b>Underlying NPAT<sup>(ii)</sup></b>							<b>14,746</b>	<b>6,841</b>

Revenue in the other segment comprises interest, consulting, metering, gas and condensate sales and other income. Sales between segments are carried out at arm's length and eliminated on consolidation. No single customer amounts to 10% or more of the consolidated entity's total external revenue for either the current or comparative period.

<sup>(i)</sup> Earnings before interest, tax, depreciation, amortisation, impairment and net fair value gains / losses on financial instruments designated at fair value through profit and loss and gains / losses on onerous contracts.

<sup>(ii)</sup> Statutory profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains/losses on onerous contracts and other significant items. Underlying NPAT includes any profit or loss from associates.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 2. SEGMENT REPORT (continued)

The directors believe that EBITDAIF, underlying EBITDAIF and underlying NPAT provide the most meaningful indicators of the Group's underlying business performance.

Underlying NPAT is statutory net profit after tax attributable to equity holders of the Company after excluding the after tax effect of unrealised marked to market changes in the fair value of financial instruments, impairment and gains / losses on onerous contracts and other significant items. Underlying NPAT includes any profit or loss from associates.

Significant items adjusted in deriving underlying NPAT are material items of revenue or expense that are unrelated to the underlying performance of the Group.

The directors utilise underlying NPAT as a measure to assess the performance of the segments. A reconciliation of underlying NPAT to the statutory profit after tax is as follows:

		Half year ended 31 December	
\$'000		2014	2013
<b>Statutory profit after tax attributable to equity holders of the Company</b>		<b>74,993</b>	<b>13,263</b>
<i>Adjusted for the following items:</i>			
Net unrealised change in fair value of financial instruments designated at fair value through profit or loss after tax		(64,225)	19,692
<b>Other significant items</b>			
New business establishment costs	(i)	2,179	-
Unrealised foreign exchange gain	(ii)	(960)	-
Arbitration costs net of proceeds	(iii)	289	-
Staff rationalisation costs	(iv)	1,131	-
Impairment of Western Australia gas assets	(v)	3,044	-
Macquarie Generation bid and other corporate costs	(vi)	-	1,167
Oakey term debt repayments	(vii)	-	1,607
Tax effect of Oakey minority interest buyout	(viii)	-	(27,721)
Tax benefit on other significant items	(ix)	(1,705)	(1,167)
<b>Underlying NPAT all segments</b>		<b>14,746</b>	<b>6,841</b>

- (i) Costs incurred in respect of establishing our metering business and acquiring Source.
- (ii) Unrealised foreign exchange gains on funds held.
- (iii) Costs net of contributions received in respect of the Neerabup contractor arbitration.
- (iv) Costs associated with change of managing director and rationalisation of staff.
- (v) Impairment of WA gas assets held for sale to Empire.
- (vi) Costs in respect of the bid for the Macquarie Generation assets and other corporate costs
- (vii) Accelerated amortisation of capitalised debt establishment costs and swap break fee resulting from the early repayment of the Oakey Power Holdings Pty Ltd (Oakey) term debt.
- (viii) Tax benefit resulting from buyout of Oakey minority interest resulting in the reset of tax cost base upon entry to ERM Power tax consolidated group.
- (ix) Tax effect of the above other significant items.

During the period the Group changed the definition of underlying earnings to exclude significant items. In prior periods these items were shown as adjusting items to underlying earnings measures. The change was made to reflect how financial information is reported to senior management and the Managing Director who is the chief operating decision maker.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 2. SEGMENT REPORT (continued)

	Electricity Sales		Generation Assets		Other		Total	
	As at		As at		As at		As at	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014	31 December 2014	30 June 2014	31 December 2014	30 June 2014
<b>\$'000</b>								
<b>Assets</b>								
Total segment assets	444,961	452,350	455,829	459,029	110,409	95,306	1,011,199	1,006,685
Deferred tax assets							-	9,789
<b>Total assets</b>							<b>1,011,199</b>	<b>1,016,474</b>
<b>Liabilities</b>								
Total segment liabilities	399,551	486,304	241,257	239,109	12,758	13,292	653,566	738,705
Current and deferred tax liabilities							20,627	564
<b>Total liabilities</b>							<b>674,193</b>	<b>739,269</b>

### SEGMENT DESCRIPTION

Management has determined the operating segments based on reports reviewed by the Managing Director who is the chief operating decision maker for the consolidated entity. The Managing Director regularly receives financial information on the underlying profit of each operating segment so as to assess the ongoing performance of each segment and to enable a relevant comparison to budget and forecast underlying profit.

#### Business segments:

Electricity Sales  
Generation Assets  
Other

#### Products and services:

Electricity sales to business customers  
Gas-fired power generation assets and delivery of power generation solutions, from the initial concept through to development and operations  
Gas, Metering and Corporate

Segment assets and liabilities are measured in the same way as in the financial statements. Both assets and liabilities are allocated based on the operations of the segment and the physical location of the asset.

The Group's current and deferred tax balances are not considered to be a part of a specific segment but are managed by the Group's central corporate function.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

		CONSOLIDATED	
		31 December 2014	30 June 2014
		\$'000	\$'000
<b>3. BORROWINGS</b>			
<b>Current</b>			
<i>Secured</i>			
Bank loans - Receivables financing facility	(i)	27,038	129,949
Total secured borrowings		27,038	129,949
<i>Secured limited-recourse</i>			
Bank loan - Neerabup working capital facility	(ii)	2,000	3,000
Bank loans - Neerabup term facility (current portion)	(iii)	5,448	5,079
Total limited recourse borrowings		7,448	8,079
		34,486	138,028
<b>Non-current</b>			
<i>Secured limited recourse</i>			
Bank loans - Neerabup term facility	(iii)	144,251	146,977
Convertible notes	(iv)	47,212	46,541
		191,463	193,518
		225,949	331,546

- (i) Amounts drawn down on the receivables financing facility are secured against billed and unbilled electricity sales customer revenue receivables.
- (ii) Amounts drawn down on a limited recourse bank working capital facility by the Neerabup Partnership. This debt has recourse to the assets of the Neerabup Partnership only.
- (iii) Amounts drawn down on a limited recourse term debt facility in respect of the Neerabup Partnership. This debt has recourse to the assets of the Neerabup Partnership only.
- (iv) Convertible notes are redeemable by the issuer from 30 September 2010 until maturity in February 2023. Notes have a coupon rate that is variable based on BBSY plus 4%. The notes are accounted for using the effective interest method at 8.37% (30 June 2014: 8.79%). The notes can only be converted to shares in the issuing subsidiary upon failure to redeem them at maturity or other named event of default. The notes have recourse to the Group's 50% interest in the Neerabup Partnership only.

### 4. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

In September 2014 the Group entered into an agreed term sheet to sell its Western Australian petroleum tenement interests, including the associated licences, rights, benefits, liabilities and obligations to Empire. The agreement was subject to Empire shareholder approval, which was granted on 11 December 2014.

Under the agreement the Group will finance the sale and the sale price will comprise a \$15.1m interest free loan, some minor completion adjustments and a top up payment linked to any increase in the Empire share price from \$0.008 over the period until the loan is repaid.

As at 31 December 2014 a number of sale conditions had not been met. The net assets remain held for sale to Empire at 31 December 2014 and accordingly have been presented this way for accounting purposes. The value of the net assets held for sale has been written down to the estimated sale proceeds less costs of disposal. The estimated sales proceeds have been calculated with reference to the purchase agreement and include a valuation for the top up payment. The top up payment is similar to a call option and accordingly management have valued this component using a Black-Scholes option pricing model. The total estimated sales consideration at 31 December 2014 is \$17.3m.

Writing down the net assets held for sale has resulted in an impairment loss of \$3.0 million as disclosed in the Group's consolidated income statement. Should the sale not proceed or the estimated sales consideration differs on completion of the purchase agreement conditions, this impairment loss may be increased, decreased or reversed entirely.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 4. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

#### Assets and liabilities held for sale

At 31 December 2014, the assets and liabilities held for sale were stated at fair value less costs to sell and comprised of the following:

	CONSOLIDATED 31 December 2014 \$'000
<b>Assets held for sale</b>	
Exploration and evaluation costs	5,513
Gas assets	13,361
Other assets	297
	<u>19,171</u>
<b>Liabilities held for sale</b>	
Trade and other payables	1,819
	<u>1,819</u>

### 5. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

#### a) Fair value of financial assets and liabilities

The Group holds the following financial instruments:

	CONSOLIDATED 31 December 2014 \$'000 Carrying value	30 June 2014 \$'000 Carrying value
<b>Financial assets</b>		
Derivative financial instruments	6,215	2,970
Equity investments	2,720	7,636
Loans and receivables	14,076	23,604
Cash and cash equivalents	288,759	247,687
	<u>311,770</u>	<u>281,897</u>
<b>Financial liabilities</b>		
Derivative financial instruments	126,295	154,846
Other financial liabilities at amortised cost	522,795	580,948
	<u>649,090</u>	<u>735,794</u>

	CONSOLIDATED 31 December 2014 \$'000 Carrying value	30 June 2014 \$'000 Carrying value
<b>Financial assets by category</b>		
Financial assets at fair value through profit or loss	6,215	2,970
Amortised cost financial assets	302,835	271,291
Financial assets at fair value through other comprehensive income	2,720	7,636
	<u>311,770</u>	<u>281,897</u>

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 5. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### a) Fair value of financial assets and liabilities (continued)

The financial assets and liabilities held by the Group are outlined below:

##### *Derivative financial instruments*

The fair value of derivative instruments included in hedging assets and liabilities is calculated using quoted prices. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at each balance date. These amounts reflect the estimated amount which the Group would be required to pay or receive to terminate (or replace) the contracts at their current market rates at balance date.

##### *Equity investments*

The fair value of financial assets and financial liabilities with standard terms and conditions, and traded on active liquid markets, is determined with reference to quoted market prices.

##### *Other financial assets*

Due to their short-term nature, the carrying amounts of loans, receivables, and cash and cash equivalents approximate their fair value.

##### *Other financial liabilities at amortised cost*

The Group holds various trade payables and borrowings at period end. Due to the short-term nature of the trade payables the carrying value of these are assumed to approximate their fair value. The fair value of borrowings is not materially different then the carrying amounts as the interest rates are close to current market rates or are short-term in nature.

#### b) Fair value hierarchy

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables present the Group's assets and liabilities measured and recognised at fair value at 31 December 2014 and 30 June 2014.

##### As at 31 December 2014

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Electricity derivatives contracts	-	6,215	-	6,215
Financial assets at fair value through other comprehensive income	2,720	-	-	2,720
<b>Total assets</b>	<b>2,720</b>	<b>6,215</b>	<b>-</b>	<b>8,935</b>
<b>Liabilities</b>				
Electricity derivatives contracts	21,020	66,095	-	87,115
Derivatives used for hedging	-	39,180	-	39,180
<b>Total liabilities</b>	<b>21,020</b>	<b>105,275</b>	<b>-</b>	<b>126,295</b>

##### As at 30 June 2014

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Electricity derivatives contracts	-	2,970	-	2,970
Financial assets at fair value through other comprehensive income	7,636	-	-	7,636
<b>Total assets</b>	<b>7,636</b>	<b>2,970</b>	<b>-</b>	<b>10,606</b>
<b>Liabilities</b>				
Electricity derivatives contracts	32,624	89,067	-	121,691
Derivatives used for hedging	-	33,155	-	33,155
<b>Total liabilities</b>	<b>32,624</b>	<b>122,222</b>	<b>-</b>	<b>154,846</b>



# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 5. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### b) Fair value hierarchy (continued)

##### Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

##### Level 2

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

##### Level 3

A valuation technique for these instruments is based on significant unobservable inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. For the years ending 31 December 2014 and 30 June 2014 there were no transfers between the fair value hierarchy levels.

#### c) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 31 December 2014 and 30 June 2014. The column 'net exposure' shows the impact on the Group's balance sheet if all set-off rights were exercised.

The below table provides a reconciliation of the Group's gross financial assets and liabilities offset to those presented on the consolidated statement of financial position as at 31 December 2014 and as at 30 June 2014.

#### As at 31 December 2014

\$'000	Gross carrying amount (before offsetting)	Gross amounts offset	Net amount presented	Related amounts not offset		Net exposure
				Financial instruments <sup>(i)</sup>	Cash collateral and futures margin deposits	
<b>Financial assets</b>						
Electricity derivatives contracts	24,490	(18,275)	6,215	(985)	-	5,230
<b>Total</b>	<b>24,490</b>	<b>(18,275)</b>	<b>6,215</b>	<b>(985)</b>	<b>-</b>	<b>5,230</b>
<b>Financial liabilities</b>						
Electricity derivatives contracts	105,390	(18,275)	87,115	(985)	(21,519)	64,611
Interest rate swaps	39,180	-	39,180	-	-	39,180
<b>Total</b>	<b>144,570</b>	<b>(18,275)</b>	<b>126,295</b>	<b>(985)</b>	<b>(21,519)</b>	<b>103,791</b>

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 5. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

#### c) Offsetting of financial assets and financial liabilities (continued)

As at 30 June 2014

\$'000	Gross carrying amount (before offsetting)	Gross amounts offset	Net amount presented	Related amounts not offset		Net exposure
				Financial instruments <sup>(i)</sup>	Cash collateral and futures margin deposits	
<b>Financial assets</b>						
Electricity derivatives contracts	37,675	(34,705)	2,970	(1,548)	-	1,422
<b>Total</b>	<b>37,675</b>	<b>(34,705)</b>	<b>2,970</b>	<b>(1,548)</b>	<b>-</b>	<b>1,422</b>
<b>Financial liabilities</b>						
Electricity derivatives contracts	156,396	(34,705)	121,691	(1,548)	(39,685)	80,458
Interest rate swaps	33,155	-	33,155	-	-	33,155
<b>Total</b>	<b>189,551</b>	<b>(34,705)</b>	<b>154,846</b>	<b>(1,548)</b>	<b>(39,685)</b>	<b>113,613</b>

<sup>(i)</sup> Financial instruments that do not meet the criteria for offsetting but may be offset in certain circumstances.

### 6. CONTRIBUTED EQUITY

	Note	CONSOLIDATED		CONSOLIDATED	
		31 December 2014	30 June 2014	31 December 2014	30 June 2014
		Number of shares	Number of shares	\$'000	\$'000
Issued ordinary shares – fully paid	6(a)	241,477,698	239,269,727	330,949	328,762
Treasury shares	6(b)	(2,531,984)	(2,916,707)	(5,292)	(6,425)
		<b>238,945,714</b>	<b>236,353,020</b>	<b>325,657</b>	<b>322,337</b>
<b>(a) Movement in ordinary share capital</b>					
At the beginning of the period		239,269,727	203,332,935	328,762	237,837
Issue of shares – employee incentive scheme		1,912,220	1,404,304	3,613	3,566
Issue of shares – dividend reinvestment plan		295,751	840,130	518	2,040
Vesting and exercise of options		-	-	-	286
Vesting of shares – employee incentive scheme		-	-	81	2,212
Transfer to treasury shares		-	-	(2,025)	(199)
Issue of shares – capital raising		-	33,692,358	-	84,700
Transaction costs arising on share issue (net of tax)		-	-	-	(1,680)
At the end of the period		<b>241,477,698</b>	<b>239,269,727</b>	<b>330,949</b>	<b>328,762</b>

#### (b) Terms and conditions of contributed equity

##### Ordinary shares

During the year ended 30 June 2014, the Company conducted a capital raising issuing 29.5 million ordinary fully paid shares at \$2.53 per share, raising a total of \$74.7 million. The Company also issued an additional 4.2 million shares through a share purchase plan at \$2.40 per share, raising \$10 million. Transaction costs of \$1.7 million after tax were incurred in raising these funds.

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

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 6. CONTRIBUTED EQUITY (CONTINUED)

#### (b) Terms and conditions of contributed equity (continued)

##### *Treasury shares*

Treasury shares are unvested shares in ERM Power Limited that are held in trust for the purpose of employee incentive schemes.

##### *Dividend reinvestment plan*

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

##### *Employee Incentive scheme and Options*

The share based payments accounting policies adopted in this half year report are consistent with those of the previous financial year. These are accessible at <http://www.ermpower.com.au/investor-centre>.

### 7. DIVIDENDS PAID AND PROPOSED

During the half year ended 31 December 2014, a fully franked final dividend of 6.0 cents per share was paid on 13 October 2014 (2013: 5.5 cents final dividend).

	Cents per share	Total amount \$'000	Franked / Unfranked	Date of payment
2014 Final ordinary share dividend (cash and shares)	6.0	14,432	Franked	13 October 2014
2015 Interim ordinary share dividend estimated based upon shares on issue at 31 December 2014	6.0	14,489	Franked	1 April 2015
			31 December 2014 \$'000	30 June 2014 \$'000
Franking credits available to shareholders in subsequent years			7,637	14,134

The franking account balance is adjusted for:

- franking credits that will arise from the payment of income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

### 8. COMMITMENTS AND CONTINGENCIES

#### CONSOLIDATED

31 December 2014 \$'000	30 June 2014 \$'000
-------------------------------	---------------------------

#### (a) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, not provided for but payable (including share of associates and joint ventures):

– not later than one year	39	3,492
– later than one year and not later than five years	-	-
– later than five years	-	-
	<b>39</b>	<b>3,492</b>

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (b) Lease expenditure commitments

	CONSOLIDATED	
	31 December 2014 \$'000	30 June 2014 \$'000
<i>Operating leases (non-cancellable):</i>		
Minimum lease payments		
– not later than one year	4,209	2,787
– later than one year and not later than five years	17,629	17,573
– later than five years	14,655	16,935
Aggregate lease expenditure contracted for at balance date	<b>36,493</b>	<b>37,295</b>

The Group leases office premises in Brisbane, Sydney, Melbourne and Perth. Operating lease commitments shown above are net of any cash incentives under the respective lease agreements.

#### (c) Contingent liabilities

Details of contingent liabilities are set out below. The directors are of the opinion that provisions are not required in respect of these items as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

		CONSOLIDATED	
		31 December 2014 \$'000	30 June 2014 \$'000
	<b>Note</b>		
Bank guarantees - Australian Energy Market Operator and other counterparties	(i)	159,257	153,592
Bank guarantees - lease arrangements	(ii)	2,945	2,945
Futures margin deposits	(iii)	45,955	59,660
Security deposits	(iv)	4,124	8,019
Bank guarantees - Western Power	(v)	300	300
Bank guarantees - Neerabup / Contractor dispute	(vi)	1,750	1,750
Bank guarantees - AGL Hydro Partnership	(vii)	4,227	4,227
Bank guarantees - NSW exploration licence	(viii)	60	60
		<b>218,618</b>	<b>230,553</b>

- (i) The Group has provided bank guarantees in favour of the Australian Energy Market Operator and the Independent Market Operator to support its obligations to settle electricity purchases from the National Electricity Market and the Western Australian Wholesale Electricity Market. Bank guarantees have also been provided to various counterparties in relation to electricity derivatives and to distribution providers in relation to network charges. A portion of the guarantees are supported by term deposits.
- (ii) The Group has provided bank guarantees in relation to lease arrangements for premises in Brisbane, Sydney and Melbourne. These guarantees are supported by term deposits.
- (iii) Futures margin deposits represent interest bearing cash lodged with the Group's futures clearing brokers. The deposits are in relation to various futures contracts on the Australian Securities Exchange and may be retained by the clearing brokers in the event that the Group does not meet its contractual obligations.
- (iv) Security deposits represent interest bearing cash lodged as eligible credit support with various counterparties to the Group's electricity derivative and other contracts and may be retained by those counterparties in the event that the Group does not meet its contractual obligations.
- (v) The Group has provided a bank guarantee in favour of Western Power. This can be called upon if the Neerabup partnership fails to pay its monthly transmission invoices.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (c) Contingent liabilities (continued)

- (vi) The Group has provided a bank guarantee in favour of its partner in the NewGen Neerabup Partnership (NNP) under an indemnity agreement for a contractor dispute which has proceeded to arbitration. An interim award was made on 19 December 2014 and the award dismissed both the contractor and NNP's claim but allowed some general damages in NNP's favour. As a consequence, the net award provided a modest sum in favour of NNP.
- (vii) The Group has provided a bank guarantee in favour of the AGL Hydro Partnership in the event that there are damages resulting from the Oakey power station failing an annual capacity test. This guarantee is supported by a term deposit.
- (viii) The Group has provided bank guarantees in favour of the NSW Government in connection with its gas exploration licences in NSW. These guarantees are supported by term deposits.

### 9. RELATED PARTY DISCLOSURES

#### Transactions with director related entities

The Company has a consulting agreement with Sunset Power Pty Ltd (a related party of Trevor St Baker). Under this agreement the Company pays Sunset a fee of \$3,500 per day for services provided (up to a maximum of 40 days per annum). The consulting agreement may be terminated by giving 30 days written notice or immediately if Sunset breaches the agreement. Total consulting fees of \$140,000 excluding GST were paid to Sunset for the period ended 31 December 2014.

During the period the Company charged St Baker Enterprises Pty Ltd (a related party of Trevor St Baker) \$390,155 including GST for consulting services. The services were provided by ERM Power Limited staff and the charges were at an arm's length market rate. The charges have been paid in full.

#### Transactions with associates

During the period ERM Power Limited employees were used on an ad-hoc basis to assist in Empire's business operations. Empire has paid ERM Power various daily arms-length rates for these services consistent with each individuals skill set as well as any reasonable expenses incurred in providing these services.

Charges in respect of these appointments for the period ended 31 December 2014 were \$190,006 excluding GST.

In December 2014 ERM Power Limited extended a \$1.5 million working capital credit facility to Empire. The key terms of the facility are:

- Repayable at earlier of 31 March 2015 or completion of a proposed rights issue.
- Interest rate based on the highest of the big-four banks' benchmark overdraft rate plus 1 per cent, secured. The interest rate is fixed for the period of the facility at the time of first draw-down.

As at 31 December 2014 the facility was drawn down at \$117,739.

#### Other related party transactions

In the normal course of business ERM Power Limited enters into the following transactions with related parties:

- Project management and operations management fees are charged to jointly controlled entities;
- Interest is paid on shareholder loans; and
- Directors personal travel insurance is provided under standard terms of a directors and officers business travel insurance policy taken out by the Company. Cover under this policy for directors personal travel is provided by the insurer at no additional cost to the Company.

During the period ended 18 August 2014, Andrew St Baker was employed by the Company on terms and conditions no more favourable than those that would have been adopted if dealing at arm's length with an unrelated person. Total payments during Andrew's employment were \$156,430.

During the period a termination payment of \$554,426 was paid to Philip St Baker under a deed of release.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

# ERM Power Limited

## Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### 10. EARNINGS PER SHARE

	CONSOLIDATED	
	31 December 2014 Cents	31 December 2013 Cents
Basic earnings per share	31.20	6.11
Diluted earnings per share	31.20	6.11

#### Information concerning earnings per share

The weighted average number of ordinary shares is used as the denominator in calculating basic earnings per share.

Earnings for the purpose of the calculation of basic earnings per share is the net profit / (loss) attributable to the ordinary equity holders of the Company.

Earnings for the purpose of the calculation of diluted earnings per share is also the net profit / (loss) attributable to the ordinary equity holders of the Company.

Options granted are usually considered to be potential ordinary shares and taken into account in the determination of diluted earnings per share and are not included in the determination of basic earnings per share.

### 11. SUBSEQUENT EVENTS

On 23 January 2015 the Group acquired SPG Energy Group LLC (Source) for US\$7.8m. Source is a Texas based electricity retailer with approximately 20,000 customers and an annualized load of 1.4TWh.

Other than the above matters there have been no matter or circumstance that has arisen since 31 December 2014 that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the future.

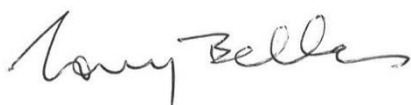
# ERM Power Limited

## Directors' Declaration

In the opinion of the directors of ERM Power Limited (the Company):

- (a) the financial statements and notes set out on pages 24 to 42 are in accordance with the *Corporations Act 2001*, including:
- i. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance for the half year then ended; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



A Bellas

**Chairman**

19 February 2015



## **Independent auditor's review report to the members of ERM Power Limited**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of ERM Power Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for ERM Power Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ERM Power Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ERM Power Limited is not in accordance with the *Corporations Act 2001* including:

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001

T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.





- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the company for the half-year ended 31 December 2014 included on ERM Power Limited's web site. The company's directors are responsible for the integrity of the ERM Power Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Michael Shewan'.

Michael Shewan  
Partner

Brisbane  
19 February 2015

# Corporate Information

## **Directors**

A Bellas (Non-Executive Chairman)  
T St Baker (Non-Executive Director, Deputy Chairman and Founder)  
A Goller  
M Greenberg  
A Iannello  
J Stretch

## **Company Secretaries**

P Davis  
P Jans

## **Registered Office**

Level 52, One One One  
111 Eagle Street  
Brisbane QLD 4000  
Telephone: (07) 3020 5100  
Facsimile: (07) 3020 6110

## **Principal Place of Business**

Level 52, One One One  
111 Eagle Street  
Brisbane QLD 4000  
Telephone: (07) 3020 5100  
Facsimile: (07) 3220 6110

## **Bankers**

National Australia Bank Limited  
Macquarie Bank Limited

## **Auditors**

PricewaterhouseCoopers

## **Internet Address**

[www.ernpower.com.au](http://www.ernpower.com.au)