APPENDIX 4D

HALF-YEAR REPORT

Name of entity

Energy Developments Limited

ABN or equivalent company reference

84 053 410 263

Half-year ended ('current period')

31 December 2014

Results for announcement to the market

				Current period $A'000
Income from ordinary activities	Up	4%	to	213,211
Sales revenue	Up	5%	to	209,034
Net profit before interest, tax, depreciation and amortisation	Up	14%	to	96,114
Net profit before tax	Up	58%	to	27,072
Profit after tax attributable to members	Down	6%	to	19,462

Dividends	Amount per security	Franked amount per security at 30% tax
Final dividend paid in respect of the financial year ended 30 June 2014	28.0	100%
Interim dividend subsequent to 31 December 2014 (record date 6 March 2015)	20.0	75%

NTA backing	Current period	Previous corresponding period 31 December 2013
Net tangible asset backing per ordinary security	$1.86	$1.67

Details of associate (Beal EPE – incorporated in Greece)	Current period	Previous corresponding period 31 December 2013
Ownership interest held at 31 December (%)	50	50
Share of profit from the associate ($A000s)	1,403	1,641

The information contained herein should be read in conjunction with the most recent annual financial report.

ENERGY DEVELOPMENTS LIMITED

ABN 84 053 410 263

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2014

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2014.

Directors

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

R I Koczkar
G J W Martin
P J Kapp
D C Grayce
A J Duthie
G J Pritchard

Principal activities

The continuing principal activities of the consolidated entity during the period were the development and operation of power generation projects.

Review and Results of Operations

Financial Performance

6 months ended 31 December	2014	2013	Change
Revenue ($m)	213.2	204.8	+4%
EBITDA[1] ($m)	**96.1**	**84.6**	**+14%**
Profit before tax ($m)	27.1	17.1	+58%
Profit after tax ($m)	19.5	20.7	(6%)
EPS (cents per share)	**11.4**	**12.8**	**(11%)**
LTM Return on Equity[2]	**13.1%**	**17.9%**	**(4.8)**
Growth capex and investment ($m)	16.4	56.3	(71%)
Stay-in-business capex ($m)	20.4	16.6	+23%
Total capital expenditure	**36.8**	**72.9**	**(50%)**
Net operating cash flow ($m)	**50.6**	**47.5**	**+7%**
Net debt/LTM EBITDA	2.6x	2.8x	(0.2x)
Gearing (net debt to net debt plus equity)	59%	61%	(2)
Safety (LTIFR)	-	0.9	-
Installed capacity (MW)	904	789	+15%
Generation (GWh)	2,045	1,867	+10%

The Company's revenue was $213.2 million for the half-year ended 31 December 2014 (1HFY15), up 4% on the prior period. The Company's EBITDA was $96.1 million for the half-year, up 14% on the prior period, mainly due to contributions from new assets including:

- 53MW McArthur River Mine expansion and 18MW Moranbah North expansion
- Acquisitions of 43MW Envirogen portfolio, including increasing generation by 50% and doubling earnings since acquisition and 51MW upstream LNG power assets

The weakened Australian dollar contributed an additional $1.2 million in translated US and Europe earnings.

Net profit after tax was $19.5 million, down from $20.7 million in the prior period which included the recognition of US tax losses of $6.5 million.

Total installed capacity at 31 December 2014 was 904MW, up a net 115MW from 31 December 2013 due to the completion of the Moranbah North expansion, the Envirogen acquisition, and the purchase of upstream LNG power assets in Australia.

[1] Earnings before interest, tax, depreciation and amortisation
[2] Last 12 Months Net Profit After Tax / Average Equity

Review and Results of Operations (continued)

Capital Management

Cash conversion

H1FY15 net operating cash flow of $50.6 million was 7% higher than the prior period, mainly reflecting growth in EBITDA offset by increases in tax paid in Australia having fully utilised Australian tax losses carried forward in the prior period.

Liquidity

The Company has available cash and undrawn debt financing facilities of $219 million at 31 December 2014, which is available to fund the Company's committed projects and support new investment opportunities.

Borrowings and Gearing

Group gearing (net debt to net debt plus equity) at 31 December 2014 was 59% (30 June 2014: 55%). Capital expenditure incurred on growth and maintenance projects was $16.4 million and $20.4 million respectively (1H FY14 $56.3 million and $16.6 million respectively), with borrowings increasing from $511.1 million at 30 June 2014 to $549.0 million at 31 December 2014. Total available facilities at 31 December 2014 was $769 million. Cash on hand at 31 December 2014 was $37.1 million (30 June 2014: $45.7 million).

Summary of Financial Position

	31 December 2014	30 June 2014	Change
Cash ($m)	37.1	45.7	(19%)
Receivables, Inventory, Green Credits and Prepayments ($m)	119.0	112.1	+6%
Property, Plant and Equipment ($m)	806.2	790.4	+2%
Intangibles ($m)	43.2	46.2	(6%)
Deferred tax and other assets ($m)	61.2	49.0	+25%
Payables and Provisions ($m)	(90.7)	(92.8)	(2%)
Borrowings ($m)	(549.0)	(511.1)	+7%
Derivative liabilities ($m)	(32.7)	(22.9)	+43%
Deferred revenue ($m)	(26.5)	(24.7)	+7%
Deferred tax liabilities ($m)	(6.9)	(8.1)	(15%)
Net assets/equity ($m)	**360.8**	**383.8**	**(6%)**

The significant changes in the Statement of Financial Position in the six months to 31 December 2014 were:

- Receivables, Inventory, Green Credits and Prepayments increased due to the commencement of new projects
- Property, Plant and Equipment increased mainly due to the acquisition of upstream LNG power assets. Total stay-in-business and growth capital expenditure for the financial period was $36.8 million
- Borrowings increased mainly due to funding of growth projects, and the impact of currency on UK and US denominated borrowings

Review and Results of Operations (continued)

Regional Operating Performance 1HFY15

Australian Clean Energy - Operating EBITDA[3] A$39.4 million (1HFY14: A$35.6 million)

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

The combined installed capacity at 31 December 2014 was 338 MW across Queensland, New South Wales, Victoria, the ACT and South Australia.

The increase in Operating EBITDA mainly resulted from the acquisition of the 43MW Envirogen business in April 2014, including increasing generation by 50% and doubling earnings since acquisition, and the 18MW Moranbah North expansion commencing in July 2014 also outperforming expectations.

Australian Remote Energy - Operating EBITDA A$42.1 million (1HFY14: A$35.6 million)

EDL is the leading Australian provider of safe, reliable, remote energy in the sub-100MW segment of the market. Total installed capacity at 31 December 2014 was 389MW, up from 368MW at June 2014. The increase in generation capacity resulted from the acquisition of 21MW of upstream LNG power assets which commenced operations in December.

Remote Energy revenue is based primarily on capacity charges on available installed capacity under long-dated contracts. Therefore revenue is generally unaffected by any decline in customer side demand. Increased EBITDA was achieved with a 6 month contribution from the expanded McArthur River Mine operations and the upstream LNG power assets.

Europe Clean Energy – Operating EBITDA A$16.3 million (1HFY14: A$17.9 million)

The European business comprises electricity generation facilities using LFG. Projects are located in the UK (wholly owned) and Greece (50% joint venture) with total installed capacity of 83 MW. The UK green prices are essentially a fixed price under legislation with annual increases based on CPI.

Generation decrease of 2%, higher costs and lower green prices reduced Operating EBITDA, partially offset by a $0.9 million increase in translated earnings from a weaker Australian dollar.

United States Clean Energy – Operating EBITDA A$7.7 million (1HFY14: A$5.5 million)

The United States business owns and operates electricity generation facilities using LFG with total installed capacity of 94MW.

Generation increased 2%, mainly due to a full 6 months contribution from Sand Valley operation. EBITDA increased by 40% from the prior period, mainly attributable to improved green credit pricing, operational cost savings and a full six months contribution from the Sand Valley operations. A lower AUD/USD led to a benefit in translated earnings in Australian dollars of $0.3 million.

Strategy

ENE's key areas of strategic focus include:

- Driving operational improvements across the business by increasing generation in the Clean Energy portfolio and continued drive for cost efficiencies in operations and maintenance activities
- Extending and increasing access agreements to gas supplies for WCMG and LFG
- Contract extensions and expansions with existing Remote Energy customers
- Acquisitions, winning new contracts and increasing installed generation capacity in the Clean Energy and Remote Energy sectors
- Maintaining appropriate levels of available funding to enable growth

[3] Operating EBITDA excludes Corporate and Development expenses

DIRECTORS' REPORT (CONTINUED)

Review and Results of Operations (continued)

Business Risks

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

Gas Supply

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

Green Credits

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

Electricity Prices

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

Foreign Exchange

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

Future Growth

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

Occupational Health, Safety and the Environment (OHSE)

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

Asset Management

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

Legislation

Creation and prices of green credits can vary depending on legislation and the supply and demand of certificates. The $2.5 billion Emissions Reduction Fund (ERF) is the centerpiece of the Government's Direct Action policy and was passed by the Senate last year. Based on current Government announcements on the intended structure of the Direct Action policy, the Company expects that current projects under the CFI, and expansion/greenfield WCMG projects, will be eligible to participate in the ERF.

Outlook

EDL confirms the current guidance for FY15 EBITDA of between $205 million to $210 million reflecting:

- Ongoing strong performance of EDL's Envirogen assets
- Improved 2H FY15 prices for LGCs and electricity prices in Queensland
- Recognition of revenue from the generation of ACCUs following the passing of the ERF legislation
- Increased contribution of EDL's US and European operations to 2H EBITDA given the recent weakening of the Australian dollar

The Company has an active pipeline of growth opportunities focused on tailored power solutions for existing and new customers, extensions and expansions at existing sites and selective acquisitions within EDL's core businesses. The Company's long dated relationships with blue chip counterparties also continue to create adjacent power infrastructure growth opportunities.

DIRECTORS' REPORT (CONTINUED)

Dividends

During the period, the Company declared a fully franked final dividend for FY14 of 28 cents per share totalling $47.7 million, which was paid in October 2014. Since the end of the half-year, the directors have determined to pay an interim dividend of 20 cents per share, 75% franked, totalling $34.2 million. The increase to the interim dividend represents a sustainable payout level, strongly covered by the Group's operating cash flow on a full year basis. The dividend is consistent with EDL's progressive dividend policy under which EDL intends to maintain or increase dividends as earnings and cash-flows increase. The increase in dividend highlights EDL's commitment to providing sustainable returns to shareholders through the return of excess cash flow whilst continuing to actively pursue growth in our core business.

Rounding of Amounts

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

Auditor's Independence Declaration

Refer to the following page for the Auditor's Independence Declaration.

Signed in accordance with a resolution of the directors.

G J Pritchard, Director

Brisbane, 25 February 2015

Building a better working world

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

In relation to our review of the financial report of Energy Developments Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
25 February 2015

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2014

	Note	CONSOLIDATED Dec 2014 $'000	Dec 2013 $'000
Sales revenue	2	209,034	198,325
Cost of sales excluding depreciation and amortisation of operating assets		(107,711)	(110,167)
Gross profit		101,323	88,158
Share of net results of associate accounted for using the equity method	2	1,403	1,641
Other income	2	2,774	4,841
Corporate and general expenses		(6,178)	(7,650)
Development expenses		(3,208)	(2,360)
Profit from continuing operations before depreciation, amortisation, borrowing costs and income tax		96,114	84,630
Depreciation and amortisation	2	(45,344)	(45,877)
Interest income	2	431	563
Borrowing costs	2	(22,554)	(22,215)
Other finance costs	2	(1,575)	-
Profit from continuing operations before income tax		27,072	17,101
Income tax (expense) / credit	3	(7,610)	3,569
Profit from continuing operations after income tax attributable to members		19,462	20,670
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations, net of tax (refer note 3 (c))		7,381	5,322
Net gains/(losses) on cash flow hedges, net of tax (refer note 3 (c))		(7,635)	2,915
Transfer of cash flow hedge reserve to profit or loss, net of tax (refer note 3(c))		692	-
Total comprehensive income for the period		19,900	28,907
Basic earnings per share based on continuing operations (cents)	4	11.4	12.8
Diluted earnings per share based on continuing operations (cents)	4	11.4	12.7

To be read in conjunction with accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

		CONSOLIDATED	
	Note	Dec 2014 $'000	Jun 2014 $'000
Current assets			
Cash assets		37,060	45,739
Receivables	5	68,524	60,642
Inventories		18,122	16,812
Green credits held for sale		24,906	21,730
Financial instruments - derivatives	15	3,150	2,957
Other current assets		4,062	8,090
Total current assets		155,824	155,970
Non-current assets			
Receivables	5	3,093	4,283
Investments accounted for using the equity method		20,612	18,776
Property, plant and equipment	14	806,229	790,401
Deferred tax assets		37,448	25,910
Intangible assets		43,170	46,243
Financial instruments - derivatives	15	-	1,258
Other assets		219	519
Total non-current assets		910,771	887,390
Total assets		1,066,595	1,043,360
Current liabilities			
Payables	6	55,361	55,165
Borrowings		4,301	2,560
Financial instruments – derivatives	15	8,295	10,149
Provisions		9,272	6,511
Current tax payable		8,389	15,179
Deferred income		-	164
Unearned grant income		2,342	1,617
Total current liabilities		87,960	91,345
Non-current liabilities			
Payables		15,752	14,027
Borrowings		544,709	508,513
Deferred tax liabilities		6,950	8,082
Provisions		1,853	1,909
Unearned grant income		24,173	22,928
Financial instruments – derivatives	15	24,355	12,730
Total non-current liabilities		617,792	568,189
Total liabilities		705,752	659,534
Net assets		360,843	383,826
Equity			
Contributed equity	7	494,087	489,613
Reserves		(31,798)	(32,689)
Retained profits/(accumulated losses)		(101,446)	(73,098)
Total equity		360,843	383,826

To be read in conjunction with accompanying notes.

CONDENSED CASH FLOW STATEMENT
for the half-year ended 31 December 2014

	Note	CONSOLIDATED Dec 2014 $'000	Dec 2013 $'000
		Inflows/(outflows)	
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		222,427	197,097
Payments to suppliers and employees (inclusive of goods and services tax)		(132,842)	(125,783)
Interest received		372	390
Interest paid		(18,956)	(19,664)
Tax paid		(20,447)	(4,500)
Net operating cash flows	9	50,554	47,540
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	2,619
Payments for plant and equipment		(37,286)	(79,131)
Repayments from/(loan advanced to) external party		735	(2,866)
Distributions received from associate		-	152
Net investing cash flows		(36,551)	(79,226)
Cash flows from financing activities			
Proceeds from borrowings		120,159	69,444
Proceeds from settlement of employee loans		1,601	156
Payments for establishment of debt facilities		(5,602)	(1,851)
Repayment of borrowings		(92,009)	(7,583)
Share buyback		-	(13,136)
Dividend paid		(47,810)	(17,866)
Net financing cash flows		(23,661)	29,164
Net decrease in cash held		(9,658)	(2,522)
Cash at the beginning of the half-year period		45,739	42,347
Effects of exchange rate changes on cash		979	1,079
Cash at the end of the half-year period		37,060	40,904
Reconciliation of cash and cash equivalents			
Cash at bank		37,060	40,904

To be read in conjunction with accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2014

	Note	Issued Capital $'000	Retained Earnings/ (Accumulated Losses) $'000	Foreign Currency Translation Reserve $'000	Capital Profits Reserve $'000	Employee Share Benefits Reserve $'000	Deferred(Loss)/ Gain on Financial Instruments $'000	Total equity $'000
At 1 July 2014		489,613	(73,098)	(30,350)	6,720	4,092	(13,151)	383,826
Other comprehensive income		-	-	7,381	-	-	(6,943)	438
Profit for the period		-	19,462	-	-	-	-	19,462
Total comprehensive income		-	19,462	7,381	-	-	(6,943)	19,900
Transactions with owners in their capacity as owners:								
Dividends	8	-	(47,810)	-	-	-	-	(47,810)
Share issue on exercise of employee options		4,474	-	-	-	-	-	4,474
Cost of share-based payments		-	-	-	-	453	-	453
At 31 December 2014		494,087	(101,446)	(22,969)	6,720	4,545	(20,094)	360,843

To be read in conjunction with accompanying notes.

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2014

	Note	Issued Capital $'000	Retained Earnings/ (Accumulated Losses) $'000	Foreign Currency Translation Reserve $'000	Capital Profits Reserve $'000	Employee Share Benefits Reserve $'000	Deferred(Loss)/ Gain on Financial Instruments $'000	Total equity $'000
At 1 July 2013		455,079	(100,652)	(30,679)	6,720	3,984	(17,341)	317,111
Other comprehensive income		-	-	5,322	-	-	2,915	8,237
Profit for the period		-	20,670	-	-	-	-	20,670
Total comprehensive income		-	20,670	5,322	-	-	2,915	28,907
Transactions with owners in their capacity as owners:								
Share buyback		(11,841)	-	-	-	-	-	(11,841)
Dividends	8	-	(17,871)	-	-	-	-	(17,871)
Cost of share-based payments		-	-	-	-	67	-	67
At 31 December 2013		443,238	(97,853)	(25,357)	6,720	4,051	(14,426)	316,373

To be read in conjunction with accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Energy Developments Limited as at 30 June 2014.

It is also recommended that the half-year financial report be considered together with any public announcements made by Energy Developments Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half-year financial report has been prepared on an historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Certain comparative information has been restated to comply with the presentation adopted in the most recent annual financial report.

(b) Significant accounting policies

This half-year consolidated financial report has been prepared by adopting accounting policies that are consistent with those adopted in the annual financial statements for the year ended 30 June 2014. Revisions to Australian Accounting Standards that have occurred since the release of the 30 June 2014 Annual Financial Report that are effective for the financial period did not have any significant accounting impact on the Consolidated Entity. Revisions to Australian Accounting Standards that have occurred since the release of the 30 June 2014 Annual Financial Report that are not yet effective are not expected to have any significant accounting impact on the Consolidated Entity.

(c) Significant accounting judgments, estimates and assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	Dec 2014 $'000	Dec 2013 $'000
NOTE 2: PROFIT AND LOSS ITEMS		
Profit from ordinary activities is after crediting the following revenues:		
Sales revenue		
Electricity sales	167,160	163,785
Operating lease revenue	4,650	-
Green credit revenue	37,224	34,540
Total sales revenue	209,034	198,325
Other income	2,774	4,841
Share of net results of associate accounted for using the equity method		
Share of net results of associate	1,403	1,641
Total income	213,211	204,807
Profit from ordinary activities is after the following income/(expense) items:		
Depreciation and amortisation		
Depreciation of property, plant and equipment (see Note 14(ii))	(42,104)	(42,800)
Amortisation of intangibles	(3,240)	(3,077)
Total depreciation and amortisation	(45,344)	(45,877)
Interest income		
Interest received or receivable from:		
- unrelated corporations	431	563
Total interest income	431	563
Borrowing costs		
Interest and finance charges paid or payable to:		
- unrelated corporations	(20,347)	(20,016)
Amortisation of borrowing costs	(2,207)	(2,199)
Total borrowing costs	(22,554)	(22,215)
Other finance costs		
Capitalised facility fees written off	(586)	-
Transfer of cash flow hedge reserve to profit or loss*	(989)	-
	(1,575)	-
Other expense items		
Operating lease rentals	(2,131)	(3,228)

* In accordance with AASB 139, the Consolidated Entity is required to reclassify its cash flow hedge reserve to profit and loss on a terminated cash flow hedge, over the original forecast period to 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED Dec 2014 $'000	CONSOLIDATED Dec 2013 $'000
NOTE 3: INCOME TAX		
(a) Income tax expense/(credit)		
Current tax	13,285	4,192
Deferred tax	(5,675)	(7,316)
Under (over) provided in prior years – current tax	-	(1)
Under (over) provided in prior years – deferred tax	-	(444)
	7,610	(3,569)
Income tax expense/(credit) is attributable to:		
Profit from ordinary activities	7,610	(3,569)
Deferred income tax expense included in income tax expense/(credit) comprises:		
Decrease/(increase) in deferred tax assets	(555)	(6,355)
(Decrease)/increase in deferred tax liabilities	(5,120)	(1,405)
	(5,675)	(7,760)
(b) Numerical reconciliation of income tax expense/(credit) to prima facie tax payable		
Profit from ordinary activities before income tax expense/(credit)	27,072	17,101
Tax at the Australian tax rate of 30% (2013 – 30%)	8,122	5,130
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	74	185
Non-assessable income	-	(143)
Depreciation and amortisation	98	118
Share of net profits of associate	(421)	(492)
Share-based payments	136	20
Difference in overseas tax rates	(860)	(853)
Recognition of prior period tax losses	(791)	(6,506)
Effect of change in future tax rate	(124)	(638)
Other	1,376	(390)
Income tax expense/(credit)	7,610	(3,569)
(c) Amounts recognised in equity		
Foreign currency translation difference for foreign operations	(3,504)	(268)
Net gains/(losses) on cash flow hedges	(3,468)	1,279
Transfer of cash flow hedge reserve to profit or loss	297	-
Amounts recognised in other comprehensive income	(6,675)	1,011
Share capital issue costs	96	-
	(6,579)	1,011
(d) Deferred tax asset not taken into account		
The potential deferred tax asset in a controlled foreign entity, which is a company, arising from tax losses and temporary differences has not been recognised as a net asset because recovery of the tax losses and temporary difference is not probable at 31 December 2014:		
Tax losses carried forward	7,637	6,756
	7,637	6,756

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	Dec 2014 $'000	Dec 2013 $'000
NOTE 4: EARNINGS PER SHARE		
Basic earnings per share (cents)	11.4	12.8
Diluted earnings per share (cents)	11.4	12.7
Weighted average number of shares on issue used in the calculation of basic earnings per share*	170,284,023	161,922,777
Weighted average number of shares on issue used in the calculation of diluted earnings per share#	171,263,880	162,782,011
Earnings used in calculating basic and diluted earnings per share ($'000)	19,462	20,670

* The increase in the weighted average number of shares is due to movements in the ordinary shares as disclosed in Note 7.

16,056,000 Series B options issued in prior years (2013: 14,760,000) and the following Performance Rights (PRs) issued in the current period were not considered dilutive at 31 December 2014 (2013: Nil): (i) various tranches of Fixed Value PRs with a total fixed value of $8,184,500 (notionally 41,971,764 FVPRs, equivalent of 1,515,648 shares at 31 December 2014); (ii) 327,328 TSR PRs; and (iii) 327,328 ROE PRs. Refer note 17 for a description of the new PRs issued during the period.

	CONSOLIDATED	
	Dec 2014 $'000	Jun 2014 $'000
NOTE 5: RECEIVABLES		
Current		
Trade debtors	61,931	54,723
Employee loans (non-trade)	3,399	-
Loan receivable from unrelated parties	931	1,225
Other	2,263	4,694
Total current receivables	68,524	60,642
Non-current		
Employee loans (non-trade)	2,432	2,847
Loan receivable from unrelated parties	661	1,103
Other	-	333
Total non-current receivables	3,093	4,283
NOTE 6: PAYABLES (CURRENT)		
Trade creditors and accruals	46,325	45,382
Carbon liability	9,036	9,783
Total current payables	55,361	55,165
NOTE 7: CONTRIBUTED EQUITY		
Issued share capital		
Attributable to members of the Company:		
Ordinary shares	482,462	482,462
Employee shares	11,625	7,151
Total contributed equity attributable to members of the Company	494,087	489,613

	Dec 2014 Number	Jun 2014 Number
Movements in contributed equity for the period		
Ordinary shares		
Opening balance	169,664,295	163,174,419
Issue of shares*	-	9,009,010
Issued under employee share scheme#	1,086,000	-
Share buyback	-	(2,519,134)
Closing balance	170,750,295	169,664,295

*The Company issued 9,009,010 ordinary shares during the financial year ending 30 June 2014 at an issue price of $5.55 per share

issued on exercise of options at $4.12 per share

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: CONTRIBUTED EQUITY (CONTINUED)

Terms and conditions of contributed equity ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Employee shares have the same terms and conditions as ordinary shares.

	CONSOLIDATED	
	Dec 2014 $'000	Dec 2013 $'000
NOTE 8: DIVIDENDS PAID AND PROPOSED		
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for the year ended 30 June 2014 – 28 cents per share (2013: 11 cents per share)	47,810	17,871
	47,810	17,871

Since the end of the half-year, the directors have determined to pay an interim dividend of 20 cents per share 75% franked totalling $34.2 million.

	CONSOLIDATED	
	Dec 2014 $'000	Dec 2013 $'000
NOTE 9: NOTES TO THE CASH FLOW STATEMENT		
Reconciliation of net profit to net cash flows from operating activities		
Net profit	19,462	20,670
Adjustments		
Depreciation and amortisation	45,344	45,877
Share of net results of associate	(1,403)	(1,641)
Other	584	1,663
Changes in assets and liabilities		
Payables increase	704	9,899
Receivables (increase)	(4,442)	(10,687)
Other assets decrease	4,328	1,394
Inventories (increase)	(1,310)	(680)
Green credits on hand (increase)	(3,176)	(10,630)
Deferred income increase/(decrease)	1,806	(430)
Provisions increase/(decrease)	685	(286)
Interest payable increase/(decrease)	851	(42)
Current tax liability increase	(6,789)	155
Net deferred tax asset increase	(6,090)	(7,722)
Net operating cash flows	50,554	47,540

NOTE 10: CONTINGENT LIABILITY

The Consolidated Entity has a number of commercial disputes ongoing in the ordinary course of business, none of which are material. The Consolidated Entity has given indemnities of $22,136,000 in the form of bank guarantees and letters of credit in the ordinary course of business.

NOTE 11: SUBSEQUENT EVENTS

Since the end of the half-year, the directors have determined to pay an interim dividend of 20 cents per share 75% franked totalling $34.2 million. There are no other material subsequent events.

NOTE 12: BUSINESS COMBINATION

As disclosed in the Annual Financial Report for the year ended 30 June 2014, the Consolidated Entity acquired 100% of the issued capital of Envirogen Pty Limited. The initial accounting for that business combination was provisional subject to finalisation of the working capital adjustments and receipt of final valuation report for property, plant and equipment. In the half-year ending 31 December 2014, the Consolidated Entity has finalised accounting for the business combination and noted no adjustments. The amount due from the vendor at 30 June 2014 ($1,975,000) was received in full during the period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: SEGMENT INFORMATION

	AUSTRALIA CLEAN		AUSTRALIA REMOTE		AUSTRALIA TOTAL		EUROPE		UNITED STATES		TOTAL	
	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000	Dec 2014 $'000	Dec 2013 $'000
Segment revenue												
- Electricity sales	44,093	47,598	89,233	84,894	133,326	132,492	19,896	18,784	13,938	12,509	167,160	163,785
- Green credit revenue	21,191	19,514	-	-	21,191	19,514	12,687	13,071	3,346	1,955	37,224	34,540
- Operating lease revenue	-	-	4,650	-	4,650	-	-	-	-	-	4,650	-
- Other income	1,308	1,961	768	1,545	2,076	3,506	253	432	445	903	2,774	4,841
- Share of associate net profit	-	-	-	-	-	-	1,403	1,641	-	-	1,403	1,641
Total segment income	66,592	69,073	94,651	86,439	161,243	155,512	34,239	33,928	17,729	15,367	213,211	204,807
Segment result (before interest, depreciation, amortisation and tax)	39,378	35,591	42,127	35,620	81,505	71,211	16,301	17,929	7,694	5,500	105,500	94,640
Corporate expenses											(6,178)	(7,650)
Development expenses											(3,208)	(2,360)
Profit from continuing operations before depreciation, amortisation, borrowing costs and tax											96,114	84,630
Depreciation and amortisation	(14,522)	(13,573)	(23,022)	(22,245)	(37,544)	(35,818)	(3,752)	(4,552)	(4,048)	(5,507)	(45,344)	(45,877)
Net borrowing costs											(23,698)	(21,652)
Consolidated entity profit from ordinary activities before income tax credit/(expense)											27,072	17,101
Income tax credit/(expense)											(7,610)	3,569
Net profit											19,462	20,670
Cash					26,704	28,070	7,096	11,266	3,260	1,568	37,060	40,904
Carrying amount of investments in associates					-	-	20,612	19,243	-	-	20,612	19,243
Segment other assets					743,891	699,069	106,769	100,394	120,815	115,984	971,475	915,447
Tax assets											37,448	31,360
Total assets											1,066,595	1,006,954
Segment liabilities – Financing					426,468	456,288	94,273	65,359	60,783	40,061	581,524	561,708
Segment liabilities – Operating					61,010	67,268	10,058	10,013	37,821	33,354	108,889	110,635
Tax liabilities											15,339	18,238
Total liabilities											705,752	690,581

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

(i) Acquisitions and disposals
During the six months ended 31 December 2014, the Consolidated Entity acquired assets with a cost of $37,689,000 (2013: $72,940,000). Plant and equipment with a net book value of $Nil (2013: $2,556,000) were disposed of by the Consolidated Entity during the period resulting in a net gain on disposal of $Nil (2013: $495,000).

(ii) Review of useful lives of plant and equipment and intangibles
At the beginning of the financial period, the Consolidated Entity revised its estimate of the useful lives of certain plant and equipment and intangibles (customer contracts). This resulted in an increase of $5,202,000 (depreciation of $3,182,000 and amortisation expense of $2,020,000) in the six months ended 31 December 2014; and is expected to increase depreciation by a further $800,000 for the full financial year with no impact in future financial years. The Consolidated Entity also revised its estimate of the useful lives of certain other plant and equipment that resulted in a net reduction in depreciation expense of $864,000 for the half-year ended 31 December 2014; and is expected to reduce depreciation in future financial years by $1,729,000 until the assets are fully depreciated.

(iii) Capital commitments
At 31 December 2014, the Consolidated Entity had capital commitments of $10,327,000 (30 June 2014: $9,582,000) principally relating to expenditure to be incurred on major projects.

NOTE 15: FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash, held by the Consolidated Entity as at 31 December 2014:

	31 DECEMBER 2014		30 JUNE 2014	
Consolidated	**Loans and receivables $'000**	**FVTOCI* $'000**	**Loans and receivables $'000**	**FVTOCI* $'000**
Financial assets – current:				
Loan receivable from external parties	931	-	1,225	-
Employee loans (non-trade)	3,399	-	-	-
Trade and other receivables	64,194	-	59,417	-
Derivatives	-	3,150	-	2,957
	68,524	3,150	60,642	2,957
Financial assets – non-current:				
Loan receivable from external parties	661	-	1,103	-
Employee loans (non-trade)	2,432	-	2,847	-
Derivatives	-	-	-	1,258
	3,093	-	3,950	1,258
Total	71,617	3,150	64,592	4,215
Financial liabilities – current:				
Trade and other payables	55,361	-	55,165	-
Borrowings	4,301	-	2,560	-
Derivatives	1,052	7,243	-	10,149
	60,714	7,243	57,725	10,149
Financial liabilities – non-current:				
Trade and other payables	15,752	-	14,027	-
Borrowings	544,709	-	508,513	-
Derivatives	6,836	17,519	-	12,730
	567,297	17,519	522,540	12,730
Total	628,011	24,762	580,265	22,879

* Instruments allocated to FVTOCI column (Fair value through other comprehensive income) are derivative financial instruments designated as cash flow hedges. The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, forward interest yield curves and the current creditworthiness of the swap counterparties. The fair value of interest rate swaps includes embedded payables arising on the blend and extend of original interest rate swaps, when the maturities of certain existing corporate facilities were extended in October 2014. These embedded payables are measured at amortised cost and included within the "Loans and receivables" category. On 21 October 2014 the company extended its multi currency corporate banking facilities. The total size of the facilities is $541 million and extends the terms of the tranches over 5 and 8 years.
The fair value of electricity derivatives is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period.

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

NOTE 15: FINANCIAL INSTRUMENTS (continued)

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

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

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

As at 31 December 2014, the Consolidated Entity held the following classes of financial instruments measured at fair value:

	31 December 2014				30 June 2014			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets								
Electricity derivatives – current	-	3,150	-	3,150	-	2,957	-	2.957
Electricity derivatives – non current	-	-	-	-	-	1,258	-	1,258
	-	3,150	-	3,150	-	4,215	-	4,215
Financial liabilities								
Interest rate swaps – current	-	8,159	-	8,159	-	9,522	-	9,522
Interest rate swaps – non current	-	24,355	-	24,355	-	12,730	-	12,730
Electricity derivatives – current	-	136	-	136	-	627	-	627
	-	32,650	-	32,650	-	22,879	-	22,879

During the six months ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

NOTE 16: RELATED PARTY TRANSACTIONS

(i) Transactions with related parties during the six months ended 31 December 2014 and 31 December 2013 were as follows:

Related parties	Sales $'000	Purchases $'000	Interest expense $'000
31 December 2014			
Associate (Beal EPE**)**	238	-	92
Parent and its related entities	-	47	-
Other directors' interests	-	1,458	-
31 December 2013			
Associate (Beal EPE**)**	280	-	94
Parent and its related entities	-	363	-
Other directors' interests	-	1,468	-

(ii) Balances with related parties as at 31 December 2014 and 30 June 2014 were as follows:

Related parties	Amounts owed to related parties $'000	Amounts owed by related parties $'000
31 December 2014		
Associate (Beal EPE**)**	4,876	-
Parent and its related entities	3	-
Key management personnel	-	4,838
30 June 2014		
Associate (Beal EPE**)**	4,397	-
Parent and its related entities	50	-
Key management personnel	-	2,269

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: SHARE BASED PAYMENTS

During the period, the Consolidated Entity issued the following Performance Rights (PRs), the vesting of which is subject to various performance and service conditions:

(i) Fixed Value Performance Rights (FVPRs)

Various tranches of the FVPRs with total fixed value of $10,105,125 (notionally 52,653,590 FVPRs, which is the equivalent of 1,871,319 shares at 31 December 2014), contingent on Energy Developments Limited (EDL) achieving a range of pre-determined share prices at the end of the vesting period.

(ii) TSR PRs

327,328 PRs that are based on an assessment of the Consolidated Entity's total shareholder returns (TSR) in comparison to the TSR of a Comparator Group over the performance period. The Comparator Group comprises companies in the S&P/ASX 200 Index excluding companies in the mining, financials, healthcare and information technology sectors.

(iii) ROE PRs

327,328 PRs that are based on an assessment of the Consolidated Entity's Return on Equity (ROE) over the performance period against target levels.

Directors' Declaration

In accordance with a resolution of the Directors of Energy Developments Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity:

- (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

- (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board:

G J Pritchard, Director

Brisbane, 25 February 2015

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working world

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To the members of Energy Developments Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Energy Developments Limited, which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
25 February 2015