EnergyAction®

ANNUAL REPORT 2012

CONTENTS

1. About Energy Action Limited 4
2. Chairman's Report 5
3. Managing Director's Report 7
4. Sales Report 9
5. Market and Regulatory Update 13
6. Operations Report 16
7. Growth & Expansion 17
8. Our Board and Executive Management Team 18
9. Satisfied Stakeholders 21
10. Financial Report 25
11. Share and Shareholder Information 86
12. Corporate Information 88
13. Glossary of Terms 89

Energy Action's Executive Management Team

ABOUT ENERGY ACTION LIMITED

Energy Action Limited ("Energy Action") is one of Australia's leading independent energy management companies, offering a comprehensive suite of solutions and services aimed at reducing or offsetting the impact of rising energy prices for Australian businesses.

Energy Action was founded in 2003 following a management buy-out of the previous Energy Auctions business which started in 2000. The buy-out and founding of Energy Action was carried out by three members of the existing Executive team and two members of the current Board. The commitment shown by these senior executives and Directors reaffirms their dedication to continue to grow Energy Action now operating for over 12 years.

Energy Action's flagship service, the Australian Energy Exchange (AEX), is a reverse auction platform allowing energy retailers to competitively bid against each other to supply an organisation's electricity and gas contracts. In most cases, a best value for money contract is secured within 15 minutes, and the organisation is provided with a comparison report of all "best bids" to allow them to truly compare offers and make an informed buying decision. To date, Energy Action has been the only provider of an on-line, real time, reverse auction platform for electricity.

To complement the AEX, Energy Action has gradually expanded its offering to provide Australian businesses with a range of comprehensive energy management services. These extended services now include:

- Procurement of natural gas contracts
- Small site pricing and group buying
- Activ8 – Energy monitoring and contract management services for electricity and gas
- Activ8+ – an energy efficiency partnership program offering consultancy services, project management, financing options and assistance with grant applications.

CHAIRMAN'S REPORT

"We will continue to study expansion opportunities through mergers and acquisitions. At all times, our strategy will be conservative: debt will be limited and manageable, acquisitions will be digestible, and we will not stray far from our core business."

General remarks

This is Energy Action's inaugural year-end report as a public company and I am pleased that it is such a positive one. We have done well against the targets we set ourselves at the beginning of the year and at the time of listing in October 2011. We have never rested on our laurels during the eight year period as a private company that preceded the listing, and do not intend to now.

The purpose of this report is to describe in summary how we have performed; to comment on energy markets, regulatory developments, and our business environment generally; to convey a view of the outlook for our business in the year ahead; and to give a few details of recent staff and Board changes.

Full details of our financial performance are included in the accounts.

Energy Action in review

In the prospectus issued prior to the October 13, 2011 listing, which closed oversubscribed, we described our business as having three main components:

- The Australian Energy Exchange – to enable business to buy electricity and gas at competitive rates.
- Activ8 – a comprehensive energy monitoring and reporting service.
- Activ8+– a service to assist businesses in achieving sustainability goals, through assisting them to use energy more efficiently, and decrease their carbon footprint.

All three lines of business have continued to grow, albeit at different rates. Market and regulatory changes also affect each differently, both positively and negatively.

Over the year we have successfully introduced a new line of energy procurement service for smaller sites and businesses which delivers up-front cash flows.

Future revenue is growing, and our cash position is strong.

In the light of this performance, your Directors are pleased to report that they approved a final dividend of 3.72 cents per share, which was paid on 14th September 2012. This takes the total dividend for financial year 2012 to 7.20 cents per share, fully franked. Net tangible assets per share have grown from 31 cents at 31st December 2011 to 35 cents at 30th June 2012.

The share price rose by some 30% upon listing and from March to June 2012 settled in the range of $1.70-1.80 on small volumes. The daily standard deviation in the market capitalisation for the last 3 months of the year was just 3.1%.

Market developments

Although the carbon tax was approved by Parliament the day before our listing last year, and did not take effect until 1st July this year, it has impacted on our market significantly.

As a result of the carbon tax, the Company has witnessed a tendency towards customers opting for shorter contracts (which stems from uncertainty rather than the tax itself), however a positive impact has been greater awareness of energy costs by managers. This and the greater media prominence of energy issues have brought further opportunities for our sustainable energy solutions.

This heightened awareness has resulted in increased activity in the small site business market, somewhat diversifying our revenue base.

Wholesale prices (ex carbon tax) have remained subdued, and offer attractive opportunities for businesses to lock in these rates. We have recently launched a retail electricity price index for the states participating in the national market. This is a uniquely informative statistic that guides customers and is indicative of retail gross margins.

Competitive activity remains strong, and we continue to strive for innovation to maintain our growth and profitability.

Regulation

Electricity supply is one of the most highly regulated industries in the world. It is also very complex.

As an agent for competition, Energy Action seeks to navigate and, if possible, influence regulation to improve price and service quality for end-user customers. We have put our views to the Australian Energy Regulator on simplification of regulation, and sought ways to enable our customers to switch retail energy suppliers more easily.

As an example of a move to greater transparency, we urged the Australian Energy Regulator to require price and volume disclosure for all wholesale market contracts, not just futures and spot market trades.

The most significant recent regulatory development is, of course, the carbon tax. Energy Action takes the view that some form of price on carbon is inevitable, so the sooner suppliers and customers adapt to one the better. Uncertainty over the future of the tax is hurting both our customers and our business partners.

We also have concerns at the trend towards vertically integrated utilities, combining generation with retailing. This lends market power to a decreasing number of participants, requiring continual vigilance on the part of the Australian Competition and Consumer Commission.

Outlook

We see no reason to crimp our growth ambitions except that, as we get larger, achieving historical growth rates becomes arithmetically more challenging.

In the prospectus, we indicated that the funds raised would be used in mergers, acquisitions, and organic growth. This remains our intention.

We will continue to study expansion opportunities through mergers and acquisitions. At all times, our strategy will be conservative: debt will be limited and manageable, acquisitions will be digestible, and we will not stray far from our core business.

In the year ahead, we will continue to target double digit revenue and profit growth. As for any business, regulation, competition and the economic climate may affect our performance. We remain, however, confident that we will achieve our targets.

Staff and Board changes

We are delighted to welcome to the Board as independent Director Murray Leach, who comes with a wealth of structured finance and infrastructure funding experience internationally and in Australia. Murray has strong credentials in accounting, finance, and risk management, and has accepted an appointment as Chairman of Energy Action's Board Audit and Risk Management Committee and Remuneration Committee.

Over the past year we also farewelled Bill Moss AM as Director. Bill joined us in December 2010 and during the lead-up to, and following the IPO, he contributed his wealth of finance and business expertise to the Board. All Directors join with me in thanking him for his dedication to the role, and wish him well for the future.

In March this year, we were fortunate to secure the services of Nathan Francis as Executive Director, Finance, and as Company Secretary. Nathan joined us from Charter Hall, an ASX listed property group, and prior to that, he worked with PricewaterhouseCoopers. Nathan has excellent experience and qualifications to apply to our growth strategy, and contributes to Energy Action's depth of management talent.

Lastly, I would like to pass on my deep appreciation to our Managing Director, Val Duncan. Val has headed the company for more than ten years, and continues to provide growth to shareholders, competitive services to our customers, and mutually profitable opportunities to our business partners. All Directors join me in thanking her for her continued dedication and expertise.

Val also depends on a team of very loyal and clever people: our employees. They continue to provide us with ideas, innovation, dedication, and smart working. Let me thank them here on behalf of shareholders and customers for their magnificent efforts.

Dr Ronald Watts
Chairman

MANAGING DIRECTOR'S REPORT

"We are also focused on continuing to deliver organic double digit NPAT growth. Underpinning this performance is a growing customer base of future contracts and a customer base who continue to be highly satisfied with the services we provide."

The 2011-12 financial year has been a year of exciting growth, change, development and preparation for a continued focus on both organic growth and building the business further through mergers and acquisitions.

A time for transformation

Energy Action has successfully made the transition from a private enterprise to a publicly listed company. As our business has evolved, so too has the energy sector. The announced introduction of a carbon tax and significant increases in network costs focused media attention on the industry and the cost imposts being faced by the Australian business community. Energy Action was well positioned to provide advice to small, medium and large businesses about the impact of the regulatory and market changes to their energy costs. Our team of energy specialists worked to develop Australia's first online carbon tax calculator for businesses to model the carbon pricing scheme's impact. Our carbon tax calculator received Australia-wide publicity and subsequently saw Energy Action in frequent discussion with industry media about how businesses should focus on identifying opportunities for energy efficiency to mitigate the energy cost increases.

Structured for growth

Earlier in the year, in preparation for future acquisitions, we performed a complete business review to ensure all parts of our business were operating at optimum levels and that all roles and departments were adding value to company operations.

- We restructured our Activ8+ division to expand the sales expertise and to create specialised focus on technologies, industry segments and targeted projects to better support our customers as they implement their energy efficient programs.
- We have strengthened our sales force to incorporate a team of Internal Business Consultants. This team not only assists the regional offices, but also plays a strong part in the execution of targeted campaigns and is expected to aid the business in its growth strategy.
- We have commenced improving the sales management capability through a focused Sales Coaching Academy program.
- Our team has grown by 6%, with more staff included from our recent acquisition of Ward Consulting Services.
- We have grown our product lines to now accommodate small site pricing.
- We have invested in our systems to ensure that we are well positioned to support a growing business.

Financial highlights

Energy Action achieved an operating profit after tax of $3.975 million (35% up on 2010-11) on revenue of $17.37 million (24% up on 2010-11). The operating profit was 4% better than the Prospectus forecast before allowing for one off listing expenses of $0.52 million which needed to be expensed rather than capitalised.

Statutory net profit after tax of $3.6m was a 23% improvement over the 2010/2011 financial year outcome however was $141,000 less than the Prospectus forecast.

Contracted future revenue has grown by 20% to $64.97 million over the financial year and we have increased the small sites under contract by 900% to more than 8,000 sites over the same period.

Our future

We are working to broaden our sustainability offering through initiatives such as our foundation membership to Low Carbon Australia's energy smart finance program (a partnership with FlexiGroup) to offer low cost financing to support energy efficiency projects.

During the year we have worked closely with our corporate advisors, Moss Capital to identify opportunities to strengthen our existing business through corporate acquisitions that complement our existing services. As a result of this partnership, we announced the acquisition of Ward Consulting Services on 31 July 2012. The new financial year will see us work to integrate this promising acquisition, allowing Energy Action the opportunity to expand its sustainability reporting capabilities – a key strength of the Ward Consulting business.

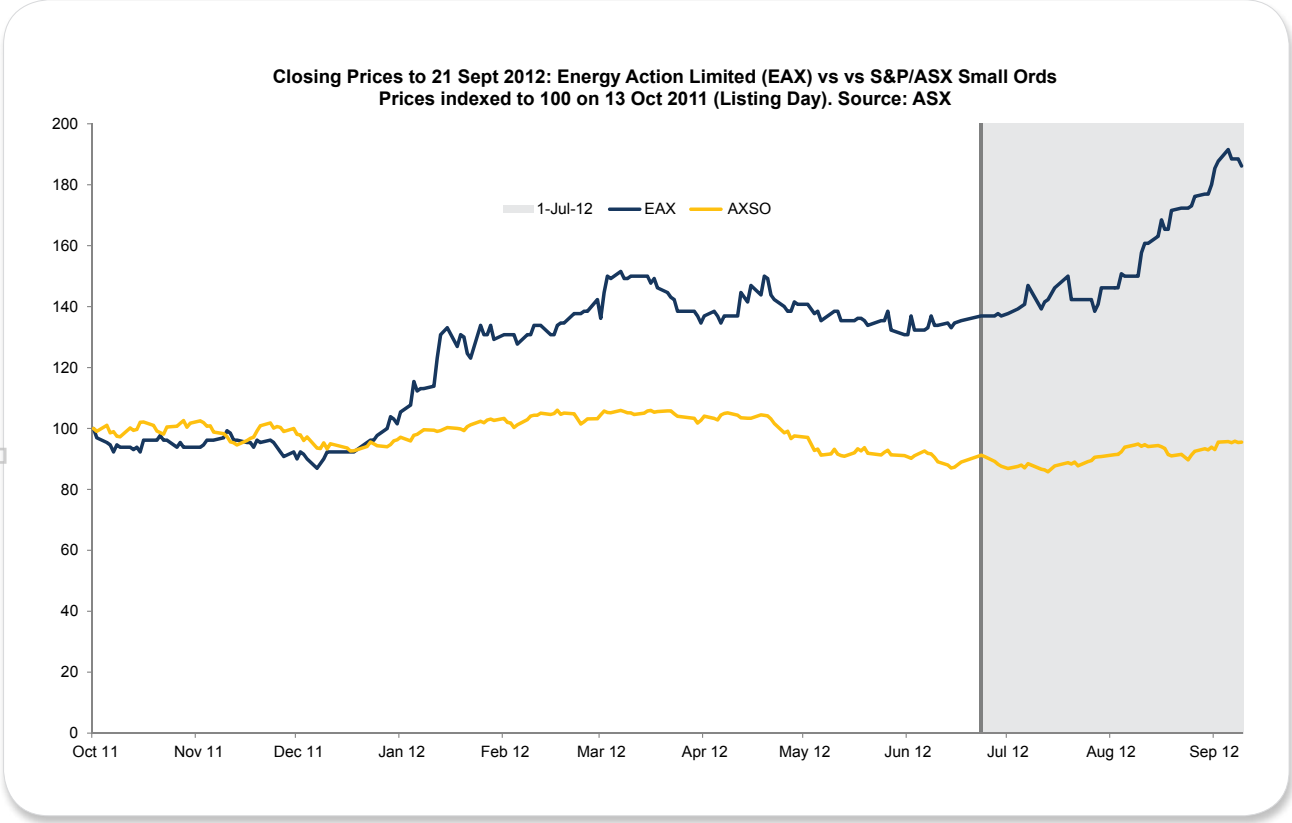
We are also focused on continuing to deliver organic double digit NPAT growth. Underpinning this performance is a growing customer base of future contracts and a customer base who continue to be highly satisfied with the services we provide.

I would like to put on record my thanks to our Chairman, Dr Ronald Watts and the members of the Board whose support and counsel I value. I would also like to thank my wonderful executive team and to all of my colleagues throughout the business. Your continued support and goodwill is very much appreciated. Our success and achievements are due to the hard work and contributions of a great team.

I look forward to working constructively with our shareholders, employees and other stakeholders to realise our company vision to lead, grow and inspire - across all business fronts.

Valerie Duncan
Managing Director

Share Price Performance



SALES REPORT

Overview

Energy Action continued to experience solid growth throughout the 2011/2012 financial year. During the year we put in place the preparatory work to allow us to open a Western Australian office in July 2012. We also invested in a Sales Coaching Academy program for all our Regional Mangers and Senior Sales staff to ensure our staff are well prepared to maintain sales growth.

We achieved substantial growth across Small to Medium Enterprises (SME) and started to roll out a National Channel Partner program. Focusing on continued growth, we implemented an Internal Sales/Telemarketing team to increase the rate of appointments for our field based sales representatives. The Internal Sales team are now focusing on the strategic promotion of a full service offering across Auction, Activ8 & Activ8+ products, enabling Energy Action to enhance its value proposition.

Product and Performance Overview

The Australian Energy Exchange (AEX)

The Australian Energy Exchange is currently Australia's only online exchange for conducting reverse auctions for electricity. The online reverse auction platform allows energy retailers to competitively bid against one another to supply an organisation's next electricity/gas contract.

Performance Overview

AEX revenue increased by $1 million vs. FY11 and Energy Action procured over $720 million worth of electricity contracts in FY2012.

Throughout FY2012, the AEX experienced steady growth in auctions, with over 2,400 auction scenarios run.

The AEX continues to be a leading procurement tool for a number of industries, with FY2012 seeing the manufacturing, hospitality, property, retail trade and healthcare sectors as the most prominent users of the auction platform, accounting for 76% of auction scenarios.

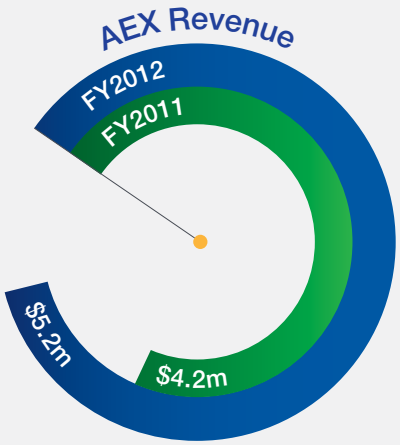
The Future

The future of the AEX remains strong as the platform continues to be a key point of differentiation against competitors.

Diversifying the company's procurement services to incorporate SME pricing options is expected to not only assist with gaining further market share, but to also strengthen customer loyalty.

In FY2012 we procured **$720m** of electricity contracts

FY2012 Growth in AEX Revenue **+23%**



"FoodWorks would normally organise large commercial contracts ourselves. However, with the complexity and need for a detailed understanding of the Australian electricity market it made sense to get expert support.

With rising energy prices and an uncertain market, securing fixed and competitive electricity rates via Energy Action has provided our retailers with surety of costs and comfort for the coming years."

Kevin Weatherall
FoodWorks Store Development
FoodWorks

Activ8 Contract Management

Activ8 is an advanced electricity/gas monitoring and contract management service for Australian businesses. Customer centric and built around largely automated business intelligence reports, Activ8 empowers businesses to take control of their bills through bill validations, tariff reviews, demand alerts and much more.

Performance Overview

The Activ8 suite of services continued to perform strongly, with 87% of AEX customers opting to take an Activ8 monitoring contract.

Activ8 revenue increased by $1.7 million vs. FY11, adding over 900 additional sites to now have more than 7,000 sites committed to current or future Activ8 contracts.

This represents a growth of 17% from FY11.

This year, the service identified over $4 million in customer savings through a group network tariff review across all eastern states.

The Future

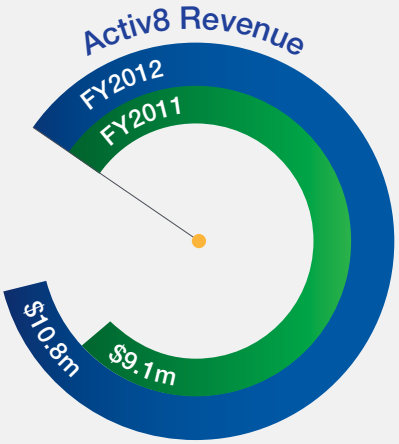
The service continues to expand through new reporting and analytical initiatives. As more organisations continue to monitor their electricity and gas usage and report on their environmental impacts, we envisage that this will strengthen the demand for this service.

"Through the Activ8 service, Maroochydore RSL receives a monthly summary from Energy Action regarding the Club's energy usage. We find this report to be extremely helpful as it allows us to monitor our consumption and track the effectiveness of energy saving initiatives we put in place. Energy Action also looks at our energy bills on our behalf – having them independently verified makes us feel more comfortable."

Peter Jervis
Head of General Operations
Maroochydore RSL

87%
of AEX customers
opt to take an Activ8 monitoring contract.

FY2012 Growth in Activ8 Revenue
+19%



MORE THAN
7,000
sites committed
to current or future Activ8 contracts.

Activ8+ Energy Efficiency & Sustainability

Activ8+™

The Activ8+ team of energy efficiency experts develop and implement energy efficiency & sustainability solutions for our customers. We have strong capabilities in relation to onsite generation from natural gas, bio-gas sources and solar, as well as energy efficiency project development for industrial and commercial buildings.

Performance Overview

In FY2012, the Activ8+ team for the first time surpassed $1 million in revenue.

It was a year of capability development and growth for the team, as we extended our supply chain and our ability to link projects to funding and financing opportunities for our customers.

We were able to exploit synergies between parts of the business, enhancing the Energy Action appeal to customers with our efficiency proposition.

The Future

FY2013 promises to be a year of substantial growth for the Activ8+ energy efficiency solutions team.

We have traction on a number of large onsite generation projects for our customers, and have added a powerful lighting solution to our team capabilities.

There is a shift underway in the external environment, due to rising electricity prices, as well as large grant programs to spur transition to an energy efficient economy.

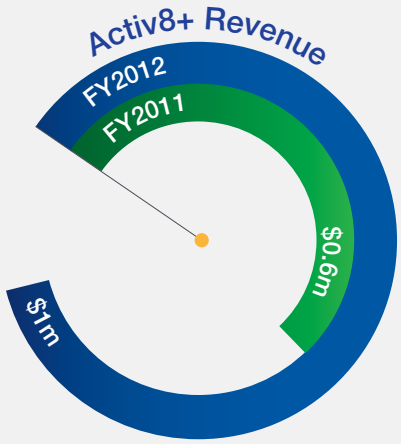
"The Activ8+ team have assisted us to save 15-20% on our cost of energy operations, and make substantial process towards becoming a more sustainable business, without having to commit to any larger capital investments, a great result for our company".

Steve Dracopolous
Production Engineering Manager
Alsco Services

$1 million
in revenue
for FY2012

FY2012
Growth in
Activ8+
Revenue

+59%



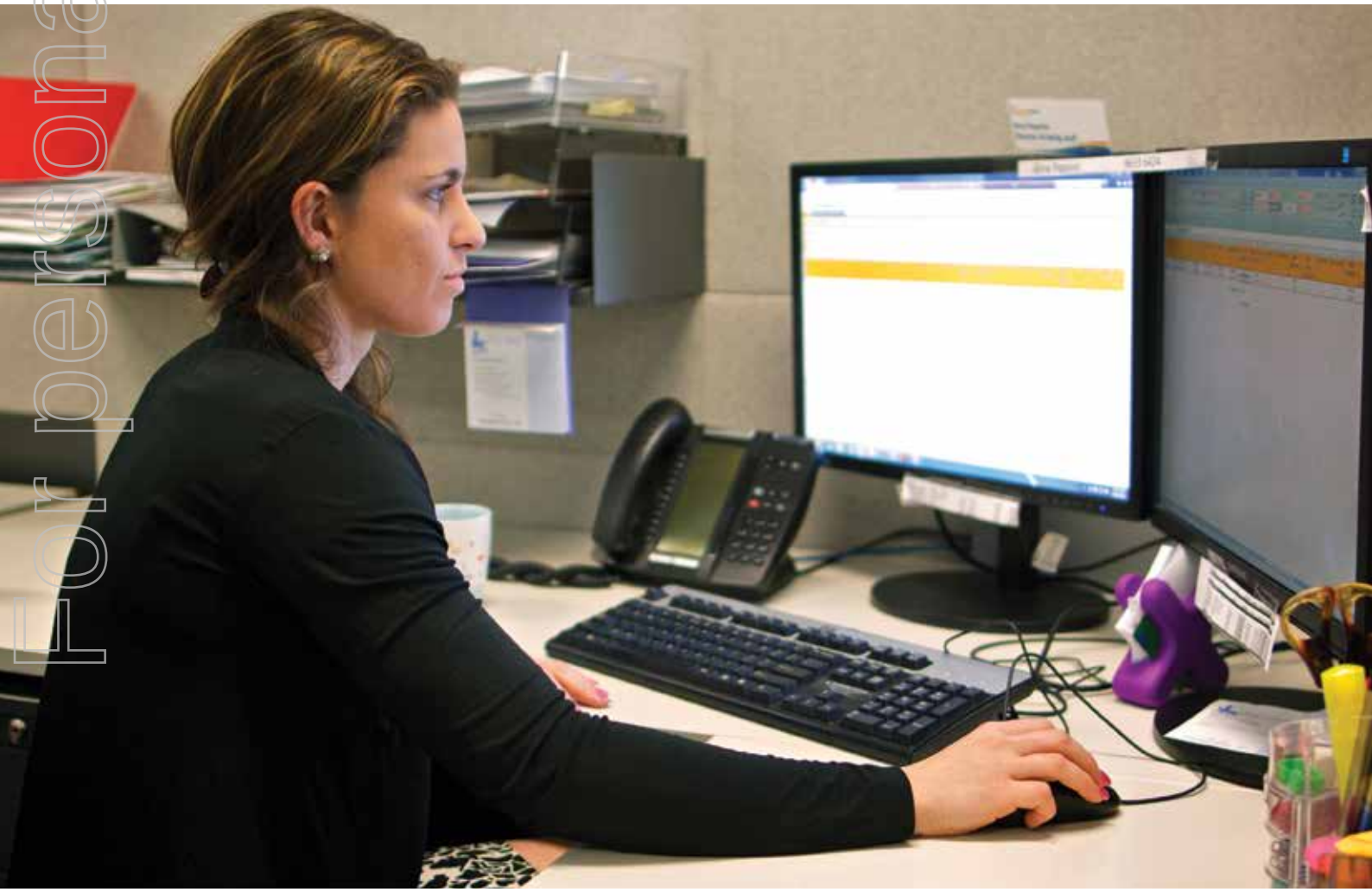
New revenue opportunities

As the market dynamics and regulations change, Energy Action will continue to innovate to provide both new and existing customers with services that can meet their evolving needs. Our most recent innovation has been through enhancing the focus on growing our SME business. This sector has grown significantly year on year and is expected to require streamlined sign up and reporting tools.

With the cost of delivered electricity to the commercial sector rising around the country, commercial property owners are investigating new business models to differentiate against rival properties. One such model is embedded networks, or the on selling of electricity by a landlord to their tenants. For a capital outlay, and with Energy Action providing guidance and administrative support, property owners can generate meaningful cash streams from tenants by capturing the revenue from onsite delivered electricity. As well as gaining important revenue streams, property owners can leverage their tenant electricity load into critical mass to justify investments in more reliable and greener power.

Furthermore, over the coming decade we are expecting our customers' need for energy efficiency and sustainability to lead strong growth for our Activ8+ division. We are investing now in expanding our service repertoire, and exploiting new opportunities presented by the shifting electricity price curve and ever improving economies of scale of low energy technologies.

Looking ahead to the next financial year Energy Action Sales will focus on new business and the delivery of value added services which will complement our existing strong product lines to market.



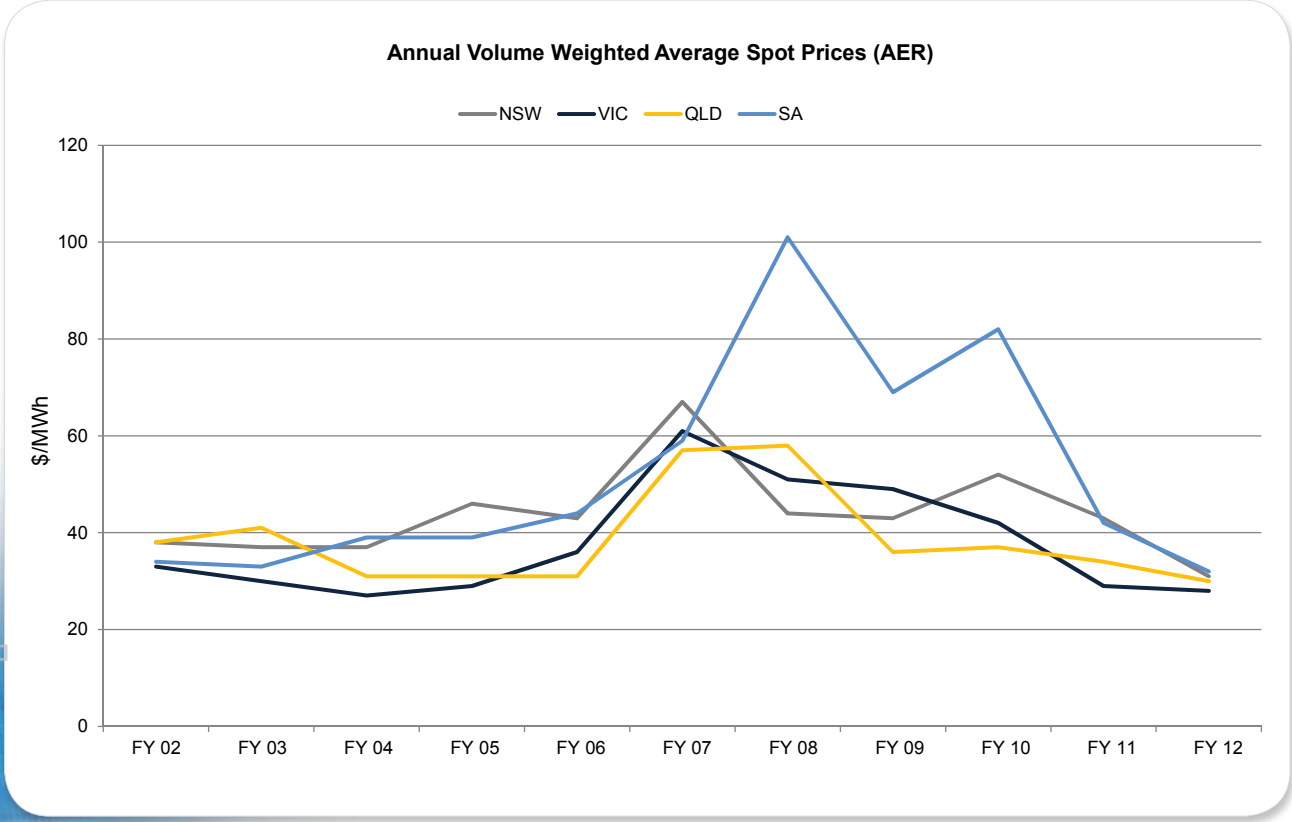
MARKET AND REGULATORY UPDATE

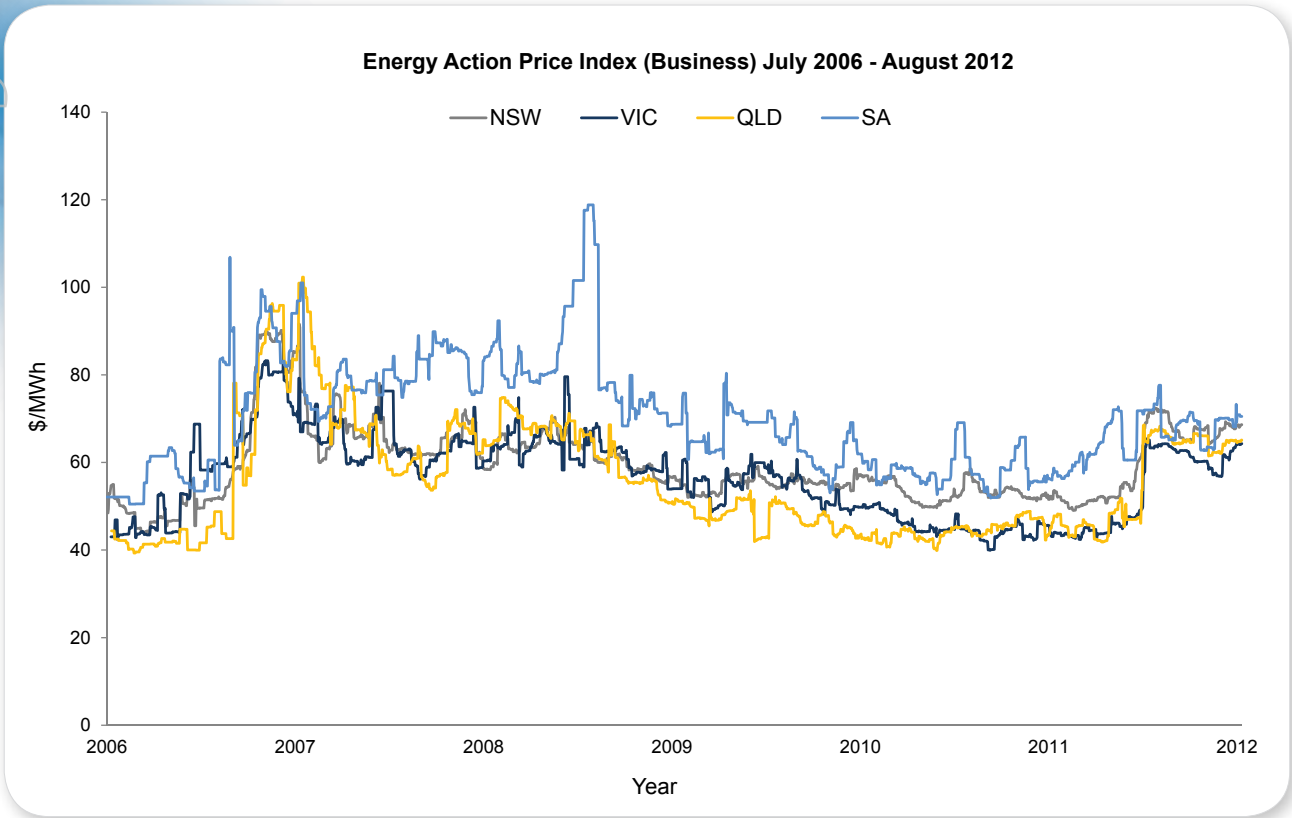
In 2011/12, the wholesale energy price tracked close to all-time lows with the annual volume weighted average spot prices down on the previous year by 39% in NSW, 31% in SA, 13% in QLD and 4% in VIC. Wholesale market extreme volatility was only evident on one occasion with only one half hour interval trading over $5,000 in 2011/12, compared to 40 intervals in 2010/11 and 95 intervals in 2009/10.

The subdued prices have been attributed to a weakening in system demand led by mild temperatures, increased awareness of energy efficiency, growth in embedded generation and economic hardships leading to the closure of a number of domestic manufacturers.

The drop in wholesale prices were reflected in a flattening of retail energy prices throughout the second half of 2011; with many clients renewing contracts receiving strong results against historical spends.

This drop in retail pricing was countered by the Federal Government's decision to introduce a price on carbon. As a result, from February 2012, forward contracts being sold on the AEX with start dates beyond 1 July 2012 were being sold as carbon inclusive. The impact of the carbon price on retail energy costs was approximately a 2 c/kWh or 40% increase. (Note: 40% increase on the energy-only charges, not increases to total energy bills).



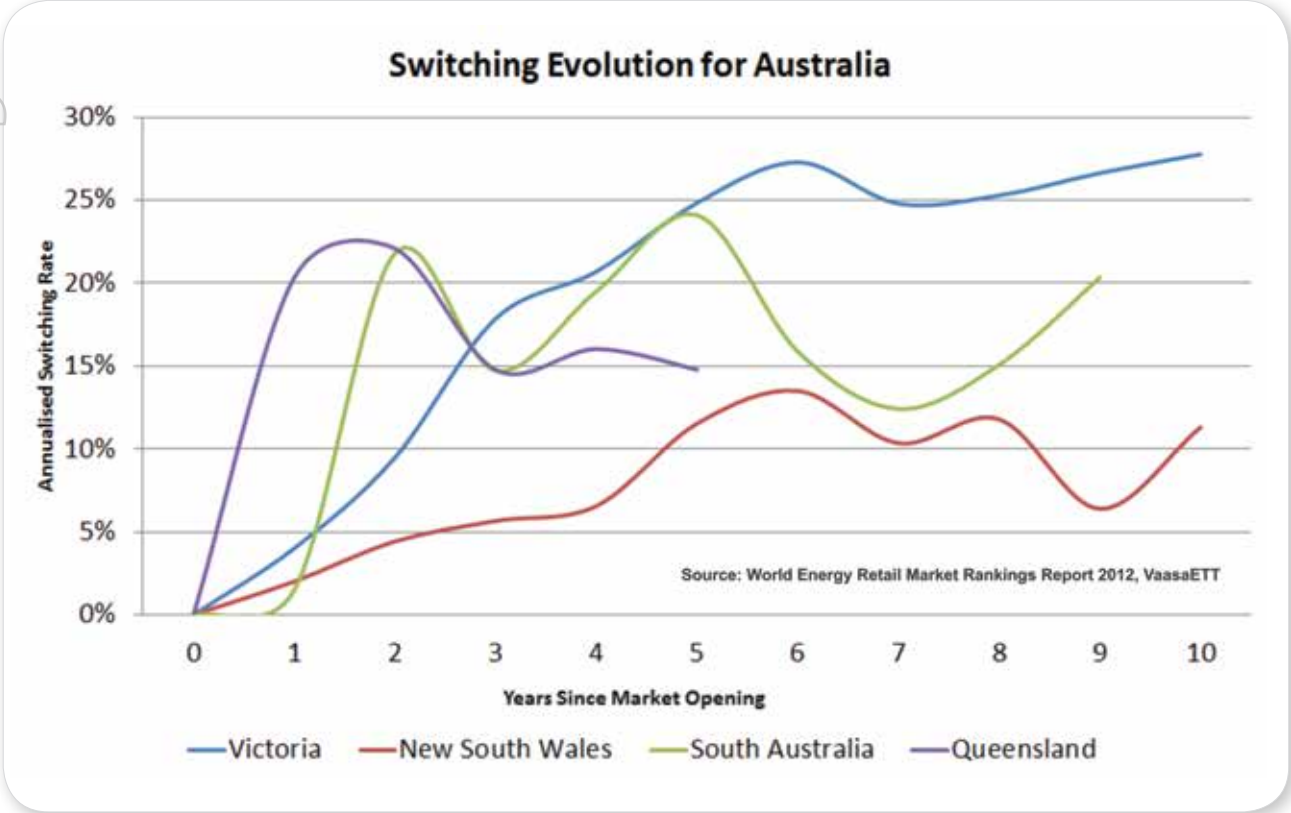


Continued increases to distribution network expenditure allowances led to increased network tariff charges for Energy Action customers. This created new opportunities in demand and consumption reduction projects such as power factor correction, energy efficient lighting upgrades and commercial solar PV.

These projects were previously deemed unviable, with poor pay-back periods. Increases in consumption based costs, such as network charges and carbon inclusive retail energy prices, have combined to deliver more favourable pay-back periods. In light of the carbon pricing scheme, the Federal Government has introduced numerous funding programs and grants. These programs aim to further assist businesses to look to energy efficiency and sustainability measures as a viable solution to help them offset their rising costs and reduce their carbon emissions.

Other impacts to the costs were felt through the environmental markets. In Victoria, the Essential Services Commission expanded the Victorian Energy Efficiency Target (VEET) Scheme to incorporate all business consumption. Nationally the Clean Energy Regulator amended the renewable energy target by increasing the Small-scale Technology Percentage to 24.0% from 1 January 2012, up from 14.8% in 2011. This adjustment impacts all customers, adding approximately 0.37c/kWh.

Continued increases to distribution network expenditure allowances led to increased network tariff charges for Energy Action customers. This created new opportunities in demand and consumption reduction projects such as power factor correction, energy efficient lighting upgrades and commercial solar PV.



Retailer switching rates continued to grow with all four main regions – Victoria (1st), South Australia (3rd), Queensland (5th) and New South Wales (10th) – receiving global top 10 status. High marketing spends, increased media coverage and price increases have brought energy to the forefront of consumers' minds with many opting to make the switch to increase savings potential[1].

Carbon

Throughout our customer base, carbon was a heavily discussed topic due to the impact on their electricity and gas bills from their energy retailer. Energy Action provided significant detail to the market around expected impacts, and ultimately developed a free online Carbon Adjustment Calculator tool. Offsetting the impact of carbon price has become increasingly important for how businesses plan for the coming financial years. We have seen a significant increase in enquiries for Activ8+ services, and a shift in customer priorities.

Furthermore, the uncertainty of the impacts and longevity of the carbon pricing scheme have resulted in businesses opting for shorter term contracts secured via the Australian Energy Exchange. Our customers are also looking for business intelligence to gain an in depth understanding of their position via our Activ8 monitoring and contract management services.

1 Source: World Energy Retail Market Rankings Report 2012, VaasaETT

Offsetting the impact of the carbon price has become increasingly important for how businesses plan for the coming financial years. We have seen a significant increase in enquiries for Activ8+ services, and a shift in customer priorities.

OPERATIONS REPORT

The year saw significant progress within the Operations team.

The introduction of a carbon price required fundamental changes to existing systems, processes and reporting. Energy Action successfully met these challenges and implemented process improvements by proactively automating a number of systems.

Australian Energy Exchange (AEX)

From an AEX point of view, the team, systems and processes were able to efficiently and effectively deal with;

- new energy retailers entering the market;
- pricing carbon inclusive/exclusive auctions to address the way each energy retailer was handling the introduction of carbon pricing;
- the introduction of new environmental charges such as VEET;
- Western Australian customer contracts being auctioned for the first time;
- developing of the new auction platform, and
- 8,000 small sites as a new product offering to the SME market.

All these adjustments were implemented while continuing to manage ongoing growth on the auction platform.

Activ8

Throughout FY2012, our Activ8 team were also making necessary adjustments in preparation for various market changes. The Activ8 team and their systems and processes were able to;

- further automate the bill validation process;
- improve monthly reporting to accommodate all of the regulatory changes (i.e. carbon price, VEET, SRES, NSW GGAS and network tariff);
- forecast and benchmark customers future prices;
- introduce daily and weekly reporting, and
- introduce an automated network tariff review process which identified $4.8 million worth of savings for Activ8 customers

In addition we were the first company to provide customers with advice on the dollar impact of the carbon price, network tariff increases and environmental charges within a few days of the changes being announced.

Energy Action were the first to develop a free online 'Carbon Adjustment Calculator' for Australian businesses to assess their carbon impact. Over nine thousand users have taken advantage of the free tool since it was launched in August 2011. The Carbon Adjustment Calculator has also been reviewed by numerous media outlets which has assisted to raise Energy Action's public profile.

Facilitated
OVER 6,000
meter installations and transfers between retailers

OVER 300
site roll-ins/roll-outs/ novations to existing contracts.

OVER 800
electricity bills validated for
ACCURACY
per month

GROWTH & EXPANSION

Local Expansion

Sustained business growth over the past 4 years resulted in Energy Action outgrowing several of its occupied premises. Early in 2012 our head office relocated to larger premises within the same building in Parramatta. While other sites were considered, the ability to transfer the existing lease and significant reductions in fit out and moving costs made the existing building the more cost effective choice.

In mid-2012, coinciding with the conclusion of the previous lease, our Melbourne office was also relocated to larger premises.

The ongoing commitment to geographical expansion saw the commencement of planning for a new office in Perth. Opening in August 2012, the Perth office will provide us with a local presence in the rapidly maturing Western Australian market.

Service Growth – IT and Product Development

Energy Action is evolving technologies and platforms to allow improved service delivery, increased productivity and ultimately boost our ability to deliver increased customer satisfaction.

Our technology strategy takes into account the changing face of the retail energy market and emerging sustainability market.

Core to the ongoing success of the Energy Action business is our unique online reverse auction platform for contract procurement. Designed to leverage the successful components of the existing model, the new system will deliver procurement services for a broader range of commodities and products via both reverse and forward auctions to customers in any geographical location. Importantly the new platform will also provide a richer experience for our customers and supply partners as it moves towards being a business to business energy exchange.

A rapid increase in the number of our SME commercial and industrial portfolio customers resulted in the commencement of a pricing system to automate the SME process. Now nearing completion, this system will allow Energy Action staff to respond to the vast majority of SME enquiries with pricing and acceptance documentation within a few minutes. Our longer term goal is to integrate this system into the energy exchange platform for our customers to access directly.

In addition to the procurement process, Energy Action provides an ongoing contract management service to support our customers. Significant investment has been made in the last year to not only improve the efficiency of the service, but also add additional support streams to further enhance customer value. The most significant of these is the development of processes to review tariff suitability across customer portfolios, distribution networks, states or if necessary our entire customer base. This process has identified significant savings to our customers. Continuous review of our customer reporting provided as part of the management service has resulted in two new reports now being available to our customers with a further four currently under development.

Development has not been limited to customer facing systems with development and deployment of the first phase of a new business wide CRM system. Now in its second phase of development the CRM will ultimately link the energy exchange and finance systems providing an integrated platform allowing all staff quick access to necessary information.

OUR BOARD AND EXECUTIVE MANAGEMENT TEAM

Board of Directors

Energy Action is led by a highly experienced Board, who aim to continue to drive the success of the Company. Biographies of Energy Action's Board are included below.

Dr Ronald Watts – Non-executive Chairman

Dr Ronald Watts has worked at chief executive and board level across a range of technology-based enterprises and at senior levels in government. His management experience spans the software and telecommunications industries, and as a consultant, he has worked with companies on strategy and fund-raising in biotechnology, utilities, food processing and energy.

Ronald has served on the Australian Business Foundation's Research Advisory Committee, and as Adjunct Research Fellow at the University of South Australia.

He has a Bachelor of Science (Honours) from the University of New South Wales and a PhD from Cambridge University. He has also completed a graduate diploma in business, majoring in finance.

Paul Meehan – Non-executive Director

Paul Meehan is the Principal of Meehans Solicitors, a large firm in the Macarthur area, south west of Sydney. Paul Meehan has been practicing law for over 20 years, specialising in Conveyancing, Property Investment, Commercial Law, Leases, Investment and Tax Advice.

Under Paul's guidance, Meehan Solicitors has grown from a small suburban practice to one of the largest in the Macarthur area. This dedication to personalised service recently led his team to certification ISO Law 9000 Legal Best Practice.

In addition to law, Paul has interests in, and has been instrumental in real estate developments and the creation of a leading commercial real estate office. His exceptional leadership and communication skills, together with his dedication to personal service, have seen him develop and mentor businesses from start-up to major operations.

Steve Twaddell – Non-executive Director

Steve Twaddell is a graduate of Brown University and during his career served two years of active duty in the US Navy.

Having worked in the computer industry since 1959 in a number of technical positions, Steve's career progressed into sales then management. With experience in insurance, defence, computer hardware (IBM) and software, health and finance, Steve transferred to Australia in 1980 to set up a subsidiary of a US parent company. It quickly became the major profit contributor to the parent by 1985.

Steve serves on several company boards in both Australia and New Zealand including Australian Fresh Seafood, Toveelen and Aerial Surveys Limited, of which he is Chairman.

Murray Bleach – Non-executive Director

Murray Bleach has over 30 years experience in the accounting and finance industry. He originally worked as a Chartered Accountant for KPMG Peat Marwick in Sydney and Dallas, Texas. His move into financial services came in 1987, when he joined Bankers Trust Australia. Murray joined Macquarie Group as part of Macquarie's acquisition of Bankers Trust Australia. During this time he was CEO of Macquarie's US business and led the building of its US infrastructure business.

He was previously CEO of Intoll Group and is currently a Non Executive Director of Industry Funds Management and Eraring Energy. He is also on the board of Suicide Prevention Australia and Strongform Group and is a member of the Advisory Board for Derwent Executive, an executive recruitment consultancy.

Murray holds a Bachelor of Arts (Financial Studies) and a Master in Applied Finance from Macquarie University. He is also a Graduate of the Australian Institute of Company Directors and a Chartered Accountant.

Other Board members, who are also part of the executive senior management, are as follows. Biographies on each are covered in the next section.

- Valerie Duncan – Managing Director
- Edward Hanna – Executive Director, Energy Efficiency and Sustainability

Senior Management

Valerie Duncan – Managing Director

Valerie Duncan has been the Managing Director of Energy Action since July 2002 and has consistently seen the company achieve between 20% and 30% growth per annum since FY2006.

Valerie has over 25 years of experience within the energy industry, including 19 years in senior management positions at Integral Energy. Her management experience spans across all aspects of financial management and accounting, energy trading and retailing, strategic planning, human resource management, project management, corporate governance and company secretarial.

Valerie is currently a Fellow of the Chartered Institute of Company Secretaries in Australia, Australian Institute of Company Directors, Australian Institute of Energy and is an Associate of the Australian Society of Certified Practising Accountants.

Edward Hanna – Executive Director, Energy Efficiency & Sustainability

Edward has a background in energy pricing and energy trading and has been involved in the energy industry since the deregulation of the NSW electricity market commenced in 1997. His experience in bringing complex ideas to market in a dynamic marketplace keeps Energy Action at the forefront of change in the Australian energy market.

He is currently a fellow of the Australian Institute of Energy, a member of the Alternative Technology Association, and a member of the CEO Institute. Along with his honours degree from University of Sydney, he has a diploma in financial management, specialising in electricity derivatives.

Other senior executives, who are not directors of Energy Action Limited, are described below.

Barry Denton – Executive Director, Sales

Barry has been with Energy Action since its inception in 2000 and has led the sales team to achieve strong and consistent sales growth.

He began his working life in the Australian Army, serving with the 5th 7th Battalion Royal Australian Regiment. After leaving the military Barry began his sales career, working in finance and manufacturing before holding senior sales positions at Integral Energy, and later joining Energy Action.

Nathan Francis – Executive Director, Finance & Company Secretary

Nathan joined Energy Action in March 2012 bringing over 15 years experience across the functions of finance, taxation, company secretarial, compliance and corporate governance. In his previous role he spent 7 years with the ASX listed Charter Hall Group in roles of Deputy CFO, CFO and Company Secretary. Nathan also gained 7 years experience with PricewaterhouseCoopers in audit and transaction services which included 2 years in the United Kingdom.

Nathan is a chartered accountant and chartered secretary and holds a Bachelor of Business (Accounting and Finance).

Helge Sangkuhl – General Manager, Operations

Helge joined Energy Action in 2010 to deepen the business's capability to manage the large and growing volume of energy auctions and Activ8 contracts under management. He has spent 30 years working within operations in both private and public sector organisations. This includes eight years with energy retailer, Integral Energy and six years as the operations manager in a professional services consultancy.

Helge leads a team of specialists who implement energy buying and management strategies for electricity and gas in both the small and large market for all of Energy Action's clients.

Troy Davis – General Manager, Product Development, IT, Facilities

Troy joined Energy Action in 2005, bringing to the business his extensive knowledge of refrigeration, air conditioning and information technology.

During this time Troy has been an integral member in growing and evolving Energy Action's business products, systems, processes and capabilities.

Troy is currently completing a Diploma in System Administration.

Rebecca Seamons – General Manager, Marketing & Communications

Rebecca joined Energy Action in 2011 to lead Energy Action's marketing department. She has spent over 10 years marketing for organisations in both the private and public sectors including market leaders in electronics, security, agriculture, and cleaning and sanitation services.

Her role within the senior management team provides an extensive background, across a diverse range of industries. Her experience encompasses all facets of marketing including advertising, public relations, e-marketing, product management and corporate branding specific to business-to-business environments.

Jenny Ward – General Manager, Ward Consulting Services

Jenny founded Ward Consulting Services in 1999 and successfully grew the Company until it was acquired by Energy Action in August 2012.

Jenny has approximately 16 years energy industry experience and a further five years commercial property experience. During this period, Jenny has fostered a number of solid and trusted relationships with high profile organisations amongst the property, hospitality and leisure sectors. Jenny has particular expertise in the areas of sustainability reporting and energy efficiency solutions and is well respected in her field.

Jenny holds a Diploma of Teaching, Bachelor of Social Science and a Graduate Diploma of Counselling.

> *"Our success and achievements are due to the hard work and contributions of a great team."*
>
> *Valerie Duncan, Managing Director.*

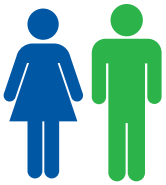
SATISFIED STAKEHOLDERS

overall staff satisfaction

83%

80%

believe the company encourages individual development



producing 95% quality work

Satisfied Staff – Our Team

During February 2012 Energy Action conducted an Internal Customer Satisfaction Survey amongst staff members. The purpose of the survey was to measure how satisfied internal customers (staff) were with a department or a team. The survey also provided an opportunity for staff to self assess the level of satisfaction they believe internal customers encounter when dealing with their department or team.

Feedback from the survey was then used to identify areas of strength and opportunities for improvement and to monitor progress against action plans implemented by the Executive Management Team. Individual feedback, where obtained, was used as an input into the annual performance review process.

Survey Results

65 employees were invited to participate in the survey. An impressive response rate of 98% allowed responses to be categorised.

Key observations from the survey included:

- An Overall Satisfaction score of 83%, which compared with market benchmarks, indicates a very high level of employee satisfaction within the company
- 80% of resondents believe that the company encourages individual development
- 75% of respondents indicated that that they had been involved in a discussion about their performance in the two month period prior to the survey
- 95% of respondents believe that their co-workers are committed to producing quality work
- 78% of respondents believe that the work they perform is important to the company's mission and purpose

Post Survey Actions

The results of the "Internal Customer Satisfaction Survey" were distributed to staff, along with an invitation to discuss the results with the Managing Director or Human Resources Representative.

The Executive Management Team, following a formal review of the survey results, agreed to continue with planned employee engagement activities for the year. The survey will be repeated during the financial year ended 30 June 2013 and a comparison of results undertaken.

Diversity and Flexibility

Energy Action strives for diversity and values the variety and depth of contributions that are 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 ongoing commitment to develop an inclusive workforce by recognising and accommodating individual circumstances and our commitments outside of work.

Satisfied Customers

In August 2012 Energy Action introduced a new research tracking study – the Energy Action Customer Satisfaction Survey.

The aim of the survey was to monitor customer perceptions of the services offered by Energy Action across all aspects of the customer experience including service awareness, usage and value, as well as potential areas for improvement. The research was also intended to help determine specific initiatives, technologies and programs that would be of interest to our customers in the future.

The total sample consisted of 148 respondents across our entire customer base.

The results of the survey were very positive, with the key insights below:

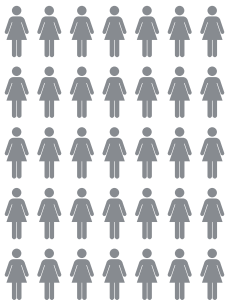
- Overall satisfaction is exceptionally high – 82% of respondents were either "very satisfied" or "satisfied" with Energy Action
- We are highly valued by customers
  95% agree that Energy Action is knowledgeable about the Australian energy market
- Customers have overwhelmingly backed us as industry experts - 88% of respondents agree that we are experts in the Australian energy market
- Customer advocacy is strong – 89% said they would be likely to recommend Energy Action to other businesses
- We offer an ideal marketing content mix – 88% agree that the level of technical information and resources provided by Energy Action is well suited to their business's needs

From July 2011 through to June 2012, Energy Action employed **2** employees with disabilities.

Energy Action currently has specific flexible working arrangements with **9** employees (male & female)

Energy Action currently has **35** women in employment.

1 woman on the Board,
6 women in management roles,
and 28 women in general employment.



Energy Action employs staff from **12** different cultural backgrounds

Numerous comments were submitted with a number of "exceeding expectations" comments such as "staff are extremely helpful, contactable, and responsive to requests," and "economic" comments like "the process achieved a significant reduction in electricity costs."

While encouraged by these results, we intend to further develop our customer satisfaction research programme to help respond to our customer's needs, to improve overall customer satisfaction and loyalty.

"Since we commenced with Energy Action I have nothing but praise for the staff members that I have spoken to over the years. Keep up the good work. It's a pleasure to actually deal with a company that has excellent customer service."

Margaret McGarry, Finance Manager
Belmore Returned Services & Community Club Limited

FINANCIAL REPORT

ENERGY ACTION 2012 ANNUAL REPORT

EnergyAction®

FINANCIAL REPORT

Directors' Report 26
Auditor's Independence Declaration 32
Remuneration Report (Audited) 33
Corporate Governance Statement 40
Financial Statements 50
- Consolidated Statement of Comprehensive Income 50
- Consolidated Statement of Financial Position 51
- Consolidated Statement of Changes in Equity 52
- Consolidated Statement of Cash Flow 53
- Note 1: Corporate Information 54
- Note 2: Summary of Significant Accounting Policies 54
- Note 3: Significant Accounting Judgements, Estimates and Assumptions 61
- Note 4: Segment Information 62
- Note 5: Revenue and Other Income 63
- Note 6: Expenses 63
- Note 7: Income Tax Expense 64
- Note 8: Earnings Per Share 65
- Note 9: Dividends 66
- Note 10: Cash and Cash Equivalents 66
- Note 11: Trade and Other Receivables 67
- Note 12: Property, Plant and Equipment 68
- Note 13: Intangible Assets 69
- Note 14: Other Assets 70
- Note 15: Trade and Other Payables 70
- Note 16: Tax 71
- Note 17: Provisions and Other Liabilities 72
- Note 18: Issued Capital and Reserves 73
- Note 19: Capital and Leasing Commitments 75
- Note 20: Cash Flow Information 75
- Note 21: Related Party Transactions 76
- Note 22: Financial Risk Management 78
- Note 23: Auditors' Remuneration 81
- Note 24: Information Relating to Energy Action Limited ("The Parent Entity") 82
- Note 25: Events After the Reporting Period 82

Directors' Declaration 83
Independent Auditor's Report 84

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 2012.

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, Honours, University of New South Wales, Graduate Diploma of Applied Finance, PhD in molecular physics – Cambridge

Experience – Appointed Chairman 2003

Special Responsibilities – Chairman of Nomination Committee , Member of IT Committee

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

Valerie Jean Duncan (Managing Director)

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 Committee and IT Committee

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

Paul Meehan (Non Executive Director)

Qualifications – Bachelor of Law, University of Sydney

Experience – Board member since 2003

Special Responsibilities – Member of Remuneration Committee and Nomination Committee

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

Stephen Twaddell (Non Executive Director)

Qualifications – BA, Brown University, Harvard Business School – IBM

Experience – Board member since 2003

Special Responsibilities – member of Audit and Risk Management Committee and Remuneration Committee, Chairman of IT Committee

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

William Moss (Non Executive Director – resigned 30 June 2012)

Qualifications – Bachelor of Economics, Bachelor of Real Estate, Macquarie Bank Internal Course on Accounting and Board Listed Companies, ASIC advisory, Macquarie Bank Internal Course on Company Secretarial. Advance Diploma Valuation – Real Estate

Experience – 23 years with Macquarie Bank as a Senior Executive and Executive Director

Special Responsibilities - (prior to resignation from the Board) – Chairman of Nomination Committee, 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

Edward Hanna (Executive Director)

Qualifications – Bachelor Arts, Honours, University of Sydney, Graduate Diploma in Applied Finance – electrical derivates, AFMA, Fellow Australian Institute of Energy, Member of Alternative Technology Association

Experience – Board member since 2003

Special Responsibilities – nil

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

Barry Denton (Executive Director – resigned 25 August 2011)

Qualifications – Business Marketing Certificate, Western Sydney TAFE

Experience – Board member since 2003

Special Responsibilities – nil

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

Murray Bleach (Non-Executive Director – appointed 3 July 2012)

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

Experience – over 30 years experience in the accounting and finance industry including KPMG Peat Marwick in Sydney and Dallas, Texas. Joined Bankers Trust Australia in 1987. Joined Macquarie Group as part of Macquarie's acquisition of Bankers Trust Australia. During this time he was CEO of Macquarie's US business and led the building of its US infrastructure business.

Previously CEO of Intoll Group and is currently a Non Executive Director of Industry Funds Management and Eraring Energy. He is also on the board of Suicide Prevention Australia, Eraring Energy, Strongform Group and is a member of the Advisory Board for Derwent Executive, an executive recruitment consultancy.

Special Responsibilities – Chairman of Audit & Risk Management Committee, Chairman of 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 preference shares	Number of options over ordinary shares
Dr. Ronald Watts	2,825,280	-	-
Valerie Duncan	2,413,377	-	-
Edward Hanna	1,305,044	-	-
Paul Meehan	5,327,091	-	-
William Moss[1]	878,391	-	200,000[2]
Stephen Twaddell	2,296,209	-	-
Murray Bleach	-	-	-
Barry Denton[3]	1,000,331	-	-

1 as at 30 June 2012 (resignation date)

2 Moss Capital Pty Limited advised the Group during the IPO and as part consideration were issued 400,000 ordinary shares and 200,000 options at an exercise price of $1.20 (expiring 30 September 2014). William Moss has a relevant interest in Moss Capital Pty Limited.

3 resigned as a director of the board on 25 August 2011

Company Secretaries

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

Nathan Francis – Nathan Francis was appointed as company secretary on 30 March 2012 (commenced employment 26 March 2012) and is a member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia. He also holds a Bachelor of Business degree from the University of Technology, Sydney.

Valerie Duncan – Master of Business, General Management Charles Sturt University, Company Secretarial FCSA, Company Director FAICD. Valerie has worked for the Group for over 10 years holding CEO roles in the executive divisions of the business. Valerie was appointed Company Secretary on 3 February 2003.

Dividends

Final dividends recommended:	Cents per share	$
Ordinary shares		
Final 2012 dividend recommended to be paid 14 September 2012	3.72	933,977
Interim 2012 dividend paid 13 March 2012	3.48	872,262
Final 2011 dividend paid 9 August 2011	4.36	469,674

Principal Activities

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

- Reverse auctions for electricity: specialised electricity procurement via online reverse auctions with gas conducted via email tender;
- Energy monitoring and assessment and contract management; and
- Energy efficiency and sustainability.

Initially founded in 2000 Energy Action has grown significantly and since 2005 the company has procured more than $3.5 billion worth of electricity on behalf of its clients.

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

Operating and financial review

Financial overview

The Group generated statutory net profit after tax of $3.6 million for the year ending 30 June 2012 compared to $2.9 million for the year ended 30 June 2011. Revenue and other income for the same period increased by $3.3 million from $14.0 million to $17.4m mainly as a result of higher Auction revenue which increased by $1 million and higher Activ8 revenue which increased by $1.7 million.

Statutory net profit after tax was $199,000 below the IPO Prospectus forecast of $3.8 million. The result was after allowing for $0.5 million of listing expenses (pre-tax) which in the prospectus forecast were assumed to be capitalised. Revenue was $0.1m higher than the prospectus forecast.

Overheads totalled $12.2 million for the year, compared to $9.9m in the previous year. Of the total overheads $8.2 million related to employee remuneration. Total overheads of $12.2 million compared to the prospectus forecast of $12.0m however the prospectus forecast excluded $0.5m of IPO costs because it was anticipated that these costs would be capitalised.

Overall revenue increased 24% and overheads increased 23% compared to the previous year.

Operating profit after tax for the year ended 30 June 2012 was $4 million, being 4% higher than the prospectus forecast. A reconciliation is shown in the table below:

$000's	Actual	Prospectus
Statutory net profit after tax	3,611	3,834
Add back: One off listing costs^	364	-
Operating profit after tax	3,975	3,834

^ In the prospectus forecast all IPO listing costs were assumed to be capitalised. These costs, totalling $520,087, have subsequently been expensed through the profit and loss statement. Above is net of tax.

Net assets increased from $4.6 million at 30 June 2011 to $10.4 million at 30 June 2012 mainly as a result of the the Group raising $3.8 million of equity from the IPO. The Group had $6.8 million of cash at bank at 30 June 2012 and no bank debt.

Strong operating cash flow of $4.5 million was generated during the year, compared to $2.7 million in the previous period.

A second half fully franked dividend of 3.72 cents per share was declared on 21 August 2012 bringing the total fully franked dividends for the year to 7.20 cents per share.

Operating overview

Energy Action's solid full-year results were driven by a continuing trend among Australian businesses to outsource their energy procurement and management functions. The positive results were also achieved in a climate of uncertainty around the permanency of the Federal Government's carbon tax legislation.

The company continued to invest in the Australian Energy Exchange, which experienced steady growth in traffic, with over 2,400 auction scenarios run on the Exchange over the past year. Energy Action is also expanding its geographical footprint through the establishment of a sales office in Western Australia - a key growth market for the Group.

Future contracted revenue increased 38% from $48 million at 30 June 2011 to $65 million at 30 June 2012.

Energy Action currently has more than 8,000 sites under active or future energy contracts, having procured over $720 million in energy contracts in FY2012. Small sites performed particularly well for the company in FY2012, providing over $850,000 in commissions from more than 8,000 sites.

During the year, Energy Action also launched Activ8+, which provides a range of energy management, efficiency and sustainability services. The company's Activ8 suite of services also performed strongly, adding an additional 926 sites, with over 7,000 sites now under active or future contracts. Customer loyalty remains high, with retention rates at 95%.

The complexities of the energy market, and greater awareness of increasing energy costs, have also meant more businesses are looking to reduce their energy expenses. Issues around sustainability and the carbon tax have led to more inquiry and take up of Energy Action's broader energy management and sustainability services, which present opportunities for new revenue.

Significant changes in state of affairs

The company listed on the Australian Securities Exchange on 13 October 2011. The company name and type changed on 12 August 2012 to Energy Action Limited, from Energy Action Pty Ltd.

Events after the Reporting Period

On 30 July 2012 Energy Action Limited announced the acquisition of Ward Consulting. Energy Action Limited acquired 100% of the share capital of Jaspar Australia Pty Ltd. Jaspar Australia Pty Ltd owns 100% of the share capital of Ward Consulting Services (NSW) Pty Ltd.

Ward Consulting is a leading energy procurement and energy management business located in Sydney. The acquisition price will be approximately $4 million and will be funded through existing cash and issue of shares to the vendor. The final acquisition price will be determined following the audit of Ward Consulting's FY13 net profit after tax.

Established in 1999 Ward Consulting is a highly regarded and recognised firm with a focus on sustainability reporting. Ward Consulting provides services to a range of blue-chip clients in the property, food and beverage, leisure and finance sectors. Clients include some of Australia's leading property owners and commercial property firms. The business has a number of long term contracts that generate stable revenue streams.

Acquisition costs relating to the Ward Consulting transaction (due diligence and corporate advisory) totalled approximately $300,000 and will be expensed through the profit and loss as non operating acquisition costs in FY13.

At the date of this financial report, the company has not yet completed the exercise of identifying the fair value of acquired assets and liabilities. The company expects that this exercise will be completed within 12 months of the acquisition date in accordance with the requirements of the accounting standards.

The acquisition was completed on 31 July 2012.

A fully franked dividend of 3.72 cents per share in respect of the 6 months period to 30 June 2012 was declared on 21 August 2012.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

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.

Share options

At the date of this report there were 200,000 unissued ordinary shares issued under options (200,000 at reporting date). These options were issued to Moss Capital Pty Limited as part consideration for IPO services provided to Energy Action in 2011.

Apart from the above no options over issued shares or interests in the company or the controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Meetings of Directors

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

	Board Meeting		Audit & Risk Committee		IT 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	No. Eligible to attend	No. Attended
Ronald Watts	14	14	0	0	5	5	0	0	0	0
Valerie Duncan	14	13	4	4	5	5	0	0	1	1
Paul Meehan	14	14	0	0	0	0	2	2	1	1
Stephen Twaddell	14	14	4	4	5	5	2	2	0	0
William Moss	14	13	3	3	0	0	2	2	1	1
Edward Hanna	14	13	4	4	4	4	0	0	0	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. The premiums for all directors amounted to $42,000. No indemnity has been provided for the auditors.

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 2012:

	$
Taxation services	27,359
Total	27,359

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on the following page of the financial report.

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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 2012, 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

Schalk Barnard
Partner
Sydney

21 August 2012

REMUNERATION REPORT (AUDITED)

The directors present the Remuneration Report for Energy Action Limited ("Company") and it's consolidated entities ("Group") for the year ended 30 June 2012.

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 Managing Director and senior executives against the market, Group and individual performance.

The committee consists of three non-executive directors, namely Murray Bleach (Chairman), Stephen Twaddell 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, and
- Link incentives to the creation of shareholder value.

In undertaking its work, the committee seeks the advice of external remuneration consultants, 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

Ronald Watts	Chairman
Paul Meehan	Non-Executive Director
William Moss	Non-Executive Director (resigned 30 June 2012)
Stephen Twaddell	Non-Executive Director

1.2.2. Executive directors

Valerie Duncan	Managing Director
Edward Hanna	Executive Director – Sustainability and Energy Efficiency

1.2.3. Senior executives (not directors of the board)

Barry Denton	Executive Director – Sales (resigned from the board 25 August 2011)
Nathan Francis	Executive Director – Finance & Company Secretary (commenced employment 26 March 2012 and appointed Company Secretary 30 March 2012)

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.

During the period McKenzie Consulting provided remuneration advice, including making remuneration recommendations to the remuneration committee. In May 2012 the engagement with McKenzie Consulting ceased. The remuneration committee will appoint a suitably qualified consultant to replace McKenzie Consulting in regards to remuneration recommendations relating to executive KMP.

During the period McKenzie Consulting provided a declaration that they were free from undue influence from any KMP to which their recommendations related too. The directors are satisfied that the remuneration recommendations were free from undue influence by members of the KMP because the non executive directors appointed McKenzie Consulting who reported directly to the remuneration committee and were provided with the aforementioned declaration.

During the period McKenzie Consulting was paid $11,990 in respect of market analysis and remuneration review for the Managing Director, Executive Directors and Senior Executives and $46,860 for non remuneration related human resources services.

In respect of non-executive director fees the Board were independently advised by Boardroom Partners for a fee of $6,000.

1.4. Share based incentive scheme

The Group does not currently operate a share/options based long term incentive scheme for its employees.

There are currently no remuneration awards linked to share price.

Currently the executive KMP collectively own 19% of the issued capital of Energy Action Limited which, at this time, the Board believe provides sufficient incentive to those KMP and alignment of interests with shareholders.

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 2012, including superannuation, was as follows:

Base fee	$
Chairman	52,320
Non-executive directors	39,240

The above fees include committee membership. The tables at the end of this remuneration report provide details of fees paid during the financial year to each non-executive director.

The fees above reflect a market review undertaken in June 2011, prior to the Group listing with the assistance of an independent expert, namely Boardroom Partners.

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) 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)
- Commission – determined by the rules of the Sales Commission Scheme which has been reviewed from time to time by the Remuneration Committee. Eligibility for Commission is restricted to staff involved in direct sales activities.

The combination of the above components comprises the executive's Total Remuneration. In determining the quantum and relativity of each of these components, the Board, through the Remuneration Committee, considered commission information from Mackenzie Consulting. The most recent review was undertaken in April 2012. Prior to that reviews were undertaken in November 2011 and June 2011 which were taken into consideration in determining the executive remuneration for the financial year ended 30 June 2012.

The expert consultant is asked to undertake 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 Managing Director and senior executives for the year ended 30 June 2012 was:

	Fixed Component	Bonus Component	Commission Component
Managing Director	85%	15%	n/a
Executive Director – Sales	48%	17.5%	34.5%
Executive Director – Energy Efficiency & Sustainability Solutions	89%	11%	n/a
Executive Director – Finance & Company Secretary	85%	15%	n/a

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, team and individual components. The specific company measures include profitability, forward contract revenue growth, cash flow position and dividend yield. Linking part of the bonus to growth in forward contract revenue focuses on longer term outcomes. Team and 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 100%). 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 Managing Director and senior executives is:

	Company	Team	Individual
Managing Director	30%	20%	50%
Executive Director – Sales	30%	20%	50%
Executive Director – Energy Efficiency & Sustainability Solutions	30%	50%	20%
Executive Director – Finance & Company Secretary	30%	20%	50%

The short-term (bonus) related performance criteria may be adjusted up or down in line with under or over achievement against the target performance levels on an annual review basis. The profit and revenue targets will most likely be raised on an annual basis in line with the company budget.The Board is responsible for assessing the performance of the Managing Director. The Managing Director is responsible for assessing the performance of other executives (with approval by the Remuneration Committee).

Bonus payments are made in December and June each year, where applicable, and once a year in June for the Managing Director.

The actual percentage of Bonus Potential earned by the Managing Director and Senior Executives for the year ended 30 June 2012 was:

	% of Bonus Potential
Valerie Duncan	91%
Barry Denton	79%
Edward Hanna	67%
Nathan Francis *	86%

* Pro rata payment made based on partial tenure for the financial year ended 30 June 2012

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. Senior executives responsible for leading the organisation, 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 Managing Director 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 Managing Director and senior executives are as follows:

Name	Term of agreement	Termination*
Valerie Duncan	On-going (no fixed term)	6 months base salary termination by company or 3 months termination by executive
Edward Hanna	On-going (no fixed term)	4 weeks base salary
Barry Denton	On-going (no fixed term)	5 weeks base salary termination by company or 4 weeks if termination by executive
Nathan Francis**	On-going (no fixed term)	12 weeks after serving an initial period

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

** Commenced employment 26 March 2012 (appointed Company Secretary 30 March 2012)

4. REMUNERATION TABLES

4.1. Remuneration table for the year ended 30 June 2012

Details of remuneration of directors and KMP of the Group for the 2012 financial year, are set out in the following table.

	Short term benefits				Post employment benefits	Long term benefits	Long term benefits	Total
Non-executive directors[1]	Cash salary and fees	Additional fees	Cash bonus	Non monetary benefits	Superannuation	Termination benefits	Long service leave	Total
	$	$	$	$	$	$	$	$
Dr. Ronald Watts	48,000	-	-	-	4,320	-	-	52,320
Paul Meehan	36,000	-	-	-	3,240	-	-	39,240
William Moss[2]	36,000	-	-	-	3,240	-	-	39,240
Stephen Twaddell	40,455	-	-	-	-	-	-	40,455
Sub-total	**160,455**	**-**	**-**	**-**	**10,800**	**-**	**-**	**171,255**
Executives								
Valerie Duncan[3]	275,229	-	41,494	-	29,496	-	-	346,219
Edward Hanna[3]	205,000	-	21,968	-	20,427	-	-	247,395
Barry Denton[4]	196,397	54,000	19,116	-	21,350	-	-	290,863
Nathan Francis[5]	44,686	-	7,890	-	5,002	-	-	57,578
Sub-total	**721,312**	**54,000**	**90,468**	**-**	**76,275**	**-**	**-**	**942,055**
Total	**881,767**	**54,000**	**90,468**	**-**	**87,075**	**-**	**-**	**1,113,310**

Notes

1 As disclosed in the IPO prospectus the non-executive directors were entitled to annual fees of $39,240 (including superannuation)with the Chairman $52,320 per annum (including superannuation). Stephen Twaddell received higher fees in FY12 as a result of an under-payment of fees in FY11.

2 Resigned 30 June 2012

3 Director of Energy Action Limited

4 Resigned as a director of Energy Action Limited effective 25 August 2011. Additional fees represent motor vehicle allowance. Salary includes sales commission.

5 Commenced employment 26 March 2012 (appointed Company Secretary 30 March 2012)

4.2 Remuneration table for the year ended 30 June 2011

Details of remuneration of directors and KMP of the Group for the 2011 financial year, are set out in the following table.

	Short term benefits				Post employment benefits	Long term benefits	Long term benefits	Long term equity based benefits		Total
Non-executive directors	Cash salary and fees	Additional fees	Cash bonus	Non monetary benefits	Superannuation	Termination benefits	Long service leave	Shares	Options	Total
	$	$	$	$	$	$	$	$	$	$
Dr. Ronald Watts	24,000	-	-	-	2,160	-	-	-	-	26,160
Gray Goodwin[1]	4,500	-	-	-	405	-	-	-	-	4,905
Paul Meehan	18,000	-	-	-	1,620	-	-	-	-	19,620
William Moss[2]	9,750	-	-	-	878	-	-	-	-	10,628
Stephen Twaddell	18,000	-	-	-	-	-	-	-	-	18,000
Peter Weldon[1]	4,500	-	-	-	-	-	-	-	-	4,500
Sub-total	**78,750**	**-**	**-**	**-**	**5,063**	**-**	**-**	**-**	**-**	**83,813**
Executive directors[3]										
Valerie Duncan	240,385	-	31,104	-	23,669	-	-	-	-	295,158
Barry Denton[4]	231,558	-	20,120	-	23,665	-	12,058	-	-	287,401
Edward Hanna[4]	176,214	-	22,340	-	17,754	-	-	-	-	216,308
Sub-total	**648,157**	**-**	**73,564**	**-**	**65,088**	**-**	**12,058**	**-**	**-**	**798,867**
Total	**726,907**		**73,564**		**70,151**		**12,058**			**882,680**

Notes

1 Resigned 30 September 2010

2 Appointed 13 December 2010

3 Directors of Energy Action Limited during the year ended 30 June 2011

4 Salary includes commissions

Relative Proportion of Remuneration

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

Name	Fixed Remuneration		At Risk – Cash Bonus/Other		At Risk - Securities	
Non-executive directors	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
Dr.Ronald Watts	100	100	0	0	n/a	n/a
Gray Goodwin	n/a	100	n/a	0	n/a	n/a
Paul Meehan	100	100	0	0	n/a	n/a
William Moss	100	100	0	0	n/a	n/a
Stephen Twaddell	100	100	0	0	n/a	n/a
Peter Weldon	n/a	100	n/a	0	n/a	n/a
Executives					**n/a**	**n/a**
Valerie Duncan	88	89	12	11	n/a	n/a
Edward Hanna	91	90	9	10	n/a	n/a
Barry Denton	48	64	52	36	n/a	n/a
Nathan Francis	86	n/a	14	n/a	n/a	n/a

4.3 Company Performance

The Group had reported solid results for the financial year ended 30 June 2012 with net profit after tax of $3.6 million compared to the IPO prospectus forecast of $3.8 million. The actual net profit after tax includes $0.5m of pre-tax costs related to the IPO that were required to be expensed to the profit and loss. Operating profit after tax (excluding listing costs) was $4.0 million.

The closing share price at 30 June 2012 was $1.77 compared to the $1.00 IPO share price.

30 June 2012	Actual	Prospectus forecast
Revenue & other income ($000's)	17,372	17,314
Net profit after tax ($000's)	3,611	3,834
Operating profit after tax ($000's)	3,975	3,834
Earnings per share	15.1 cents	15.3 cents
Market capitalisation	$44m	$25m (at IPO)

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

Valerie Duncan
Director
Dated: 21 August 2012

CORPORATE GOVERNANCE STATEMENT

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 Recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council on 2 August 2007 and as amended on 30 June 2010 (Principles). The Principles can be viewed at 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 if they consider it inappropriate in their particular circumstances (the 'If not, why not' approach).

Below is a summary of each of the Principles and Recommendations in table format. Reasons for any non-compliance with the Principles are provided in this Corporate Governance Statement.

Recommendation		The entity complied for the full period	
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	The entity has established the functions reserved to the board and those delegated to senior executives.	☑ Yes	☐ No
1.2	The entity has disclosed its process for evaluating the performance of senior executives.	☑ Yes	☐ No
1.3	The entity has provided the information indicated in the guide to reporting on Principle 1	☑ Yes	☐ No
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE			
2.1	A majority of the board are independent directors.	☐ Yes	☒ No
2.2	The chair is an independent director.	☐ Yes	☒ No
2.3	The roles of chair and chief executive officer are not exercised by the same individual.	☑ Yes	☐ No
2.4	The board has established a nomination committee.	☑ Yes	☐ No
2.5	The entity has disclosed the process for evaluating the performance of the board, its committees and individual directors.	☑ Yes	☐ No
2.6	The entity has provided the information indicated in the guide to reporting on Principle 2.	☑ Yes	☐ No
PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING			
3.1	The entity has established a code of conduct and disclosed the code or a summary of the code.	☑ Yes	☐ No
3.2	The entity has established a policy concerning diversity and disclosed the policy or a summary of that policy. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	☑ Yes	☐ No
3.3	The entity has disclosed in its annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	☑ Yes	☐ No
3.4	The entity has disclosed in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	☑ Yes	☐ No
3.5	The entity has provided the information indicated in the guide to reporting on Principle 3	☑ Yes	☐ No

Recommendation		The entity complied for the full period	
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING			
4.1	The board has established an audit committee.	☑ Yes	☐ No
4.2	The audit committee has been structured so that it: » consists only of non-executive directors » consists of a majority of independent directors » is chaired by an independent chair, who is not chair of the board » has at least three members.	☐ Yes	☒ No
4.3	The audit committee has a formal charter.	☑ Yes	☐ No
4.4	The entity has provided the information indicated in the guide to reporting on Principle 4.	☑ Yes	☐ No
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	The entity has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclosed those policies or a summary of those policies.	☑ Yes	☐ No
5.2	The entity has provided the information indicated in the guide to reporting on Principle 5.	☑ Yes	☐ No
PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS			
6.1	The entity has a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclosed the policy or a summary of the policy.	☑ Yes	☐ No
6.2	The entity has provided the information indicated in the guide to reporting on Principle 6.	☑ Yes	☐ No
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The entity has established policies for the oversight and management of material business risks and disclosed a summary of those policies.	☑ Yes	☐ No
7.2	The board requires management to design and implement the risk management and internal control system to manage the entity's material business risks and report to it on whether those risks are being managed effectively. The board has disclosed that management has reported to it as to the effectiveness of the company's management of its material business risks.	☑ Yes	☐ No
7.3	The board has disclosed whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	☑ Yes	☐ No
7.4	The entity has provided the information indicated in the guide to reporting on Principle 7.	☑ Yes	☐ No
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board has established a remuneration committee.	☑ Yes	☐ No
8.2	The remuneration committee is structured so that it: » consists of a majority of independent directors » is chaired by an independent chair » has at least three members.	☐ Yes	☒ No
8.3	The entity clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.	☑ Yes	☐ No
8.4	The entity has provided the information indicated in the guide to reporting on Principle 8.	☑ Yes	☐ No

A detailed outline of Energy Action's corporate governance practices as at 30 June 2012 is detailed below. This outline has been prepared in a manner consistent with the Principles in the form of a report against each Recommendation. Unless otherwise stated, they reflect the practices in place throughout the financial year.

Principle 1: Lay solid foundations for management and oversight

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

Responsibility for corporate governance and the internal working of the Group rests with the Board. 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:

- providing strategic direction and deciding upon Energy Action's business strategies and objectives with a view to seeking to optimise the risk adjusted returns to investors;
- monitoring the operational and financial position and performance of Energy Action;
- overseeing risk management for Energy Action;
- ensuring that Energy Action's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- ensuring that shareholders and the market are fully informed of all material developments; and
- overseeing and evaluating the performance of the Managing Director and other senior executives in the context of Energy Action's strategies and objectives, and planning for executive succession.

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

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

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.

What you can find on our website:

Energy Action's Board Charter.

Principle 2: Structure the Board to add value

The Board is comprised of six members appointed with a view to providing appropriate skills and experience likely to add value to the Group's activities.

Recommendation 2.1: A majority of the Board should be independent directors.

During the year ended 30 June 2012 Energy Action had a six member board comprising of four non executive directors and two executive directors, none of whom were independent directors. Profiles of these directors, including details of their skills, experience and expertise can be found in the directors' report.

As disclosed during the Initial Public Offering of Energy Action in October 2011, at this early stage of Energy Action's ASX listing, the board is focused on sustaining and improving shareholder value by maintaining the current board composition with a view to adding independent directors progressively. In this regard we are please to advise that Murray Bleach was appointed to the board as an independent, non-executive director of Energy Action Limited, effective 3 July 2012.

Independence

Independence of directors determined by objective criteria is acknowledged as being desirable to protect investor interests and optimise the financial performance and returns to investors. The Board regularly assesses 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 is in line with standards set by the Principles.

Recommendation 2.2: The chair should be an independent director.

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

Dr Ronald Watts is the Chair of the Board. Dr Watts is a non-executive, non-independent member of the Board (in accordance with the criteria described above). The role of Chief Executive Officer – or Managing Director – is carried out by Valerie Duncan, an executive director.

As mentioned above, due to it's current relatively small size and at this early stage of Energy Action's ASX listing the Board believe it is very important to continue to utilise and benefit from the skills and experience of the current non-executive directors notwithstanding that they are non-independent.

Recommendation 2.4: The Board should establish a nomination committee.

The Board has established a Nomination Committee which consists of the Group Chairman Dr Ronald Watts (Committee Chairman), Paul Meehan and Val Duncan.

Details of the committee members experience and the number of meetings held and attended can be found in the Directors' Report. A copy of the Nomination Committee Charter which sets out the roles and responsibilities of the Committee is available on the Group's website.

The following Board composition and membership criteria have been adopted by the Committee and nominations to the Board are approved by the Energy Action Board:

- the Board is to comprise at least three directors. Additional directors may be appointed if the Board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- directors nominated for election are approved by the Board;
- a majority of the directors must be non-executive directors. The board are aiming to have a majority of independent non-executive directors over time; and
- the Board is to be comprised of directors with an appropriate range of qualifications and expertise.

The following guidelines apply to director selection and nomination by the Board:

- personal qualities and particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members;
- the existing composition of the board, having regard to the factors outlined in the Diversity Policy; and
- in the case of prospective independent directors, actual (as prescribed by the Energy Action definition of independence above) and perceived independence from Energy Action.

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

To ensure that the directors of Energy Action are properly performing their duties, the following procedures are in place:

- a formal annual performance self-assessment of the Board and Committees;
- an induction program for directors; and
- access by directors to continuing education to update and enhance their skills and knowledge.

The procedure for evaluation of the Board's performance is:

- each director will complete an annual performance questionnaire which will be submitted to an independent party, who collates and provides results to the full Board; and
- the Board as a whole discusses and analyses Board and committee performance during the year, including suggestions for change or improvement, based on the results of the survey.

Twelve or more full Board meetings are held each year. Other meetings are called as required.

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

Independent professional advice

The directors are entitled to obtain independent professional advice at the cost of the Group, subject to the estimated costs being first approved by the Chairman as reasonable.

Principle 3: Promote ethical and responsible decision making

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

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

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

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 Group's reputation. The objective of the Code is to ensure that all stakeholders and the broader community can be confident that the Group 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.

Security Trading

The Group has in place a formal Security Trading Policy which regulates the manner in which directors and staff involved in the management of the Group can deal in Group 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 Group 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 Group.

A copy of the current Security Trading Policy is available on the Group's website.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

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;
  - 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

- From July 2011 through to June 2012, Energy Action employed 2 employees with disabilities.
- Energy Action currently has specific flexible working arrangements with 9 employees (male & female employees)
- Energy Action has in its employment staff from 12 different cultural backgrounds

Recommendation 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

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 2012.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

As at 30 June 2012, the proportion of women on the Board is 17%, in senior management 31% and across all staff 57%.

What you can find on our website:

The Energy Action Code of Conduct;
The Securities' Trading Policy; and
The Diversity Policy.

Principle 4: Safeguard integrity in financial reporting

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 Group's financial reporting is a truthful and factual presentation of Energy Action's financial performance and position.

Recommendation 4.1: The Board should establish an audit committee.

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

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

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, Energy Action has appointed an Audit and Risk Committee.

The Committee is currently comprised of Murray Bleach - Chairman (independent, non-executive director), Steve Twaddell, and Valerie Duncan, the majority of who are non-executive directors. Murray Bleach was appointed to the committee on 3 July 2012 and is an independent director. Murray Bleach replaced Bill Moss, a non independent, non-executive director who resigned from the board on 30 June 2012. The committee does not currently, and has not previously comprised a majority of independent directors. As explained above the board recently appointed an independent director. The board are aiming to bring on additional independent director/s over time.

The members have comprehensive financial and industry expertise. The Committee met on four (4) occasions during the year to 30 June 2012. Please refer to the Directors' Report for more information on members, including attendance at committee meetings.

The Audit and Risk Committee also meet privately with the external auditors at least twice a year.

Recommendation 4.3: The Audit Committee should have a formal Charter.

In establishing the Audit and Risk Committee, the Board has developed a charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements.

The key responsibilities of the Audit and Risk Committee under the Charter in relation to financial reporting are to:

- 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.

Details of the risk monitoring duties of the Audit and Risk Committee are set out in the Principle 7 commentary below.

Auditor independence

The Audit and Risk Committee has adopted a policy which includes the following to ensure the independence of the external auditor:

- the external auditor must remain independent from Energy Action;
- the external auditor must monitor its independence and report to the Board every six months that it has remained independent;
- significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the Audit, and Risk Committee (or its chairman between meetings);
- all non-audit assignments are to be reported to the Audit and Risk Committee every six months; and
- the Group's audit engagement partner and review partner must be rotated every five years.

The Board and the Audit and Risk Committee are of the view that, at the present time, Ernst & Young is best placed to provide the Group's audit services. Ernst & Young is a top tier professional services firm. It has provided audit services to the Group since its IPO and is familiar with its structure and assets. The auditor is required to be independent from the Group and Energy Action. Ernst & Young meets this requirement.

The 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.

What you can find on our website:

The Audit and Risk Committee Charter; Risk Management and Audit Policy

Principle 5: Make timely and balanced disclosure

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

It is Energy Action's policy to provide timely, open and accurate information to all stakeholders, including shareholders, regulators and the wider investment community.

Energy Action has a Continuous Disclosure Policy which includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules. These policies include procedures for dealing with potentially price-sensitive information which includes referral to the Managing Director 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.

What you can find on our website:

Continuous Disclosure Policy.

Principle 6: Respect the right of shareholders

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

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 analyst presentations as soon as practically possible. Energy Action's website (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, analyst 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 Managing Director 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. Proxy forms can be mailed or faxed.

What you can find on our website:

Communication Policy.

Principle 7: Recognise and manage risk

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

Energy Action has a formalised risk management framework. Compliance with risk management policies is monitored by the Audit and Risk Committee. The Risk Management and Audit Policy is included on the Groups website.

As part of its risk monitoring duties, the Audit and Risk Committee is required to:

- oversee and approve risk management, internal compliance and control policies and procedures of the Group
- 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.

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

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 quarterly 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 Audit and Risk Committee, which in turn reports on this to the Board. During the year, management has reported to the Audit and Risk Committee 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 Group does not warrant an internal audit function. This policy is subject to ongoing review.

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

The Board of Energy Action has received assurance from the Managing Director and Chief Financial Officer 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.

What you can find on our website:

Risk Management and Audit Policy.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a remuneration committee.

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

- Consists of a majority of independent directors;
- Is chaired by an independent chair; and
- Has at least three members

The Board has established a Remuneration Committee to assist the Group so that:

- The remuneration policies and practices 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;
- 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;
- The Group's remuneration policy is communicated to and supported by investors;

The Remuneration Committee comprises three non-executive directors being Murray Bleach (Chairman), Paul Meehan and Steve Twaddell (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 and was appointed as a director of Energy Action Limited on 1 July 2012. The committee does not currently, and has not previously comprised of a majority of independent directors. As explained the board are aiming to bring on an additional independent director/s over time.

Where appropriate the Remuneration Committee obtains the advice of independent experts to ensure the Group's remuneration policies are appropriate and follow best practice and address the requirements of the Group's stakeholders.

For further information in regards to the Group'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.

A copy of the Remuneration Committee Charter is available on the Group's website.

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

Fees paid to non-executive directors are set by the Board in consultation with remuneration experts, within an aggregate limit approved by shareholders. The total remuneration paid to non-executive directors to 30 June 2012 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 staff security plans or receive options or bonus payments.

Executive directors', as well as senior executives', remuneration packages comprise salary and short-term incentives (i.e. bonus).

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	Consolidated Group	
		2012 $	2011 $
Continuing operations			
Revenue	5	17,059,941	13,991,853
Other income	5	311,668	45,043
		17,371,609	14,036,896
Employee benefits expense	6	(8,167,236)	(7,126,006)
Depreciation and amortisation	6	(526,108)	(402,327)
Cost of goods and rebates		(551,859)	(130,865)
Listing costs		(520,087)	-
Rental expense		(355,823)	(325,329)
Travel		(197,223)	(217,399)
Administration expenses	6	(1,912,709)	(1,655,513)
Profit before income tax		5,140,564	4,179,457
Income tax expense	7	(1,529,571)	(1,244,500)
Profit for the year attributable to members of the parent entity		3,610,993	2,934,957
Other comprehensive income:			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to members of the parent entity		3,610,993	2,934,957
Earnings per share:		Cents	Cents
Basic earnings per share for the year attributable to ordinary equity holders of the parent	8	15.13	14.07
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	8	15.04	14.07

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	Consolidated Group 2012 $	2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	6,757,604	1,566,517
Trade and other receivables	11	2,784,757	2,539,568
Other assets	14	162,260	258,633
TOTAL CURRENT ASSETS		9,704,621	4,364,718
NON-CURRENT ASSETS			
Trade and other receivables	11	22,925	28,680
Property, plant and equipment	12	334,343	195,869
Deferred tax assets	16	375,585	286,199
Intangible assets	13	1,722,396	1,434,538
TOTAL NON-CURRENT ASSETS		2,455,249	1,945,286
TOTAL ASSETS		12,159,870	6,310,004
CURRENT LIABILITIES			
Trade and other payables	15	906,984	892,433
Current tax liabilities	16	12,020	387,398
Provisions & other liabilities	17	588,108	419,053
TOTAL CURRENT LIABILITIES		1,507,112	1,698,884
NON-CURRENT LIABILITIES			
Provisions & other liabilities	17	258,991	51,320
TOTAL NON-CURRENT LIABILITIES		258,991	51,320
TOTAL LIABILITIES		1,766,103	1,750,204
NET ASSETS		10,393,767	4,559,800
EQUITY			
Issued capital	18b	3,979,171	449,263
Retained earnings		6,379,596	4,110,537
Reserves	18d	35,000	-
TOTAL EQUITY		10,393,767	4,559,800

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

Consolidated Group	Note	Share Capital Ordinary	Share Option Reserve	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2010		449,263	-	2,498,193	2,947,456
Profit attributable to members of parent entity		-	-	2,934,957	2,934,957
Dividends paid or provided for	9	-	-	(1,322,613)	(1,322,613)
Balance at 30 June 2011		449,263	-	4,110,537	4,559,800
Profit attributable to members of parent entity		-	-	3,610,993	3,610,993
Net share capital issued in the year	18b	3,529,908	-	-	3,529,908
Share based payments	18d	-	35,000	-	35,000
Dividends paid or provided for	9	-	-	(1,341,934)	(1,341,934)
Balance at 30 June 2012		3,979,171	35,000	6,379,596	10,393,767

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 30 June 2012

	Note	Consolidated Group 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		18,884,655	15,282,024
Payments to suppliers and employees (inclusive of GST)		(13,056,560)	(11,173,631)
Interest received		183,018	45,043
Income tax paid		(1,546,396)	(1,441,155)
Net cash provided by operating activities	20	4,464,717	2,712,281
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(256,194)	(154,494)
Purchase of intangible assets	13	(696,246)	(644,375)
Net cash used in investing activities		(952,440)	(798,869)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by parent entity	9	(1,341,934)	(1,322,613)
Proceeds from capital raising	18b	3,800,000	-
Equity raising costs		(779,256)	-
Net cash provided by/ (used in) financing activities		1,678,810	(1,322,613)
Net increase in cash held		5,191,087	590,799
Cash at beginning of financial year	10	1,566,517	975,718
Cash at end of financial year	10	6,757,604	1,566,517

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2012

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") for the year ended 30 June 2012. The financial statements were authorised for issue in accordance with a resolution of the directors on 21 August 2012.

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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). 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.

2.2 New Accounting Standards and interpretations

(i) Changes in accounting policy

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 2011; none of which had a material impact on the financial statements:

- AASB 124 Related Party Disclosures (amendment) effective 1 January 2011
- AASB 132 Financial Instruments: Presentation (amendment) effective 1 January 2011
- Improvements to AASBs (May 2010)

The adoption of the standards or interpretations has not resulted in any material impacts on the company's financial position.

(ii) Accounting Standards and Interpretations issued but not yet effective.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting period. The Group is in the process of assessing these new standards and interpretations. At this stage, it is not expected that these new accounting standards will have a material impact on the amounts reported in the Group's financial statements. Certain disclosures and presentation may change due to the new or amended standards.

2.3 Key Accounting Policies

a. Principles of consolidation

The consolidated financial statements comprise the financial statements of Energy Action Limited and its subsidiaries (as outlined in Note 21) as at and for the period ended 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Energy Action Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from 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.

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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises 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 other comprehensive income
- to profit or loss or retained earnings, as appropriate

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 unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

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 probably 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 probably 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.

Note 2: Summary of Significant Accounting Policies (continued)

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 in 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 euipment

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.

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:

Class of Fixed Asset	Depreciation Rate
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 revalued 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.

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.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(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.

Note 2: Summary of Significant Accounting Policies (continued)

g. Financial instruments (continued)

(iii) Financial liabilities

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

Derecognition

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, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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.

i. Intangible assets other than Goodwill

Research and development costs

Research costs (software 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%

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 national government bonds with terms to maturity that match the expected timing of cash flows.

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.

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.

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).

Note 2: Summary of Significant Accounting Policies (continued)

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 3: Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management 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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) Impairment

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.

(ii) 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 18.

(iii) 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 economical 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. At 30 June 2012, the carrying amount of capitalised development costs was $1,722,396 (2011: $1,434,538).

This amount includes significant investments in the development of software. The software is being enhanced and /or developed for use within the business, improving operational efficiency.

Key judgments

(i) Provision for impairment of receivables

The provision for impairment of receivables has been based on a review of invoices that have aged beyond agreed terms, for which there has been no positive communication from the customer in regards to collection.

Note 4: Segment Information

Identification of reportable segments

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

The Group has identified one reportable operating segment, being the provision of electricity procurement and related management and consultancy services in Australia. The types of services provided are detailed below.

Types of services

The business's service range is composed of the three major services, including Australian Energy Exchange (AEX), Activ8 and Activ8+, and each service contributes a varying amount to the company's overall revenue. For the year ended 30 June 2012, the AEX delivered 31% of the overall revenue, Activ8 contributed 63% and Activ8+ provided 6%. The board of directors reviews the revenue by the three categories, however costs for each are pooled and separate segment results, assets and liabilities are not reported or reviewed by the executive management team.

The AEX is a specialised electricity procurement service which is an online, real time, reverse auctions platform.

Activ8 is an independent energy monitoring contract management service which includes energy consumption monitoring and costing, energy emissions monitoring, contract administration, detailed technical reporting, desktop energy efficiency review and additional reporting and monitoring.

Activ8+ is the energy efficiency and sustainability partnering service, which includes 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.

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%.

Year ended 30 June 2012	AEX	Activ8	Activ8+	Total
	$	$	$	$
Sales to external customers	5,227,184	10,826,291	1,006,466	17,059,941
	5,227,184	10,826,291	1,006,466	17,059,941

Year ended 30 June 2011	AEX	Activ8	Activ8+	Total
	$	$	$	$
Sales to external customers	4,248,316	9,109,700	633,837	13,991,853
	4,248,316	9,109,700	633,837	13,991,853

Note 5: Revenue and Other Income

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
Revenue			
Sales revenue		17,059,941	13,991,853
Other income	5a	311,668	45,043
Total		17,371,609	14,036,896
a. Other revenue:			
» Interest income		183,019	45,043
» Research & development grant		128,649	-
		311,668	45,043

Note 6: Expenses

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
Administration expenses			
Accounting, audit and tax fees		161,166	128,161
Advertising		280,411	206,526
Legal and professional fees		94,333	136,306
Recruitment		91,495	124,315
Telephone and internet		224,456	169,572
Other expenses		1,060,848	890,633
		1,912,709	1,655,513
Depreciation and amortisation			
» Depreciation	12a	117,720	114,356
» Amortisation	13	408,388	287,971
		526,108	402,327
Employee benefits			
» Salaries		6,898,484	5,992,596
» Superannuation		565,302	486,157
» Other		703,450	647,253
		8,167,236	7,126,006

Note 7: Income Tax Expense

		Note	Consolidated Group 2012 $	2011 $
a.	The components of tax expense comprise:			
	Current tax		1,569,561	1,229,539
	Deferred tax	16	(39,990)	14,961
			1,529,571	1,244,500
b.	The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)		1,542,169	1,253,837
Add:				
Tax effect of:				
»	other non-allowable items		136,694	14,123
Less:				
Tax effect of: Deductible Expense				
»	Prior year adjustments		(109,302)	-
»	Other	16	(39,990)	(23,460)
Income tax attributable to entity			1,529,571	1,244,500
The applicable weighted average effective tax rates are as follows:			29.7%	29.8%

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.

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:

	2012 $	2011 $
Net profit attributable to ordinary equity holders of the parent from continuing operations	3,610,993	2,934,957
Net profit attributable to ordinary equity holders of the parent for basic earnings	3,610,993	2,934,957
Net Profit Attributable to ordinary equity holders of the parent adjusted for the effect of dilutions	3,610,993	2,934,957

	2012 No.	2011 No.
Weighted average number of ordinary shares for basic earnings per share	23,868,233	20,864,945
Effect of dilution:		
Share options	143,014	-
Weighted average number of ordinary shares adjusted for the effect of dilution	24,011,247	20,864,945

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.

Note 9: Dividends

	Consolidated Group 2012 $	Consolidated Group 2011 $
Dividends paid:		
Final 2010 franked dividend of 1.84 cents per share	-	197,659
Interim 2011 franked dividend of 4.66 cents per share	-	501,991
Interim 2011 franked dividend of 3.20 cents per share	-	353,654
Interim 2011 franked dividend of 2.50 cents per share	-	269,309
Final 2011 franked dividend of 4.36 cents per share	469,674	-
Interim 2012 franked dividend of 3.48 cents per share	872,260	-
	1,341,934	1,322,613
a. Proposed final 2012 franked dividend of 3.72 cents per share (Final 2011 franked dividend of 4.36 cents per share)	933,977	469,674
b. Balance of franking account at year end adjusted for franking credits arising from:		
» Opening balance	1,410,819	733,957
» payment of provision for income tax	1,546,396	1,441,153
» 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	(575,114)	(563,003)
	2,382,101	1,612,107
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(400,276)	(201,288)
	1,981,825	1,410,819

Tax rates

The tax rate at which paid dividends have been franked is 30% (2011: 30%). Dividends proposed will be franked at the rate of 30% (2011: 30%).

Note 10: Cash and Cash Equivalents

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
Cash at floating rates		3,741,904	1,566,157
Short-term deposits		3,015,700	-
Cash at bank and in hand		6,757,604	1,566,517

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 2012 $	2011 $
CURRENT			
Trade receivables		2,841,784	2,645,158
Provision for impairment	11a	(57,027)	(105,590)
Total current trade receivables		2,784,757	2,539,568
NON-CURRENT			
Bonds and security deposits		22,925	28,680

a. Provision for Impairment of Receivables

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

b. 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.

	Net Amount $	Past Due and Impaired $	Past Due but Not Impaired (Days Overdue) < 30 $	31–60 $	61–90 $	91-120 $	120+ $	Within Initial Trade Terms $
2012								
Trade and term receivables	2,784,757	(57,027)	643,558	129,893	221,071	292,054	-	1,555,208
2011								
Trade and term receivables	2,539,568	(105,590)	496,664	393,229	62,267	526,522	-	1,166,476

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

c. Collateral Held as Security

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

d. Financial Assets Classified as Receivables

	Note	Consolidated Group 2012 $	2011 $
Trade and other receivables:			
» total current		2,784,757	2,539,568
» total non-current		22,925	28,680
Financial assets	22	2,807,682	2,568,248

Note 12: Property, Plant and Equipment

	Note	Consolidated Group 2012 $	2011 $
Computer equipment:			
At cost		597,287	433,839
Accumulated depreciation		(360,099)	(270,843)
		237,188	162,996
Furniture and fittings			
At cost		257,175	164,427
Accumulated depreciation		(160,020)	(131,554)
		97,155	32,873
Total Plant and Equipment		334,343	195,869

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.

	Computer Equipment $	Furniture and Fittings $	Total $
Consolidated Group:			
Balance at 1 July 2010	109,668	46,063	155,731
Additions	139,633	14,861	154,494
Depreciation expense	(86,305)	(28,051)	(114,356)
Balance at 30 June 2011	162,996	32,873	195,869
Additions	163,446	92,748	256,194
Depreciation expense	(89,254)	(28,466)	(117,720)
Balance at 30 June 2012	237,188	97,155	334,343

Note 13: Intangible Assets

	Consolidated Group	
	2012 $	2011 $
Software development costs	2,843,052	2,146,806
Accumulated amortisation	(1,120,656)	(712,268)
Net carrying value	1,722,396	1,434,538
Total intangibles	1,722,396	1,434,538

	Software Development Costs $	Total Intangibles $
Consolidated Group:		
Year ended 30 June 2011		
Balance at the beginning of year	1,078,134	1,078,134
Additions – Internal IT development	644,375	644,375
Amortisation charge	(287,971)	(287,971)
	1,434,538	1,434,538
Year ended 30 June 2012		
Balance at the beginning of year	1,434,538	1,434,538
Additions – internal IT development	696,246	696,246
Amortisation charge	(408,388)	(408,388)
Closing value at 30 June 2012	1,722,396	1,722,396

Intangible assets 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 14: Other Assets

	Consolidated Group	
	2012 $	2011 $
CURRENT		
Prepayments	162,260	258,633
	162,260	258,633

Note 15: Trade and Other Payables

	Note	Consolidated Group	
		2012 $	2011 $
CURRENT			
Unsecured liabilities:		179,235	26,271
Trade payables		727,749	866,162
Other payables and accrued expenses		906,984	892,433
a. Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
» total current		906,984	892,433
» total non-current		-	-
		906,984	892,433
Financial liabilities as trade and other payables	22	906,984	892,433

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	
	2012 $	2011 $
CURRENT LIABILITY		
Income tax payable	12,020	387,398

NON-CURRENT ASSET

	Opening Balance $	Charged to Income $	Charged directly to Equity $	Closing Balance $
Consolidated Group				
Deferred Tax Assets				
Provisions	172,789	32,471	-	205,260
Accruals	71,077	(57,905)	-	13,172
Fixed assets	21,696	(67,120)	-	(45,424)
Business equity raising costs	17,551	134,089	49,396	201,036
Other	3,086	(1,545)	-	1,541
Balance at 30 June 2012	286,199	39,990	49,396	375,585
Provisions	231,461	(58,672)	-	172,789
Accruals	59,311	11,766	-	71,077
Fixed assets	6,719	14,977	-	21,696
Business equity raising costs	-	17,551	-	17,551
Other	3,669	(583)	-	3,086
Balance at 30 June 2011	301,160	(14,961)	-	286,199

Note 17: Provisions and Other Liabilities

	Consolidated Group	
	2012 $	2011 $
Current		
Annual leave	363,339	275,163
Long service leave	180,783	143,890
Deferred grant income	43,986	-
Total	588,108	419,053
Non-current		
Long service leave	83,048	51,320
Deferred grant income	175,943	-
Total	258,991	51,320

Deferred grant income

The Group is entitled to a research and development incentive which will be received in the form of a reduction in tax payable. In accordance with AASB120 Government Grants a portion of the incentive ($128,649) has been recognised as income in 30 June 2012 and the remainder as deferred grant revenue to be recognised over the next 4 years.

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: Issued Capital and Reserves

	Consolidated Group	
	2012 $	2011 $
	3,979,171	449,263
Fully paid ordinary shares	3,979,171	449,263

		Consolidated Group	
		2012 No.	2011 No.
a.	**Ordinary Shares (number)**		
	At the beginning of the reporting period:	10,772,340	10,772,340
	Movement in the year:		
	» Share split (1.9369 shares for 1 share)	10,092,605	-
	» Shares issued on ASX listing	3,800,000	-
	» Shares issued to Moss Capital for IPO services	400,000	-
	At the end of the reporting period	25,064,945	10,772,340

		Consolidated Group	
		2012 $	2011 $
b.	**Ordinary Shares ($)**		
	At the beginning of the reporting period:	449,263	449,263
	Movement in the year:		
	» Shares issued on listing*	3,800,000	-
	» Shares issued to Moss Capital for advisory services on listing	400,000	-
	» Share issue costs after tax^	(670,092)	-
	At the end of the reporting period	3,979,171	449,263

* On 13 October 2011, Energy Action Limited listed on the Australian Securities Exchange. In total $3.8m was raised through the issue of 3,800,000 fully paid ordinary shares at an issue price of $1.00 per share.

^ Total tax recognised on share issue costs is $100,753

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. 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 the 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.

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 2012 and 30 June 2011 are as follows:

	Note	Consolidated Group	
		2012 $	2011 $
Trade and other payables	15/16	919,004	1,279,831
Less cash and cash equivalents	10	(6,757,604)	(1,566,517)
Net debt/(cash)		(5,838,600)	(286,686)
Total equity		10,393,767	4,559,800
Capital and net debt/cash		4,555,167	4,273,114
Gearing		-56%	-6%

Gearing as measured by total borrowings divided by total assets was 0% as at 30 June 2012 and 30 June 2011.

d. Nature of reserves

Share-based payment transactions

The share-based payment transaction reserve is used to recognise the value of an equity-settled share-based payment transaction provided to Moss Capital Pty Limited as part of their consideration for provision of IPO consultancy services. IPO fees paid to Moss Capital included a cash component of $263,500, the issue of 400,000 shares at an issue price of $1 and 200,000 options with an exercise price of $1.20 (at a value of $35,000). The value of the options was calculated using the binomial option pricing model applying the following inputs: Option term 3 years, vesting conditions: none (i.e. can be exercised immediately after issue), volatility: 40%, dividend payout: 50%, risk free rate: 4.76%.

Note 19: Capital and Leasing Commitments

	Consolidated Group 2012 $	Consolidated Group 2011 $
a. Operating Lease Commitments		
Non-cancellable property operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
» not later than 12 months	414,706	132,906
» between 12 months and 5 years	906,755	43,242
	1,321,461	176,148

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.

	Consolidated Group 2012 $	Consolidated Group 2011 $
b. Bank Guarantees		
The Group has provided the following bank guarantees at 30 June 2012 for regional offices:		
» Parramatta office	88,534	16,145
» Queensland office	11,558	11,558
» Canberra office	5,670	5,670
» Victoria office	19,250	19,250
	125,012	52,623

Note 20: Cash Flow Information

	Consolidated Group 2012 $	Consolidated Group 2011 $
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	3,610,993	2,934,957
» Depreciation and amortisation	526,108	402,327
» Provision for trade debtors	(48,563)	(325,235)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
» (increase)/decrease in trade and term receivables	(190,874)	(66,272)
» (increase)/decrease in prepayments	(252,205)	(189,808)
» increase/(decrease) in trade payables and accruals	679,282	25,745
» increase/(decrease) in deferred taxes	9,974	14,962
» increase/(decrease) in provisions payable	130,002	(84,395)
Cash flow from operations	4,464,717	2,712,281

During the year the Group incurred non-cash financing outflows of $435,000 relating to IPO costs (issue of shares and options to Moss Capital Pty Limited).

Note 21: Related Party Transactions

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 (%)* 2012	2011
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%

* Percentage of voting power is in proportion to ownership

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 Note 21(g): Interests of Key Management Personnel (KMP).

ii. Other related parties:

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

c. 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. No impairments have been provided or recorded in the two years.

The following transactions occurred with related parties:

	Consolidated Group 2012 $	2011 $
i. Other related parties:		
» Administration service fee paid to EAIP Pty Limited, a related party of Energy Action (Australia) Pty Limited.	120,000	120,000
» EAIP is charged interest by Energy Action (Australia) Pty Limited	61,197	53,752
ii. Key Management Personnel:		
» Paul Meehan's legal services rendered to the Company	16,640	13,630
» Dr Ronald Stafford Watt's consultancy service rendered to the Company	2,700	2,975
» Moss Capital Pty Limited corporate advisory services rendered to the Company for the IPO (William Moss is a director of Moss Capital Pty Limited)	635,000	125,000

d. 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 2012. The totals of remuneration paid to KMP of the Group during the year are as follows:

	Note	Consolidated Group	
		2012 $	2011 $
Short-term employee benefits		1,026,235	800,471
Post-employment benefits – superannuation and long service leave		87,075	82,209
Total Compensation		1,113,310	882,680

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

e. The ultimate parent

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

f. Option holdings of key management personnel

The only options issued during the year were to Moss Capital in relation to the listing of the company on the Australian Securities Exchange.

No options were issued during the 30 June 2011 financial year.

g. Shareholdings of key management personnel

Shares held in Energy Action Limited (number)

	Balance 1 July 2011	Share Conversion[1]	Other	Balance 30 June 2012
30 June 2012				
Directors				
Dr. Ronald Watts	1,458,660	1,366,620	-	2,825,280
Paul Meehan[2]	2,739,736	2,566,859	20,496	5,327,091
William Moss[3]	268,054	251,140	359,197	878,391
Stephen Twaddell	1,185,507	1,110,702	-	2,296,209
Executive Directors				
Valerie Duncan	1,246,000	1,167,377	-	2,413,377
Edward Hanna	673,780	631,264	-	1,305,044
Executives				
Barry Denton[4]	588,740	551,591	(140,000)	1,000,331
Nathan Francis	-	-	-	-
Total	**8,160,477**	**7,645,553**	**239,693**	**16,045,723**

Notes

1 On 8 September 2011, prior to the IPO there was a share conversion at a ratio of 1.9369 shares for every share held prior to the conversion

2 An adjustment due to an administrative error as disclosed to ASX on 19 October 2011

3 Shares held by Moss Capital Pty Limited in which William Moss has a relevant interest (400,000 issued at IPO less 40,803 sold during the period)

4 Barry Denton resigned as a director of the board on 25 August 2011

	Balance 1 July 2010	Net change	Balance 30 June 2011
Directors			
Dr. Ronald Watts	1,408,660	50,000	1,458,660
Paul Meehan	2,670,660	69,076	2,739,736
Peter Weldon[1]	795,600	(305,820)	489,780
Gray Goodwin[1]	924,920	(393,053)	531,867
William Moss[2]	-	268,054	268,054
Stephen Twaddell	1,151,060	34,447	1,185,507
Executive Directors			
Valerie Duncan	1,248,220	(2,220)	1,246,000
Edward Hanna	673,780	-	673,780
Barry Denton	668,740	(80,000)	588,740
Total	9,541,640	(359,516)	**9,182,124**

Notes

1 Resigned 30 September 2010

2 Appointed 13 December 2010

Note 22: Financial Risk Management

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, 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	
		2012 $	2011 $
Financial assets	10	6,757,604	1,566,517
Cash and cash equivalents	11	2,784,757	2,539,568
Receivables	11	22,925	28,680
Bond and security deposits		9,565,286	4,134,765
Total financial assets			
Financial liabilities			
Financial liabilities at amortised cost:			
» Trade and other payables	15	906,984	892,433
» Income tax payable	16	12,020	387,398
Total financial liabilities		919,004	1,279,831

Financial Risk Management Policies

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other matters, monitoring and managing financial risk exposures of the Group. The ARC 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 ARC meets four times a year and minutes of the ARC are reviewed by the Board.

The ARC'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.

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.

Credit risk exposures

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.

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 balanced portfolio of fixed and variable deposits. As at 30 June 2012, the Group had $3,015,700 at a fixed rate of 4.37% and other $3,741,904 at a floating rate of 3.75%.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	906,984	892,433	-	-	-	-	906,984	892,433
Income tax payable	12,020	387,398	-	-	-	-	12,020	387,398
Total expected outflows	919,004	1,279,831	-	-	-	-	919,004	1,279,831
Financial assets – cash flows realisable								
Cash and cash equivalents	6,757,604	1,566,517	-	-	-	-	6,757,604	1,566,517
Trade, term and loans receivables	2,784,757	2,539,568	-	-	-	-	2,784,757	2,539,568
Bonds and security deposits	-	-	22,925	28,680		-	22,925	28,680
Total anticipated inflows	9,542,361	4,106,085	22,925	28,680	-	-	9,565,286	4,134,765
Net (outflow)/inflow on financial instruments	8,623,357	2,826,254	22,925	28,680	-	-	8,646,282	2,854,934

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 cash at bank balances with floating interest rates.

Interest rate risk is managed using a mix of fixed and floating rates on the cash at bank balances.

The company has insignificant other balances that have interest payment terms.

Note 22: Financial Risk Management (continued)

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 2012	+/-100	+/-67
Year ended 30 June 2011	+/-100	+/-16

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 fair values of financial assets and financial liabilities are the equivalent of the net carrying amount as the financial assets and financial liabilities are short-term instruments. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is 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.

Note 23: Auditors' Remuneration

	Consolidated Group	
	2012 $	2011 $
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	80,000	-
» Other services in relation to the entity and any other entirety in the consolidated group		
Tax services	27,359	-
Amount received or due and receivable by Crowe Horwath for:		
» Auditing or review the financial report	-	81,000
» Taxation and compliance servies	53,807	27,835
» AIB Protection Insurance	1,591	2,950
	162,757	111,785

Note 24: 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.

	Note	Consolidated Group	
		2012 $	2011 $
STATEMENT OF FINANCIAL POSITION			
Current assets		4,158,133	10,315
Non-current assets		1,921,238	1,921,338
Total assets		6,079,371	1,931,653
Current liabilities		780	15,867
Non-current liabilities		1,073,587	217,757
Total liabilities		1,074,367	233,624
Issued capital		5,602,891	1,916,957
Reserves		35,000	-
Retained earnings		(632,887)	(218,928)
Total Equity		5,005,004	1,698,029
Profit of the parent entity		927,975	1,320,706
Total comprehensive income of the parent entity		927,975	1,320,706

Note 25: Events After the Reporting Period

On 30 July 2012 Energy Action announced the acquisition of Ward Consulting. Energy Action Limited acquired 100% of the share capital of Jaspar Australia Pty Ltd. Jaspar Australia Pty Ltd owns 100% of the share capital of Ward Consulting Services (NSW) Pty Ltd.

Ward Consulting is a leading energy procurement and energy management business located in Sydney. The acquisition price will be approximately $4 million and will be funded through existing cash and issue of shares to the vendor. The final acquisition price will be determined following the audit of Ward Consulting's FY13 net profit after tax.

Established in 1999 Ward Consulting is a highly regarded and recognised firm with a focus on sustainability reporting. Ward Consulting provides services to a range of blue-chip clients in the property, food and beverage, leisure and finance sectors. Clients include some of Australia's leading property owners and commercial property firms. The business has a number of long term contracts that generate stable revenue streams.

Acquisition costs relating to the Ward Consulting transaction (due diligence and corporate advisory) totalled approximately $300,000 and will be expensed through the profit and loss in FY13 as non operating acquisition costs.

The acquisition was completed on 31 July 2012.

At the date of this financial report, the company has not yet completed the exercise of identifying the fair value of acquired assets and liabilities. The company expects that this exercise will be completed within 12 months of the acquisition date in accordance with the requirements of the accounting standards.

A fully franked dividend in respect of the 6 months period to 30 June 2012 of 3.72 cents per share was declared on 21 August 2012.

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.

DIRECTORS' 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 2012 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of its financial position as at 30 June 2012 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

   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 2012.

On behalf of the board

Valerie Duncan
Director

21 August 2012

INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the 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 2012, 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.

ERNST & YOUNG

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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Schalk Barnard
Partner
Sydney

21 August 2012

SHARE AND SHAREHOLDER INFORMATION

Twenty largest shareholders

The following table sets out the 20 largest holders of listed shares and the percentage of capital each held as at 18 September 2012.

	Shareholder	No. Shares	%IC
1	Meehanteam Pty Ltd	3,000,698	11.95%
2	Val Duncan	2,413,377	9.61%
3	Toveelen Pty Ltd	2,296,209	9.15%
4	Holyoake Investments Pty Ltd	2,208,372	8.80%
5	Mr Jeffery Allen & Mrs Carolyn Allen	1,425,833	5.68%
6	Mr Edward Hanna	1,305,044	5.20%
7	Amarina Systems Pty Ltd	1,168,042	4.65%
8	Amarina Systems Pty Ltd	997,020	3.97%
9	HSBC Custody Nominees (Australia) Limited	804,078	3.20%
10	Mr Barry Denton	570,166	2.27%
11	Equitas Nominees Pty Limited	452,938	1.80%
12	Great Sure Holdings Limited	425,163	1.69%
13	Amarina Systems Pty Ltd	350,576	1.40%
14	Mrs Suzanne Torville & Mr Anthony Torville	335,436	1.34%
15	Mr Barry Denton	330,165	1.32%
16	Moat Investments Pty Ltd	319,900	1.27%
17	Mr Ron Watts	309,642	1.23%
18	Aust Executor Trustees Sa Ltd	284,000	1.13%
19	Dr Geoffrey Phillip Bent & Mrs Gabrielle Mary Bent	238,799	0.95%
20	Mr Ben Kent	232,641	0.93%
	TOTAL	19,468,099	77.54%

As at 18 September 2012 there were 25,106,921 shares on issue.

Distribution of shares

The following table summarises the distribution of listed shares as at 18 September 2012.

Shareholder	No. Shares	% IC
1 - 1,000	51	0.13
1,001 - 5,000	309	3.84
5,001 – 10,000	118	3.77
10,000 – 100,000	111	11.50
100,001 – and over	26	80.76
Total	615	100.00

The number of shareholders holding less than a marketable parcel of shares was 4 holding 4 shares.

Substantial shareholders

The following table shows holdings of five percent or more of voting rights in Energy Action Limited's shares (as at 18 September 2012):

Person or Group	Relevant Interest in no. of shares	Percentage of total voting rights
Paul Meehan and related entities	5,369,067	21.38%
Dr Ronald Watts and related entities	2,825,280	11.25%
Valerie Duncan	2,413,377	9.61%
Stephen Twaddell and related entity	2,296,209	9.15%
Jeffery Allen and Carolyn Allen	1,425,833	5.68%
Edward Hanna	1,305,044	5.20%

Voting rights

At a meeting of members, each member who is entitled to attend and vote may attend and vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a member, proxy, attorney or representative shall have one vote and on a poll, every member who is present in person or by proxy, attorney or representative shall have one vote for each fully paid share held.

Unquoted securities

As at 31 August 2012 there was one option to acquire 200,000 fully paid ordinary shares with an exercise price of $1.20 and an expiry date of 30 September 2014.

Securities exchange listing

Energy Action Limited's shares are traded on the Australian Securities exchange under the ticker code "EAX".

CORPORATE INFORMATION

ACN: 137 363 636

Directors

Ronald Watts – Non Executive Chairman

Paul Meehan – Non Executive

Stephen Twaddell – Non Executive

William Moss – Non Executive (resigned 30 June 2012)

Valerie Duncan – Managing Director

Edward Hanna – Executive Director

Murray Bleach – Non Executive (appointed 3 July 2012)

Barry Denton – Executive Director (resigned as a director of the Board on 25 August 2011)

Company Secretaries

Nathan Francis (appointed as Company Secretary 30 March 2012)

Valerie Duncan

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

GLOSSARY OF TERMS

Glossary	
Australian Energy Exchange (AEX)	Energy Action's online, real-time, reverse auction platform for the procurement of electricity and gas contracts.
Greenhouse Gas Abatement Scheme (GGAS)	A NSW Government scheme which aimed to reduce greenhouse gas emissions associated with electricity generation and use. This scheme was abolished as of 1 July 2012.
Meter	A device used to measure energy consumption at a site.
Novation	An ABN change when ownership of a site changes.
Roll-in	Additional site(s) included into an existing agreement at the contracted rates and term.
Roll-out	When a contracted site is terminated from an existing agreement.
Small-Medium Enterprise (SME)	A SME is defined as a business which consumes less than 160 MWh p.a. in NSW, VIC, SA, ACT & TAS and less than 100 MWh p.a. in QLD.
Small-scale Renewable Energy Scheme (SRES)	A Federal renewable energy scheme which provides subsidies to small-scale domestic installations.
Victorian Energy Efficiency Target (VEET)	A Victorian Government initiative which subsidises energy efficient activities (marketed as the Energy Saver Incentive).

EnergyAction®

www.energyaction.com.au