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## APPENDIX 4E – PRELIMINARY FINAL REPORT

### YEAR ENDED 30 JUNE 2015

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#### Energy Action Limited (ASX: EAX) – ACN 137 363 636

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##### 1. Results for announcement to the market

	% change	30 June 2015	30 June 2014
Revenue from ordinary activities	25%	32,059,215	25,655,147
Statutory Profit / (Loss) after tax attributable to members	(161%)	(2,147,578)	3,511,952
Operating Profit after tax attributable to members	(41%)	2,688,539	4,504,162

Basic earnings / (loss) per share (Statutory)	(161%)	(8.28)	13.60
Diluted earnings / (loss) per share (Statutory)	(162%)	(8.28)	13.31

Basic earnings / (loss) per share (Operating)	(40%)	10.37	17.29
Diluted earnings / (loss) per share (Operating)	(39%)	10.35	17.07

##### 2. Dividends

	Cents per share	Franked amount per share	Payment date	Record date
2015 final dividend	1.06	1.06	21 October 2015	26 August 2015
2015 interim dividend	2.59	2.59	22 April 2015	27 February 2015

**3. Dividend re-investment plan**

The Dividend Re-investment Plan (DRP) is currently not activated and is not available for the 30 June 2015 dividend.

**4. Brief Explanation of Statutory and Operating Profit**

Statutory Profit / (Loss) and Statutory Earnings per share are prepared in accordance with Australian Accounting Standards and the Corporations Act.

Statutory Profit / (Loss) after tax of (\$2,147,578) included a loss after tax of \$4,836,117 (FY14 \$991,210) treated as Significant Items (refer also to page 8 of the Directors Report). Excluding these items, Operating Profit was \$2,688,539 down 40.3% from the previous year.

Operating Profit is reported to give information to shareholders that provide a greater understanding of operating performance by removing Significant Items and therefore facilitating a more representative comparison of performance between financial periods. Further details are included in the Directors Report.

**5. Net tangible assets**

	30 June 2015	30 June 2014
Net tangible assets per share <sup>^</sup>	\$(0.019)	\$0.35

<sup>^</sup> Excludes goodwill, customer relationships and internally generated software totalling \$14.0 million as at 30 June 2015 (\$7.6m as at 30 June 2014).

**6. Status of audit**

An unqualified, signed Audit Opinion is included within the attached Financial Report.

**All other information required to be disclosed by Energy Action in the Appendix 4E is either not applicable or has been included in the attached financial report.**

**Please also refer to the ASX results announcement and results presentation.**

# ENERGY ACTION LIMITED

ABN 90 137 363 636

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FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

## Financial Report for the Year Ended 30 June 2015

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## Corporate information

ACN: 137 363 636

### Directors

Dr Ronald Watts – Non-Executive Chairman

Paul Meehan – Non-Executive Director

Stephen Twaddell – Non-Executive Director (resigned 30 June 2015)

Valerie Duncan – Non- Executive Director (resignation effective 31 August 2015)

Murray Bleach – Non-Executive Independent Director

Philip Randall – Non –Executive Director (appointed 18 August 2014, passed away 4 July 2015)

Nitin Singhi – Non-Executive Independent Director (appointed 12 August 2015)

Mark De Kock – Non Executive Director (appointed 17 August 2015)

### Company Secretaries

Carolyn West (appointed as Company Secretary 3 November 2014)

Nathan Francis (resigned as Company Secretary 3 November 2014)

### Registered Office and principal place of business

Level 5, 56 Station Street

Parramatta NSW 2150

### Share register

Link Market Services Limited

Level 12

680 George Street

Sydney NSW 2000

Energy Action Limited shares (EAX) are listed on the Australian Securities Exchange (ASX)

### Solicitors

Greenwich Legal

Level 11, 50 Margaret Street

Sydney NSW 2000

### Bankers

Commonwealth Bank of Australia

Level 3, 101 George Street

Parramatta NSW 2150

### Auditors

Ernst & Young

680 George Street

Sydney, NSW 2000

## Directors' Report

Your Directors present their report, together with the financial statements for Energy Action Limited (the "Company") and its consolidated entities (the "Group"), for the financial year ended 30 June 2015.

### Directors

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

#### **Dr. Ronald Watts (Non Executive Chairman)**

Qualifications – Bachelor Science (Hons I), University of New South Wales, Dip Management (Applied Finance), PhD (Molecular physics) – Cambridge

Experience – Appointed Chairman 2003

Special Responsibilities – Chairman of Nomination Committee

Directorships held in other listed entities currently and during the three prior years to the current year: nil

#### **Valerie Duncan (Non Executive Director – resignation effective 31 August 2015)**

Qualifications – Master of Business, General Management Charles Sturt University, Fellow Company Secretarial FCSA, Fellow Australian Institute of Energy, FSCPA, Company Director FAICD

Experience – Board member since 2003

Special Responsibilities – Member of Audit and Risk Management Committee, Nomination and Remuneration Committees.

Directorships held in other listed entities currently and during the three prior years to the current year: nil

#### **Paul Meehan (Non Executive Director)**

Qualifications – Diploma of Law (SAB), University of Sydney

Experience – Board member since 2003

Special Responsibilities – Member of Audit and Risk Management Committee, Nomination and Remuneration Committees.

Directorships held in other listed entities currently and during the three prior years to the current year: nil

#### **Stephen Twaddell (Non Executive Director – resigned effective 30 June 2015)**

Qualifications – Bachelor of Arts, Brown University, Harvard Business School – IBM

Experience – Board member since 2003

Special Responsibilities – Member of Audit and Risk Management Committee and Nomination Committee

Directorships held in other listed entities currently and during the three prior years to the current year: nil

#### **Murray Bleach (Non-Executive Independent Director)**

Qualifications – Bachelor of Arts (Financial Studies) and Master of Applied Finance - Macquarie University, Institute of Chartered Accountant, Graduate Australian Institute of Company Directors.

Experience – Board Member since 2012.

Special Responsibilities – Chairman of Audit & Risk Management Committee and Remuneration Committee and member of Nomination Committee

Directorships held in other listed entities currently and during the three prior years to the current year:

Carlton Investments Ltd – Independent NED (appointed 2 December 2014)

#### **Philip Randall (Executive Director – appointed 18 August 2014, died 4 July 2015)**

Qualifications – Bachelor of Economics, Monash University

Experience – Board member since 2014

Special Responsibilities – Member of Nomination Committee

Directorships held in other listed entities currently and during the three prior years to the current year: nil

#### **Nitin Singhi (Non-Executive Independent Director – appointed 12 August 2015)**

Qualifications – Bachelor of Economic and Master of Laws – University of Sydney, Member Australian Institute of Company Directors

Experience – Board Member since 2015

## Mark de Kock (Non Executive Director)

Qualifications – Bachelor of Science (First Class Honours) in Electronic Engineering from University College London, exec MBA from the Australian Graduate School of Management, Member of the Institution of Engineering and Technology.

Experience – Board Member since 2015

Special Responsibilities – Nil

Directorships held in other listed entities currently and during the three prior years to the current year: Vocus Communications (resigned 19 June 2013)

Special Responsibilities – Member of Audit and Risk Management Committee and Remuneration Committee

Directorships held in other listed entities currently and during the three prior years to the current year: nil

## Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Energy Action Limited were:

	Number of ordinary shares	Number of options over ordinary shares
Dr. Ronald Watts	1,696,739	-
Valerie Duncan	760,000	-
Paul Meehan	4,749,134	-
Stephen Twaddell	1,829,440	-
Murray Bleach	74,380	-
Philip Randall	123,356	-
Nitin Singhi	3,000	-
Mark de Kock	-	-

## Company Secretaries

The following person held the position of company secretary at the end of the financial year:

**Carolyn West** – (appointed as Company Secretary 3 November 2014) – Bachelor of Economics, Monash University, CPA

## Dividends

Dividends recommended:	Cents per share	\$
<b>Ordinary shares</b>		
Final 2015 dividend recommended to be paid 21 October 2015	1.06	275,114
Interim 2015 dividend paid 22 April 2015	2.59	672,212
Final 2014 dividend paid 15th October 2014	3.62	939,757

## Operating and financial review

The Board presents the 2015 *Operating and Financial Review*, which has been designed to provide shareholders with a clear and concise overview of Energy Action's operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during 2015 and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group. The review complements the financial report and has been prepared in accordance with the recently released guidance set out in ASIC's Regulatory Guide 247: Effective Disclosure in an operating and financial review.

## Our business model

Energy Action's core business strategy is to reduce the impact of energy prices for Australian businesses and to advise businesses on using energy more efficiently.



Energy Action's principal activities are providing integrated energy management services to a diverse base of commercial and industrial customers. Its core services are:

- Energy procurement: specialised buying and negotiation strategies, utilising reverse auctions, bespoke tender models and advising on structured products within AFSL parameters;
- Energy monitoring, assessment and contract management; and,
- Energy efficiency and sustainability Projects and Advisory Services (PAS).

Initially founded in 2000 Energy Action has grown significantly and since 2009 the company has procured more than \$7 billion worth of electricity on behalf of its clients.

The company listed on the Australian Securities Exchange on 13 October 2011.

## 2015 financial performance

The Group generated a statutory net loss after tax of \$2.1 million for the year ended 30 June 2015 compared to a statutory net profit of \$3.5 million for the year ended 30 June 2014.

Statutory net loss after tax of \$2.1 million is after costs relating to share based payments expense of \$0.3 million (FY14 \$0.3 million), deferred consideration related to the Exergy and Energy Advice acquisitions of \$3.7 million (FY14 \$0.3 million) and restructuring and acquisition related costs of \$0.9 million (FY14 \$0.4 million).

Operating profit after tax for the year ended 30 June 2015 was \$2.7 million, representing a 41% decrease over the prior year like for like result of \$4.5 million. The main reasons for the decrease in Operating Profit is a lower than expected contribution from the PAS division, the write-off of some historic accounts receivable balances and lower Contract Management Revenue (Activ8) after the close out of a number of larger customer contracts.

A reconciliation of the Group's Statutory to Operating Net Profit and EBITDA is shown in the table below:

\$000's	NPAT			EBITDA		
	30 June 2015	30 June 2014	Variance	30 June 2015	30 June 2014	Variance
Statutory net profit / (loss) after tax	(2,148)	3,512	(161%)	100	6,030	(98%)
Add back Significant Items after tax:						
PROP expense^	294	259	14%	294	259	14%
Deferred consideration*	3,749	292	1184%	3,749	292	1184%
Restructuring costs**	433	-	N/M	572	-	N/M
Acquisition costs***	361	441	(18%)	361	441	(18%)
Operating profit after tax	2,689	4,504	(41)%	5,076	7,022	(28%)

^ Non cash share based accounting expense relating to Performance Rights & Options Plan (PROP)

\* Deferred consideration relating to the acquisitions of Exergy & Energy Advice required to be expensed for accounting purposes

\*\*Costs associated with restructuring including redundancies and an onerous lease contract

\*\*\*Costs relating to the acquisition of Exergy & Energy Advice.

## Key Financial Metrics

	FY15	FY14	Variance
Revenue	\$32.1m	\$25.7m	25%
Operating EBITDA	\$5.1m	\$7.0m	(27%)
Operating EBITDA margin	16.0%	27.1%	(11.1ppts)
Operating NPAT	\$2.7m	\$4.5m	(41%)
Statutory NPAT	(\$2.1m)	\$3.5m	(161%)
Earnings per share (Operating)	10.37c	17.29c	(40%)
Earnings per share (Statutory)	(8.28c)	13.60c	(161%)
Dividend per share	3.65c	7.35c	(50%)

Revenue and other income for the year increased by \$6.4 million (or 25%) from \$25.7 million to \$32.1 million mainly as a result of the following:

- 10 months of revenue from Energy Advice contributed \$4.8 million
- Increased PAS revenue of \$2.4 million, with a full year contribution from the former Exergy business compared with three months in the prior financial year
- An increase in Auction (large site procurement) revenue from \$4.3 million to \$4.8 million mainly as a result of approximately 7% increased volume auctioned compared to FY14 (5.1 million MWhs to 4.8 million MWhs). Average prices per MWh fell slightly from \$44.74 to \$44.55. The average contract duration fell slightly from 26.1 months to 24.4 months. In line with increased auction volume, administration fees also increased by \$0.2 million.
- Lower Activ8 revenue of 6% or \$1.0 million to \$14.0 million. Activ8 revenue was impacted by a higher level of cancellations, mainly due to client change of occupancies, and the cancellation of several large client portfolios during the year.
- Lower small sites procurement revenue which decreased by \$0.2 million to \$0.8 million.

Revenue by Product line is set out in the table below:

	FY15	FY14	Variance	Variance %
AEX Gas	621,714	502,003	119,711	24%
AEX Electricity	4,532,905	4,334,790	198,115	5%
Administration Fees	429,987	237,110	192,877	81%
AEX Small Sites	750,317	951,398	-201,081	-21%
Tender - Electricity	824,127	-	824,127	n/m
Tender - Gas	142,507	-	142,507	n/m
Procurement consultancy	1,508,952	-	1,508,952	n/m
<b>Total Procurement</b>	<b>8,810,509</b>	<b>6,025,301</b>	<b>2,785,444</b>	<b>46%</b>
Activ8	14,009,888	14,997,832	-987,944	-7%
EnergyMetrics - Electricity	1,976,682	-	1,976,682	n/m
Energy Metrics - Gas	158,261	-	158,261	n/m
<b>Total Monitoring</b>	<b>16,144,831</b>	<b>14,997,832</b>	<b>1,146,999</b>	<b>8%</b>
<b>Projects &amp; Advisory Services</b>	<b>6,698,595</b>	<b>4,296,809</b>	<b>2,401,775</b>	<b>56%</b>
Other revenue	405,289	335,204	70,084	21%
<b>Total Revenue</b>	<b>32,059,215</b>	<b>25,655,147</b>	<b>6,404,067</b>	<b>25%</b>

Excluding the impact of Energy Advice, revenue grew by 6% versus the prior year.

Operating overheads totalled \$22.7 million for the year, compared to \$17.5 million in the previous year. Of total overheads \$15.7 million (or 69%) related to employee remuneration which increased from \$12.3 million in FY15. The increase in overheads was driven by the following key items:

- Higher staff and other expenses associated with the acquisitions of Energy Advice and a full year of costs associated with Exergy
- Amortisation of customer relationship intangibles of \$0.2 million
- Bad debt expenses of \$0.6 million associated with the resolution of some historic accounts receivable issues.

#### **Financial position and cashflows**

Net assets decreased from \$16.6 million at 30 June 2014 to \$13.5 million, at 30 June 2015 mainly as a result of the statutory loss incurred of \$2.1 million.

In October 2014, the Company entered into a five year, \$12 million multi-option facility agreement principally to fund the acquisitions of Energy Advice and Exergy but also for general corporate purposes. Funds can be provided under the facility as loans, bank guarantees or as letters of credit. As at 30 June 2015, the Company had utilised \$10.5 million of the facility comprising a loan of \$4.1 million and bank guarantees principally in relation to the purchase of Energy Advice of \$6.38 million. The Group had \$2.7 million of cash at bank at 30 June 2015, inclusive of \$1.0 million allocated to Exergy and held in escrow.

Following the acquisition of Energy Advice on 18 August 2014 and Exergy on 13 March 2014, the Group has recognised total Goodwill of \$9.9 million and Customer Relationships net of accumulated amortisation of \$1.9 million.

Operating cash flows before interest, tax and significant items of \$5.9 million were generated during the year, in line with the previous period. Operating cash flow before interest, tax and significant items was 117% of Operating EBITDA, a significant increase from the previous period and reflects management's focus on managing and improving cash flows.

**Reconciliation of Operating Cash Flow before interest, tax and significant items**

	30 June 2015	30 June 2014
<b>Operating Cash flow</b>	<b>2,564,520</b>	<b>4,454,098</b>
Add back:		
Taxes paid	1,760,364	1,245,670
Interest paid / (received)	128,989	(172,191)
Cash flows related to significant items	1,472,973	440,596
<b>Operating cash flow before interest, tax and significant items</b>	<b>5,926,846</b>	<b>5,968,173</b>
Operating EBITDA	5,076,700	7,022,173
<b>Operating cash flow as % of Operating EBITDA</b>	<b>117%</b>	<b>85%</b>

A second half fully franked dividend of 1.06 cents per share was declared on 18 August 2015, bringing total fully franked dividends for the year to 3.65 cents per share, a decrease of 50% compared to FY14. The FY15 dividend reflects a payout ratio of 50% of the statutory net loss after tax adjusted for certain non-cash expenses as follows:

- Statutory loss
- Add back deferred consideration on acquisitions expensed for accounting purposes
- Add back non-cash share based payments expense
- Equals amount available for dividends

**Operational review**

Energy Action's full-year results were driven by a continuing trend among Australian businesses to outsource their energy procurement and management functions.

The complexities of the energy market, and greater awareness of energy costs, have also meant more businesses are looking to reduce both their energy expenses and energy consumption. Energy Action provides solutions to reduce energy costs, monitor usage and contract management and reduce consumption.

During August 2014, Energy Action announced the acquisition of Energy Advice, a specialist Energy Procurement and Contract Management consultancy firm. Energy Advice is headquartered in Melbourne, with offices in Sydney and Brisbane. Energy Advice has a customer portfolio representing over 15% of the top 400 energy users in Australia and has highly complementary skills sets and service offers to Energy Action. Refer to Note 4 of the financial statements for further information. Since acquisition, the key focus has been the successful integration of the management teams and driving synergies with the existing organisation.

Following the acquisition of Energy Advice, Energy Action has a substantially larger product offering, especially in Procurement. In addition to the AEX Auction platform catering to medium to large commercial and industrial customers, Energy Action now offers tailored energy solutions to large energy users. These services include:

- Structured Products: bespoke products accessible via wholesale markets to substantial energy users;
- Energy Manager: Outsourced energy management services
- Energy Procurement Consultancy: tailored solutions
- Tenders: comprehensive gas and electricity tender offerings for customers that may not be suitable for an auction procurement event.

These services allow Energy Action to serve a broader cross section of Australian business energy users.

A major milestone was the launch in January 2015 of the customer portal, allowing customers to monitor energy consumption, spend and carbon footprint across complex national portfolios of hundreds of sites and multiple retailers. Customer feedback and adoption has been positive and enhanced features have been added since launch including the ability to manage bills and customer cases.

The company continued to invest in the Australian Energy Exchange with the major enhancement being the ability to facilitate auctions in the Western Australian market, launched in December 2014. In the past financial year, 1,882 successful auctions were run on the Exchange over the past year, compared to 1,406 during FY14, an increase of 34%.

Auction activity increased in the period and total volume of customer load increased, and the average auction contract length shortened to 24.4 months, a reduction of 1.6 months relative to the prior year. These factors had a positive impact on the load contracted, finishing the year at 2.13M MWh (annualised equivalent) compared to FY14 result of 1.84M MWh (annualised equivalent). While the average \$/MWh rate decreased from \$44.74 in FY14 to \$44.56 in FY15, the higher volumes increased the total Auction contracted value to \$231M, up 7.9% from the prior year.

The acquisition of Energy Advice in August 2014 added additional tender based activity, covering 1.91M MWh from 42 tenders and the aggregated Natural Gas activity resulted in 6.5 PJ (annualised equivalent) contracted during the year.

The performance of the company's Contract Management & Energy Reporting (Activ8 and EnergyMetrics) suite of products and services was disappointing in FY15. While sites under active service delivery increased significantly, this growth was predominantly driven by the addition of Energy Advice clients. During H1 FY15 a number of key client sites came off contract, from within the existing Energy Action client base. These sites were not replaced by alternate client portfolios during the same time period, creating a revenue shortfall.

PAS revenues grew by \$2.4 million or 56% in FY15, driven by a full year of Exergy contribution. The largest revenue contribution was from the Projects component of PAS.

A number of significant projects were entered into during the year including the Mercure Penrith chiller and building management services replacement, and significant numbers of power factor correction and commercial solar PV installations.

**Operational Key Performance Indicators**

	FY15	FY14	% change
Future contracted revenue	\$75.8m	\$74.5m	1.7%
<b>Procurement</b>			
No. of successful AEX auctions	1,882	1,406	34%
Average AEX contract duration (months)	24.4	26	-1.6mths
TWhs sold via Auction (annualised equivalent)	2.13	1.84	15.8%
Average \$/MWh	\$44.56	\$44.74	-0.4%
Total Auction bid value^	\$231m	\$214m	7.9%
No. of electricity tender events	42	-	n/a
Volume of electricity tenders (TWh)	1.91	-	n/a
No. of gas tender events	83	-	n/a
Volume of gas tenders (TJ)	6,573	-	n/a
<b>Contract Management &amp; Energy Reporting</b>			
Average Activ8 contract duration (months)	53	54	1 month
No. of sites under contract (incl future contracts)	14,946	7,914	188%
Note: FY15 includes Activ8 & Energy Metrics			

^ Electricity component of contract only, ie exclude network and other charges

**Operational Key Performance Indicators**

	FY15	FY14	% change
<b>Projects &amp; Advisory Services</b>			
Contracted future orders	\$5.1m	\$4.1m	25%

**Key developments**

Stephen Twaddell has retired from the Board effective 30 June 2015. Valerie Duncan will also retire from the Board effective 31 August 2015. The Board was also saddened by the sudden passing of Philip Randall on 4th July 2015. Nitin Singh has been appointed to the Board effective from 12 August 2015.

## ***Business strategy and prospects for future financial years***

The strategy of the Group is to resume its growth trajectory via organic growth and over the longer term, merger and acquisition activity (M&A). In the short and medium term, focus is on improving operational effectiveness and efficiency and realising value from previous investments.

Energy Action has a highly scalable technology platform whereby it can grow Procurement and Contract Management customer numbers without significant increase in operational resources, both in terms of headcount and IT infrastructure. Acquiring and retaining customers aligned to core Procurement and Contract Management offers remains the core priority of the Group.

The Group has an opportunity to further increase market share by expanding its service capabilities within existing clients through strategic marketing initiatives. The key initiatives for FY16 include:

- Launch of the Activ8 Platinum service offering near real time data, reporting services and related consulting services to clients
- Development and launch of an upgraded Lucida building efficiency system offering
- Acceleration of the current multi-utility portfolio service delivery model to a broader customer base.

Energy Action has also implemented programs to drive profitability including cost reductions from the recent organisational restructure and efficiency programs. The key productivity initiatives for FY16 include:

- Increasing utilisation in the PAS division
- Migrating legacy customer relationship management and finance systems to common platforms
- Completing the brand migration to Energy Action
- Further automation of data feeds to reduce costs and improve customer service
- Re-write of customer management service delivery platform, Enact, to allow increased efficiency in specific Contract Management areas.

## ***Risks to achieving financial outcomes in relation to future prospects***

Energy Action identifies major risks using an enterprise wide risk program. Energy Action faces a wide variety of risks due to the nature of the industry it which it operates. In relation to each risk, Energy Action has in place actions to reduce the likelihood of the risk eventuation and / or to reduce, as far as practicable, the adverse consequences of the risk should it occur. Many of the risks are influenced by factors external to, and beyond the control of Energy Action. Details of Energy Action's main risks and the related mitigations are set out below:

<b>Risk</b>	<b>Risk Description</b>	<b>Potential consequences and mitigation strategies</b>
Regulatory risk	The risk of unforeseen changes in government policy impacting ongoing operations.	Potential earnings impacts of unpredicted policy changes to be mitigated by ongoing monitoring of government energy policy and participation in policy development.
Product & Service relevance and delivery	The risk of that product design fails to meet customer needs and demand or product delivery does not meet customer needs.	Potential earnings impact of lower demand to be mitigated by obtaining customer feedback and input into current and future product design.
Competition	The risk that Energy Action is unable to differentiate from competitors.	Potential earnings impact from lost volume to be mitigated by continued platform development and innovation.

Energy pricing	The risk of lower energy pricing leading to less focus on Energy Procurement	Potential earnings impact from lower electricity prices to be mitigated by potentially higher gas prices and alternate service offers in the PAS and compliance space.
Earnings and Cash Flow	The risk of failing to maintain adequate earnings and funding to finance growth objectives and to generate adequate returns for shareholders.	Potential earnings impact to be mitigated by improved operational performance, timely and transparent market disclosures and maintain strong relationships with banks and shareholders
Occupational Health & Safety (OH&S)	The risk of not operating safely and in accordance with relevant legislation leading to an employee injury.	Potential for employee injury and Company reputation to be mitigated by ongoing training and updates to OH&S policies.
Employee engagement and performance	The risk of failing to attract and retain the best talent available.	Potential effects on strategy due to unavailability of talent to be mitigated by formal succession plans and remuneration strategies.

#### Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### Meetings of Directors

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

	Board Meeting		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	No. Eligible to attend	No. Attended	No. Eligible to attend	No. Attended	No. Eligible to attend	No. Attended	No. Eligible to attend	No. Attended
Ronald Watts	13	13	0	0	0	0	1	1
Valerie Duncan	13	12	3	3	2	2	1	1
Paul Meehan	13	13	0	0	2	2	1	1
Stephen Twaddell	13	13	3	3	2	2	1	1
Murray Bleach	13	13	3	3	2	2	1	1
Philip Randall	10	8	0	0	0	0	1	0

#### Indemnifying Officers or Auditor

During or since the end of the financial year, the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

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



**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceeding during the year.

**Non-audit Services**

The Board of Directors, in accordance with advice from the audit and risk management committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

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

The following fees were paid or payable to Ernst & Young for non-audit services provided during the year ended 30 June 2015:

	\$
Tax compliance	24,625
Due diligence services	104,831
Other services	14,500
Total	143,956

## **Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on the following page of the financial report.

## Auditor's Independence Declaration to the Directors of Energy Action Limited

In relation to our audit of the financial report of Energy Action Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



P S Barnard  
Partner  
Sydney  
18 August 2015

## Remuneration Report (Audited)

The directors present the Remuneration Report for Energy Action Limited ("Company") and its consolidated entities ("Group") for the year ended 30 June 2015.

### 1. REMUNERATION FRAMEWORK

#### 1.1. Role of the Remuneration Committee

The Remuneration Committee ensures that the remuneration of directors and senior executives is consistent with market practice and sufficient to ensure that the Group can attract, develop and retain the best individuals. The committee review directors' fees, and remuneration of the CEO and senior executives against the market, Group and individual performance.

The committee consisted of three non-executive directors, namely Murray Bleach (Chairman), Valerie Duncan and Paul Meehan. The committee charter is available on the Group's website.

The committee oversees governance procedures and policy on remuneration including:

- General remuneration practices,
- Performance management
- Sales commission schemes, and
- Recruitment and termination

Through the committee, the board ensures the company's remuneration philosophy and strategy continues to be designed to:

- Attract, develop and retain Board and executive talent
- Create a high performance culture by driving and rewarding executives for achievement of the Group's strategy and business objectives
- Link incentives to the creation of shareholder value

In undertaking its work, the committee seeks advice as required.

#### 1.2. Key Management Personnel

Key Management Personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company or subsidiaries. The following persons were KMPs during the financial year. Unless otherwise indicated, they were KMPs for the entire year.

##### 1.2.1. Non-Executive directors

Dr Ronald Watts	Non-Executive Chairman
Paul Meehan	Non-Executive Director
Stephen Twaddell	Non-Executive Director (retired 30 June 2015)
Murray Bleach	Non-Executive Director
Valerie Duncan	Non-Executive Director (retired effective 31 August 2015)

##### 1.2.2. Executive directors

Philip Randall	Executive Director (appointed 18 August 2014, died 4 July 2015)
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##### 1.2.3. Senior executives (not directors of the board)

Scott Wooldridge	Chief Executive Officer
Michael Fahey	Chief Financial Officer (appointed 21 January 2015)
Nathan Francis	Chief Financial Officer (resigned 3 November 2014)

### 1.3. Remuneration Consultants

Where necessary, the Board seeks advice from independent experts and advisors including remuneration consultants. Remuneration consultants are used to ensure that remuneration packages are appropriately structured and are consistent with comparable roles in the market. Remuneration consultants are approved by, and recommendations provided directly to, non-executive directors (the remuneration committee). When remuneration consultants are engaged, the remuneration committee ensures that the appropriate level of independence exists from the Group's management.

The Board Remuneration Committee used AON Hewitt Remuneration Survey data for the prior financial year to ensure market structures were appropriate for executives. During 2014/15 these market structures were updated using the AON Hewitt Remuneration Survey Data.

### 1.4. Long term incentive scheme

#### ***Purpose and type of equity awarded***

The Group operates a long term incentive scheme (LTI) for its senior executives. The LTI is governed by the Performance Rights and Options Plan (PROP), under which performance rights (not options) are granted to participants. Each performance right entitles the participant to one share in Energy Action for nil consideration at the time of vesting subject to meeting the conditions outlined below.

The LTI aligns key employee awards with sustainable growth in shareholder value over time. It also plays an important role in employee recruitment and retention.

#### ***Number of instruments awarded***

As at 30 June 2015, the PROP accounted for 2.7% (FY14 1.4%) of issued securities of the Group, made up of 710,273 (FY14 366,893) performance rights.

#### ***Valuation***

The fair value of any LTI grant is determined by an external valuation at the time of the grant.

#### ***Performance hurdles***

For the 2015 LTI allocation, the two performance hurdles that apply to the Performance Rights for vesting over either a two or three year period commencing 1 July 2014) were:

- an Earnings Per Share (EPS) component (75% weighting) achieved by comparing the Company's Actual Operating EPS for the year ending on the relevant test date to the Company's Budget Operating EPS ending on the relevant test date. For vesting to occur the actual EPS must meet or exceed the board approved budgeted EPS.
- a Total Shareholder Return (TSR) component (25% weighting) achieved by comparing the Company's total compounded return to the total compounded return of the S&P/ASX300 (Index) for the year ending on the relevant test date. Fifty percent of the performance right that is subject to the relative performance hurdle vests if the EAX total compounded return is equal to the total compounded return of the Index over the vesting period. One hundred percent will vest if EAX achieves a total compounded return of 1.10 times the total compounded return of the Index over the vesting period. If EAX's total return is in between the total compounded return of the Index and 1.10 times the total compounded return of the Index, the percentage that will vest will be determined on a linear basis.

#### ***LTI Outcomes***

Neither the EPS nor relative TSR targets were met in 2015.

## 2. REMUNERATION

### 2.1. Fees payable to non-executive directors

Fees paid to non-executive directors reflect the demands which are made on, and the responsibilities of, directors. Directors' fees are reviewed annually by the board. Directors who chair or are members of a committee receive additional fees for these services.

The board considers the advice of independent remuneration consultants to ensure directors' fees are appropriate and in line with the market. The chairman's fees are determined independently to the fees of directors and are based on comparative roles in the market. The chairman is not present at any discussion relating to the determination of his remuneration. Directors' fees are determined within an aggregate fee pool limit approved by shareholders. This is currently set at \$400,000 per annum.

The annual fee structure for non-executive directors for the year ended 30 June 2015, including superannuation, was as follows:

Base fee	\$
Non-Executive Chairman	80,000
Non-Executive Directors	60,000

The above fees include committee membership, except for Murray Bleach who received \$16,350 and \$8,270 for his role as chairman of the Audit and Risk Management Committee and Remuneration committee, respectively. The tables at the end of this remuneration report provide details of fees paid during the financial year to each non-executive director.

### 2.2. Executive directors and senior executives

The framework for the remuneration for executive directors and senior executives consists of a mix of fixed and variable remuneration with output (commission, where applicable) and short-term performance (bonus). The components are:

- Base remuneration package and benefits, inclusive of superannuation (Total Fixed Remuneration)
- Short-term Capped Bonus – based on the Group's, team and individual performance and results delivered against pre-determined Key Performance Indicators (KPIs)
- Long Term Incentive – governed by the Performance Rights and Options Plan (PROP)

The combination of the above components comprises the executive's Total Remuneration.

The Group undertakes a market benchmarking analysis and provide recommendations. The market analysis considers the target total remuneration opportunity as well as its core components and the mix of those components. In addition, the information also contains a view on market and emerging trends in executive remuneration structures and the mix of fixed and performance based remuneration arrangements. The agreed remuneration mix for the CEO and senior executives for the year ended 30 June 2015 was:

	Fixed Component	Bonus Component	LTI Component
CEO	63%	18%	19%
Chief Financial Officer	73%	13%	13%

## Bonus – Short-Term Incentive

The Bonus is based upon performance against the Group balanced scorecard and results from the Group's performance review process. Mid-year and final year performance reviews measure performance against established KPI's and criteria which are compiled in a matrix comprising Group and individual components. The specific company measures include profitability, revenue growth and customer satisfaction. Individual measures are developed having regard to functional plans and targets, aligned to the company balanced scorecard.

The outcome of the performance review process is a rating, applied to each of these three components for an individual, culminating in a percentage (capped at 125%). The final percentage allocated to each person is then applied to the Bonus Potential to determine the actual bonus payment to be made to an individual.

The performance matrix used to determine actual bonus earnings against the Bonus Potential for the CEO and senior executives is:

	Company	Individual
CEO	70%	30%
Chief Financial Officer	70%	30%

The Board is responsible for assessing the performance of the CEO. The CEO is responsible for assessing the performance of other executives.

Bonus payments are made annually, where applicable, in August in relation to the preceding year.

The actual percentage of Bonus Potential and LTI incentive potential earned by the CEO and Senior Executives for the year ended 30 June 2015 was:

	% of Bonus Potential	% LTI Potential
Scott Wooldridge	0%	0%
Michael Fahey	0%	0%

The Bonus Potential for each individual is set at the beginning of the year, having regard to service agreement terms and conditions, and relates to the appropriate extent of the at-risk component of the executive's remuneration. The broader company performance criteria ensure that an overall management focus is maintained by the executives, however the inclusion of individual criteria is also necessary to ensure that each person is recognised and rewarded for their individual contribution and efforts.

### 3. Service agreements

On appointment, all non-executive directors enter into an agreement which outlines obligations and minimum terms and conditions.

Remuneration and other terms of employment for the CEO and other key management personnel are formalised in employment agreements. Each of these agreements specify the components of remuneration to which they are entitled and outline base salary, eligibility for incentives and other benefits including superannuation.

Key terms for the CEO and senior executives are as follows:

Name	Term of agreement	Termination*
Scott Wooldridge	On-going (no fixed term)	3 months base salary termination by company or 3 months termination by executive
Michael Fahey	On-going (no fixed term)	4 weeks base salary

\* Termination benefits are payable at the option of the company in lieu of notice, other than termination for cause.

#### 4. Remuneration tables

##### 4.1. Remuneration table for the year ended 30 June 2015

Details of remuneration of directors and KMP of the Group for the 2015 financial year are set out in the following table:

		Short term benefits			Post employment benefits	Long term benefits	Long term benefits	Share based payments	Total
<i>Non-executive directors</i>	<i>Cash salary and fees</i> \$	<i>Additional fees</i> \$	<i>Cash bonus</i> \$	<i>Non monetary benefits</i> \$	<i>Super</i> \$	<i>Termination benefits</i> \$	<i>Long service leave</i> \$	<i>Performance rights</i> \$	<i>Total</i> \$
Dr. Ronald Watts	73,060	-	-	-	6,940	-	-	-	80,000
Paul Meehan	54,795	-	-	-	5,205	-	-	-	60,000
Stephen Twaddell	54,795	-	-	-	5,205	-	-	-	60,000
Valerie Duncan	54,795	-	-	-	5,205	-	-	-	60,000
Murray Bleach	77,279	-	-	-	7,341	-	-	-	84,620
<b>Sub-total</b>	<b>314,724</b>	-	-	-	<b>29,896</b>	-	-	-	<b>344,620</b>

<i>Executives</i>									
Scott Wooldridge	342,570	-	-	-	18,783	-	-	57,622	418,975
Michael Fahey^	116,060	-	-	-	9,392	-	-	-	125,452
Philip Randall^^	47,580	-	-	-	4,520	878	4,810	-	57,788
Nathan Francis^	53,800	3,000	-	-	5,137	-	-	(11,456)	50,481
<b>Sub-total</b>	<b>560,010</b>	<b>3,000</b>	-	-	<b>37,832</b>	<b>878</b>	<b>4,810</b>	<b>46,166</b>	<b>652,696</b>
<b>Total</b>	<b>874,734</b>	<b>3,000</b>	-	-	<b>67,728</b>	<b>878</b>	<b>4,810</b>	<b>46,166</b>	<b>997,316</b>

#### Notes

^ Michael Fahey commenced employment as CFO effective 19 January 2015. Nathan Francis resigned as CFO on 31 October 2014. Additional fees for Nathan Francis in FY14 relate to motor vehicle allowances.

^^Does not include deferred consideration associated with the Energy Advice acquisition

Following the acquisitions of Exergy and Energy Advice, the company has re-assessed the KMP. The KMP are considered to be the CEO and CFO only. Accordingly, information for Edward Hanna and Barry Denton has been provided for the previous period only.



#### 4.2 Remuneration table for the year ended 30 June 2014

Details of remuneration of directors and KMP of the Group for the 2014 financial year are set out in the following table.

		Short term benefits			Post employment benefits	Long term benefits	Long term benefits	Share based payments	Total
<i>Non-executive directors</i>	<i>Cash salary and fees \$</i>	<i>Additional fees^^</i>	<i>Cash bonus</i>	<i>Non monetary benefits</i>	<i>Super</i>	<i>Termination benefits</i>	<i>Long service leave</i>	<i>Performance rights</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Dr. Ronald Watts	59,996	-	-	-	5,550	-	-	-	65,546
Paul Meehan	44,997	-	-	-	4,162	-	-	-	49,159
Stephen Twaddell	44,997	-	-	-	4,162	-	-	-	49,159
Valerie Duncan*	26,248	-	-	-	2,428	-	-	-	28,676
Murray Bleach	67,532	-	-	-	6,247	-	-	-	73,779
<b>Sub-total</b>	<b>243,770</b>	-	-	-	<b>22,549</b>	-	-	-	<b>266,319</b>

<i>Executives</i>									
Valerie Duncan*	192,461	-	-	-	12,687	-	-	-	205,148
Scott Wooldridge^	240,455	-	-	-	13,331	-	-	64,408	318,194
Edward Hanna	228,200	-	-	-	21,108	-	3,803	58,362	311,473
Barry Denton	184,250	48,500	-	-	17,775	-	3,822	77,815	332,162
Nathan Francis	224,580	12,000	-	-	17,775	-	-	58,362	312,717
<b>Sub-total</b>	<b>1,069,946</b>	<b>60,500</b>	-	-	<b>82,676</b>	-	<b>7,625</b>	<b>258,947</b>	<b>1,479,694</b>
<b>Total</b>	<b>1,313,716</b>	<b>60,500</b>	-	-	<b>105,225</b>	-	<b>7,625</b>	<b>258,947</b>	<b>1,746,013</b>

#### Notes

\* Resigned as Managing Director effective 29 November 2013

^ Commenced employment 21 October 2013

^^Additional fees relates to motor vehicle allowances

**Relative Proportion of Remuneration**

The relative proportion of remuneration of KMP that was linked to performance and those that were fixed are as follows:

<i>Non-executive directors</i>	Fixed Remuneration		At Risk – Cash Bonus/Other		At Risk - Securities	
	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Dr.Ronald Watts	100	100	-	-	N/A	N/A
Valerie Duncan	100	100	-	-	N/A	N/A
Paul Meehan	100	100	-	-	N/A	N/A
Stephen Twaddell	100	100	-	-	N/A	N/A
Murray Bleach	100	100	-	-	N/A	N/A
<b>Executives</b>						
Scott Wooldridge	63	75	18	-	19	25
Philip Randall	100	N/A	-	-	-	N/A
Edward Hanna	N/A	83	N/A	-	N/A	17
Barry Denton	N/A	78	N/A	-	N/A	22
Nathan Francis^	N/A	83	N/A	-	N/A	17
Michael Fahey^^	73	N/A	13	-	13	n/a

^ Commenced employment as CFO effective 19 January 2015

^^Resigned as CFO and Company Secretary on 31 October 2014

**Performance holdings of key management personnel.**

No performance rights were issued to KMP during the 30 June 2015 financial year.

The following table lists any Performance Rights which are still to vest, or have yet to expire:

Series	Grant date	Number	Date vested and exercisable	Expiry date <sup>(3)</sup>	Exercise price	Value per Performance Right at grant date
Series A	2 December 2013*	29,242	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$1.93
Series A	2 December 2013*	42,188	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$2.31
Series A	2 December 2013*	42,188	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$2.05
Series A	2 December 2013*	42,188	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$2.06
Series B	2 December 2013*	39,788	31 August 2015 <sup>(2)</sup>	N/A	\$0.00	\$2.78
Series B	2 December 2013*	39,788	31 August 2016 <sup>(2)</sup>	N/A	\$0.00	\$2.14
Series A	2 December 2013*	9,747	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$3.01
Series A	2 December 2013*	14,063	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$2.08
Series A	2 December 2013*	14,063	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$2.08
Series A	2 December 2013*	14,063	31 August 2017 <sup>(1)</sup>	N/A	\$0.00	\$2.08
Series B	2 December 2013*	13,263	31 August 2015 <sup>(2)</sup>	N/A	\$0.00	\$2.74
Series B	2 December 2013*	13,263	31 August 2016 <sup>(2)</sup>	N/A	\$0.00	\$2.14

\* Denotes Performance Rights for which no consideration is payable on exercise.

<sup>(1)</sup> Performance Rights Series A which were granted to Scott Wooldridge

<sup>(2)</sup> Performance Rights Series B which were granted in the following proportions to Nathan Francis (30%), Edward Hanna (30%) and Barry Denton (40%)

**Fair value of Performance Rights**

The fair value of each Performance Right is estimated on the date the Performance Rights are granted using a Monte Carlo Simulation valuation model. The following assumptions were considered in the valuation of Performance Rights issued during the year ended June 30, 2014 (no grants were issued in 2015):

	<b>Series A</b>	<b>Series B</b>
Grant date share price (\$)	\$4.20	\$4.20
Exercise price (\$)	\$0.00	\$0.00
Dividend yield	10c per share, growing at 20% per year	10c per share, growing at 20% per year
Expected volatility	40%	40%
Risk-free interest rate	3.28%	3.06%
Life of Option <sup>(1)</sup>	4 years	1-3 years

<sup>(1)</sup> Performance Rights will be exercised immediately upon vesting as there is no exercise price.

All Performance Rights granted for the benefit of the Chief Executive Officer have a four-year vesting period. All Performance Rights granted for the benefit of other employees vest in equal proportions on an annual basis for three years. The Performance Rights are exercisable immediately at vesting date, subject to achievement of the relevant performance hurdles.

The following tables outline the movements in Performance Rights balances of Directors and the KMP during the 2015 financial year, and those Performance Rights which have vested at the year-end. No Performance Rights were issued during the 2015 financial year.

Total value of performance rights issued:

<b>30 June 2015</b>	<b>Balance at 1 July 2014</b>	<b>Granted</b>	<b>Grant Date</b>	<b>Options exercised</b>	<b>Options cancelled/ forfeited/ other</b>	<b>Options expired without exercise</b>	<b>Net change</b>	<b>Balance at end of period</b>	<b>Amount vested at June 30, 2015</b>
	\$	\$		\$	\$	\$	\$	\$	\$
S. Wooldridge	444,170	-	-	-	-	(183,090)	(183,090)	261,080	-
E. Hanna	130,108	-	-	(15,677)	-	-	(15,677)	114,431	-
B. Denton	173,476	-	-	(20,902)	-	-	(20,902)	152,574	-
N. Francis	130,108	-	-	(15,677)	(114,431)	-	(130,108)	-	-
<b>Total</b>	<b>877,862</b>	<b>-</b>		<b>(52,255)</b>	<b>(114,431)</b>	<b>(183,090)</b>	<b>258,947</b>	<b>528,085</b>	<b>-</b>

Total number of performance rights issued:

<b>30 June 2015</b>	<b>Balance at 1 July 2014</b>	<b>Granted</b>	<b>Grant Date</b>	<b>Options exercised</b>	<b>Options cancelled/ forfeited/ other</b>	<b>Options expired without exercise</b>	<b>Net change</b>	<b>Balance at end of period</b>	<b>Amount vested at June 30, 2015</b>
		No.		No.	No.	No.	No.	No.	No.
S. Wooldridge	207,740	-	-	-	-	(85,492)	(85,492)	122,248	-
E. Hanna	47,746	-	-	(3,979)	-	-	(3,979)	43,767	-
B. Denton	63,661	-	-	(5,305)	-	-	(5,305)	58,356	-
N. Francis	47,746	-	-	(3,979)	(43,767)	-	(47,746)	-	-
<b>Total</b>	<b>366,893</b>	<b>-</b>	<b>-</b>	<b>(13,263)</b>	<b>(43,767)</b>	<b>(85,492)</b>	<b>(142,522)</b>	<b>224,371</b>	<b>-</b>

**Note:** Following the acquisitions of Exergy and Energy Advice, the company has re-assessed the KMP. The KMP are considered to be the CEO and CFO only. Accordingly, information for Edward Hanna and Barry Denton has been provided for the previous period only.

**Shareholdings of key management personnel**

	Balance 1 July 2014	Net change	Balance 30 June 2015
<b>30 June 2015</b>			
<b>Directors</b>			
Dr. Ronald Watts	1,659,898	36,841	1,696,739
Paul Meehan	4,727,091	22,043	4,749,134
Murray Bleach	-	74,380	74,380
Stephen Twaddell	1,796,209	33,231	1,829,440
Valerie Duncan	750,000	10,000	760,000
Philip Randall	-	123,356	123,356
<b>Executives</b>			
Scott Wooldridge	-	-	-
Michael Fahey <sup>1</sup>	-	-	-
<b>Total</b>	<b>8,933,198</b>	<b>299,851</b>	<b>9,233,049</b>

	Balance 1 July 2013	Net change	Balance 30 June 2014
<b>30 June 2014</b>			
<b>Directors</b>			
Dr. Ronald Watts	2,209,898	(550,000)	1,659,898
Paul Meehan	5,327,091	(600,000)	4,727,091
Murray Bleach	-	-	-
Stephen Twaddell	1,946,209	(150,000)	1,796,209
<b>Executive Directors</b>			
Valerie Duncan	1,713,377	(963,377)	750,000
Edward Hanna	780,044		780,044
<b>Executives</b>			
Barry Denton	750,000	(250,000)	500,000
Scott Wooldridge	-	-	-
Nathan Francis <sup>2</sup>	-	-	-
<b>Total</b>	<b>12,726,619</b>	<b>(2,513,377)</b>	<b>10,213,242</b>

<sup>1</sup>Appointed 19 January 2015

<sup>2</sup>Resigned 3 November 2014

#### 4.3 Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Outstanding balances at year end are unsecured and interest free. No guarantees have been provided or received.

The following transactions occurred with related parties:

	Consolidated Group	
	2015	2014
	\$	\$
<b>Key Management Personnel</b>		
• Meehan's Solicitors Pty Ltd - Legal services rendered	6,484	13,843

#### 4.4 Company Performance

The Group reported disappointing results for the financial year ended 30 June 2015 with Operating net profit after tax of \$2.7 million compared to \$4.5 million in the prior year.

	FY15	FY14	FY13	FY12	FY11
Revenue & other income (\$'000's)	32,059	25,655	22,166	17,372	14,037
Net profit (loss) after tax (\$'000's)	(2,148)	3,512	4,376	3,611	2,934
Operating profit after tax (\$'000's)	2,688	4,504	4,867	3,975	2,934
Earnings per share – Operating	10.37 cents	17.29 cents	19.48 cents	15.13 cents	14.07
Market capitalisation	\$23.9m	\$81.3m	\$76m	\$44m	N/A
Closing share price	\$0.92	\$3.15	\$3.00	\$1.77	N/A

This director's report is signed in accordance with a resolution of the Board of Directors.



Murray Bleach

Director

Dated: 18 August 2015

## **Corporate Governance Statement**

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Energy Action Limited ("Energy Action") is committed to the achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. The Energy Action Board determines the corporate governance arrangements. As with all its business activities, Energy Action is proactive in respect of corporate governance and puts in place those arrangements which it considers are in the best interests of shareholders, and consistent with its responsibilities to other stakeholders.

This statement discloses Energy Action's adoption of the Corporate Governance Principles and Recommendation, 3<sup>rd</sup> edition released by the Australian Securities Exchange (ASX) Corporate Governance Council in March 2014. The Principles can be viewed at [www.asx.com.au](http://www.asx.com.au). The Principles are not prescriptive; however, listed entities (including Energy Action) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle (the 'if not, why not' approach). The Principles have operated throughout the year unless otherwise indicated.

The table at the end of this statement provides cross references between the disclosures and statements in this corporate governance statement and the relevant ASX Principles

### **1. The Board of Directors**

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The Board operates in accordance with the general principles set out in its Charter which can be viewed in the Corporate Governance section of the Company's website

#### **1.1 Role of the Board**

The role of the Board is to create sustainable shareholder wealth in a manner consistent with the Company's constitution and principles of good corporate governance. The Board achieves this by representing the interests of shareholders in setting and overseeing the company's values, direction, strategies, financial objectives and performance within a framework of prudent and effective controls for the assessment and management of risk. The Board has adopted a formal charter of Directors' functions and matters that are delegated to management, having regard to the recommendations in the Principles.

An outline of the Board's responsibilities under the charter is set out below:

#### Strategic Direction

- Oversight of the strategic direction for Energy Action and endorsing Energy Action's strategy developed by the Chief Executive Officer (CEO);
- Decision making in relation to matters of a sensitive or extraordinary nature;
- Providing advice and counsel to management on a periodic and ad hoc basis; and,
- Ensuring management implement the policies and decisions of the Board.

#### Governance

- Undertaking all reasonable measures to ensure best practice corporate governance;
- Monitoring the performance of the CEO and approving senior management remuneration policies and practices;
- Reporting to shareholders;
- Undertaking all reasonable measures to ensure that appropriate compliance frameworks and control are in place and are operating effectively;

- Approving and monitoring the effectiveness of and compliance with policies governing the operations of Energy Action;
- Monitoring the integrity of internal control and reporting systems; and,
- Monitoring strategic risk management systems, including the review of processes for identifying areas of significant business risk, monitoring risk management policies and procedures, monitoring insurance coverage and oversight of internal controls and review of major assumptions used in the calculation of significant risk exposure.

#### Operating Performance

- Approving decisions concerning the capital of Energy Action, including capital restructures;
- Reviewing and approving the annual operating budget, the annual and half-yearly statutory financial statements and monitoring the financial results on an on-going basis; and,
- Determining dividend policy and approving dividends.

#### Operational Development

- The appointment of the CEO and the approval of the succession plan; and,
- Endorsing the appointment of the CEO's direct reports.

#### The Energy Action Constitution

The Energy Action Constitution is Energy Action's key governance document. The Board ensures that it and Energy Action complies with the provisions of the Constitution.

#### Compliance with Laws

Energy Action recognises that it must comply with the Corporations Act, as well as all other applicable laws. The ASX Listing Rules are also applicable. Examples of applicable areas of regulation include:

- AFSL Compliance;
- Occupational health and safety legislation;
- Employment related laws;
- Environmental protection legislation;
- Anti-discrimination legislation;
- Taxation legislation; and,
- The Trade Practices Act

As a company which is planning to operate in other jurisdictions, Energy Action recognises that it must ensure that it is aware of and complies with all applicable laws in those jurisdictions.

At least once each year, the Directors will review this Charter and approve any required amendments including those required to comply with the ASX Principles.

### **1.2 Composition of the Board**

It is intended that the Board should comprise a majority of non-executive Directors with a broad range of skills, expertise and experience, consistent with the Energy Action Diversity Policy.

The appointment and removal of Directors is governed by Energy Action's Constitution. Under Energy Action's Constitution the Board must comprise of a minimum of three (3) Directors. The Board is responsible for selecting and approving its own candidates to fill any casual vacancies that may arise on the Board with the assistance of the Nomination Committee.

Directors who have been appointed to fill casual vacancies must offer themselves for re-election at the next annual general

meeting of Energy Action. In addition, at each annual general meeting, at least one Director (excluding the CEO) must be a candidate for re-election and no Director shall serve more than three years without being a candidate for re-election.

Up until August 2014, Energy Action had a five member Board comprising of five non-executive Directors, one of whom is an independent Director. In August 2014 an additional Executive Director joined the Board as a result of the acquisition of Energy Advice Pty Ltd. Profiles of these Directors, including details of their skills, experience and expertise can be found in the Directors' report.

The Board is focused on sustaining and improving shareholder value by adding independent Directors progressively. In this regard Murray Bleach was appointed to the Board as an independent, non-executive Director of Energy Action Limited, in July 2012. Nitin Singhi was appointed to the Board as an independent, non-executive Director of Energy Action, in August 2015.

On 30 June 2015, Stephen Twaddell, a non-executive Director retired from the Board. On 4 July 2015, Mr Philip Randall, executive Director passed away suddenly. Mrs Valerie Duncan a non-executive Director will also retire on 31 August 2015.

The composition post the above Director changes will be a five member Board comprising of 5 non-executive Directors of which 2 are independent. The Chairman has also indicated that he will stand down from the role of Chairman at the 2015 AGM. Profiles of the Directors, including details of their skills, experience and expertise can be found in the Directors' report.

### **1.3 Independence**

The independence of Directors is determined by objective criteria acknowledged as being desirable to protect investor interests and optimise the financial performance and returns to investors. The Board regularly assesses the independence of its Directors. In determining the status of a Director, Energy Action considers that a Director is independent when he or she is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of unfettered and independent judgement. Energy Action's criteria for assessing independence are in line with standards set by the Principles.

In August 2015, the Board believes the separation of the roles of Chairman and Chief Executive Officer, and the balance of the Board comprising 2 independent and 2 non-independent Directors is appropriate.

Directors' shareholdings are set out in the Remuneration Report.

### **1.4 Term of office and re-election of Directors**

At appointment, each non-executive Director of Energy Action has received a letter of appointment which details the key terms of their appointment, including their powers, rights and obligations. Energy Action's senior executives, including the CEO, have formalised job descriptions and, as with all Energy Action employees, letters of appointment.

The Board has established a Nomination Committee which as at 30 June 2015 consisted of the Group Chairman Dr Ronald Watts (Committee Chairman), Paul Meehan, Murray Bleach, Philip Randall, Stephen Twaddell and Valerie Duncan. The Nomination Committee as at the 18 August 2015 consists of Chairman Dr Ronald Watts (Committee Chairman), Paul Meehan and Murray Bleach.

A copy of the Nomination Committee Charter which sets out the roles and responsibilities of the Committee is available on the Group's website.

In making recommendations to the Board regarding the appointment of Directors, the Nomination Committee assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board. When a vacancy exists, the Nomination Committee determines the selection criteria based on the skills deemed necessary. The Committee identifies potential candidates, and if appropriate,



will utilise an external consultant to assist in identifying potential candidates. The Board then appoints the most suitable candidate.

The company will undertake appropriate background checks and screening checks prior to nominating a Director for election by shareholders and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes to accompany the notice of meeting.

New Directors will participate in an induction program to assist them to understand Energy Action's business and the particular issues it faces.

All Directors are elected by shareholders at the Annual General Meeting following their appointment and thereafter subject to re-election at least once every three years.

### **1.5 Access to information and independent advice**

The Board collectively has the right to seek independent professional advice as it sees fit. Each Director individually has the right to seek independent professional advice, subject to the approval of the Chairman. All Directors have direct access to the Company Secretary.

Directors also have complete access to the senior management team. In addition to regular reports by senior management to the Board meetings, Directors may seek briefings from senior management on specific matters and are entitled to request additional information at any time when they consider it appropriate.

## **2. Board Committees**

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The Board generally operates as a whole across the range of its responsibilities but, to increase its effectiveness, uses committees where closer attention to particular matters is required. The role of the Board Committees is to make recommendations to the Board on matters set out in each Committee's Charter. The Charters for the Audit & Risk Management, Remuneration and Nomination Committees are available on the corporate governance section of the Company's website.

The Audit & Risk Management Committee (ARMC) and the Remuneration & Nomination Committees composition as at 30 June 2015 are set out below. Details regarding the number of Board meeting and committee meetings held during the year and the attendance of each member will be set out in the 2015 Annual Report.

### **2.1 Audit & Risk Management Committee**

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<b>Members</b>	Murray Bleach (Independent Committee Chairman) and non-executive Directors, Stephen Twaddell and Valerie Duncan. Following the retirement of Stephen Twaddell on 30 June 2015, Paul Meehan became a member to fill a casual vacancy. The committee does not currently, and has not previously comprised a majority of independent Directors. The Board will aim to progressively appoint independent Directors.
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<b>Role</b>	The ARMC's role is to assist the Board in fulfilling its responsibility for overseeing the quality and integrity of the accounting, audit, financial and risk management practices of Energy Action.
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**Responsibilities**

The ARMC's responsibilities include:-

- Review the internal control and compliance systems of Energy Action;
- Monitor the integrity of the financial statements of Energy Action;
- Consider significant financial reporting issues and judgements made in connection with Energy Action's financial statements;
- Monitor and review the performance of the external audit function and make recommendations to the Board;
- Monitor compliance by the Company with legal and regulatory requirements; and,
- Where appropriate, and at least twice a year, meet privately with the external auditor to discuss any matters that the Committee or the External Auditor believe should be discussed privately.

A copy of the ARMC Charter and Risk Management and Audit Policy is available on the Company's website.

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**Composition**

The committee is chaired an independent non-executive Director and currently comprises three non-executive Directors, two of whom are independent Directors and financially literate. The Chairman of the Board is not permitted to chair the committee. As at 30 June 2015, Stephen Twaddell retired from the committee and was replaced on a casual basis by Paul Meehan, non-executive Director. Mr Nitin Singhi was appointed to the committee effective 12 August 2015. The Committee met on three (3) occasions during the year to 30 June 2015. Please refer to the Directors' Report for more information on members, including attendance at committee meetings.

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**Consultation**

The CEO and Chief Financial Officer (CFO) are invited to attend all committee meetings. Other members of management may also attend by invitation. The committee has access to financial and legal advisers as it considers appropriate. The committee also meets with the external auditor to ensure the committee can be satisfied that the auditors have had the full cooperation of management in conducting the audit functions and to give the auditor the opportunity to raise any matters of concern. The external auditor must monitor its independence and report to the committee every six months that it has remained independent.

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**External Auditor**

The external auditor is appointed by the Board and approved by shareholders in accordance with the requirements of the Corporations Act. The ARMC is responsible for reviewing the terms of appointment of the external auditor and for making recommendations to the Board regarding the appointment of the external auditor. It is the Company's policy to require that the external audit partner be rotated within 5 years from the date of appointment. Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the ARMC (or its chairman between meetings). All non-audit assignments are to be

reported to the ARMC every six months. The Board and the ARMC are of the view that, at the present time, Ernst & Young is best placed to provide the Company's audit services. Ernst & Young is a top tier professional services firm. It has provided audit services to the Group since its listing and is familiar with its structure and assets. The external auditor is required to be independent from the Company and Energy Action. Ernst & Young meets this requirement. The external auditor will attend Energy Action's annual meeting and will be available to answer shareholder questions on the conduct of the audit, and the preparation and content of the auditor's report.

## 2.2 Remuneration Committee

**Members** The Remuneration Committee, as at 30 June 2015 comprised four non-executive Directors being Murray Bleach (Chairman), Paul Meehan, Stephen Twaddell and Valarie Duncan (please refer to the Directors' Report for information in regard to the members and the number of meetings held and attended). Murray Bleach, the committee chair is an independent Director. With the retirement of Stephen Twaddell on 30 June 2015 and Valerie Duncan on 31 August 2015, the Board aims to bring on an additional independent Director onto the committee.

**Role** The role of the committee is to oversee matters and policies to ensure they are in line with strategic goals and enable the Company to attract and retain high calibre executives and Directors who will create value for shareholders.

**Responsibilities** The responsibilities of the committee in respect of remuneration include:

- Ensure Directors and executives are fairly and responsibly remunerated having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
- Assisting the Board in determining an appropriate remuneration framework for senior management and remuneration, recruitment, retention and termination policies;
- Making recommendations to the Board on the Chief Executive Officer's remuneration, (including short and long term incentive plans and performance targets);
- Liaising with external advisors on remuneration-related matters, if and when external remuneration advice is needed; and,
- The Company's remuneration policy is communicated to and supported by investors.

For further information in regards to the Company's remuneration policies and framework, please refer to the Remuneration Report, including a detailed description of the structure of non-executive Directors' remuneration and executive Directors' and senior executives' remuneration.

**Composition** The committee is chaired by an independent non-executive Director and currently comprises four non-executive Directors, one of whom is an independent Director and financially literate. The Chairman of the Board is not permitted to chair the committee. As at 30 June 2015, Stephen

Twaddell retired from the committee. Mr Nitin Singhi was appointed to the committee effective 12 August 2015. The Committee met on three occasions during the year to 30 June 2015. Please refer to the Directors' Report for more information on members, including attendance at committee meetings.

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<b>Consultation</b>	The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.
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<b>Charter</b>	The Remuneration Committee's charter which sets out further details on the role and duties of the committee is available in the corporate governance section of the Company's website.
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## 2.3 Nomination Committee

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<b>Members</b>	The Nomination Committee, as at 30 June 2015 comprised of all members of the Board (please refer to the Directors' Report for information in regard to the members and the number of meetings held and attended). Dr. Ronald Watts, the committee chair is a non-independent Director. With the retirement of Stephen Twaddell on 30 June 2015 and Valerie Duncan on 31 August 2015 and the passing of Phil Randall on 4 July 2015, the Board aims to bring on an additional independent Director onto the committee.
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<b>Role</b>	The role of the committee is to oversee matters and policies to ensure succession planning, recruitment, appointment and remuneration of non-executive Directors.
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<b>Responsibilities</b>	<p>The responsibilities of the committee in respect of Nomination include:</p> <ul style="list-style-type: none"> <li>Review and recommend to the Board the size and composition of the Board; including review of Board succession plans and the succession of the Chairman and CEO;</li> <li>Review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members;</li> <li>Review Board membership and make recommendations to the Board regarding its membership; and,</li> <li>Assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies.</li> </ul>
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<b>Composition</b>	The committee is chaired currently by the Board Chairman and comprises all Directors, one of whom is an independent Director. As at 30 June 2015, Stephen Twaddell retired from the committee. Phil Randall passed away on 4 July 2015 and Valerie Duncan will retire effective 31
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August 2015. Please refer to the Directors' Report for more information on members, including attendance at committee meetings.

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<b>Consultation</b>	The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.
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<b>Charter</b>	The Nomination Committee's charter which sets out further details on the role and duties of the committee is available in the corporate governance section of the Group's website.
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### **3. Performance evaluation and remuneration**

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#### **3.1 Performance Evaluation**

The Board normally undertakes an annual performance and evaluation process led by the Chairman. The FY2015 performance and evaluation process was deferred however a skills matrix was recently completed to assist in the recruitment of new directors.

The annual performance review typically involves all Directors completing a questionnaire including allowance for additional comments or raising any issues relating to the Board's or a committee's operation. The results of the review will be compiled by the Chairman and discussed with Board members as a whole at an appropriate Board meeting. The purpose of the review is to assess the strengths and weakness of the Board and Committees, and identify areas that might be improved. The findings of the performance review are considered by the Board and continue to be taken into account in identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and committee matters. Directors are able to raise concerns regarding an individual Director's performance with the Chairman at any time during the year.

The performance of the Chief Executive Officer (CEO) is reviewed by the Board on a periodic basis. The Chairman co-ordinates the comments of all directors to provide a written assessment to the CEO. This is supported by half year verbal reviews by the Chairman.

The performance of the Company's senior executives is reviewed by the Chief Executive Officer as part of the annual remuneration review process and reported to the Remuneration Committee. The reviews usually take place in July/August of each year. Further details regarding the remuneration review process are set out in the Remuneration Report.

#### **3.2 Director and Executive Remuneration**

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process. The total remuneration paid to Directors and key management personnel for the year ended 30 June 2015 is set out in the Remuneration Report.

Directors' fees are reviewed annually and are benchmarked against fees paid to Directors of similar organisations. Non-executive Directors are not provided with retirement benefits other than statutory superannuation and do not participate in employee incentive schemes or bonus payments. Executive Directors', as well as senior executives' remuneration packages comprise salary and short-term incentives (i.e. bonus).

To ensure that Energy Action's senior executives properly perform their duties, the following procedures are in place:

- Performance is formally assessed twice each year as part of Energy Action's formal employee performance review process; the full year achievement review takes place in June at the end of the financial year;
- All employees were assessed in terms of their achievement of agreed KPI's (both financial and non-financial) for the period;
- There is a strong link between the outcomes of this performance review process and the subsequent remuneration review as outlined in the Remuneration Report; and,
- Executives are provided with access to continuing education to update and enhance their skills and knowledge.

## **4. Risk Management and internal controls**

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### **4.1 Risk Management Framework**

Energy Action has a formalised risk management framework. The identification and effective management of risk, including calculated risk taking is viewed as an essential part of the Company's approach to creating long term shareholder value. Compliance with risk management policies is monitored by the ARMC. The Risk Management and Audit Policy is included on the Groups website. As part of its risk monitoring duties, the ARMC is required to:

- Oversee and approve risk management, internal compliance and control policies and procedures of the Company;
- Oversee the design and implementation of the risk management and internal control systems
- Regularly monitor risk management reports provided by management; and,
- Assess at regular intervals whether Energy Action's internal financial control systems, risk management policies and risk management systems are adequate.

### **4.2 Internal controls framework**

Energy Action has a robust risk management framework in place for identifying, assessing, monitoring and managing its risks. A key component of the framework is a periodical Operational Risk Self Assessment (ORSA) whereby management workshop key risks and controls in place and their effectiveness. Findings resulting from this assessment are reported to the ARMC, which in turn reports on this to the Board. During the year, management has reported to the ARMC as to the manner in which it manages its material risks, the effectiveness of the framework and the results of the annual ORSA. Considerable importance is placed on maintaining a strong control environment through an organisation structure with clearly drawn lines of accountability and authority.

At this point in time, the Board is of the opinion that the structure of the Company does not warrant an internal audit function. This policy is subject to ongoing review.

The Board of Energy Action has received assurance from the CEO and CFO that their confirmation given to the Board in respect of the integrity of financial statements is founded on a sound system of risk management and internal control which implements the policies adopted by the Board and that the system is operating in all material respects in relation to financial reporting risks.

## **5. Energy Action governance policies**

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### **5.1 Integrity, ethical standards and compliance**

Energy Action is committed to being a good corporate citizen and has a robust framework of policies to achieve this. These include:

- The practices necessary to maintain confidence in the company's integrity;

- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and,
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Energy Action has established a Code of Conduct for its Directors and employees which forms the basis for ethical behaviour and is the framework that provides the foundation for maintaining and enhancing the Company's reputation. The objective of the Code is to ensure that all stakeholders and the broader community can be confident that the Company conducts its affairs honestly in accordance with ethical values and practices.

The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

A full copy of the Code of Conduct is posted on the Corporate Governance section of the Group's website.

Directors are provided with Board reports in advance of Board meetings which contain sufficient information to enable informed discussion of all agenda items.

The Board has the responsibility for the integrity of Energy Action's financial reporting. To assist the Board in fulfilling its responsibility, the processes discussed below have been adopted with a view to ensuring that the Company's financial reporting is a truthful and factual presentation of Energy Action's financial performance and position.

## **5.2 Dealing in Securities**

The Company has in place a formal Security Trading Policy which regulates the manner in which Directors and staff involved in the management of the Company can deal in Company securities. It requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of the Company and contains all contents suggested in the ASX Corporate Governance Principles and Recommendations.

The policy specifies trading blackouts as the periods during which trading securities cannot occur. Trading is always prohibited if the relevant person is in possession of non-public price sensitive information regarding the Company. A copy of the current Security Trading Policy is available on the Company's website.

## **5.3 Diversity**

A Diversity Policy was adopted in September 2011 which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The objectives set by the Board, which are included in the Policy, are as follows:

- Selecting and appointing Directors from a diverse pool of talent by developing an appointment process for future Directors that takes diversity of background into account, in addition to previous Board and leadership experience and experience in a specified field.
- Considering the Diversity Policy when assessing, selecting and making recommendations to the Board on senior executive appointments. In considering these recommendations the Board is also required to take into account the objectives of this policy.
- Implementing policies and training which address impediments to diversity in the workplace.
- Implementing initiatives designed to identify, support and develop talented individuals with leadership potential to prepare them for senior management and Board positions. For example, in the case of gender diversity, such initiatives include:
  - mentoring programs; and,
  - supporting the promotion of talented women into management positions.
- Networking opportunities.
- Identifying ways to entrench diversity as a cultural priority across the group.

- Setting targets for women's participation in the Board, senior management and across all employees and report such in the Annual Report.

Energy Action strives for diversity and respects the unique contributions that may be made by employees with diverse backgrounds, experiences and perspectives. Energy Action strongly believes diversity allows the provision of exceptional customer service to an equally diverse community. In order to attract and retain a diverse workforce and, in turn, a broad and varied customer base, Energy Action is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available in the workplace.

Energy Action's approach is about being flexible in the way we think, act and work. It is part of our on-going commitment to develop an inclusive workforce by recognising and accommodating individual circumstances and our work commitments.

Diversity in general:

- Energy Action currently has specific flexible working arrangements with 11 employees representing 7% of total staff (male & female employees).
- Energy Action has in its employment staff from 19 different cultural backgrounds.

The Board set the following measurable objectives for achieving diversity for the reporting year:

- Ensuring the Remuneration Committee actively monitors all aspects of diversity at each meeting and where elements of diversity need improvement that improvement targets are met.
- Ensure that our merit-based system remains the only mechanism adopted when employees, managers, senior managers, national managers, senior executives and Directors are appointed.
- Ensure that applicants continue to be selected from diverse candidate pools and continue to be interviewed by a diverse selection interview panel.

All of the above items were successfully in operation during the year ended 30 June 2015. As at 30 June 2015, the proportion of women on the Board is 17%, in senior management 29% and across all staff 42%. A copy of the Code of Conduct, Trading Policy and Diversity Policy is available on the Company's Website.

#### **5.4 Health, safety and environment**

The Company has continued its emphasis on health and safety in the workplace with the aim of ensuring that people achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. The Company has an occupational health and safety policy and a management system in place. The Company's safety performance is reported regularly to the Board to assist the Board in monitoring compliance with the Company's policy and the relevant regulatory requirements.

During FY2015 there were no reported environmental incidents and no Lost Time Injuries (LTI's).

#### **5.5 Continuous disclosure and communications with shareholders**

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX continuous disclosure regime. The Board has a Disclosure Policy, details of which are accessible in the Corporate Governance section on the Company's website. The policy includes procedures for dealing with potentially price-sensitive information which includes referral to the CEO, CFO and Company Secretary and sometimes the Board for a determination as to disclosure required. The ASX liaison person is the Company Secretary of Energy Action.

Energy Action has adopted a Communication Policy. The cornerstone of this policy is the delivery of timely and relevant information as described below:



- Investors receive an annual report and updates which keep them informed of Energy Action's performance and operations.
- After lodging market-sensitive information with ASX, Energy Action's policy is to place the information on its website, including annual and half year results announcements and investor presentations as soon as practically possible. Energy Action's website ([energyaction.com.au](http://energyaction.com.au)) contains recent announcements, presentations and past and current reports to shareholders.
- Domestic investor roadshows are held periodically throughout Australia. Where they contain new information, investor and roadshow presentations are released to the ASX and included on the Group's website.
- For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting. Presentations by the chairman and CEO are webcast.
- Full copies of notices of meetings are placed on the Energy Action website. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that shareholders cannot attend formal meetings, they are able to lodge a proxy on line in accordance with the Corporations Act.

**ASX Corporate Governance Council's Principles and Recommendations**

ASX Principle		Reference^	Compliance
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
<b>1.1</b>	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and,  (b) those matters expressly reserved to the Board and those delegated to management.	<b>1.1</b>	<b>Comply</b>
<b>1.2</b>	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and,  (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	<b>1.4</b>	<b>Comply</b>
<b>1.3</b>	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	<b>1.4 and 2015 Remuneration Report</b>	<b>Comply</b>
<b>1.4</b>	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.		<b>Comply</b>
<b>1.5</b>	A listed entity should: (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;  (b) disclose that policy or a summary of it; and,  (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant Committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either:  (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or  (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act	<b>5.3</b>	<b>Comply</b>

<b>1.6</b>	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process</p>	<b>3.1</b>	<p>As at 30 June 2015, do not comply for 1.6(b) however a skills matrix of the current Directors has been completed and will be utilised as part of an upcoming performance evaluation</p>
<b>1.7</b>	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and,</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<b>3.2</b>	<b>Comply</b>
<b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>			
<b>2.1</b>	<p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(3) the charter of the committee</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings</p>	<b>2.3</b>	<p>As at 30 June 2015, the Board had one independent Director. At 12 August 2015, of the five member Board, two are independent Directors</p>
<b>2.2</b>	<p>A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership</p>	<b>1.2</b>	<b>Comply</b>
<b>2.3</b>	<p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p> <p>(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each Director</p>	<b>1.2</b>	<b>Comply</b>

2.4	A majority of the Board of a listed entity should be independent Directors.	1.3	As at 30 June 2015, the Board had one independent Director. As at 12 August 2015, of the five member Board, two are independent Directors.
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	1.2	At the 2015 AGM, the current non-independent Chairman will stand down from this position. The Chairman is not the same person as the CEO of the entity
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	1.4	Comply
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	<p>A listed entity should:</p> <p>(a) have a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	5.1	Comply
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The Board of a listed entity should:</p> <p>(a) have an Audit Committee which:</p> <p>(1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director, who is not the chair of the Board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</p>	2.1	<p>As at 30 June 2015, do not comply for 4.1(a)(1) as the Audit and Risk Management Committee comprised one independent and two non-independent Directors.</p> <p>As at 12 August 2015, the company will comply as the committee will comprise 2 independent and one non-independent Director.</p>

4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.2	Comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	2.1	Comply
<b>PRINCIPLE 5— MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should:  (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and,  (b) disclose that policy or a summary of it.	5.5	Comply
<b>PRINCIPLE 6—RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	5.5	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	5.5	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	5.5	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	5.5	Comply

<b>PRINCIPLE 7—RECOGNISE AND MANAGE RISK</b>			
<b>7.1</b>	<p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;</p>	<b>4.1, 4.2</b>	<p>As at 30 June 2015, do not comply for 7.1(a)(1) as the Audit and Risk Management Committee comprised one independent and two non-independent Directors.</p> <p>As at 12 August 2015, the company will comply as the committee will comprise 2 independent and one non-independent Director.</p>
<b>7.2</b>	<p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<b>4.2</b>	<b>Comply</b>
<b>7.3</b>	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<b>4.2</b>	<b>Comply – The Company's internal audit function is carried out by the Company's Audit and Risk Management Committee.</b>
<b>7.4</b>	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<b>4.1, 4.2</b>	<b>Comply</b>
<b>PRINCIPLE 8—REMUNERATE FAIRLY AND RESPONSIBLY</b>			
<b>8.1</b>	<p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent Directors; and</p> <p>(2) is chaired by an independent Director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and</p>	<b>2.2</b>	<p>As at 30 June 2015, do not comply for 8.1(a)(1) as the Remuneration Committee comprised one independent and three non-independent Directors. As at 12 August 2015, the committee will comprise two independent and two non-independent Directors.</p>

	the individual attendances of the members at those meetings.		
<b>8.2</b>	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	<b>2.2</b>	<b>Comply</b>
<b>8.3</b>	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<b>5.2 and 2015 Remuneration Report</b>	<b>Comply</b>

All references are to sections of this Corporate Governance Statement unless otherwise stated

## Financial Statements

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
Revenue	6	31,653,926	25,319,943
Other income	6	405,289	335,204
<b>Total Revenue</b>		<b>32,059,215</b>	<b>25,655,147</b>
Cost of goods and services sold		(5,413,726)	(2,288,337)
Employee benefits expense	6	(15,669,384)	(12,298,375)
Share based payments on employee share schemes		(294,207)	(258,947)
Deferred consideration on acquisitions	4	(3,749,245)	(291,667)
Acquisition, transaction and restructuring related costs		(933,427)	(440,596)
Rental expense		(960,128)	(529,774)
Travel costs		(669,742)	(527,335)
Administration expenses	6	(4,269,535)	(2,989,152)
<b>EBITDA*</b>		<b>99,821</b>	<b>6,030,963</b>
Depreciation and amortisation expense	6	(1,158,077)	(913,789)
<b>EBIT**</b>		<b>(1,058,256)</b>	<b>5,117,175</b>
Financing (costs) / income	6	(302,341)	172,191
<b>Profit before income tax</b>		<b>(1,360,597)</b>	<b>5,289,366</b>
Income tax expense	7	(786,981)	(1,777,414)
<b>Profit / Loss for the period attributable to owners of the parent entity</b>		<b>(2,147,578)</b>	<b>3,511,952</b>
<b>Other comprehensive income net of income tax that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		(14,897)	(349)
<b>Total comprehensive income for the period attributable to owners of the parent entity</b>		<b>(2,162,475)</b>	<b>3,511,603</b>
<b>Earnings per share:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share for the year attributable to ordinary equity holders of the parent	8	(8.28)	13.60
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	8	(8.28)	13.31

\*EBITDA = Earnings before Interest, Tax, Depreciation &amp; Amortisation

\*\* EBIT = Earnings before Interest &amp; Tax



## Consolidated Statement of Financial Position

As at 30 June 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	1,740,288	4,556,558
Cash held in escrow	10	1,000,000	1,000,000
Trade and other receivables	11	5,868,825	5,293,181
Other assets	14	1,168,986	1,258,455
<b>TOTAL CURRENT ASSETS</b>		<b>9,778,099</b>	<b>12,108,194</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	11	93,098	46,322
Property, plant and equipment	12	896,782	563,920
Other assets	14	898,941	946,829
Other Intangible assets	13	2,175,485	1,741,016
Goodwill	13	9,942,429	4,140,313
Customer relationships	13	1,884,351	1,686,442
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,891,086</b>	<b>9,124,842</b>
<b>TOTAL ASSETS</b>		<b>25,669,186</b>	<b>21,233,036</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	6,202,921	2,137,085
Current tax liabilities	16	-	492,914
Short-term provisions	17	1,277,525	946,216
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,480,446</b>	<b>3,576,215</b>
<b>NON-CURRENT LIABILITIES</b>			
Other long-term provisions	17	372,667	252,723
Loans and Borrowings	18	3,759,538	-
Deferred tax liability	16	557,981	803,007
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,690,185</b>	<b>1,055,730</b>
<b>TOTAL LIABILITIES</b>		<b>12,170,632</b>	<b>4,631,945</b>
<b>NET ASSETS</b>		<b>13,498,553</b>	<b>16,601,091</b>
<b>EQUITY</b>			
Issued capital	19b	6,537,906	6,160,906
Share based payments reserve		553,154	258,947
Retained earnings		6,422,739	10,181,587
Foreign currency translation reserve		(15,246)	(349)
<b>TOTAL EQUITY</b>		<b>13,498,553</b>	<b>16,601,091</b>

The accompanying notes form part of these financial statements

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

Consolidated Group	Note	rdinary Issued Share Capital	Share Based payments Reserve	Retained Earnings	Foreign currency translation reserve	Total
		\$	\$	\$		\$
<b>Balance at 1 July 2013</b>		4,329,671	-	8,923,281	-	13,252,952
Profit attributable to owners of parent entity		-	-	3,511,952	-	3,511,952
Foreign currency translation reserve		-	-	-	(349)	(349)
Total comprehensive income		-	-	3,511,952	(349)	3,511,603
<i>Transaction with owners</i>						
Net share capital issued in the year	19	1,831,235	-	-	-	1,831,235
Share based payments	19	-	258,947	-	-	258,947
Dividends paid or provided for		-	-	(2,253,646)	-	(2,253,646)
<b>Balance at 30 June 2014</b>		6,160,906	258,947	10,181,587	(349)	16,601,091
Loss attributable to owners of parent entity		-	-	(2,147,578)	-	(2,147,578)
Foreign currency translation reserve		-	-	-	(14,897)	(14,897)
Total comprehensive income		-	-	(2,147,578)	(14,897)	(2,162,475)
<i>Transaction with owners</i>						
Net share capital issued in the year	19	377,000	-	-	-	377,000
Share based payments	19	-	294,207	-	-	294,207
Dividends paid or provided for		-	-	(1,611,270)	-	(1,611,270)
<b>Balance at 30 June 2015</b>		6,537,906	553,154	6,422,739	(15,246)	13,498,553

The accompanying notes form part of these financial statements

## Consolidated Statement of Cash Flow

### For the year ended 30 June 2015

	Note	Consolidated Group	
		2015	2014
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		34,560,207	26,202,218
Payments to suppliers and employees (inclusive of GST)		(28,633,361)	(20,234,046)
Payments for deferred consideration (Exergy) classified as employment expense	4	(1,000,000)	-
Acquisition and transaction related costs	4	(360,668)	(440,596)
Restructuring costs		(112,305)	-
Interest received		98,009	172,191
Interest paid		(226,998)	-
Income tax paid		(1,760,364)	(1,245,670)
Net cash provided by operating activities	21	2,564,520	4,454,097
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(398,203)	(145,917)
Acquisition of Ward Consulting Services		-	(500,000)
Acquisition of Energy Advice Pty Limited	4	(5,803,045)	-
Acquisition of Exergy Holdings Pty Limited	4	(138,623)	(1,805,140)
Acquisition of Exergy – restricted cash		-	(1,000,000)
Software development costs	13	(1,053,699)	(637,277)
Net cash used in investing activities		(7,393,570)	(4,088,334)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid by parent entity	9	(1,611,270)	(2,253,646)
Bank loan	18	4,100,000	-
Debt establishment fees		(438,248)	-
Bank guarantee fees		(37,702)	-
Net cash provided by/ (used in) financing activities		2,012,780	(2,253,646)
Net (decrease)/increase in cash held		(2,816,270)	(1,887,883)
Cash at beginning of financial year	10	4,556,558	6,444,441
Cash at end of financial year	10	1,740,288	4,556,558

*The accompanying notes form part of these financial statements*

## Notes to the Financial Statements for year ended 30 June 2015

### Note 1: Corporate Information

The consolidated financial statements and notes represent those of Energy Action Limited and its Controlled Entities (the “consolidated group” or “group” or “EAX”) for the year ended 30 June 2015. The financial statements were authorised for issue in accordance with a resolution of the directors on 18 August 2015.

Energy Action Limited (“the Parent”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group is a for profit entity.

The nature of the operation and principal activities of the Group are described in the directors’ report.

### Note 2: Summary of Significant Accounting Policies

#### 2.1 Basis of Preparation

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

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report is presented in Australian dollars and all values. The functional currency is also Australian dollars.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Where necessary, comparatives have been reclassified for consistency with disclosures at 30 June 2015.

#### 2.2 New Accounting Standards and interpretations

##### (i) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014; none of which had a material impact on the financial statements:

- AASB 2012-3 – *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* effective 1 January 2014
- AASB 2013-3 – *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* effective 1 January 2014
- AASB 1031 – *Materiality* effective 1 January 2014
- AASB 2013-9 - *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* effective 1 January 2014
- AASB 2014-1 - *Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle* effective 1 July 2014
- AASB 1053 – *Amendments to AASB 1053 Application of Tiers of Australian Accounting Standards* effective 1 July 2014

**Note 2: Summary Of Significant Accounting Policies (Continued)**
**(ii) Accounting Standards and Interpretations issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2015 are outlined in the table below:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	January 1, 2018	June 30, 2019
AASB 2014- 4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	January 1, 2016	June 30, 2017
AASB 15 Revenue from Contracts with Customers	January 1, 2017	June 30, 2018
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	January 1, 2016	June 30, 2017
Annual Improvements 2012-2014 Cycle	January 1, 2016	June 30, 2017
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	January 1, 2016	June 30, 2017
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	July 1, 2015	June 30, 2016

The Directors have not yet assessed whether the above amendments and interpretations will have a material impact on the financial report of the Group in the year or period of initial application.

**Impact of AASB15 on future reporting periods**

Adoption of AASB15, expected to apply in FY2018, will require revenue from certain procurement activities to be recognised in the period in which the procurement activity is undertaken. Procurement revenue currently recognised over the term of the underlying energy contract will be brought forward and recognised on inception of the energy procurement contract. This will result in a one-off acceleration of revenue together with the associated commission expense. Management is in the process of calculating this impact.

**Note 2: Summary Of Significant Accounting Policies (Continued)****2.3 Key Accounting Policies****a. Principles of Consolidation**

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in

the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

**b. Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**c. Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

**d. Income Tax and other taxes**

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

**Note 2: Summary Of Significant Accounting Policies (Continued)**

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

**Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingences are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**e. Plant and Equipment**

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

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a re-valued asset.

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



**Note 2: Summary Of Significant Accounting Policies (Continued)**

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

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Computer equipment	33.3%
Furniture and fittings	20%– 33.3%

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

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

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

**f. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term. Estimated remediation costs at the conclusion of a lease are accrued on a straight-line basis over the lease term.

**Note 2: Summary Of Significant Accounting Policies (Continued)****g. Financial Instruments*****Initial recognition and measurement***

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial assets at initial recognition. The financial assets held by the Group during the past two years only included loans and receivables and available-for-sale financial assets.

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

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

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

**(i) *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

**(ii) *Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. The only investments held by the Parent are in investments in its subsidiaries.

As the investments are subsidiaries they are measured at cost. When the financial asset is derecognised, the cumulative gain or loss pertaining to that is recognised in the profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

**(iii) *Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Note 2: Summary Of Significant Accounting Policies (Continued)**

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

**h. Impairment of Non-financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

***Goodwill***

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

***Intangible assets***

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**Note 2: Summary Of Significant Accounting Policies (Continued)**

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for any intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset

**i. Intangible assets other than Goodwill**

***Software, research and development costs***

Research costs are expensed as incurred. Development expenditures including website development costs on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is expensed through the profit and loss. During the period of development, the asset is tested for impairment annually.

The useful life of development costs is finite. It is amortised on a straight line basis over its expected useful life. The development costs are internally developed. The amortisation rates are as follows:

Software development costs      20%

***Customer relationships***

The useful life of customer relationships is finite. It is amortised on a straight line basis over its expected useful life, which is between six and twelve years.

**j. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

**Note 2: Summary Of Significant Accounting Policies (Continued)****k. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is present in the income statement net of any reimbursement. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

***Onerous contracts***

An onerous contract is considered to exist where the company has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

***Restructuring***

A restructuring provision is recognised when Energy Action has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Future operating losses are not provided for.

**l. Cash and Cash Equivalents**

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

**m. Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue recognition relating to the provision of services is recognised in accordance with the contract terms, which matches the commission terms.

Procurement and Monitoring revenue is recognised progressively over the term of the contract (typically over 2-3 years for Procurement and 4-5 years for Monitoring). A portion of the Procurement commission is recognised upfront with the balance recognised over the contract term. Project and Advisory Services (PAS) revenue is recognised in the accounting period in which services are rendered, in accordance with the percentage of completion of the project.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

**n. Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

**Note 2: Summary Of Significant Accounting Policies (Continued)****o. Contract Acquisition Costs**

The sales commission paid to sales employees is an incremental cost directly related to obtaining or acquiring energy supply, monitoring or PAS agreements. Sales employees are paid a base salary and an additional commission for successfully executed agreements. The commission paid to sales employees is calculated as a percentage of the commission or fee paid to EAX. This commission is capitalised and is being amortised over the term of the customer contract.

**p. Foreign Currency Transaction**

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

**i) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**ii) Group companies**

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**q. Work-in-progress**

When the outcome of a contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of each accounting period the long term contracts percentage completion is assessed individually and any unbilled percentage completion is recognised as work in progress income for the period. In the next period, the amount recognised as income will be reversed and the position of work in progress will be recalculated.

**r. Share based payments**

The Group provides benefits to employees in the form of equity settled share based payments, whereby employees render services in exchange for shares or rights over shares. The fair value of rights granted to eligible employees under the Energy Action Performance Rights & Options Plan (PROP) is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. The fair value is measured at grant date and recognised over the period in which the employee becomes entitled to the PROP grant. The fair value at grant date is determined by an independent valuer. Details of the fair value of share based payment plans are set out in Note 19.

At the end of each reporting period, the Group revises its estimate of the numbers of rights expected to vest. The amount recognised as an expense is only adjusted when the rights do not vest due to non-market related conditions.

**Note 3: Significant Accounting Judgements, Estimates and Assumptions**

In the application of Energy Action's accounting policies, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Impairment of goodwill and other intangible assets***

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

***Share-based payment transactions***

The Group measures the cost of equity-settled transactions with suppliers with reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19.

***Development costs***

Development costs are capitalised in accordance with the accounting policy in Note 2(i). Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. This includes significant investments in the development of software. The software is being enhanced and /or developed for use within the business, improving operational efficiency.

***Provision for impairment of receivables***

Collectability of trade receivables is assessed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence the Energy Action will not be able to collect all amounts due. Management uses its judgement in determining the level of doubtful debt provisioning, considering historical analysis of bade debts trends and prevailing economic circumstances.

### ***Business Combinations***

Acquisitions of businesses are accounted for using the acquisition method. This method requires the application of fair values for both the consideration and the assets and liabilities acquired. The calculation of fair value is often based on estimates and judgements including future cash flows, revenue streams and value in use calculations.

### ***Onerous Contracts***

Energy Action's policy for onerous contracts is stated in Note 2(k). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances in relation to costs to meet contractual obligations.

### ***Employee benefits***

Employee benefits are predominantly annual leave and long service leave. In determining these provisions, management makes assumptions in regards to future wage increases, and the probability that employees may satisfy vesting requirements for long service leave

### ***Work in progress***

Energy Action performs services under contracts that last longer than one reporting period. For these contracts, revenue and costs are recognised on a percentage of completion basis. Percentage of completion by project is estimated by the project relevant project manager based on their assessment of completion versus milestones.



**Note 4: Business Combinations****4.1 Information on current year acquisition****Acquisition of Energy Advice**

On 18 August 2014, Energy Action Limited ("EAX") acquired 100% of the voting shares of Energy Advice Pty Ltd ("Energy Advice"). Trading as Energy Advice, and established in 1997 by the late Mr Phil Randall, Energy Advice is a highly regarded energy consultancy business with a core competency energy procurement, contract management services and specialty consultancy services. Its operations complement EAX's energy procurement and contract management offering, and significantly strengthen the EAX's access to large energy load customers. Energy Advice provides comprehensive energy management, procurement, reporting, auditing, energy efficiency, advisory and project management services across a broad range of energy commodities including electricity, gas, LPG, fuels and renewables. The company employs over 30 staff and has offices in Melbourne, Sydney and Brisbane.

Consideration is comprised of the following:

*Initial Consideration (paid)* - \$6,536,235 paid as cash and shares

- \$2,765,000 cash payment on 18 August 2014
- \$377,000 in EAX shares issued on 18 August 2014 (123,356 shares @\$3.0562)
- \$3,142,000 cash payment on 1 October 2014; and
- \$252,235 as a working capital adjustment on 22 October 2014

*Deferred Consideration (payable)* - \$6,284,000 cash payable to the vendors as follows:

- \$3,142,000 on 18 August 2015; and,
- \$3,142,000 on 18 August 2016

The deferred payments are subject to the continued employment of the vendors. Due to the direct link to continued employment of the vendors the deferred consideration of \$6,284,000 is required to be expensed to the Profit and Loss Statement evenly over the 2 year period ended 18 August 2016. The expense recognised in the 12 month period to 30 June 2015 was \$2,749,247 and this has been emphasised as a Significant Item in the Directors Report. The deferred payments are covered by bank guarantees.

The acquisition was provisionally accounted at 31 December 2014 with the final acquisition accounting completed in June 2015. The provisional and final fair value of the identifiable assets and liabilities of Energy Advice as at the date of acquisition were:

**Note 4: Business Combinations (Continued)**

	Note	Fair value recognised on acquisition- provisional	Adjustments to provisional fair value	Fair value recognised on acquisition – final
<b>Assets</b>				
Cash		356,190		356,190
Trade receivables		597,968		597,968
Prepayments		555,738	(18,567)	537,171
Property, plant and equipment		271,177		271,177
Customer relationship		1,500,000	(1,069,000)	431,000
<b>Total Assets</b>		<b>3,281,073</b>	<b>(1,087,567)</b>	<b>2,193,506</b>
<b>Liabilities</b>				
Provisions		970,252		970,252
Tax payable		215,623	26,590	242,213
Deferred tax liabilities		450,000	(281,262)	168,738
<b>Total Liabilities</b>		<b>1,635,875</b>	<b>(254,672)</b>	<b>1,381,203</b>
Total identifiable net assets at fair value		1,645,198	(832,895)	812,303
Goodwill arising on acquisition	13	4,891,039	832,895	5,723,934
<b>Purchase consideration</b>		<b>6,536,235</b>		<b>6,536,235</b>
Issue of shares	19	377,000		377,000
Analysis of cash flows on acquisition:				
Net cash acquired		356,190		356,190
Cash paid		(6,159,235)		(6,159,235)
<b>Net cash outflow</b>		<b>(5,803,045)</b>		<b>(5,803,045)</b>

The transaction costs of \$320,892 have been expensed in the income statement and emphasised as a Significant Item in the Directors Report and are part of operating cash flows in the statement of cash flows.

The goodwill is attributed to the expected synergies and other benefits from combining the activities of Energy Advice to the Group. An allocation of intangibles has been undertaken with \$431,000 allocated to Customer relationships with the remainder allocated to goodwill.

Energy Advice has contributed revenue of \$4.8 million since acquisition. If Energy Advice had been acquired effective 1 July 2014, a full year of revenue would have contributed \$5.4 million.

## 4.2 Information on prior year acquisition

### Acquisition of Exergy Holdings Pty Limited

On 13 March 2014, EAX acquired 100% of the voting shares of Exergy Holdings Pty Limited ("Exergy"), an unlisted company based in Canberra, ACT. Trading as Exergy, and established in 1999 by Dr. Paul Bannister, Exergy is a highly regarded business with a core competency in energy efficiency. Its operations complement EAX's energy procurement and contract management services, and significantly strengthen EAX's Projects & Advisory Services (PAS) division.

Exergy provides a full range of energy efficiency services to its customers, including assessments, retro-commissions and building tuning, environmental performance monitoring, ratings (NABERS, Green Star), lighting design and review, building performance simulation and new building design assistance services. The company employs over 30 staff and has offices in Canberra, Sydney, Melbourne and Auckland.

Consideration is comprised of the following:

*Initial Consideration (paid)* - \$2,000,000 cash payment, paid to the vendors on 13 March 2014 plus a working capital adjustment of \$138,623 paid on 16 September 2014.

*Deferred Consideration (payable)* - \$2,000,000 cash payable to the vendors as follows:

- \$500,000 on 15 September 2014
- \$500,000 on 13 March 2015; and
- \$1,000,000 on 13 March 2016

The deferred payments are subject to the continuing employment of the vendors. Due to the direct link to continuing employment of the vendors the deferred consideration of \$2,000,000 is required to be expensed to the Profit and Loss Statement evenly over the 2 year period ended 13 March 2016. The expense recognised in FY15 was \$1,000,000 (FY14 \$291,667) and this has been emphasised as a Significant Item in the Directors Report.

At completion of the acquisition half of the deferred consideration (\$1,000,000) was deposited into an escrow account. Interest on this amount accrues to Energy Action.

The acquisition was provisionally accounted at 31 December 2014 and final acquisition accounting was completed in March 2015. The provisional and final fair value of the identifiable assets and liabilities of Exergy as at the date of acquisition was:

The goodwill is attributed to the expected synergies and other benefits from combining the activities of Exergy to the Group. A allocation of intangibles has been undertaken with \$1,562,579 allocated to goodwill.

The transaction costs of \$480,372 (\$440,596 in FY14, \$39,776 in FY15) have been expensed in the income statement and are part of operating cash flows in the statement of cash flows.

As Exergy has been integrated with the PAS division, it is not possible to directly attribute revenue contributed since acquisition.

\$	Note	Provisional fair value recognised on acquisition – Dec 2014	Adjustments to provisional fair values at December 2014	Adjusted provisional fair value recognised on acquisition Dec 2014
<b>Assets</b>				
Cash		194,860	-	194,860
Trade receivables		871,754	-	871,754
Prepayments		79,697	-	79,697
Property, plant and equipment		58,157	-	58,157
Customer relationship		400,000	(400,000)	-
<b>Total Assets</b>		<b>1,604,468</b>	<b>(400,000)</b>	<b>1,204,468</b>
<b>Liabilities</b>				
Provisions		628,374	(194,660)	433,714
Deferred tax liabilities		120,000	(120,000)	-
<b>Total Liabilities</b>		<b>748,374</b>	<b>(314,660)</b>	<b>433,714</b>
Total identifiable net assets at fair value		856,094	(85,340)	770,754
Goodwill arising on acquisition	13	1,282,579	85,340	1,367,919
<b>Purchase consideration</b>		<b>2,138,673</b>		<b>2,138,673</b>
Analysis of cash flows on acquisition:				
Net cash acquired		194,860	-	194,860
Cash paid		(2,138,673)	-	(2,138,673)
<b>Net cash outflow</b>		<b>(1,943,813)</b>	<b>-</b>	<b>(1,943,813)</b>

#### 4.3 Total amounts of deferred consideration expense and acquisition expense

	Consolidated Group	
	2015	2014
	\$	\$
<b>Deferred consideration</b>		
Exergy	1,000,000	291,667
Energy Advice	2,749,245	-
Total deferred consideration expense	3,749,245	291,667
<b>Acquisition costs</b>		
Exergy	39,776	440,596
Energy Advice	320,892	-
Total acquisition costs expensed	360,668	440,596

**Note 5: Segment information****Identification of reportable segments**

The Group has identified one reportable operating segment, which provides electricity and gas procurement services, energy monitoring services, and sustainability services in Australia. The types of services provided are detailed below.

**Types of Services**

Energy Action's principal activities are providing integrated energy management services to a diverse base of commercial and industrial customers. Its core services are:

- Energy procurement: specialised buying and negotiation strategies, utilising reverse auctions, bespoke tender models and advising on structured products.
- Energy monitoring, assessment and contract management (Activ8 and Energy Metrics); and,
- Energy efficiency and sustainability; Projects and Advisory Services (PAS).

The Australian Energy Exchange (AEX) electricity and gas procurement services are an online, real time and reverse auctions platforms for business customers the opportunity to competitively obtain energy supply contracts from various energy providers.

Activ8 is an independent energy monitoring contract management platform which transforms energy data into usable business intelligence that is easy to understand and essential for improving overall business efficiency.

The types of energy monitoring services include energy consumption monitoring and costing, energy emissions monitoring, contract administration, detailed technical reporting, desktop energy efficiency review and additional reporting and monitoring.

Projects & Advisory Services (PAS) is the energy efficiency and sustainability partnering service, which aims to improve and manage on site level of energy efficiency, through the use of innovative energy efficiency and energy management methodologies. The various services include metering intelligence, sub metering, carbon footprint measurement and reduction advice, Australian Standard Level 2 compliance energy audits, project feasibility studies and supporting onsite power generation projects such as co-generation and tri-generation units from prefeasibility through to commissioning.

In the table below revenue is analysed by service line, however overall the performance of the business is monitored as one.

**Accounting Policies and inter-segment transaction**

The accounting policies used by the Group in the reporting segment internally are the same as those contained in note 2 to the accounts.

**Revenue by customer**

There is no revenue with a single external customer that contributes more than 10%.

**Note 5: Segment Information (Continued)**

Year-ended	30 June 2015	Procurement	Monitoring	Project Advisory Services	Total
		\$	\$	\$	\$

Sales to external customers		8,810,509	16,144,831	6,698,585	31,653,926
		8,810,509	16,141,831	6,698,585	31,653,926

Segment information has been restated since the half year result to better align products and services into the appropriate segments. Further details of revenue by product are contained in the Directors Report.

Year ended	30 June 2014	Procurement	Monitoring	Project Advisory Services	Total
		\$	\$	\$	\$

Sales to external customers		6,025,301	14,997,832	4,296,809	25,319,943
		6,025,301	14,997,832	4,296,809	25,319,943

**Note 6: Revenue, Other Income and Expenses**

	Note	Consolidated Group
		2015
		\$
		2014
		\$

**Revenue**

Sales revenue	31,653,926	25,319,943
Other income	405,289	335,204
Total Revenue	32,059,215	25,655,147

Other income includes a pass through arrangement with several key customers. Costs are correspondingly recorded in cost of goods sold.

**Note 6: Revenue, Other Income and Expenses (continued)**

	Note	Consolidated Group	
		2015	2014
		\$	\$
<b>Employee benefits</b>			
Salaries		12,063,684	9,192,178
Commissions		1,188,026	1,198,146
Superannuation		1,454,458	966,608
Other		963,216	941,443
<b>Total Employment benefits</b>		<b>15,669,384</b>	<b>12,298,375</b>
<b>Administrative costs</b>			
Accounting, audit and tax fees		204,683	178,460
Advertising		411,260	247,549
Legal and professional fees		89,640	71,377
Telephone and internet		490,056	305,676
Computer maintenance costs		536,944	456,650
Consulting		137,734	96,366
Bad debt expense		550,201	-
Recruitment Costs		151,403	194,880
Travel costs		669,742	527,335
Rental expense		960,128	529,774
Other expenses		1,697,614	1,438,194
<b>Total Administrative costs</b>		<b>5,899,405</b>	<b>4,046,261</b>
<b>Depreciation and amortisation</b>			
Depreciation		305,755	193,454
Amortisation - IP		619,230	553,089
Amortisation - Customer relationships		233,091	167,245
<b>Total Depreciation &amp; Amortisation</b>		<b>1,158,077</b>	<b>913,789</b>
<b>Significant Item Costs</b>			
Deferred payments for acquisitions		3,749,245	291,667
Share based payment expenses		294,207	258,947
Acquisition costs		360,668	440,596
Onerous lease		153,059	-
Restructure costs		419,700	-
<b>Total Significant Items</b>		<b>4,976,879</b>	<b>991,210</b>
<b>Financing costs / (income)</b>			
Interest income		(70,442)	(172,191)
Interest expenses		274,998	-
Borrowing costs		97,785	-
<b>Total Financing costs / (income)</b>		<b>302,341</b>	<b>(172,191)</b>

**Note 7: Income Tax Expense**

	Note	2015	2014
		\$	\$
a.	The components of tax expense comprise:		
	Current tax	1,192,817	1,720,750
	Current tax – under/(over) prior year	7,928	3,296
	Deferred tax	16 (413,764)	53,368
		786,981	1,777,414
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax (benefit) / payable on profit / (loss) from ordinary activities before income tax at 30% (2014: 30%)	(408,179)	1,597,956
	Add:		
	Tax effect of:		
	— Deferred consideration	1,124,774	87,500
	— Acquisition costs	108,200	132,179
	— Share based payments	88,262	77,684
	— Other permanent differences	88,291	13,391
	— Prior year adjustments	(46,350)	18,518
	Less:		
	Tax effect of: Deductible Expense		
	— R&D	(168,017)	(149,814)
	Income tax attributable to entity	786,981	1,777,414
	The applicable weighted average effective tax rates are as follows:	(57.84)%	33.60%

Energy Action Limited and its 100% owned subsidiaries formed a tax consolidated group with effect from 3 March 2009. Energy Action Limited is the head entity of the tax consolidated group. The tax consolidated group includes Exergy (acquired 13 March 2014) and Energy Advice (acquired 18 August 2014).



## Note 8: Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic diluted earnings per share computations:

	2015 \$	2014 \$
Net profit / (loss) attributable to ordinary equity holders of the parent from continuing operations	(2,147,578)	3,511,952
<b>Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings</b>	<b>(2,147,578)</b>	<b>3,511,952</b>
<b>Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilutions</b>	<b>(2,147,578)</b>	<b>3,511,952</b>
	<b>2015 No.</b>	<b>2014 No.</b>
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>25,934,821</b>	<b>25,817,498</b>
<b>Effect of dilution:</b>		
Share options and performance rights	30,678	562,486
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>25,965,499</b>	<b>26,379,984</b>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements

Under the accounting standards, losses are not diluted. This is correct for Statutory EPS calculations. The dilution calculation has been performed to enable users of these financial statements to determine the impact of the dilution on Operating NPAT per share. Refer also to the Directors Report for further information on the calculation of Operating NPAT.

**Note 9: Dividends**

		Consolidated Group	
	Note	2015 \$	2014 \$
<u>Dividends paid:</u>			
Final 2013 franked dividend of 5.10 cents per share		-	1,290,653
Interim 2014 franked dividend of 3.73 cents per share		-	962,993
Final 2014 franked dividend of 3.62 cents per share		939,059	-
Interim 2015 franked dividend of 2.59 cents per share		672,211	-
		1,611,270	2,253,646
a. Proposed final 2015 franked dividend of 1.06 cents per share	26	275,114	939,757
(Final 2014 franked dividend of 3.62 cents per share)			
b. Balance of franking account at year end adjusted for franking credits arising from:			
— Opening balance		4,320,749	3,196,855
— Opening balance adjustment		(57,004)	-
— Energy Advice franking account balance		93,865	-
— Exergy franking account balance		-	743,785
— Refund of income tax		-	(333,708)
— Payment of provision for income tax		1,760,364	1,679,665
— Dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years		(690,544)	(965,848)
		5,427,430	4,320,749
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:		(117,906)	(402,753)
		5,309,524	3,917,996

**Tax rates**

The tax rate at which paid dividends have been franked is 30% (2014: 30%). Dividends proposed will be franked at the rate of 30% (2014: 30%).

**Note 10: Cash and Cash Equivalents**

	Note	Consolidated Group	
		2015	2014
		\$	\$
Cash at floating rates		1,740,288	2,056,558
Short - term deposits		-	2,500,000
Cash at bank and in hand		1,740,288	4,556,558
Restricted cash*		1,000,000	1,000,000

\*Refers to Exergy acquisition – refer to Note 4.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**Note 11: Trade and Other Receivables**

	Note	Consolidated Group	
		2015	2014
		\$	\$
<b>CURRENT</b>			
Trade receivables		6,171,937	5,362,182
Provision for impairment	11a	(303,112)	(69,001)
Total current trade receivables		5,868,825	5,293,181
<b>NON-CURRENT</b>			
Bonds and security deposits		93,098	46,322

**a. Provision for Impairment of Receivables**

Current trade and term receivables are non-interest bearing and generally on 30 to 90-day terms.

**Credit risk**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

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

The balances of receivables including overdue are considered to be fully recoverable. Customers have trading terms varying between 30 - 90 days.

## Note 11: Trade and Other Receivables (continued)

	Past due but not impaired (days overdue)						Within Initial Trade Terms \$
	Net Amount \$	Past due and Impaired \$	< 30 \$	31–60 \$	61–90 \$	91+ \$	
2015							
Trade and term receivables	5,868,825	303,112	1,824,508	394,748	832,930	999,598	2,120,153
2014							
Trade and term receivables	5,293,181	69,001	719,580	861,576	128,572	618,910	3,033,543

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

### b. Collateral Held as Security

No collateral or security is held by the company for loans or receivables.

**Note 12: Property, Plant and Equipment**

	Note	Consolidated Group	
		2015	2014
		\$	\$
<u>Computer equipment:</u>			
At cost		1,632,207	1,100,431
Accumulated depreciation		(1,337,232)	(809,191)
		294,975	291,240
<u>Furniture and fittings:</u>			
At cost		1,241,540	577,486
Accumulated depreciation		(639,734)	(304,806)
		601,806	272,680
Total Plant and Equipment		896,781	563,920

**a. Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Note	Computer Equipment	Furniture and Fittings	Total
		\$	\$	\$
<b>Consolidated Group:</b>				
<b>Balance at 1 July 2013</b>		254,835	298,465	553,300
Additions		63,367	82,550	145,917
Assets acquired from acquisition	4	58,157	-	58,157
Depreciation expense		(85,119)	(108,335)	(193,454)
<b>Balance at 30 June 2014</b>		291,240	272,680	563,920
Additions		187,473	210,730	398,203
Assets acquired from acquisition	4	35,225	235,953	271,178
Assets disposed		(30,765)	-	(30,765)
Depreciation expense		(188,198)	(117,558)	(305,755)
<b>Balance at 30 June 2015</b>		294,975	601,806	896,781

**Note 13: Intangible Assets**

	Consolidated Group	
	2015	2014
	\$	\$
Goodwill	9,942,429	4,140,313
Customer relationships	2,438,000	2,007,000
Accumulated amortisation	(553,649)	(320,558)
Net carrying value – customer relationships	1,884,351	1,686,442
Software development costs	4,940,729	3,887,031
Accumulated amortisation	(2,765,244)	(2,146,015)
Net carrying value	2,175,485	1,741,016
Total intangibles	14,002,265	7,567,771

	Goodwill	Customer relationships	Software Development costs	Total Intangibles
	\$	\$	\$	\$

**Consolidated Group:**
**Year ended 30 June 2014**

Balance at the beginning of year	2,850,577	1,853,687	1,656,828	6,361,092
Acquisition of a subsidiary	1,289,736	-	-	1,289,736
Internal development	-	-	637,277	637,277
Amortisation charge	-	(167,245)	(553,089)	(720,334)
	4,140,313	1,686,442	1,741,016	7,567,771

**Year ended 30 June 2015**

Balance at the beginning of year	4,140,313	1,686,442	1,741,016	7,567,771
Acquisition of a subsidiary	5,802,116	431,000	-	6,233,116
Internal development	-	-	1,053,699	1,053,699
Amortisation charge	-	(233,091)	(619,230)	(852,321)
<b>Closing value at 30 June 2015</b>	<b>9,942,429</b>	<b>1,884,351</b>	<b>2,175,485</b>	<b>14,002,265</b>

Intangible assets, excluding goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of comprehensive income.

Refer to Note 2 for capitalisation policy.

## Note 13: Intangible Assets (continued)

### 13 (a) Impairment testing of goodwill

For the year ended 30 June 2015, Goodwill acquired through business combinations with indefinite lives has been allocated to one Cash Generating Unit (CGU).

Energy Action has one reportable operating segment, being 'the provision of electricity procurement services, energy monitoring services, and project advisory services in Australia'. Therefore goodwill will be allocated across Energy Action's sole operating segment.

The recoverable amount of Goodwill has been determined on a value in use calculation using cash flow projections based on the Board approved budget for the year ended 30 June 2016 approved by the Board extrapolated for 4 years.

The discount rate applied to cash flow projections is a pre tax rate of 21.9% (post tax 16%) and the cash flows beyond the approved budgets are extrapolated using 2% growth rate and terminal growth rate of 1%.

Management believe that a reasonable possible increase in the discount rate up to 18.5% (post tax), assuming all other assumptions remain constant, would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

## Note 14: Other Assets

	Consolidated Group	
	2015	2014
	\$	\$
CURRENT		
Prepayments	569,879	590,597
Work in progress	163,684	163,486
Tax receivable	76,193	-
Contract acquisition costs	359,230	504,372
	<u>1,168,986</u>	<u>1,258,455</u>
NON CURRENT		
Contract acquisition costs	898,941	946,829
	<u>898,941</u>	<u>946,829</u>

Contract acquisition costs represent sales commissions paid to sales employees. Sales commissions are calculated and paid on a monthly basis to sales employees. These costs are recognised progressively in line with revenue from procurement and contract management services, typically over two to five years.

## Note 15: Trade and Other Payables

		Consolidated Group	
		2015	2014
		\$	\$
CURRENT			
<u>Unsecured liabilities:</u>			
Trade payables		801,978	486,094
Deferred consideration payable – Energy Advice		2,749,195	-
Deferred consideration payable – Exergy		291,667	291,667
Other payables and accrued expenses		2,360,081	1,359,324
		<u>6,202,921</u>	<u>2,137,085</u>
a.	<b>Financial liabilities at amortised cost classified as trade and other payables</b>		
	Trade and other payables:		
	– total current	6,202,921	2,137,085
	– total non-current	-	-
		<u>6,202,921</u>	<u>2,137,085</u>
	Financial liabilities as trade and other payables	23	<u>6,202,921</u>
			<u>2,137,085</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60 day terms
- Other payables are non-interest bearing and have an average term of six months



**Note 16: Tax**

	Consolidated Group	
	2015	2014
	\$	\$

**CURRENT**

Income tax payable	-	492,914
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**NON-CURRENT**

	Opening Balance	Charged to Income	Acquired	Charged directly to Equity	Closing Balance
	\$	\$	\$	\$	\$

**Consolidated Group**
**Deferred Tax 2015**

Provisions	344,227	254,806	-	-	599,033
Accruals	46,498	159,381	-	-	205,879
Fixed assets	(302,022)	(116,489)	-	-	(418,511)
Equity raising costs	97,088	(51,660)	-	-	45,428
Customer relationships	(505,933)	109,365	(168,738)	-	(565,306)
Prepaid commissions	(435,360)	58,619	-	-	(376,741)
Work in progress	(49,046)	(59)	-	-	(49,105)
Other	1,541	(199)	-	-	1,342
	(803,007)	413,764	(168,738)	-	(557,981)

**Deferred Tax 2014**

Provisions	244,834	8,217	91,176	-	344,227
Accruals	26,902	19,596	-	-	46,498
Fixed assets	(145,671)	(156,351)	-	-	(302,022)
Equity raising costs	148,940	(51,852)	-	-	97,088
Customer relationships	(556,106)	50,173	-	-	(505,933)
Prepaid commissions	(561,255)	125,895	-	-	(435,360)
Work in progress	-	(49,046)	-	-	(49,046)
Other	1,541	-	-	-	1,541
	(840,815)	(53,368)	91,176	-	(803,007)

**Note 17: Provisions and other liabilities**
**Analysis of total provisions**

	Consolidated Group	
	2015	2014
	\$	\$
Current		
Annual leave	874,526	682,001
Long service leave	359,014	220,230
Deferred grant income	43,985	43,985
	1,277,525	946,216
Non-current		
Long service leave	358,722	184,779
Deferred grant income	13,945	67,944
	372,667	252,723

**Provision for Long-term Employee Benefits**

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2.

**Note 18: Loans and Borrowings**

	Consolidated Group	
	2015	2014
	\$	\$
Multi-Option Facility Agreement	4,100,000	-
Less capitalised debt establishment fees	(340,462)	-
	3,759,538	-

During the year, Energy Action entered into \$12 million multi-option secured debt facility. The facility has a five year term and is available to fund future purchase price instalments of the Energy Advice acquisition and for general corporate purposes. Funds can be utilised in the form of loans, bank guarantees and letters of credit.

Funds advanced under the facility are secured by a charge over the assets of the Group, and includes Interest Cover and Gearing ratios.

Debt establishment fees are capitalised and amortised over the life of the loan facility.

Utilization of the facility is summarised in the following table:

## Note 18: Loans & Borrowings cont.

### Financing facilities

	Consolidated Group	
	2015	2014
	\$	\$
Loan facilities	12,000,000	-
<b>Amounts used</b>		
Borrowings	4,100,000	-
Bank guarantees	6,381,297	-
<b>Total amounts used</b>	10,481,297	-
<b>Amounts unused</b>	1,518,703	-

**Note 19: Issued Capital and Reserves**

	Consolidated Group	
	2015	2014
	\$	\$
Fully paid ordinary shares	6,537,906	6,160,906
	6,537,906	6,160,906

	Consolidated Group	
	2015	2014
	No.	No.
a. <b>Ordinary Shares (number)</b>		
At the beginning of the reporting period:	25,817,498	25,306,921
Movement in the year:		
- Share issue – Ward acquisition	-	510,577
- Shares issued under long term incentive plans	13,263	-
- Share issue – Energy Advice acquisition	123,356	-
At the end of the reporting period	25,954,117	25,817,498

	Consolidated Group	
	2015	2014
	\$	\$
b. <b>Ordinary Shares (\$)</b>		
At the beginning of the reporting period:	6,160,906	4,329,671
Movement in the year		
- Share issue – Ward acquisition	-	1,831,235
- Share issue – Energy Advice acquisition	377,000	-
At the end of the reporting period	6,537,906	6,160,906

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**c. Share based payments reserve**
*Share-based payment transactions:*

The share-based payment reserve is used to recognise the value of equity-settled share-based payment provided to employees.

On 7 December 2014, 433,209 performance rights were granted to senior executives and certain other employees under the Performance Rights & Options Plan (PROP). Vesting only occurs when and if service and performance conditions are met.

The service condition is such that the employee must be employed by Energy Action at the time any performance rights vest.

The Performance Conditions comprise two tests, the Earnings Per Share (EPS) and Total Shareholder Return (TSR) tests, which are described below.

The number of Performance Rights allocated to an individual which may vest will be determined by reference to:

- an Earnings Per Share (EPS) component achieved by comparing the Company's Actual Operating EPS for the year ending on the relevant test date to the Company's Budget Operating EPS for the year ending on the relevant test date (Target 1); and
- a Total Shareholder Return (TSR) component achieved by comparing the Company's total compounded return to the total compounded return of the S&P/ASX300 (Index) for the year ending on the relevant test date (Target 2).

75% of Performance Rights Earnings Per Share Target (EPS) ("Target 1 Entitlement")		25% of Performance Rights Total Shareholder Return (TSR) ("Target 2 Entitlement")	
Target 1	Available Performance Rights	Target 2	Available Performance Rights
Actual Operating EPS LESS THAN Budget Operating EPS	Nil	Company Total Compounded TSR LESS THAN Total Compounded TSR of the Index	0%
Actual Operating EPS EQUALS (OR GREATER THAN) Budget Operating EPS	Nil	Company Total Compounded TSR EQUALS Total Compounded TSR of the Index	50%
		Company Total Compounded TSR BETWEEN EQUAL TO AND 1.10 TIMES Total Compounded TSR of the Index	Vesting will occur on a linear basis between 50% and 100%
		Company Total Compounded TSR 1.10 TIMES Total Compounded TSR of the Index	100%

**Note 19: Issued Capital and Reserves (Continued)**

Awards have been granted with either a 2 or 3 year vesting period ending 30 June 2016 or 30 June 2017. The details and fair values of each of the performance rights granted during the six month period was as follows:

	Retesting	EPS \$	TSR \$	Description
2 year	Y	1.12 - 1.33	0.62 - 1.16	2 tranches of grant. If rights maturing in 2015 do not vest, they may be retested again in 2016.
3 Year	N	0.94 - 1.10	0.20 - 1.12	No retesting feature
3 year service only	N/A	N/A	N/A	Fair value per right is \$1.95

A Monte Carlo simulation valuation technique has been adopted to value the performance rights at grant date. The fair value of performance rights granted during the year ended 30 June 2015 was estimated on the date of grant using the following assumptions:

Dividends	FY15 7.5 cents, 17% pa growth thereafter
Expected volatility (%)	35
Risk-free interest rate (%)	2.29
Share price (\$)	2.24

The three year rights have a lower value as the rights are not able to be re-tested, unlike the two year grants whose rights, if they don't vest, can be retested and may vest in the following year.

For the year ended 30 June 2015, the Group has recognised \$294,207 of share-based payment expense in the statement of comprehensive income (30 June 2014: \$258,947).

**d. Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 2. The reserve is recognised in profit or loss when the net investment is disposed of.

**e. Capital Management**

The Group's capital includes ordinary share capital. Management controls the capital of the Group in order to maintain a prudent debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. This includes adjusting dividend payments to shareholders and equity attributable to the entity holders of the parent.

There is an externally imposed capital requirement of \$50,000 to be held in cash, as a requirement of holding an Australian Financial Services Licence.

The way management controls Group's capital is by assessing the Group's financial risks and adjusting its capital structure in response to changes in those risks and in the market. The responses include the management of debt levels, distributions to shareholders and share issues.

## Note 19: Issued Capital and Reserves (Continued)

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The Group includes within net debt, trade and other payables including provision for income tax, less cash and cash equivalents. The gearing ratio's for the year ended 30 June 2015 and 30 June 2014 are as follows:

	Note	Consolidated Group	
		2015	2014
		\$	\$
Bank loans	18	3,759,538	-
Less cash and cash equivalents	10	(1,740,288)	(4,556,558)
Net debt / (cash)		2,019,250	(4,556,558)
Total Equity		13,498,553	16,601,092
Gearing percentage (%)		15%	nil
Gearing as measured by total net debt divided by total equity was 15% as at 30 June 2015 and nil at 30 June 2014.			

## Note 20: Capital and Leasing Commitments

	Note	Consolidated Group	
		2015	2014
		\$	\$
a. <b>Operating Lease Commitments</b>			
Non-cancellable property operating leases contracted for but not recognised in the financial statements			
Payable – minimum lease payments:			
– not later than 12 months		737,059	788,351
– between 12 months and 5 years		2,158,660	931,258
		2,895,719	1,719,609

The property leases are non-cancellable leases with a maximum 5 year term with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or between 4-5% per annum. An option exists to renew a number of leases at the end of the term for a maximum of three years.

### b. Bank Guarantees

The Group has provided bank guarantees to the Energy Advice vendors for deferred consideration totalling \$6,284,000. These are payable in equal amounts on 18 August 2016 and 18 August 2017.

The Group has provided the following bank guarantees at 30 June 2015 for regional offices:

– Parramatta office	97,297	72,389
– Sydney office	126,210	92,515
– Brisbane office	18,354	13,982
– Melbourne office	45,562	19,250
	287,423	198,136

**Note 21: Cash Flow Information**

		Consolidated Group	
		2015	2014
		\$	\$
a.	<b>Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
	Profit after income tax	(2,147,577)	3,511,952
	– Depreciation and amortisation	1,158,077	913,789
	– Share based payments expense	294,207	258,947
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
	– (increase)/decrease in trade and term receivables	771,656	(847,474)
	– (increase)/decrease in prepayments and other assets	(158,622)	(430,132)
	– increase/(decrease) in trade payables and accruals	3,095,583	503,264
	– increase/(decrease) in deferred taxes	(219,105)	(37,808)
	– increase/(decrease) in provisions	(229,699)	581,560
	Cash flow from operations	2,564,520	4,454,098

**Note 22: Related Party Disclosures**

The financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

a.	Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
			2015	2014
	Subsidiaries of Energy Action Limited:			
	Eactive Consulting Pty Limited	Australia	100%	100%
	Energy Action (Australia) Pty Limited	Australia	100%	100%
	EAIP Pty Limited	Australia	100%	100%
	ACN 087 790 770 Pty Limited	Australia	100%	100%
	Exergy Holdings Pty Limited**	Australia	100%	100%
	Exergy Australia Pty Limited**	Australia	100%	100%
	Exergy New Zealand Limited**	New Zealand	100%	100%
	Energy Advice Pty Ltd***	Australia	100%	N/A

\* Percentage of voting power is in proportion to ownership

\*\* Acquired on 13 March 2014

\*\*\* Acquired on 18 August 2014

**b. The Group's main related parties are as follows:**
**i. Key management personnel:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the Remuneration Report contained in the Director's Report.



ii. *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

The Group procures legal services on an arms-length basis from Meehan's solicitors. Total fees paid in FY15 were \$6,484.

c. **Compensation of Key Management Personnel (KMP)**

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2015.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	Note	Consolidated Group	
		2015	2014
		\$	\$
Short-term employee benefits		877,734	1,374,216
Long-term employee benefits		5,688	7,625
Share based payments		46,166	258,947
Post-employment benefits – superannuation		67,728	105,225
<b>Total Compensation</b>		<b>997,316</b>	<b>1,746,013</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period relating to KMP.

d. **The ultimate parent**

Energy Action Limited is the ultimate parent based and listed in Australia.

**Note 23: Financial Risk Management**

The Group's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2015	2014
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents, including restricted cash	10	2,740,288	5,556,558
Receivables	11	5,868,825	5,293,181
Bond and security deposits	11	93,098	46,324
<b>Total financial assets</b>		<b>8,702,211</b>	<b>10,896,063</b>
<b>Financial liabilities</b>			
Financial liabilities:			
- Loans and Borrowings	18	3,759,538	-
- Trade and other payables		3,162,059	1,845,418
- Deferred cash consideration payable		3,040,862	291,667
<b>Total financial liabilities</b>		<b>9,962,459</b>	<b>2,137,085</b>

**Financial Risk Management Policies**

The Audit and Risk Management Committee (ARMC) has been delegated responsibility by the Board of Directors for, amongst other matters, monitoring and managing financial risk exposures of the Group. The ARMC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to financing risk and interest rate risk. The ARMC meets at least three times a year and minutes of the ARMC are reviewed by the Board.

The ARMC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

**a. Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

**Note 23: Financial Risk Management (continued)**

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 to 90 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. The institutions selected are determined by the Board.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in Note 11.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 11.

**b. Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

**Note 23: Financial Risk Management (continued)**

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Consolidated Group	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Bank loans	-	-	3,759,538	-	-	-	3,759,538	-
Deferred consideration	3,040,862	291,667	-	-	-	-	3,040,862	291,667
Trade and other payables (excluding est. annual leave)	3,162,059	1,845,418	-	-	-	-	3,162,059	1,845,418
Total expected outflows	6,202,921	2,137,085	3,759,538	-	-	-	9,962,459	2,137,085
<b>Financial assets — cash flows realisable</b>								
Cash and cash equivalents	1,740,288	4,556,558	-	-	-	-	1,740,288	4,556,558
Restricted cash	1,000,000	-	-	1,000,000	-	-	1,000,000	1,000,000
Trade, term and loans receivables	5,868,825	5,293,181	-	-	-	-	5,868,825	5,293,181
Bonds and security deposits	-	-	93,098	46,324	-	-	93,098	46,324
Total anticipated inflows	8,609,113	9,849,739	93,098	1,046,324	-	-	8,702,211	10,896,063
Net (outflow)/inflow on financial instruments	2,406,192	7,712,654	(3,666,440)	1,046,324	-	-	(1,260,248)	8,758,978

**c. Interest rate risk**

Interest rate risk arises as a result of changes in market interest rates and will affect the future cash flows. The Group manages its interest rate risk by having a variety of borrowing terms from 30 days to 180 days. Cash and cash equivalents are all on short term deposits. As at 30 June 2015, the Group had bank loans of \$4.1 million comprising of \$2.9 million on 30 day terms at 3.29%, and \$1.2 million on 180 day terms at 3.51%. As at 30 June 2014, the Group had \$2.5 million of fixed rate deposits at 3.44% and \$2.6 million at a floating rate of 1.75%.

**d. Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices for Energy Action Limited comprise interest rate risk. Financial instruments affected by interest risk include cash at bank.

**i) Interest rate risk**

Exposure to interest rate risk arises on financial assets recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings balances with floating interest rates.

Interest rate risk is managed using a mix of terms on the bank borrowings. The company has insignificant other balances that have interest payment terms.

**Note 23: Financial Risk Management (continued)**

**ii) Sensitivity Analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables, and the other assumptions remain consistent with prior years.

	Consolidated Group	
	Increase/decrease in basis points	Profit before tax
	\$	\$
Year ended 30 June 2015	+/- 100	+/- 10,220
Year ended 30 June 2014	+/- 100	+/- 45,566

The assumed movement in basis points for the interest rate sensitivity analysis is based on currently observable market environment, showing a significantly lower volatility than in prior years.

**Net Fair Values**

*Fair value estimation*

The carrying value of financial assets and financial liabilities is materially the same as the fair value.

The fair values of the following financial assets and liabilities have been determined based on the following methodologies and assumptions:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments whose carrying value are deemed to be equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.
- (ii) Term receivables generally reprice to a market interest rate every 6 months, and fair value therefore approximates carrying value.

Financial liabilities are classified into Levels:

- Level 1 those items traded with quoted prices in active markets for identical liabilities
- Level 2 those items with significantly observable inputs other than quoted process in active markets
- Level 3 those with unobservable inputs

## Note 24: Auditors' Remuneration

	Consolidated Group	
	2015	2014
	\$	\$

The auditor for Energy Action Limited is Ernst & Young

Amounts received or due and receivable by Ernst & Young (Australia) for:

— An audit or review of the financial report of the entity and any other entity in the consolidated group	159,465	106,066
— Other services in relation to the entity and any other entity in the consolidated group	14,500	47,389
— Due diligence services	104,831	93,232
— Tax services	24,625	30,759
	303,421	277,446

## Note 25: Information relating to Energy Action Limited ("the parent entity")

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

		Parent	
	Note	2015	2014
		\$	\$

### STATEMENT OF FINANCIAL POSITION

#### ASSETS

Current assets	858,655	4,339,582
Non-current assets	15,190,835	8,619,619
Total assets	16,049,490	12,959,201
Current liabilities	(3,149,701)	(707,770)
Non-current liabilities	(8,093,413)	(3,586,106)
Total liabilities	(11,243,114)	(4,293,876)
Issued capital	(8,161,626)	(7,784,626)
Reserves	-	-
Retained earnings	3,355,249	(880,699)
Total Equity	4,806,377	8,665,325
Profit of the parent entity	(2,918,884)	1,277,190
Total comprehensive income of the parent entity	(2,918,884)	1,277,190

## **Note 26: Events After the reporting period**

A fully franked dividend in respect of the 6 months period to 30 June 2015 of 1.06 cents per share was declared on 18 August 2015.

Philip Randall passed away on 4 July 2015 following a short illness. Nitin Singhi was appointed to the Board on 12 August 2015. Mark De Kock was appointed to the Board on 17 August 2015.

Except for the above issues, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

## Director's Declaration

In accordance with a resolution of the Directors of Energy Action Limited, I state that:

1. In the opinion of the Directors:
  - a. The financial statements and notes of Energy Action Limited for the financial year ended 30 June 2015 are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of its financial position as at 30 June 2015 and performance
    - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001
  - b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1
  - c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the board



Murray Bleach  
Director

18 August 2015



## Independent audit report to members of Energy Action Limited

The auditor's independent audit report to members of Energy Action Limited for the year ended 30 June 2015 has been received and can be found on the following page of the financial report

## Independent audit report to members of Energy Action Limited

### Report on the financial report

We have audited the accompanying financial report of Energy Action Limited which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

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

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

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

### *Independence*

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

### ***Auditor's Opinion***

In our opinion:

- a. the financial report of Energy Action Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

### **Report on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### ***Auditor's Opinion***

In our opinion, the Remuneration Report of Energy Action Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



P S Barnard  
Partner  
Sydney  
18 August 2015