EnergyAction®

2013
ANNUAL REPORT

ABOUT US

Energy Action (ASX: EAX) is Australia's leading independent energy management company, offering comprehensive buying and management services aimed at reducing electricity and gas usage and saving businesses money. With over five thousand customers Australia-wide, Energy Action is the only provider that offers businesses a full energy management solution. Regardless of the size of operation and energy consumption, many businesses can make greater efficiency gains and manage risk by working with an experienced services provider such as Energy Action.

Energy Action's approach to energy efficiency is a breakthrough for businesses. We are interested in the relationship between energy as a cost input to a business and the desired outcome from that energy use. When we are able to explain the energy efficiency relationships, business owners can use this information to implement more cost effective projects that help reduce energy consumption and associated costs every single day and under all conditions.

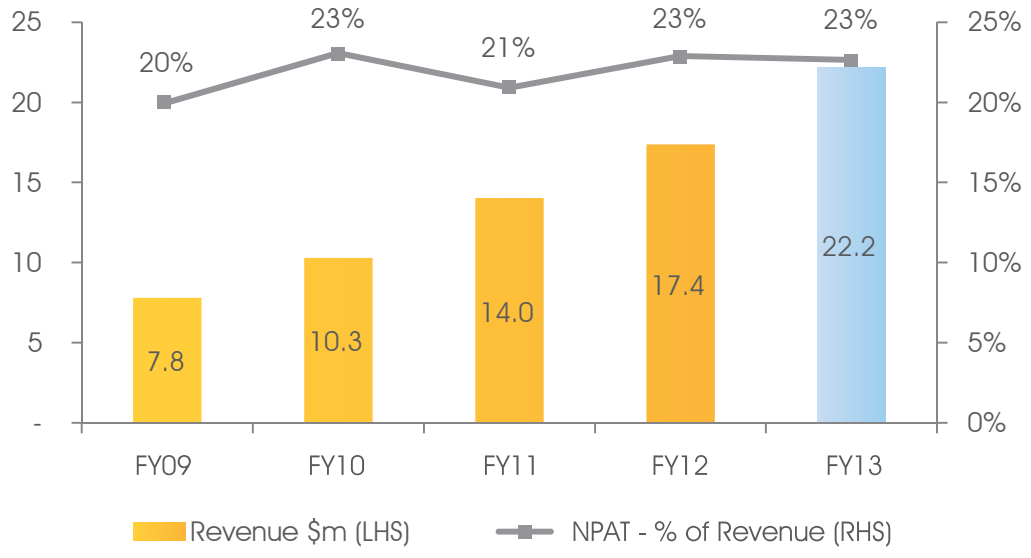
"With Energy Action we get not only a fast response time and experienced professionals, but most of all, peace of mind. We know they can handle any issue that comes up so we don't have to worry about our complex energy needs and responsibilities. With our company now merging with Pentair Ltd, we have broadened our scope and will work more closely with the Energy Action team."

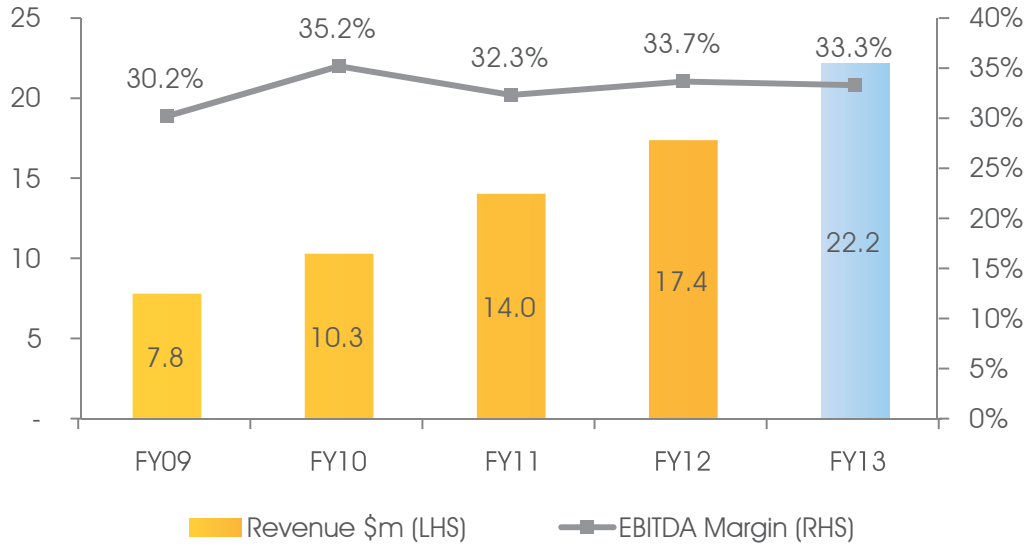
Duncan Greeney
Supplier Development Manager
Pentair Water & Environmental Systems Pty Ltd

To our Energy Action Shareholders

We are pleased to report that Energy Action has delivered an excellent result for the 2013 financial year, achieving a record $22.2 million dollars in revenue. The company has achieved more than 20 per cent revenue growth consecutively since 2009, and is poised for future growth with the continuing expansion of the business as a full service energy efficiency and sustainability partner for Australian businesses.

Revenue, NPAT Margin and EBITA Margin FY09 to FY13





Importantly for us at Energy Action, we have continued to deliver value to our shareholders with share price growth and a FY2013 Dividend per Share (DPS) of 8.65 cents. We will continue to focus on maximising shareholder returns.

Closing Prices to 20 September 2013: Energy Action Limited (EAX) vs S&P/ASX Small Ords Prices Indexed to 100 on 2nd July 2012. Source: ASX

We believe our performance is a testament to your confidence in us as a Shareholder, to our vision and long term strategic planning, the support and expertise of our Board and Executive team, and the commitment and professionalism of our employees. And we will continue to build and enhance our energy efficiency and sustainability capabilities, enabling us to better serve our customers as Australia's leading, independent and full service energy efficiency management company.

CHAIRMAN'S REPORT

"Although the past year has presented us with a challenging regulatory environment, we have continued to perform strongly thanks to a strong and supportive Board and Executive team."

Dr Ronald Watts
Chairman

Chairman's Report

The energy scene in which Energy Action operates remains volatile, particularly from a regulatory and retail price perspective. While wholesale electricity prices (ex carbon) are quite stable, network and ancillary charges continue to rise sharply as a result of regulatory anomalies, recently the subject of much media attention.

Despite this, Energy Action continues to grow its customer base, revenue and profitability at strong rates. We have taken a leadership position in creating an auction process which removes the carbon price as a complication, and have offered customers who prefer to reduce their grid dependency real opportunities for energy independence. We continue to lobby regulators in order to deregulate a market that still suffers from unnecessary constraints.

The transition from a carbon tax to an emissions trading system may reduce some short-term uncertainty for customers seeking longer contracts, but this will be at the expense of potential price volatility in the future. Uncertainty over carbon policy outcomes continues to impact our business.

We continue to see opportunity in providing customers with independent advice on energy supply and efficiency options, and are actively seeking partners and businesses to acquire. To this end, we have appointed Fort Street Advisers to assist with identifying and negotiating with suitable complementary businesses.

On the investor front, we have been pleased to welcome some well-regarded institutions to the shareholder register. This indicates analyst and institutional confidence in our business model and execution. Brokers and the media have continued to cover the business at regular intervals, and we make strong efforts to provide the market with timely, clear and transparent disclosure.

Earlier this year, our Managing Director Val Duncan indicated her wish to retire at the end of 2013 allowing us ample time to conduct a careful search for her successor. I am pleased to advise that the process proceeded well and in accordance with the timetable, and it is with some pleasure to report that the Board has appointed Mr Scott Wooldridge as successor to Val Duncan as CEO. Scott comes to us after a successful career with Schneider Electric Australia, where he grew businesses organically and through mergers and acquisitions. The search process was exhaustive and drew from a very high quality field. Scott starts his tenure with us in October, and will overlap with Val during a handover period.

Although the past year has presented us with a challenging regulatory environment, we have continued to perform strongly thanks to the support of a strong and supportive Board and Executive team. I would like to thank all staff and my fellow directors for their support, ideas, and dedication during the year.

Dr Ronald Watts
Non-executive Chairman

MANAGING DIRECTOR'S REPORT

"The 2012-2013 financial year has seen Energy Action experience continued growth and significant change through investment in improving business processes."

Valerie Duncan
Managing Director

Managing Director's Report

The 2012-2013 financial year has seen Energy Action experience continued growth and significant change through investment in improving business processes. Energy price increases featured heavily in the media over the past year, and the lack of liquidity in the energy market place beyond the 2015 calendar year, accompanied by general political uncertainty surrounding the energy market has been a feature of our overall environment. We have maintained our strategic focus on organic growth and continue to explore options for mergers and acquisitions.

The company performed strongly in 2012-2013, achieving operating net profit after tax of $5.02 million, 26% higher than the previous financial year. Revenue also continued to grow, up 28% to $22.2 million, whilst our Dividend per Share (DPS) increased to 8.65 cents. Pleasingly, the company's future contracted revenue grew 17% in the past year from $65.5 million to $76.5 million, positioning the company well for the future. Energy Action remains well placed to pursue organic and acquisitive growth opportunities with $6.4 million cash at bank and no debt.

Internally, we have strengthened our sales force as a result of the comprehensive review conducted early in the financial year. We have restructured our sales team, adjusted our sales commission model and clearly outlined targets and expectations across the two core teams – Customer Aquisitions and Customer Management. The change has been positively received by our customers. A number of responses in our Customer Satisfaction Survey reinforce that the company is continuing to deliver value. We have also increased our sales channels over the past year, with an emphasis on key channel partnerships and association sponsorships.

As reported last year we have opened our Perth office and as with all our regional sales offices, we believe we could have achieved even more impressive results if there was more certainty throughout the year on the future of the carbon tax legislation, which caused the average duration of energy contracts to shorten.

In response to this, Energy Action took the lead in the industry in early January, offering carbon exclusive contracts to our customers. By March, all retailers were able to price carbon exclusive contracts, and by June, 80% of auctions being run were carbon exclusive, rising to 90% by August which has resulted in contract durations returning to historical levels. This early intervention has effectively de-risked the business and removed the impact that political uncertainty around carbon was having.

We have continued to invest in our sustainability and energy efficiency division over the past year, and we intend to maintain this investment as a clear strategy to expand our service offerings in order to meet our customers' growing energy agendas. Our sales and marketing teams have been educating new and existing customers on our end-to-end support and tailored solutions. As our business has grown and expanded, we are one of very few energy management companies with a complete suite of services for all aspects of a business's energy needs.

Throughout 2012-13, Energy Action conducted both internal and external market research programs to underpin our growth strategies. We recently completed our second annual Energy Insights Survey across almost 500 business decision makers, and uncovered a growing trend amongst businesses towards using external brokers and outsourcing their energy requirements. Furthermore, the focus on energy and its impact on business is being driven from the top down, with two fifths of respondents indicating that they are required to report their energy costs to a Board of Directors. Additionally, one third of respondents now have a formal energy strategy within their business, whilst energy efficiency and sustainability remains an integral measure for almost three quarters of businesses, with 70 percent already implementing measures within their business. All of these findings support and confirm our strategic direction and investments, and reinforce our drive to increase market share.

As we continue on our growth path, we have placed a strong focus on Lean processing with various key business divisions creating 'Lean Teams'. We are seeing a number of benefits through these initiatives and as a business we are constantly striving to work 'smarter' as a team, which translates into better service for our customers.

We are delighted to advise that our new auction platform has been launched to our key stakeholders. Demonstrations of the new platform have been presented to all Energy Action staff, with significant 'stress testing' completed to ensure the platform can withstand the rigours of day to day usage and is effectively future-proofed. We recently completed a demonstration road show to energy retailers, and the feedback on the new platform, which is now operational has been very positive.

The continued efforts of the Board and Executive team and their desire to drive this business forward to success, are part of what make this organisation a pleasure to lead. This is only matched by the inspiring team of staff and solid supplier and customer relationships that allow us to continue to realise our vision to lead, grow and inspire. The business continues to provide exceptional service to customers and deliver value for our shareholders.

May I take this opportunity to thank our Energy Action employees for their dedication and service, not only this year, but over the years during which I have been the Managing Director. Although I am retiring from a full time role I know the business will be in safe hands, and I am very much looking forward to continuing my involvement with Energy Action as a non-executive Director on the Board.

Valerie Duncan
Managing Director

Our Board

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. He is currently a Director of cancer therapy biotech company Biosceptre Limited.

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.

Dr Watts has held academic posts of Associate Professor and Adjunct Research Fellow, and now works on voluntary projects training young people in Pacific Island nations.

He has a Bachelor of Science (Hons) 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.

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 in Sydney and Dallas, Texas. His move into financial services came in 1987, when he joined Bankers Trust Australia. Murray joined the 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 and Chairman, Investment Committee of Industry Funds Management and up until July 2013, when it was sold, he was a Non Executive Director of Eraring Energy. He is Co-Chairman of Suicide Prevention Australia, Chairman of Society One Pty Limited, an unlisted peer to peer lender, and a Non-Executive Director of Strongform Group. He is an Advisory Board member, for Derwent Executive, an executive recruitment consultancy. He is Chairman of the Energy Action Audit and Risk Management Committee, and Chairman of the Remuneration Committee.

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.

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 and Financial Management, specialising in electricity derivatives.

Paul Meehan
– Non-executive Director

Paul Meehan is the Principal of Meehans Solicitors, a large legal practice 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 the 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-ups 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 and then management. With experience in insurance, defence, computer hardware (IBM) and software, health and finance, Steve transferred to Australia in 1980 to set up the 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.

Sales Overview

Energy Action experienced continued solid growth throughout the 2013 financial year across all segments of the business. During the year, the company conducted a strategic review of the sales function, with a view to improving the efficiency and effectiveness of sales.

Following the review, Energy Action restructured its sales team, separating it into two distinct streams – Customer Aquisitions and Customer Management. The new sales structure was developed to effectively provide incentive for the sales team in the company's next phase of growth, involving a realignment of thresholds and commission structures that more accurately reward sales performance and align these with company objectives.

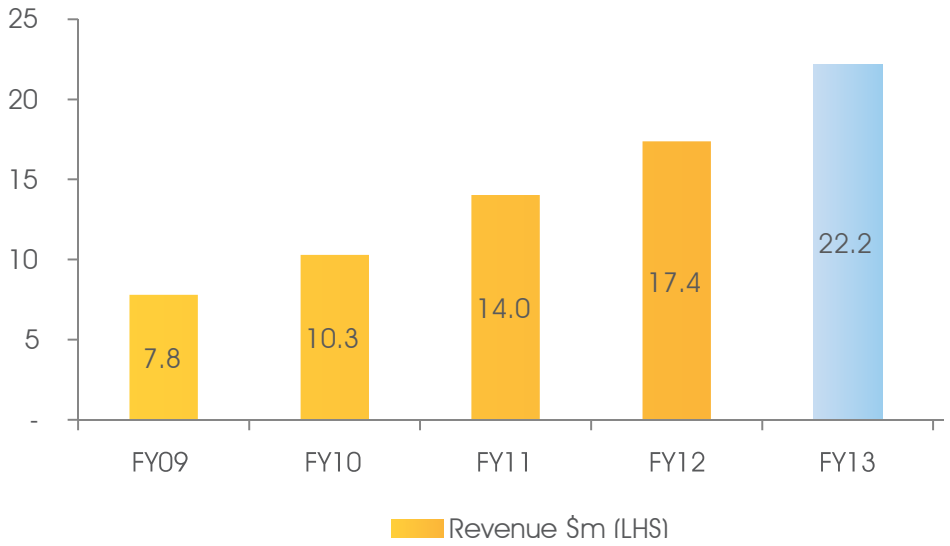
The sales leadership team was also streamlined, with the number of sales managers reduced from five to three, covering distinct regions across the country to maximise efficiency in this area.

The Western Australian office grew during the year, with the Australian Energy Exchange (AEX) platform performing particularly well. This market is regarded as a growth driver for the company in the coming years.

The gas market also emerged as a strong source of growth during the year. With a volume of over 4 Petajoules of gas tendered, commission income more than doubled from the previous financial year.

Given the uncertainty around the carbon tax, Energy Action is delighted to have performed so strongly in FY2013, driven by the company's innovative response to the regulatory environment – through the creation of carbon-exclusive auctions. This initiative has provided the company with the ability to lock in long-term contracts beyond expiry of the carbon tax's original fixed price period of July 2015.

Energy Action will be investing heavily in its sales team in FY2014 to take full advantage of the fact that almost all Commercial and Industrial customers in the market will be renewing contracts at the end of 2015 due to the impact of carbon tax uncertainty. This will result in an increase in head count in FY2014 as Energy Action seeks to capture more market share.



Australian Energy Exchange

Australian™ Energy Exchange

The Australian Energy Exchange (AEX) is Energy Action's proprietary online reverse auction platform. This market-leading platform allows retailers to competitively bid against one another to supply a company's electricity and/or gas contract.

Performance

AEX 'large site' revenue continued to grow over the past financial year, up 18% to $4.9 million from $4.1 million in FY2012. Revenue from 'small sites' decreased to $427,000 in FY2013 off the back of a bumper 2012 year. Energy Action expects this to rebound once again in FY2014.

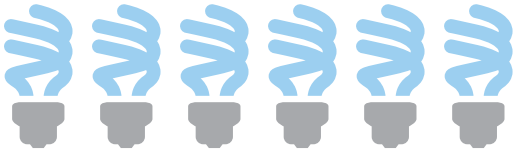
Revenue growth was significantly hampered by the impact of shortening contract lengths due to uncertainty around the carbon tax. However, the introduction of innovative carbon-exclusive auctions by Energy Action has provided the company with the ability lock in longer-term contracts beyond 2015, thus generating liquidity in the wholesale electricity market into the future.

The majority of our clients are now procuring energy through carbon exclusive auctions, and as a result, the company has witnessed a significant lengthening in average contract durations back to near the long term average of 3 years – this trend is expected to continue.

14%

Procured auctions ran in FY2013 **up 14%**

Despite this impact on top line revenue, Energy Action experienced record volumes on the platform, with 1,390 auctions run in FY2013, a 14% increase on the previous year. The total electricity contract procured over the past year was $398 million, compared to $351 million in FY2012, which demonstrates the ongoing popularity of the exchange amongst Australian businesses.



6.87 million mega watt hours procured FY2013

The Future

The record volumes on the AEX over the past year reflect the growing appeal of the platform amongst Australian businesses seeking to lower their costs. Energy Action is confident that the introduction of market leading carbon exclusive auctions will mitigate the negative revenue impact experienced in 2012-13, positioning the platform for further earnings growth.

Energy Action continued to invest in the AEX over the past year, with our new auction platform allowing for paralleled auctions, auto-bidding and auto-flow of data, ensuring that the exchange remains a market leader well into the future.

Additional 'future proofing' improvements to the platform will continue over the next year to provide scope for future expansion and diversification, with the exchange being prepared for use across different markets, products and currencies. Energy Action will continue to explore opportunities for diversification of the AEX platform.

$398 million in electricity contracts in FY2013

↑13% increase

Activ8

Activ8™

Activ8 is an advanced electricity/gas monitoring and contract management service for Australian businesses. The product is built around automated business intelligence reports, empowering businesses to take control of their power bills through bill validations, tariff reviews and demand alerts.

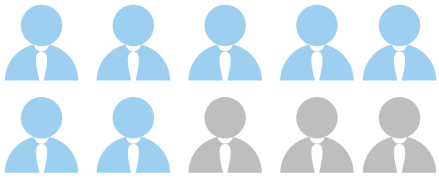
Performance

The Activ8 suite of products performed strongly in FY2013, contributing 60% of total revenue. The Australian Energy Exchange continued to provide a steady stream of cross-sell customers, with 70% of AEX users also opting to take up an Activ8 contract.

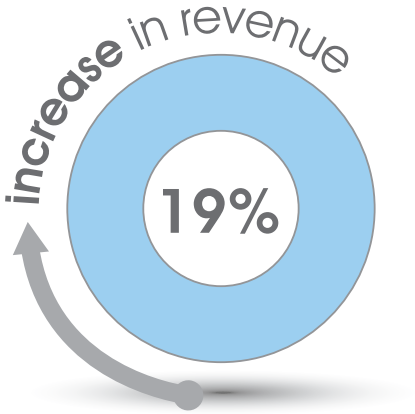
Revenue increased by 19% in the past year to $12.9 million, up from $10.8 million in 2012, driven by an increasing uptake of Activ8 products. The company also witnessed a significant jump in the number of current and future sites under contract, increasing 16% to 8,472 in 2013.

Activ8 continued to provide Energy Action with strong, annuity style revenues, with future revenue pegged at $67 million, and average contract lengths at 50 months.

Activ8 identified the potential for $4.1 million in savings to clients in 2012 through the network tarriff reviews, and also managed over 5,000 issues and enquires for our customers.



70% of AEX auction customers **took up** Activ8 Services



The Future

Energy Action continued to invest in the Activ8 suite of products in FY2013, increasing the systemisation and automation of services to provide more efficient performance. The introduction of half-hourly, daily and weekly energy usage reports have been well received by our customers and a small site bill validation service trial with several customers is underway. The company continues to improve Activ8's capabilities to deliver maximum value to customers.

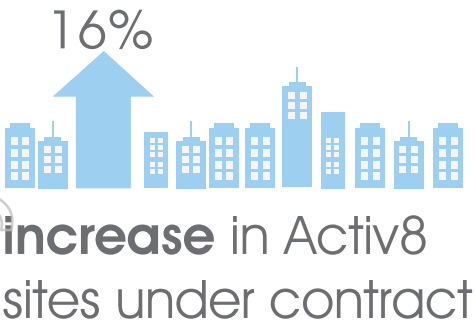
On July 1 2013 updates occurred to the network tariffs in the following states:

- New South Wales,
- Queensland,
- South Australia,
- Australian Capital Territory, and
- Tasmania.

Since these updated tariffs came into effect, Energy Action has been conducting a comprehensive review of all tariff changes to advise Activ8 customers of any opportunities for savings that they may be eligible for.

Energy Action's review of the 2013 Network Tariff updates also discovered that if all customers affected took up the option to change their tariff, savings of over $585,000 could be realised, as more than one in ten Activ8 sites were deemed to be eligible to move to a cheaper tariff. The potential annual savings ranged from $20 through to an impressive $100,557. Whilst this range is substantial, the median saving identified was more than $1,000 per site.

$67 million dollars in future contracted revenue



Following feedback from the Customer Satisfaction Survey conducted in 2012, Energy Action will launch an Activ8 online customer portal, allowing customers to view reports online at their convenience. The portal will also be able to be used as a marketing tool and will open up additional cross-selling opportunities for the company's Activ8+ services.

Energy Action expects the trend towards energy accountability and quantification to continue, and the company's suite of Activ8 products is perfectly positioned to take full advantage of this customer requirement.

"Energy Action has worked with Strata Choice for a number of years in relation to energy procurement and management. Their reverse auction platform proved to be an excellent tool for our procurement needs, encouraging energy retailers to compete for our contract. This allowed us to save time and money, as well as providing us with the ability to source a greater range of retailers than previously possible.

Energy Action's Activ8 service provides us with all the energy management and monitoring services that Strata Choice needs without having to hire a specialised employee. Their knowledge of the industry as well as their monthly reports are a standout of their professional and unique service.

With Energy Action we get a fast response time, experienced professionals, and best of all, peace of mind. We know they can handle any issue that comes up so we don't have to worry about our energy issues."

Patrick Saad
Managing Director – Strata Choice CBD

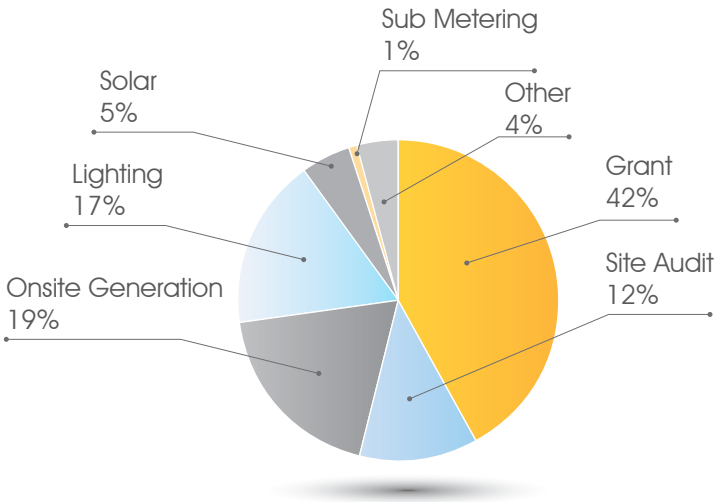
Activ8+

The Activ8+ service involves a team of energy efficiency experts that develop and implement energy efficiency and sustainability solutions for customers. The team has strong capabilities in relation to onsite generation from natural gas, bio-gas sources, funding, lighting and solar, as well as energy efficient project development skills for industrial and commercial buildings.

Performance

Activ8+ continues to be Energy Action's fastest growing offering, achieving a 105% increase in revenue to $2.1 million in 2013, and increasing staffing levels by 50% over the year.

The team witnessed a trend towards customers quantifying energy efficiency and increased energy reporting to Boards in 2013, which helped drive new business with approximately 30 projects undertaken throughout the year, creating a solid footing for additional projects to be rolled out in 2014.



The manufacturing sector was a key contributor to Activ8+ in FY2013, with Energy Action securing a number of Clean Technology Investment Program (CTIP) grants. Grant programs continue to encourage businesses to embrace the energy efficient economy, and the Activ8+ team worked with customers to secure direct revenue of $637,000 from grants developments. These were put towards a range of initiatives including the installation of LED lighting technologies, which has grown significantly in the last 12 months. Energy Action is leading the way in this area by developing a number of projects for commercial and industrial (C&I) customers.

The business also achieved a major milestone in 2013, by successfully completing its first solar project at the Finley Returned Soldiers Club. The project has delivered efficiencies and cost savings beyond expectations. Energy Action plans to roll out a number of similar projects in the future, such as the recent commissioning of another business solar project at Sirromet Wines in the Gold Coast hinterland.

The Activ8+ team experienced significant interest in onsite bio-gas from the food and agriculture sectors in FY2013, and has made improvements in its delivery capabilities in relation to integrating the specialist skills required for such projects. Energy Action has unrivalled capabilities in relation to the complex engineering required and the Activ8+ team has demonstrated their high level skills and experience throughout the year.

A number of blue-chip customers such as VISY, Baiada, Bega Cheese, Ramsay Healthcare, Masterfoods (Mars Foods) and Peter Lehmann Wines entered into Activ8+ contracts in the past year, further consolidating Energy Action's reputation as market-leading experts in quantifying energy usage and developing innovative solutions to increase energy efficiency and sustainability, and are examples of large organisations benefiting from Energy Action's sustainability services.

The Future

According to Energy Action's 2013 Energy Insights Survey, energy efficiency and sustainability remains an integral measure for almost three quarters of businesses (74 per cent), while 70 per cent of respondents have already implemented these measures within their business. As a result, we expect the Activ8+ business to continue growing significantly in the next year, as the increased awareness around the benefits of energy efficiency and sustainability drive growth in the sector. The Activ8+ team is well poised to take full advantage of these trends, having established itself as a professional, credible and innovative provider of energy efficiency management and sustainability services in the market.

The company is also well placed to make the transition into 'big data' based energy efficiency services which, along with commercial and industrial efficiency schemes, is seen as an exciting growth area for the business and are examples of large organisations benefiting from the full suite of Energy Action products and services.

Following the successful implementation of the company's first business solar project, the Activ8+ team will continue working with customers to develop onsite generation solutions to meet the growing demand for efficient and sustainable power solutions.

In FY2013, the team invested in developing more efficient business development and sales models to push the suite of Activ8+ services to current and potential clients, and this has resulted in a growing new project pipeline – this trend is expected to continue in FY2014. The team also implemented an integrated project management system based on lead syncing over the past year, driving new business across a diversified customer base to ensure the Activ8+ is positioned to take advantage of any changes in the regulatory environment.

The company is currently undertaking a rebranding of the Activ8+ product to better reflect the efficiency and sustainability services provided. Energy Action will be increasing staffing numbers significantly in FY2014 to deliver increasing value and meet sustainability demand.

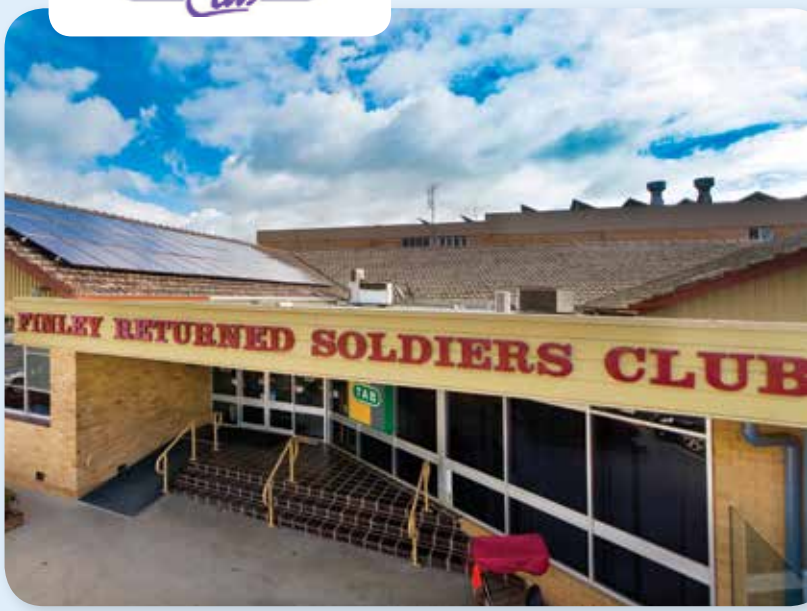
Finley Case Study

In response to rising energy prices and the increasing complexity of the energy market, Finley Returned Soldiers Club in the New South Wales Riverina region, commissioned Energy Action to assist in the process of installing a rooftop solar power system. The 50 KW system installed in December 2012 will pay for itself in less than six years and will provide power to meet 20 per cent of the club's energy use.

"We had been using Energy Action since 2008 to secure the best deal on our energy contract, monitor energy use and check invoices for accuracy. During this time, Energy Action helped to reduce our energy bill by almost $25,000.

Energy Action is helping us reduce our reliance on high priced energy, and has proven itself as a business that can act on our behalf to secure the best prices. With the cost of energy only likely to increase further in the future, Energy Action's services will continue to be of great use to us."

Sharen Parmley
Manager, Finley Returned Soldiers Club



Ward Consulting

The performance of Ward Consulting since the business was acquired by Energy Action in FY2013 has been very pleasing. The company has added considerable value to Energy Action, contributing $1.5 million in revenue and $700,000 NPAT in 2013.

Ward has also provided a number of cross selling opportunities for the Activ8+ business through its stable of blue-chip property management clients.

Ward's relationships with customers remain strong, particularly in the Real Estate Investment Trust (REIT) space, driven by the high level of integration between the National Greenhouse and Energy Reporting (NGER) system and Ward's reporting processes.

The Ward business continues to diversify its supply chain, aimed at retaining strong supplier relationships currently in place, whilst providing the flexibility to use other suppliers in areas such as IT, data management reporting systems to ensure process efficiency is maximised.

The Future

Ward Consulting has been efficiently integrated into Energy Action's business, and in FY2014 the company will be formalising this arrangement by combining the Ward and Energy Action sustainability and efficiency teams. This will allow for further collaboration between members of the team, and will further integrate Ward's impressive client base into the Energy Action business.

In FY2014, Ward will focus on re-engineering the business to focus on high value data management and building capacity for more business by taking advantages of the synergies that exist between the current Ward business and Energy Action. This will include taking advantage of Ward's sophisticated data management platforms to provide a stronger energy management proposition to Energy Action customers.

Energy Action has also provided more personnel in the sustainability reporting area to provide day-to-day project management expertise which has allowed Jenny Ward to focus on fostering valuable customer relationships.

"We first heard about the CEEP grants from the Federal Member for Newcastle and decided to apply for funding to assist with a number of initiatives we had already considered, yet hadn't budgeted for. We selected Energy Action to partner in the process which required a complete audit of Council's current facilities, energy use and potential improvements.

Maitland City Council were awarded $646,607 under the CEEP grant project. The engagement of a consultant with experience in this area put the council in a strong position to secure funding.

Working with Energy Action was a positive experience. Our central contact from Energy Action went above and beyond to ensure Council put its best foot forward with its application. The Sustainability team were a pleasure to deal with and our key contact at Energy Action was a very professional project manager."

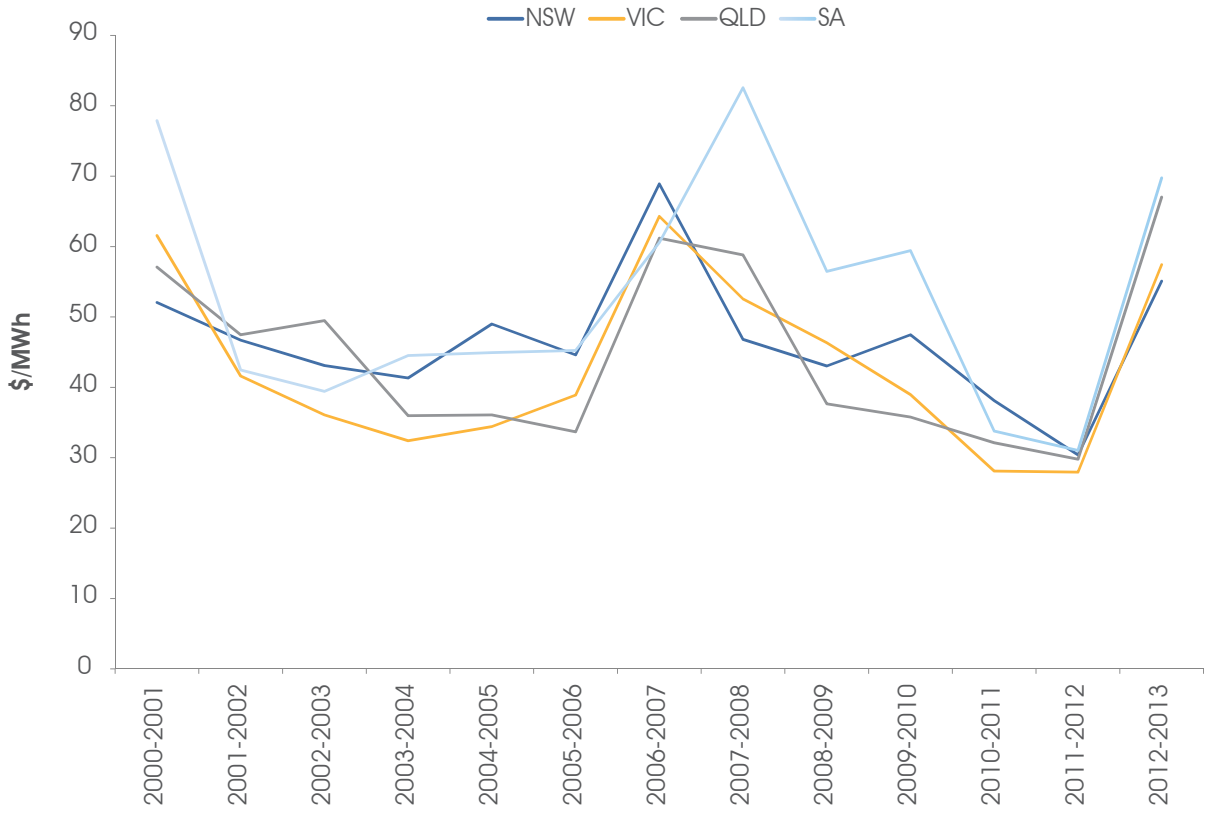
Teressa Chadwick

Business & Information Specialist, Maitland Council

Market and Regulatory Environment

In 2012/13 wholesale prices averaged $62.33/MWh over NSW, Victoria, Queensland and South Australia, a substantial increase of $33.25/MWh over the previous year and with the majority of the increase stemming from inception of the carbon tax in July 2012. Excluding the carbon tax, prices have trended down across the market since 2007/8 with falling electrical demand brought about by continuing energy efficiency improvements and the contraction in Australia's manufacturing base being principal causal factors.

NEM Annual RRP 2000/01 – 2012/13, $ Real June 2013



Source: AEMO

Following several years of above inflation price increases, awareness of their impact on delivered energy prices increased during the year. This was also partly prompted by the approaching end of the current NSW distribution business 5 year regulatory pricing period in June 2014. Energy Action continued to assist customers in reducing the impact of these costs through conducting tariff reviews, identifying $4.1 million in potential savings for customers in the past year alone.

The timely transfer of customers between retailers at the expiry of their contracted period remained a challenge in some cases with Energy Action lobbying for improved access to Market Settlement and Transfer Solutions to assist in this area.

The company also implemented a number of consumption reduction projects including commercial solar, energy efficient lighting, onsite generation and power factor correction in FY2013. These projects were aided greatly by government grants and schemes that assist businesses to implement energy efficiency and sustainability measures to reduce energy costs and carbon emissions. The Clean Technology Investment Program (CTIP) scheme provided incentives for a number of Energy Action customers to invest in energy efficiency in FY2013. While this scheme is currently in hiatus due to the new incoming Government, the Activ8+ team is well placed to deliver solutions to clients should the regulatory environment around grants be altered.

The Sustainability Victoria Grant Programs potentially provide a number of opportunities for Energy Action clients which will be further explored in 2014, while Renewable Energy Certificates helped the business facilitate two business solar projects in the past year.

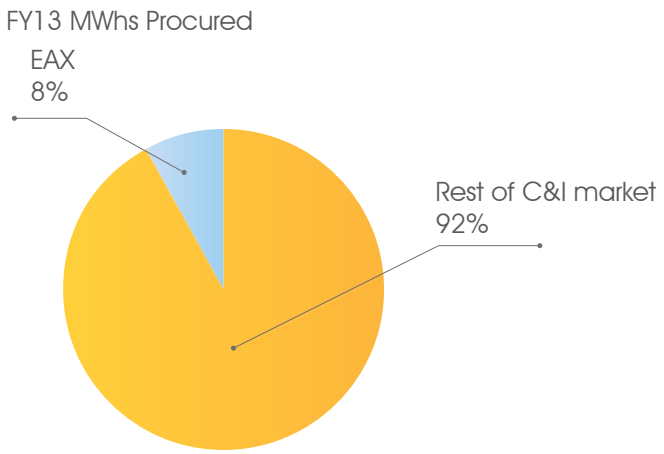
The Activ8+ team has invested significant time in preparation for the change of Federal Government to ensure it has the flexibility to operate under a range of regulatory scenarios. This has involved diversifying the Activ8+ client base beyond the manufacturing sector and developing more generalised skill sets amongst personnel.

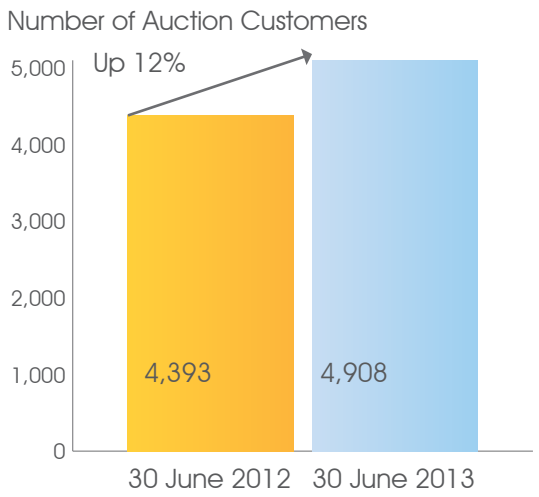
One notable regulatory development in the retail market was increased scrutiny by the Australian Competitor and Consumer Commission (ACCC) on energy retailer 'door-knocker' methods of marketing resulting in a number of fines being levied on specific retailers. While having no direct impact on Energy Action, it has reinforced the value of the Australian Energy Exchange platform to retailers as a channel for acquiring customers. The relationship between Energy Action and the energy retailers remains strong.

Energy Action continued to provide ongoing advice and business intelligence to customers. The Activ8 and Activ8+ service streams allow them to effectively navigate an uncertain and complex legislative environment.

Market Trends

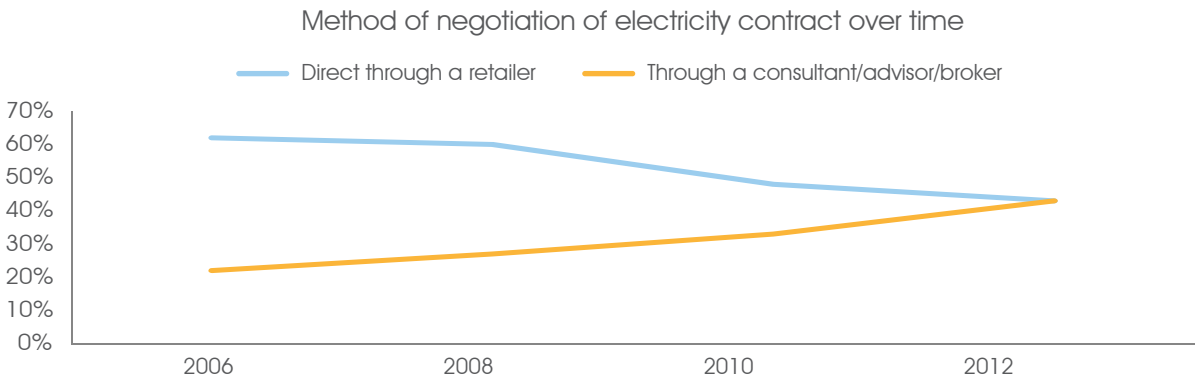
There is currently a growing trend amongst businesses to outsource non-core services such as energy management and sustainability, with the estimated addressable market at approximately 80,000 businesses, of which Energy Action already has approximately 5,000 with 10,000 sites. We estimate the total commercial and industrial (C&I) market in Australia to be approximately 84 million MWh per annum, of which Energy Action procured 8% in 2013.





Energy Action intends to aggressively grow this market share in FY2014 through increasing sales staff and taking full advantage of the opportunity provided by all customers in the market renewing contracts in calender year 2015.

The trend chart below from Utility Market Intelligence (UMI, 2012), is based on a survey of 598 large C&I customers in New South Wales, the ACT, Victoria, Queensland and South Australia spending upwards of $20,000 per annum on electricity. For the first time in the history of the UMI study, the use of a broker/consultant to negotiate electricity contracts increased to the point where it is on par with the proportion of businesses in the C&I market who deal directly with a retailer. In addition, we note elsewhere in the UMI study that the proportion of customers engaging consultants to assist with sustainability is increasing (from 23% to 40% over the past 2 years). These trends suggest that more customers are using consultants for consumption reporting, bill validation and procurement, which is supported by similar findings from our Energy Insights Report.



Source: Utility Market Intelligence (UMI) – July 2012 report

People and Performance

The sales team restructure undertaken by the company was the most noteworthy people development initiative in the last financial year. The rationale behind restructuring the team into separate acquisition and retention groups was to focus the sales staff's efforts and to ensure their roles effectively reflected their strengths.

The sales team were actively consulted in the lead up to the restructure with the formation of a 'Sales Reference Group'. The commission structure was also changed to fairly reward those who perform well, with trailing commissions removed to ensure that staff remain motivated and focussed on new sales growth.

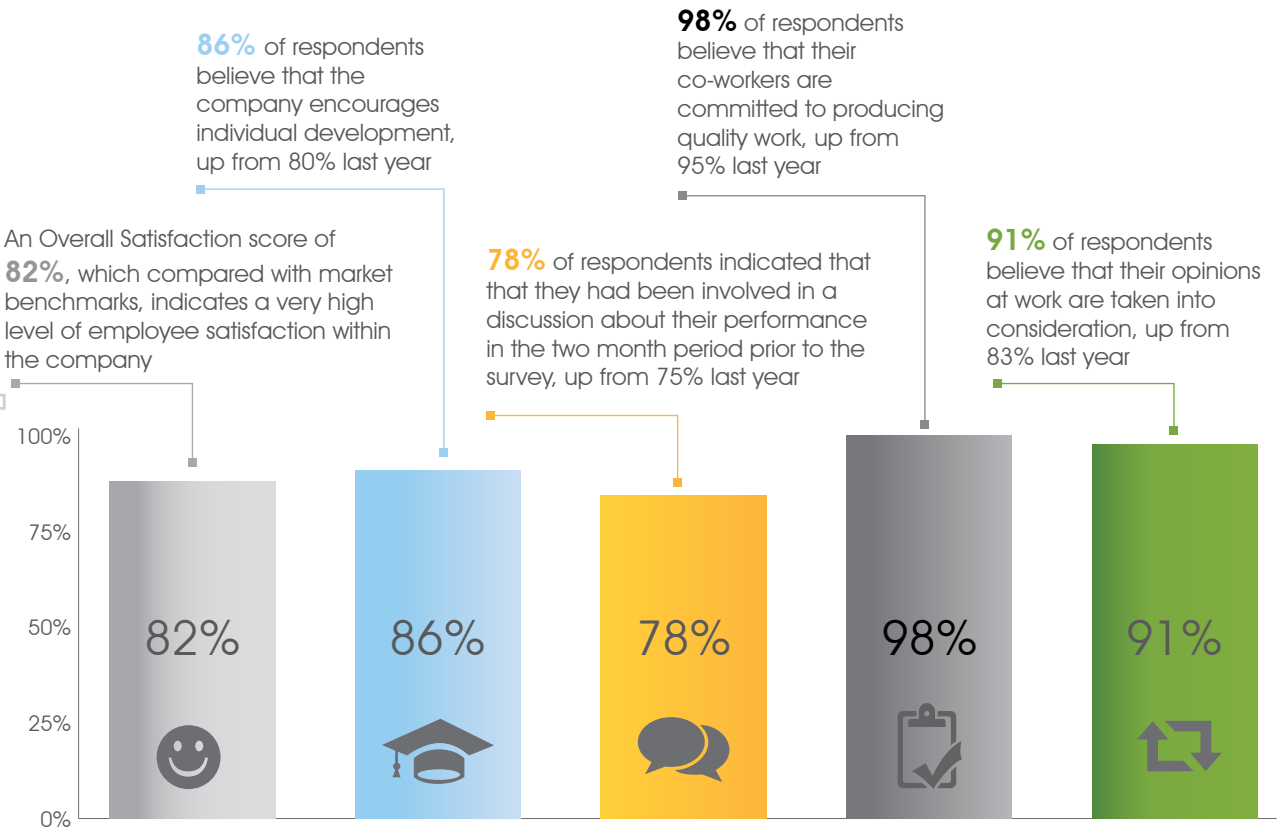
The company also put in place a dedicated Human Resources function in FY2013, providing expertise and additional oversight and support. Given the rapid growth of Energy Action in recent years, the company implemented 'Lean Teams' in 2013, as part of a program of ongoing internal process improvement. Lean integration is a system of management focusing on creating value for customers, continuous improvement, and eliminating waste through sustainable data integration and system integration.

The Lean philosophy was adopted across a number of business functions to increase effectiveness of the company's customer support function and encourage employees to work 'smarter'. Feedback from staff and customers following the Lean integration has been positive, and the business is now well poised to maximise value for customers as the business continues on a growth trajectory.

During the year the company refitted the Parramatta Head Office and expanded the Brisbane and Adelaide offices to accommodate additional employees. The company took the decision to close the ACT office to streamline the company's operations and focus on key growth markets. ACT customers continue to be well serviced by the Sydney team.

During June 2013 Energy Action conducted an internal Employee Engagement Survey, where 70% of employees participated, representing all key areas of the business. The survey was an opportunity for employees to provide feedback on their personal satisfaction about working for Energy Action and the results will be utilised to implement positive changes to the work environment.

Highlights from the 2013 Employee Engagement Survey



"The monitoring service that Energy Action provides gives us peace of mind and ensures that issues are picked up and rectified quickly, meaning no nasty surprises down the line. Their regular reports also let us track the effectiveness of our energy saving intiatives and monitor our energy action."

John Hume
Chief Executive Officer
Wallsend Diggers

Our Customers

The company continues to monitor customer satisfaction on an ongoing basis and in 2013 the company conducted its second Customer Satisfaction Survey. The survey was aimed at generating data around the customer experience across service awareness, usage, value and potential areas for improvement.

In 2013, the methodology of the survey was improved to ensure that effective results around client expectations were achieved. The company was pleased with the positive results of the survey, with some key observations including:

Overall satisfaction is high – 7 out of 10 respondents were either 'extremely satisfied' or 'very satisfied' with Energy Action

We provide a complete solution – 8 out of 10 respondents agree that Energy Action are able to meet all their energy procurement and management needs

We are committed to quality – 8 out of 10 respondents agree that Energy Action consistently produces high quality work for their businesses

Customer advocacy is strong – 7 out of 10 respondents said they would be 'extremely likely' or 'very likely' to recommend Energy Action to other businesses

Customers have backed us as industry experts – 8 out of 10 respondents agree that we are experts in the Australian energy market

Customer confidence is high – 7 out of 10 respondents said that they trust the information and resources they receive from Energy Action 'completely' or a 'great deal'

FINANCIAL REPORT

Financial Report

Director's 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 2013.

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, Diploma of Applied Finance, PhD in Molecular Quantum Theory – 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 – Diploma of Law (SAB) through Sydney University

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

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

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

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 – Board member since 2012

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 options over ordinary shares
Dr Ronald Watts	2,209,898	-
Valerie Duncan	1,713,377	-
Edward Hanna	780,044	-
Paul Meehan	5,327,091	-
Stephen Twaddell	1,946,209	-
Murray Bleach	-	-

Company Secretaries

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

Nathan Francis – Nathan Francis 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 roles in the executive divisions of the business. Valerie was appointed Company Secretary on 3 February 2003.

Dividends

Dividends recommended:	Cents per share	$
Ordinary shares		
Final 2013 dividend recommended to be paid 13 September 2013	5.10	1,290,653
Interim 2013 dividend paid 14 March 2012	3.55	898,396
Final 2012 dividend paid 14 September 2012	3.72	933,977

Operating and financial review

The Board presents the 2013 *Operating and Financial Review*, which has been designed to provide shareholders with a clear and concise overview of Energy Action's operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during 2013 and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group. The review complements the financial report and has been prepared in accordance with the recently released guidance set out in ASIC's Regulatory Guide 247: Effective Disclosure in an operating and financial review.

Our business model

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

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

- 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 $5.3 billion worth of electricity on behalf of its clients.

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

2013 financial performance

The Group generated statutory net profit after tax of $4.4 million for the year ended 30 June 2013 compared to $3.6 million for the year ended 30 June 2012, representing a 21% increase.

Statutory net profit after tax of $4.4 million is after Ward acquisition costs of $0.5 million and amortisation of Ward intangibles (customer relationships) of $0.2 million. Operating profit after tax for the year ended 30 June 2013 was $5.0 million, representing a 26% increase over the prior year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year ended 30 June 2013 was $7.4 million (excluding acquisition costs), or 26% higher than the prior year.

Revenue and other income for the same period increased by $4.8 million from $17.4 million to $22.2 million mainly as a result of the following:

- Higher Activ8 revenue which increased by 19%, or $2.1 million to $12.9 million
- Higher Auction revenue (ex small sites) which increased by 18%, or $0.7 million to $4.9 million
- A $1.5 million revenue contribution from Ward Consulting Services (Ward), which was acquired on 1 August 2012
- In 2011 Energy Action launched Activ8+, which provides a range of energy management, efficiency and sustainability services. Activ8+ revenue doubled from $1.0 million in FY12 to $2.1 million in FY13.

Whilst auction activity on the platform increased, the continued uncertainty around the carbon tax resulted in the average auction contract length falling from 32.5 months in FY12 to 26.9 months in FY13. The reduction in contract term adversely impacted large site auction revenue by $0.4 million and resulted in the amount of electricity procured being steady over the year at 6.8 million MWhs. Despite this negative impact, large site auction revenue increased 18% to $4.9 million mainly as a result of the average price per MWh increasing from $51.30 to $58.12.

Key financial metrics

	FY13	FY12	Variance
Revenue	$22.2m	$17.4m	28%
EBITDA[1]	$7.4m	$5.8m	26%
EBITDA margin	33.3%	33.7%	
Operating NPAT[1]	$5.0m	$4.0m	26%
Statutory NPAT	$4.4m	$3.6m	22%
Earnings per share (operating)[1,2]	19.48c	17.31c	13%
Earnings per share (statutory)[2]	16.98c	15.13c	12%
Dividend per share[3]	8.65c	7.20c	20%

1 – Before acquisition costs of $0.5m

2 – Includes 596,000 shares, being the expected number of shares to be issued, in September 2013, to the Ward Consulting Services vendor

3 – Represents a payout ratio of 50% of statutory net profit after tax (FY13 and FY12)

A reconciliation of statutory profit to operating profit is shown in the table below:

$000's	FY13	FY12
Statutory net profit after tax	4,376	3,611
Add back: Ward acquisition costs	491	-
Add back: Ward amortisation	153	-
Add back: One off listing costs^	-	364
Operating profit after tax	**5,020**	**3,975**

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

Overheads, excluding acquisition costs, totalled $15.4 million for the year, compared to $11.7 million in the previous year. Of total overheads $9.9 million (or 65%) related to employee remuneration which increased from $8.2 million in FY12, however fell from 47% of revenue to 45%. The increase in overheads was driven by the following key items:

- Acquisition of Ward on 1 August 2012 which incurred overheads of $0.6 million;
- Higher staff and other expenses associated with increased headcount in Activ8+ (Sustainability)
- Amortisation of customer relationships
- First full year operating as a listed company; and
- Consulting costs associated with the sales commission and Activ8+ internal reviews

Financial position and cashflows

Net assets increased from $10.4 million at 30 June 2012 to $13.3 million at 30 June 2013 mainly as a result of profit generated in excess of dividends paid – currently the dividend policy is to payout 50% of statutory NPAT to shareholders. The Group had $6.4 million of cash at bank at 30 June 2013 and no bank debt.

Following the acquisition of Ward on 1 August 2012 the Group recognised Goodwill of $2.9 million and Customer Relationships of $2.0 million.

Strong operating cash flow of $6.1 million (before $1.7 million non-recurring sales commission payment and $0.5 million Ward acquisition costs) were generated during the year, compared to $4.5 million in the previous period.

Until March 2013 commissions paid to sales employees were only paid once Energy Action received commissions/fees from Energy Retailers and Meter Data Providers. From March 2013 the Group moved away from paying sales employees on a trailing commission basis to paying commissions upfront, after taking account of the company's cost of capital and appropriate risk adjustment. In March 2013 a one off payment was made totalling $1.7 million which represented the payout of all future sales employee trailing commissions. This payment is a contract acquisition cost which is incremental as it would not be incurred if no energy supply/monitoring agreements were successfully negotiated. Therefore the amount has been capitalised and is being amortised over the term of the customer contract. Ongoing sales commissions are paid to sales employees on a monthly basis, and are paid up-front and accounted for in the same manner as above.

A second half fully franked dividend of 5.10 cents per share was declared on 19 August 2013, bringing total fully franked dividends for the year to 8.65 cents per share, an increase of 20% compared to FY12. The FY13 dividend reflects a payout ratio of 50% of statutory net profit after tax, unchanged from FY12.

Key developments

On 1 August 2012 Energy Action Limited acquired Ward Consulting Services. Refer to Note 4 of the financial statements for further information.

As noted above, during the period the Group changed the way in which it accounts for commissions paid to sales employees. Refer to Note 1 for further information.

As part of the Group's release of its half year results in February 2013 Managing Director, Valerie Duncan announced that she intended to retire within a period of 12 to 18 months. Valerie will continue in her role until the end of 2013, in order to hand over to the new CEO, Mr Scott Wooldridge in October 2013. Valerie will remain on the EAX board of directors, as a non-executive director, immediately following the time that she resigns as Managing Director.

A second half fully franked dividend of 5.10 cents per share was declared on 19 August 2013 bringing the total fully franked dividends for the year to 8.65 cents per share compared to 7.20 cents per share in FY12.

Operational review

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

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.

Energy Action expanded its geographical footprint through the establishment of a sales office in Western Australia - a key growth market for the Group.

The company continued to invest in the Australian Energy Exchange, which experienced further growth in traffic, with 1,390 successful auctions run on the Exchange over the past year, compared to 1,225 during FY12, an increase of 13.5%. Whilst auction activity increased the uncertainty around the carbon tax resulted in the average auction contract length falling from 32.5 months in FY12 to 26.9 months in FY13. The reduction in contract term adversely impacted large site auction revenue by $0.4 million and resulted in the amount of electricity procured rising slightly over the year, to 6.87m MWhs. A new auction platform is expected to be in place during Q1 of FY14 which will result in an enhanced customer offering and operational efficiencies.

In order to resolve this industry wide issue Energy Action has been running 'carbon exclusive' auctions to help the energy retailers establish both a carbon exclusive product and a market for contracts in 2016.

The vast majority (80% during the month of June 2013) of Auctions now conducted on the platform are carbon exclusive and extend into Calender year 2016. This is a significant turnaround from the position that applied at the beginning of 2013. It provides the ability to return to a position that the average contract duration increases back to their long term average of 36 months. This will have a positive impact on both the "upfront commissions" and the forward contract instalment revenue. As at 30 June 2013 there were 897 sites with renewals ending post 2015, in February there were only 2.

Energy Action currently has more than 9,500 auction sites under active or future energy contracts (up from 8,000 at 30 June 2012), having procured $400 million in energy contracts in FY13.

Future contracted revenue increased 17% from $65.5 million at 30 June 2012 to $76.5 million at 30 June 2013. Future revenue provides a contracted, recurring income stream providing a platform for further growth. Growth in future income was adversely impacted by the previously mentioned reduction in average auction contract duration.

The company's Activ8 suite of services also performed strongly with 8,472 sites now under active or future contracts compared to 7,311 as at 30 June 2012.

Operational Key Performance Indicators

	FY13	FY12	% change
Future contracted revenue	$76.5m	$65.5m	17%
No. of successful AEX auctions	1,390	1,225	14%
Average AEX contract duration (months)	26.9	32.5	(17%)
MWhs sold	6,87	6,85	0.3%
Average $/MWh	$58.12	$51.30	13%
Total Auction bid value^	$398m	$351m	13%
No. of AEX sites under contract (incl future contracts)	9,598	8,079	19%
Average Activ8 contract duration (months)	50.0	49.9	0.2%
No. of Activ8 sites under contract (incl future contracts)	8,472	7,311	16%

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

Business Strategy and Prospects for Future Financial Years

In summary, the strategy of the Group is to continue its growth trajectory via continued organic growth and merger and acquisition activity (M&A).

Energy Action has a highly scalable platform whereby it can grow auction and Activ8 customer numbers without significant increase in resources, both in terms of headcount and IT infrastructure. The Group has an opportunity to further increase market share by expanding its customer reach through strategic marketing initiatives.

In relation to M&A activities Energy Action undertook its first acquisition in August 2012, acquiring Ward Consulting Services. In March 2013 Fort Street Advisors were appointed to assist and advise on further M&A opportunities. During the year the Group were very active in relation to investigating potential M&A opportunities and this will continue into FY14. Whilst there are opportunities to consolidate the fragmented energy management services market the Board takes a very disciplined approach to its M&A strategy with a particular focus on earnings accretion and the quality of earnings of targets.

Energy Action is well placed to continue delivering year-on-year revenue and profit growth, once again driven by strong operational performance across the company's broad suite of energy management products.

Whilst revenue growth is expected to exceed FY13's, in FY14 Energy Action expects to increase its operating NPAT by between 10-15%, compared to FY13. NPAT growth in FY14 is expected to be tempered by the Group's focus on investing in Sustainability & Efficiency product development, in our sales teams and in supporting marketing initiatives. We believe these investments will put the Group in a strong position to benefit from the fact that we will know the majority of our customer's contract end dates. This is because the majority of Commercial & Industrial customers will need to have their contracts renewed during 2015 and Energy Action will be well placed to aggressively grow market share.

Risks to achieving financial outcomes in relation to future prospects

The following key risks have been indentified in relation to achieving financial outcomes in relation to future prospects:

- Future regulatory policy of the industry is unclear and changes could negatively or positively impact Energy Action. Of specific relevance is the potential new legislation in relation to carbon tax. In order to address the uncertainty around the tax Energy Action has been running 'carbon exclusive' auctions to help the energy retailers establish both a carbon exclusive product and a market for contracts in 2016. Energy Action has taken an industry leading position by allowing customers to lock in energy contracts beyond 2015. It is anticipated that these carbon exclusive auctions will result in an improvement in the average length of AEX contracts.
- In relation to M&A, whilst the Board are confident that appropriate opportunities will arise, the Group may not be able to source acquisitions that meet its criteria. However such an approach is consistent with protecting shareholder value.

Significant changes in state of affairs

A fully franked dividend of 5.10 cents per share in respect of the 6 months period to 30 June 2013 was declared on 19 August 2013.

Future Developments, Prospects and Business Strategies

This information is discussed in the Operating and Financial Review section of this report.

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

There are 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's 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
Dr Ronald Watts	14	14	-	-	2	2	-	-	1	1
Valerie Duncan	14	13	3	3	2	2	-	-	1	1
Paul Meehan	14	13	-	-	-	-	3	3	1	1
Stephen Twaddell	14	14	3	3	2	2	3	3	-	-
Murray Bleach	14	14	3	3	-	-	3	3	-	-
Edward Hanna	14	13	-	-	-	-	-	-	-	-

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. 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 2013:

	$
Tax compliance	36,680
Due diligence services	45,141
Other	79,833
Total	**161,654**

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on the following page of the financial report.

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

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

Building a better working world

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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

P S Barnard
Partner
Sydney

20 August 2013

Remuneration Report (Audited)

The directors present the Remuneration Report for Energy Action Limited ("Company") and its consolidated entities ("Group") for the year ended 30 June 2013.

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
- 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

Dr Ronald Watts	Chairman
Paul Meehan	Non-Executive Director
Stephen Twaddell	Non-Executive Director
Murray Bleach	Non-Executive Director (appointed 3 July 2012)

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
Nathan Francis	Chief Financial Officer & Company Secretary

1.3. Remuneration Consultants

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

The Board Remuneration Committee used McKenzie Consulting for the prior financial year to ensure market structures were appropriate for executives. During 2012/13 these market structures were updated using the AON Hewitt Remuneration Survey Data.

In May 2012 the engagement with McKenzie Consulting ceased. Energy Action now employs a full time Human Resources manager.

1.4. Share based incentive scheme

The Group does not currently operate a share/options based long term incentive scheme for its employees, however a Performance Rights and Options Plan will be established in 2013/14.

There are currently no remuneration awards linked to share price.

Currently the executive KMP collectively own 13% 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 2013, including superannuation, was as follows:

Base fee	$
Chairman	59,587
Non-executive directors	44,690

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

The fees above reflect a market review undertaken in June 2012.

2.2. Executive directors and senior executives

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

- Base remuneration package and benefits, inclusive of superannuation (Total Fixed Remuneration)
- Short-term Capped Bonus – based on the Group's, team and individual performance and results delivered against pre-determined Key Performance Indicators (KPIs)
- 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.

The Group undertakes a market benchmarking analysis and provide recommendations. The market analysis considers the target total remuneration opportunity as well as its core components and the mix of those components. In addition, the information also contains a view on market and emerging trends in executive remuneration structures and the mix of fixed and performance based remuneration arrangements. The agreed remuneration mix for the Managing Director and senior executives for the year ended 30 June 2013 was:

	Fixed Component	Bonus Component	Commission Component
Managing Director	83%	17%	n/a
Executive Director – Sales	83%	17%	n/a
Executive Director – Energy Efficiency & Sustainability Solutions	88%	12%	n/a
Chief Financial Officer & 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 and contract revenue growth. Linking part of the bonus to growth in 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%	20%	50%
Chief Financial Officer & Company Secretary	30%	20%	50%

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

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 2013 was:

	% of Bonus Potential
Valerie Duncan	90%
Barry Denton	79%
Edward Hanna	81%
Nathan Francis	85%

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

3. Service agreements

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

Remuneration and other terms of employment for the 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

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

4. Remuneration tables

4.1. Remuneration table for the year ended 30 June 2013

Details of remuneration of directors and KMP of the Group for the 2013 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	Cash salary and fees $	Additional fees $	Cash bonus $	Non monetary benefits $	Superannuation $	Termination benefits $	Long service leave $	Total $
Dr Ronald Watts	54,872	-	-	-	4,715	-	-	59,587
Paul Meehan	41,000	-	-	-	3,690	-	-	44,690
Stephen Twaddell	44,690	-	-	-	-	-	-	44,690
Murray Bleach	63,587	-	-	-	5,723	-	-	69,310
Sub-total	**204,149**	**-**	**-**	**-**	**14,128**	**-**	**-**	**218,277**
Executives								
Valerie Duncan	298,804	-	58,227	-	25,676	-	-	382,707
Edward Hanna	213,200	-	24,420	-	21,386	-	-	259,006
Barry Denton[1]	183,263	65,509	39,370	-	16,470	-	-	304,612
Nathan Francis	196,815	12,000	34,055	-	16,470	-	-	259,340
Sub-total	**892,082**	**77,509**	**156,072**	**-**	**80,002**	**-**	**-**	**1,205,665**
Total	**1,096,231**	**77,509**	**156,072**	**-**	**94,130**	**-**	**-**	**1,423,942**

Notes

1 Includes sales commission of $11,509 and car allowance of $54,000.

4.2 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	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)

Relative Proportion of Remuneration

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

Name	Fixed Remuneration		At Risk – Cash Bonus/Other		At Risk – Securities	
	2013 %	2012 %	2013 %	2012 %	2013 %	2012 %
Non-executive directors						
Dr Ronald Watts	100	100	0	0	n/a	n/a
Paul Meehan	100	100	0	0	n/a	n/a
William Moss	n/a	100	n/a	0	n/a	n/a
Stephen Twaddell	100	100	0	0	n/a	n/a
Murray Bleach	100	n/a	0	n/a	n/a	n/a
Executives					n/a	n/a
Valerie Duncan	85	88	15	12	n/a	n/a
Edward Hanna	91	91	9	9	n/a	n/a
Barry Denton	87	48	13	52	n/a	n/a
Nathan Francis	87	86	13	14	n/a	n/a

4.2 Company Performance

The Group had reported strong results for the financial year ended 30 June 2013 with operating net profit after tax of $5.0 million compared to $4.0 million in the prior year.

The closing share price at 30 June 2013 was $3.00 (30 June 2012: $1.77).

	FY13	FY12
Revenue & other income ($000's)	22,166	17,372
Net profit after tax ($000's)	4,376	3,611
Operating profit after tax ($000's)	5,020	3,975
Earnings per share	16.98 cents	15.13 cents
Market capitalisation – 30/6/13	$76m	$44m

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

Valerie Duncan
Director
Dated: 20 August 2013

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 2013 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 2013 Energy Action had a six member board comprising of four non executive directors and two executive directors, one of whom was an independent director. Profiles of these directors, including details of their skills, experience and expertise can be found in the directors' report.

The board is focused on sustaining and improving shareholder value by maintaining the current board composition with a view to adding independent directors progressively. In this regard 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 its 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 three of the four non-executive directors 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 Valerie 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 2013.

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 2013, the proportion of women on the Board is 17%, in senior management 47% and across all staff 43%.

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. The committee does not currently, and has not previously comprised a majority of independent directors. As noted above the board will aim to progressively appoint independent directors.

The members have comprehensive financial and industry expertise. The Committee met on three (3) occasions during the year to 30 June 2013. 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. 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 2013 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 2013

	Note	Consolidated Group	
		2013 $	2012 $
Continuing operations			
Revenue	6	21,916,511	17,059,941
Other income	6	249,223	311,668
		22,165,734	17,371,609
Employee benefits expense	6	(9,906,418)	(8,167,236)
Depreciation and amortisation	6	(773,443)	(526,108)
Cost of goods		(1,251,094)	(551,859)
Listing costs		-	(520,087)
Acquisition transaction related costs		(491,303)	-
Rental expense		(437,324)	(355,823)
Travel		(268,186)	(197,223)
Administration expenses	6	(2,731,829)	(1,912,709)
Profit before income tax		6,306,137	5,140,564
Income tax expense	7	(1,930,078)	(1,529,571)
Profit for the year attributable to members of the parent entity		4,376,059	3,610,993
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		4,376,059	3,610,993
Earnings per share:		Cents	Cents
Basic earnings per share for the year attributable to ordinary equity holders of the parent	8	16.98	15.13
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	8	16.98	15.04

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	Consolidated Group 2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	6,444,441	6,757,604
Trade and other receivables	11	3,513,972	2,784,757
Other assets	14	980,715	162,260
TOTAL CURRENT ASSETS		10,939,128	9,704,621
NON-CURRENT ASSETS			
Trade and other receivables	11	15,331	22,925
Property, plant and equipment	12	553,300	334,343
Other assets	14	1,246,965	-
Deferred tax assets	16	-	375,585
Intangible assets	13	6,361,092	1,722,396
TOTAL NON-CURRENT ASSETS		8,176,688	2,455,249
TOTAL ASSETS		19,115,816	12,159,870
CURRENT LIABILITIES			
Trade and other payables	15	4,052,417	906,984
Current tax liabilities	16	115,217	12,020
Provisions	17	632,510	588,108
TOTAL CURRENT LIABILITIES		4,800,144	1,507,112
NON-CURRENT LIABILITIES			
Provisions & other payables	17	221,905	258,991
Deferred tax liabilities	16	840,815	-
TOTAL NON-CURRENT LIABILITIES		1,062,720	258,991
TOTAL LIABILITIES		5,862,864	1,766,103
NET ASSETS		13,252,952	10,393,767
EQUITY			
Issued capital	18b	4,329,671	3,979,171
Retained earnings		8,923,281	6,379,596
Reserves	18d	-	35,000
TOTAL EQUITY		13,252,952	10,393,767

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

Consolidated Group	Note	Share Capital Ordinary	Share Option Reserve	Retained Earnings	Total
		$	$	$	$
Balance at 1 July 2011		449,263	-	4,110,537	4,559,800
Total comprehensive income 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
Total comprehensive income attributable to members of parent entity		-	-	4,376,058	4,376,058
Net share capital issued in the year	18b	315,500	-	-	315,500
Share based payments	18d	35,000	(35,000)	-	-
Dividends paid or provided for	9	-	-	(1,832,373)	(1,832,373)
Balance at 30 June 2013		4,329,671	-	8,923,281	13,252,952

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 30 June 2013

	Note	Consolidated Group	
		2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		23,302,450	18,884,655
Payments to suppliers and employees (inclusive of GST)		(16,073,715)	(13,056,560)
One off commission payment	14	(1,726,930)	-
Acquisition transaction related costs		(491,303)	-
Interest received		195,097	183,018
Income tax paid		(1,212,582)	(1,546,396)
Net cash provided by operating activities	20	3,993,017	4,464,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(372,613)	(256,194)
Acquisition of Ward Consulting Services	4	(1,940,288)	-
Software development costs	13	(400,906)	(696,246)
Net cash used in investing activities		(2,713,807)	(952,440)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by parent entity	9	(1,832,373)	(1,341,934)
Proceeds from share issue	18b	240,000	3,800,000
Equity raising costs		-	(779,256)
Net cash provided by/ (used in) financing activities		(1,592,373)	1,678,810
Net (decrease)/increase in cash held		(313,163)	5,191,087
Cash at beginning of financial year	10	6,757,604	1,566,517
Cash at end of financial year	10	6,444,441	6,757,604

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For year ended 30 June 2013

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 2013. The financial statements were authorised for issue in accordance with a resolution of the directors on 20 August 2013.

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

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

Note 2: Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

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

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 2012; none of which had a material impact on the financial statements:

- AASB 2011 Presentation of Other Comprehensive Income (amendment) effective 1 July 2012
- AASB 2010 Deferred Tax: Recovery of Underlying Assets (amendment) effective 1 January 2012

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

Note 2: Summary of Significant Accounting Policies (continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2013 are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 broadens the situations where an entity is likely to be considered to control another entity and includes new guidance for determining control of an entity.	1 January 2013	Based on investments held by the Group at 30 June 2013, the Standard is not expected to have a significant impact on the entities that are currently consolidated or equity accounted in the year of initial application.	1 July 2013
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 January 2013	The Standard is not expected to have a significant impact on the financial statements when applied in future periods.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	This is only a change in disclosure requirements and therefore not expected to have a material impact when applied in future periods.	1 July 2013

* Designates the beginning of the applicable annual reporting period

Note 2: Summary of Significant Accounting Policies (continued)

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 probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

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

Other taxes

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

- When the GST incurred on a purchase of goods and services 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.

Note 2: Summary of Significant Accounting Policies (continued)

e. Plant and Equipment

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

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

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

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.

Note 2: Summary of Significant Accounting Policies (continued)

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.

(iii) Financial liabilities

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

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.

Note 2: Summary of Significant Accounting Policies (continued)

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.

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

i. Intangible assets other than Goodwill

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%

Customer relationships

The useful life of customer relationships is finite. It is amortised on a straight line basis over its expected useful life, being 12 years. Customer relationships have been acquired and the useful life is reviewed at each financial year end.

Note 2: Summary of Significant Accounting Policies (continued)

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.

Auction and Activ8 revenue is recognised progressively over the term of the contract (typically over 3 years for Auction and 4 years for Activ8). A portion of the Auction commission is recognised upfront with the balance recognised over the contract term. Activ8+ revenue is recognised in the accounting period in which services are rendered.

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.

o. Contract Acquisition Costs

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

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 2013, the carrying amount of capitalised development costs was $1,656,828 (2012: $1,722,396).

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: Business Combinations

Acquisition of Jasper Australia Pty Limited (now called ACN 087 790 770 Pty Limited).

On 1 August 2012, Energy Action Limited acquired 100% of the voting shares of Jasper Australia Pty Limited, an unlisted company based in Sydney, New South Wales. Trading as Ward Consulting Services (Ward) it is a long established, highly successful and profitable business, with a focus on sustainability reporting and efficiency solutions. It is a highly complementary addition to Energy Action.

Established in 1999, Ward is a highly-regarded and recognised firm that provides energy procurement and management services to a broad range of blue-chip clients in the property, food and beverage 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 and predictable revenue streams.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Ward for the 11 month period from the acquisition date.

Consideration is comprised of the following:

Tranche 1 (paid) – $2,000,000 cash payment and $75,500 paid in Energy Action Limited ordinary shares. The issue price was $1.7986 per share, calculated based on the 20 day VWAP for the period ending on the day before the issue date.

Tranche 2 (payable) – $500,000 cash payment and non-cash consideration which will be paid in the form of Energy Action Limited ordinary shares. The issue price will be calculated based on the 20 day VWAP for the period ending on the day before the issue date. Tranche 2 is payable 30 business days following completion of the audit of Ward Consulting Services financial statements for the year ended 30 June 2013 (estimated to be during September 2013).

Tranche 1 was based on 50% of a multiple of Ward Consulting Services' normalised net profit after tax for the year ended 31 December 2011. Tranche 2 will be based on 50% of a multiple of Ward Consulting Services' audited net profit after tax for the year ended 30 June 2013.

The deferred consideration (tranche 2) has been recognised at its fair value based on Ward Consulting Services' audited net profit after tax for the year ended 30 June 2013.

Estimated total consideration:

Cash paid	2,000,000
Equity paid	75,500
Deferred	2,341,339
Total	**$4,416,839**

Revision of Provisional Acquisition Accounting

In accordance with AASB3, Energy Action provisionally recognised the fair values of assets and liabilities acquired from Ward in the Balance Sheet as at 31 December 2012 and the difference of $2.8 million between the estimated acquisition price of $4.4 million and the net assets acquired was provisionally accounted as goodwill. Subsequent to 31 December 2012, a directors valuation was carried out and Customer Relationships totaling $2,007,000 were identified and separately recognised in accordance with the relevant accounting standards

Note 4: Business Combinations (continued)

The provisional fair value of the identifiable assets and liabilities of Ward as at the date of acquisition was:

$		Fair value recognised on acquisition
Assets		
Cash		59,712
Trade receivables		137,077
Prepayments		18,330
Deferred tax		3,496
Property, plant and equipment		23,143
Customer relationships	13	2,007,000
		2,248,758
Liabilities		
Provisions		35,668
Deferred tax liabilities	16	602,100
Tax payable		44,728
		682,496
Total identifiable net assets at fair value		1,566,262
Goodwill arising on acquisition	13	2,850,577
Purchase consideration		4,416,839
Analysis of cash flows on acquisition:		
Net cash acquired		59,712
Cash paid		(2,000,000)
Net cash outflow		**(1,940,288)**

The goodwill is attributed to the expected synergies and other benefits from combining the activities of Ward Consulting Services to the Group.

From the date of acquisition until 30 June 2013 Ward Consulting Services contributed $1.5 million of revenue to the Group. If the combination had taken place at the beginning of the year, their contribution to the revenue would have been $1.6 million.

The transaction costs relating to the acquisition of Ward totaling $491,303 have been expensed in the income statement and are part of operating cash flows in the statement of cash flows.

Note 5: Segment Information

Identification of reportable segments

The Group has identified one reportable operating segment, which provide electricity and gas procurement services, energy monitoring services, and sustainability 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: **Procurement** – via Energy Action's Australian Energy Exchange (AEX) and also via tender process through Ward Consulting, **Energy Monitoring** via Energy Action's Activ8 service and also through Ward Consulting's product offering, and **Sustainability** (branded as Activ8+).

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, network tariff review, 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.

Ward Consulting Services provides energy procurement and monitoring services to a broad range of blue-chip clients in the property, food and beverage 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 and predictable revenue streams.

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

Accounting Policies and inter-segment transaction

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

Revenue by customer

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

Year ended 30 June 2013	Procurement	Monitoring	Sustainability	Total
	$	$	$	$
Sales to external customers	5,620,615	13,862,288	2,433,608	21,916,511
	5,620,615	13,862,288	2,433,608	21,916,511

Year ended 30 June 2012	Procurement	Monitoring	Sustainability	Total
	$	$	$	$
Sales to external customers	5,277,184	10,826,291	1,006,466	17,059,941
	5,277,184	10,826,291	1,006,466	17,059,941

Note 6: Revenue, Other Income and Expenses

	Note	Consolidated Group	
		2013 $	2012 $
Revenue			
Sales revenue		21,916,511	17,059,941
Other income	6	249,223	311,668
Total		22,165,734	17,371,609
a. Other revenue:			
— Interest income		195,223	183,019
— Research & development grant		54,000	128,649
		249,223	311,668
Administration expenses			
Accounting, audit and tax fees		123,056	161,166
Advertising		242,339	280,411
Legal and professional fees		180,167	94,333
Telephone and internet		334,286	224,456
Computer maintenance costs		287,081	175,042
Consulting		252,901	29,509
Other expenses		1,311,999	947,792
		2,731,829	1,912,709
Depreciation and amortisation			
Depreciation	12a	153,656	117,720
Amortisation customer relationships		153,313	-
Amortisation	13	466,474	408,388
		773,443	526,108
Employee benefits			
— Salaries		8,401,371	6,898,484
— Superannuation		719,988	565,302
— Other		785,059	703,450
		9,906,418	8,167,236

Note 7: Income Tax Expense

		Note	Consolidated Group	
			2013 $	2012 $
a.	The components of tax expense comprise:			
	Current tax		1,315,778	1,569,561
	Deferred tax	16	614,300	(39,990)
			1,930,078	1,529,571
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% (2012: 30%)		1,891,841	1,542,169
	Add:			
	Tax effect of:			
	— Permanent differences		38,237	136,694
	Less:			
	— Prior year adjustments		-	(109,302)
	— Other		-	(39,990)
	Income tax attributable to entity		1,930,078	1,529,571
	The applicable weighted average effective tax rates are as follows:		30.6%	29.7%

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:

	2013	2012
	$	$
Net profit attributable to ordinary equity holders of the parent from continuing operations	4,376,058	3,610,993
Net profit attributable to ordinary equity holders of the parent for basic earnings	4,376,058	3,610,993
Net Profit Attributable to ordinary equity holders of the parent adjusted for the effect of dilutions	4,376,058	3,610,993

	2013	2012
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	25,778,052^	23,868,233
Effect of dilution:		
Share options	-	143,014
Weighted average number of ordinary shares adjusted for the effect of dilution	25,778,052	24,011,247

^ Includes estimated number of shares (596,000) to be issued, on 30 September 2013, as part of Payment Number 2 (final) to Jennifer Ward – see note 4.

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	
	2013	2012
	$	$
Dividends paid:		
Final 2011 franked dividend of 4.36 cents per share	-	469,674
Interim 2012 franked dividend of 3.48 cents per share	-	872,260
Final 2012 franked dividend of 3.72 cents per share	933,977	-
Interim 2013 franked dividend of 3.55 cents per share	898,396	-
	1,832,373	1,341,934
a. Proposed final 2013 franked dividend of 5.10 cents per share (Final 2012 franked dividend of 3.72 cents per share)	1,290,653	933,977
b. Balance of franking account at year end adjusted for franking credits arising from:		
- Opening balance	2,382,101	1,410,819
- Opening balance adjustment	196,064	
- Ward franking account balance	174,655	
- Payment of provision for income tax	1,229,338	1,546,396
- 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	(785,303)	(575,114)
	3,196,855	2,382,101
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(553,137)	(400,276)
	2,643,718	1,981,825

Tax rates

The tax rate at which paid dividends have been franked is 30% (2012: 30%). Dividends proposed will be franked at the rate of 30% (2012: 30%).

Note 10: Cash and Cash Equivalents

	Note	Consolidated Group	
		2013 $	2012 $
Cash at floating rates		3,371,802	3,741,904
Short-term deposits		3,072,639	3,015,700
Cash at bank and in hand		6,444,441	6,757,604

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	
		2013 $	2012 $
CURRENT			
Trade receivables		3,647,497	2,841,784
Provision for impairment	11a	(133,525)	(57,027)
Total current trade receivables		3,513,972	2,784,757
NON-CURRENT			
Bonds and security deposits		15,331	22,925

a. Provision for Impairment of Receivables

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

Credit risk

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

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

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

			Past Due but Not Impaired (Days Overdue)					
	Net Amount $	Past due and not Impaired $	< 30 $	31–60 $	61–90 $	91-120 $	120+ $	Within Initial Trade Terms $
2013								
Trade and term receivables	3,513,972	(133,525)	459,977	323,593	294,867	216,433	-	2,352,627
2012								
Trade and term receivables	2,784,757	(57,027)	643,558	129,893	221,071	292,054	-	1,555,208

Note 11: Trade and Other Receivables (continued)

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

b. Collateral Held as Security

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

Note 12: Property, Plant and Equipment

	Note	Consolidated Group	
		2013 $	2012 $
Computer equipment:			
At cost		737,290	597,287
Accumulated depreciation		(482,455)	(360,099)
		254,835	237,188
Furniture and fittings:			
At cost		494,935	257,175
Accumulated depreciation		(196,470)	(160,020)
		298,465	97,155
Total Plant and Equipment		553,300	334,343

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 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
Additions	136,207	236,406	372,613
Depreciation expense	(118,560)	(35,096)	(153,656)
Balance at 30 June 2013	254,835	298,465	553,300

Note 13: Intangible Assets

	Consolidated Group	
	2013 $	2012 $
Goodwill^	2,850,577	-
Customer relationships^	2,007,000	-
Accumulated amortisation	(153,313)	-
	4,704,264	-
Software development costs	3,249,753	2,843,052
Accumulated amortisation	(1,592,925)	(1,120,656)
Net carrying value	6,361,092	1,722,396
Total intangibles	6,361,092	1,722,396

	Goodwill	Customer relationships	Software Development costs	Total Intangibles
	$	$	$	$
Consolidated Group:				
Year ended 30 June 2012				
Balance at the beginning of year	-	-	1,434,538	1,434,538
Additions	-	-	696,246	696,246
Amortisation charge	-	-	(408,388)	(408,388)
	-	-	1,722,396	1,722,396
Year ended 30 June 2013				
Balance at the beginning of year	-	-	1,722,396	1,722,396
Acquisition of a subsidiary	2,850,577^	2,007,000^	-	4,857,577
Internal development	-	-	400,906	400,906
Amortisation charge	-	(153,313)	(466,474)	(619,787)
Closing value at 30 June 2013	2,850,577	1,853,687	1,656,828	6,361,092

^ Intangible assets arising from the acquisition of Ward (note 4).

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

Refer to Note 2 for capitalisation policy.

13 (a) Impairment testing of goodwill

Goodwill acquired through business combinations with indefinite lives has been allocated to one Cash Generating Unit (CGU), namely Ward Consulting Services.

The recoverable amount of Goodwill has been determined on a value in use calculation using cash flow projections based on the Ward Consulting Services budget for the year ended 30 June 2014 approved by the Board, extrapolated for 4 years.

The discount rate applied to cash flow projections a pre tax rate of 21.9% (post tax 16%) and the cash flows beyond the approved budgets are extrapolated using 3% growth rate.

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

Note 14: Other Assets

	Consolidated Group	
	2013 $	2012 $
CURRENT		
Prepayments	356,829	162,260
Contract acquisition costs	623,886	-
	980,715	162,260
NON CURRENT		
Contract acquisition costs	1,246,965	-
	1,246,965	-

As disclosed in February 2013, as part of the 31 December 2012 half year results, and further in the Shareholder Update dated 30 April 2013, Energy Action undertook a comprehensive review of the sales team structure including a change to the manner in which sales commissions are paid.

Energy Action recognises revenue progressively over the term of the contract (typically over 2 to 5 years). This coincides with when commissions/fees are received.

Sales commissions paid to sales employees are based on a percentage of the commission/fee payable to Energy Action, by Energy Retailers and Meter Data Providers.

Until March 2013 commissions paid to sales employees were only paid once Energy Action received commissions/fees from Energy Retailers and Meter Data Providers (ie on a trailing commission basis).

From March 2013 the Group moved away from paying sales employees on a trailing commission basis to paying commissions upfront, after discounting the payment for the company's cost of capital and appropriate risk adjustment. Discounting is applied as no claw back provisions are in place to recover commission paid should the employee leave or the energy supply/monitoring contract terminate before the end of the original energy supply/monitoring contract term.

The sales commission paid to sales employees is an incremental cost directly related to obtaining/acquiring energy supply/monitoring agreements. Sales employees are paid a base salary and an additional commission for successfully executed agreements. The commission paid to sales employees is calculated as a percentage of the brokerage commission/fee paid to EAX.

In March 2013 a one off payment was made totalling $1.7m which represented the payout of all future sales employee trailing commissions. This payment is a contract acquisition cost which is incremental as it would not have been incurred if no energy supply/monitoring agreements were successfully negotiated and directly attributable for the same reason. Therefore, in accordance with accounting standards the amount has been capitalised and is being amortised over the term of the customer contract.

Ongoing sales commissions are paid to sales employees on a monthly basis, and are paid up-front and accounted for in the same manner as above.

Note 15: Trade and Other Payables

	Note	Consolidated Group	
		2013 $	2012 $
CURRENT			
Unsecured liabilities:		445,818	179,235
Trade payables		2,332,323	-
Deferred consideration payable – Ward Consulting	4	1,274,276	727,749
Other payables and accrued expenses		4,052,417	906,984
a. Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
- total current		4,052,417	906,984
- total non-current		-	-
		4,052,417	906,984
Financial liabilities as trade and other payables	22	4,052,417	906,984

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	
	2013 $	2012 $
CURRENT		
Income tax payable	115,217	12,020

NON-CURRENT

	Opening Balance	Charged to Income	Charged directly to Goodwill	Charged directly to Equity	Closing Balance
	$	$	$	$	$
Consolidated Group					
Deferred Tax 2013					
Provisions	205,260	39,574	-	-	244,834
Accruals	13,172	13,730	-	-	26,902
Fixed assets	(45,424)	(100,247)	-	-	(145,671)
Business equity raising costs	201,036	(52,096)	-	-	148,940
Customer relationships	-	45,994	(602,100)	-	(556,106)
Prepaid commissions	-	(561,255)	-	-	(561,255)
Other	1,541	-	-	-	1,541
	375,585	(614,300)	(602,100)	-	(840,815)
Deferred Tax 2012					
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
	286,199	39,990	-	49,396	375,585

Note 17: Provisions and Other Liabilities

Analysis of total provisions

	Consolidated Group	
	2013 $	2012 $
Current		
Annual leave	367,535	363,339
Long service leave	220,990	180,783
Deferred grant income	43,985	43,986
	632,510	588,108
Non-current		
Long service leave	99,961	83,048
Deferred grant income	121,944	175,943
	221,905	258,991

Deferred grant income

The group is entitled to a research and development incentive which will be received in the form of a refundable tax benefit. In the prior year, grant income was accounted for in accordance with AASB120 Government Grants. A portion of the incentive ($53,999) was recognised as income in 30 June 2013 (30 June 2012: $128,649) and the remainder as deferred grant revenue to be recognised over the next 3 years (consistent with the amortisation of the underlying development asset).

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	
		2013 $	2012 $
		4,329,671	3,979,171
Fully paid ordinary shares	18b	4,329,671	3,979,171

		Consolidated Group	
		2013 No.	2012 No.
a.	**Ordinary Shares (number)**		
	At the beginning of the reporting period:	25,064,945	10,772,340
	Movement in the year:		
	• Shares issued to Jennifer Ward	41,976	-
	• Shares issued to Moss Capital^	200,000	-
	• 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	25,306,921	25,064,945

^ IPO fees paid to Moss Capital included a cash component, the issue of shares and 200,000 options with an exercise price of $1.20. The options were exercised on 7 November 2012.

		Consolidated Group	
		2013 $	2012 $
b.	**Ordinary Shares ($)**		
	At the beginning of the reporting period:	3,979,171	449,263
	Movement in the year:		
	• Shares issued on listing*	-	3,800,000
	• Shares issued to Moss Capital for advisory services on listing	240,000	400,000
	• Shares issued to Jennifer Ward	75,500	-
	• Share based payment**	35,000	-
	• Share issue costs after tax^	-	(670,092)
	At the end of the reporting period	4,329,671	3,979,171

* 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.

** Upon exercise of the option by Moss Capital Pty Limited the $35,000 share based payment transaction reserve was transferred to ordinary equity. The share based payment transaction reserve was 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.

^ 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.

Note 18: Issued Capital and Reserves (continued)

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 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 2013 and 30 June 2012 are as follows:

	Note	Consolidated Group	
		2013 $	2012 $
Trade and other payables	15/16	1,835,311	919,004
Payable to Ward Consultancy Services	4	2,332,323	-
Less cash and cash equivalents	10	(6,444,441)	(6,757,604)
Net debt/(cash)		(2,276,807)	(5,838,600)
Total equity		13,252,952	10,393,767
Capital and net debt/cash		10,976,145	4,555,167
Gearing		-21%	-128%

Gearing as measured by total borrowings divided by total assets was 0% as at 30 June 2013 and 30 June 2012.

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, volatility: 40%, dividend payout: 50%, risk free rate: 4.76%.

Note 19: Capital and Leasing Commitments

	Consolidated Group	
	2013 $	2012 $
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	529,687	414,706
• between 12 months and 5 years	727,298	906,755
	1,256,985	1,321,461

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

b. Bank Guarantees		
The Group has provided the following bank guarantees at 30 June 2013 for regional offices		
• Parramatta office	72,389	88,534
• Canberra office	5,670	5,670
• Brisbane office	25,540	11,558
• Melbourne office	19,250	19,250
	122,849	125,012

Note 20: Cash Flow Information

	Consolidated Group	
	2013 $	2012 $
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	4,376,058	3,610,993
• Depreciation and amortisation	773,443	526,108
• Provision for trade debtors	76,498	(48,563)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
• (increase)/decrease in trade and term receivables	(798,118)	(190,874)
• (increase)/decrease in prepayments and other assets	(1,761,920)	(252,205)
• increase/(decrease) in trade payables and accruals	826,559	679,282
• increase/(decrease) in deferred taxes	614,300	9,974
• increase/(decrease) in provisions payable	(184,068)	130,002
Cash flow from operations	3,922,752	4,464,717

During the year ended 30 June 2012 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 (%)*	
		2013	2012
Subsidiaries of Energy Action Limited:			
Eactive Consulting Pty Limited	Australia	100%	100%
Energy Action (Australia) Pty Limited	Australia	100%	100%
EAIP Pty Limited	Australia	100%	100%
ACN 087 790 770 Pty Limited	Australia	100%	-

* 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 exercise significant 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	
		2013 $	2012 $
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	74,924	61,197
ii.	*Key Management Personnel:*		
	• Meehan's Solicitors Pty Ltd legal services rendered to the Company	28,115	16,640
	• Dr Ronald Stafford Watts consultancy service rendered to the Company	-	2,700
	• Moss Capital Pty Limited corporate advisory services rendered to the Company for the IPO (William Moss is a director of Moss Capital Pty Limited. William Moss resigned as a Director of Energy Action Limited effective 30 June 2012)	-	635,000

Note 21: Related Party Transactions (continued)

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	
		2013 $	2012 $
Short-term employee benefits		1,329,812	1,026,235
Post-employment benefits – superannuation		94,130	87,075
Total Compensation		1,423,942	1,113,310

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

No options were issued during the 30 June 2013 financial year.

g. Shareholdings of key management personnel

Shares held by Energy Limited (number)

	Balance 1 July 2012	Net change other	Balance 30 June 2013
30 June 2013			
Directors			
Dr Ronald Watts	2,825,280	(615,382)	2,209,898
Paul Meehan	5,327,091	-	5,327,091
Murray Bleach	-	-	-
Stephen Twaddell	2,296,209	(350,000)	1,946,209
Executive Directors			
Valerie Duncan	2,413,377	(700,000)	1,713,377
Edward Hanna	1,305,044	(525,000)	780,044
Executives			
Barry Denton	1,000,331	(250,331)	750,000
Nathan Francis	-	-	-
Total	**15,167,332**	**(2,440,713)**	**12,726,619**

Note 21: Related Party Transactions (continued)

	Balance 1 July 2011	Share conversion[1]	Net change 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

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	
		2013 $	2012 $
Financial assets			
Cash and cash equivalents	10	6,444,441	6,757,604
Receivables	11	3,513,972	2,784,757
Bond and security deposits	11	15,331	22,925
Total financial assets		9,973,744	9,565,286
Financial liabilities			
• Trade and other payables	15	4,052,417	906,984
• Deferred cash consideration	4	500,000	-
Total financial liabilities		4,552,417	919,004

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.

Note 22: Financial Risk Management (continued)

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.

Note 22: Financial Risk Management (continued)

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.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	4,052,417	906,984	-	-	-	-	4,052,417	906,984
Income tax payable	115,217	12,020	-	-	-	-	115,217	12,020
Total expected outflows	4,167,634	919,004	-	-	-	-	4,167,634	919,004
Financial assets — cash flows realisable								
Cash and cash equivalents	6,444,441	6,757,604	-	-	-	-	6,444,441	6,757,604
Trade, term and loans receivables	3,513,972	2,784,757	-	-	-	-	3,513,972	2,784,757
Bonds and security deposits	-	-	15,331	22,925	-	-	15,331	22,925
Total anticipated inflows	9,973,744	9,542,361	15,331	22,925	-	-	9,973,744	9,565,286
Net (outflow)/inflow on financial instruments	5,806,110	8,623,357	15,331	22,925	-	-	5,806,110	8,646,282

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 2013, the Group had $3,072,640 at a fixed rate of 3.94% and other $3,371,802 at a floating rate of 3.0% (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%).

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.

e. 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.

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 2013	+/-100	+/-64,444
Year ended 30 June 2012	+/-100	+/-67,576

Note 22: Financial Risk Management (continued)

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.

(iii) Deferred consideration is based on the most recent estimation of the components that determine consideration, for example net profit after tax of the acquired company.

Note 23: Auditors' Remuneration

	Consolidated Group	
	2013 $	2012 $
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	105,350	80,000
• Other services in relation to the entity and any other entity in the consolidated group	79,833	
• Due diligence services	45,141	
• Tax services	36,680	27,359
Amount received or due and receivable by Crowe Horwath for:		
• Auditing or review the financial report		-
• Taxation and compliance services		53,807
• AIB Protection Insurance		1,591
	267,004	162,757

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.

		Consolidated Group	
	Note	2013 $	2012 $
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Current assets		4,641,466	4,158,133
Non-current assets		6,786,964	1,921,238
Total assets		11,428,430	6,079,371
Current liabilities		2,320,877	780
Non-current liabilities		1,755,954	1,073,587
Total liabilities		4,076,831	1,074,367
Issued capital		5,953,391	5,602,891
Reserves		-	35,000
Retained earnings		1,398,208	(632,887)
Total Equity		7,351,599	5,005,004
Profit of the parent entity		3,832,807	927,975
Total comprehensive income of the parent entity		3,832,807	927,975

Note 25: Events After the Reporting Period

A fully franked dividend in respect of the 6 months period to 30 June 2013 of 5.10 cents per share was declared on 19 August 2013.

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

Director's Declaration

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

1. In the opinion of the Directors:

   a. The financial statements and notes of Energy Action Limited for the financial year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of its financial position as at 30 June 2013 and performance

      ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001

   b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1

   c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the board

Valerie Duncan
Director

20 August 2013

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

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

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Independent audit report to members of Energy Action Limited

Report on the financial report

We have audited the accompanying financial report of Energy Action Limited which comprises the consolidated statement of financial position as at 30 June 2013, 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.

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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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

P S Barnard
Partner
Sydney

20 August 2013

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 4 September 2013.

	Shareholder	No. Shares	% IC
1	Meehanteam Pty Ltd	3,000,698	11.86%
2	Holyoake Investments Pty Ltd	2,208,372	8.73%
3	National Nominees Limited	2,169,306	8.57%
4	Toveelen Pty Ltd	1,846,209	7.30%
5	Watts Superannuation Fund	1,493,911	5.90%
6	BNP Paribas Noms Pty Ltd	1,086,603	4.29%
7	J P Morgan Nominees Australia Limited	1,030,862	4.07%
8	Valerie Duncan	1,000,000	3.95%
9	J & C Allen Superannuation Fund Pty Ltd	925,833	3.66%
10	Equity Trustees Limited	921,688	3.64%
11	HSBC Custody Nominees (Australia) Limited	914,809	3.61%
12	Mr Edward Hanna	780,044	3.08%
13	Equitas Nominees Pty Limited	619,404	2.45%
14	Mr Barry Denton	419,835	1.66%
15	Watts Family Trust	350,576	1.39%
16	Mr Barry Denton	330,165	1.30%
17	Citicorp Nominees Pty Limited	278,172	1.10%
18	Dr Geoffrey Phillip Bent & Mrs Gabrielle Mary Bent	246,299	0.97%
19	Mr Ben Kent	232,641	0.92%
20	Dr Ronald Watts	165,411	0.65%
	Total	20,020,838	79.11%

As at 4 September 2013 there were 25,306,921 shares on issue.

Distribution of shares

The following table summarises the distribution of listed shares as at 4 September 2013.

Shareholder	No. Shares	% IC
1 – 1,000	143	0.32
1,001 – 5,000	347	4.15
5,001 – 10,000	138	4.42
10,000 – 100,000	110	9.93
100,001 – and over	24	81.18
Total	762	100.00

The number of individual shareholders holding less than a marketable parcel of shares was 15 holdings with 535 shares.

Substantial Shareholders

The following table shows holdings of five percent or more of voting rights in Energy Action Limited's shares (as at 4 September 2013):

Person or Group	Relevant Interest in no. of shares	Percentage of total voting rights
Paul Meehan and related entities	5,327,091	21.05%
IOOF Holdings Limited	2,994,660	11.83%
Dr Ronald Watts and related entities	2,009,898	7.94%
Stephen Twaddell and related entity	1,846,209	7.30%

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.

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

Dr Ronald Watts – Non Executive Chairman

Paul Meehan – Non Executive

Stephen Twaddell – Non Executive

Valerie Duncan – Managing Director

Edward Hanna – Executive Director

Murray Bleach – Non Executive (appointed 3 July 2012)

Company Secretaries

Nathan Francis

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

Activ8	Energy Action's advanced electricity and gas monitoring service.
Activ8+	Energy Action's energy management and sustainability solutions consulting service.
Australian Energy Exchange (AEX)	Australia's only online, real-time reverse auction platform for the procurement of electricity and gas contracts owned and developed by Energy Action.
Bill Validation	Review of energy bill for validity and correctness.
Carbon-exclusive contracts	A service provided Energy Action that enables customers to negotiate their energy requirements excluding the price of carbon.
Clean Technology Investment Program (CTIP)	A merit-based grants program to support Australian manufacturers to maintain competitiveness in a carbon constrained economy. This program provides grants for investments in energy efficient capital equipment and low emission technologies, processes and products.
Gigajoule	A measure of energy which equals one thousand megajoules.
Large Site	A Large site is a business that consumes more than 160 MWh p.a. in NSW, VIC, SA, ACT & TAS and more than 100 MWh in QLD.
Lean Teams	Creating teams that preserve value with less work and based on Lean management principles.
MSATS	The Australian Energy Market Operator's (AEMO) Market Settlement and Transfer Solutions.
Meter	A device used to measure energy consumption at a site.
National Greenhouse Energy Reporting System	Provides methods and criteria for calculating greenhouse gas emissions and energy data under the National Greenhouse and Energy Reporting Act 2007 (NGER Act).
Network Tariff	The Continuous charge for supplying electricity and maintaining the network of poles, wires and other equipment that distribute power to customers.
Novation	An ABN change when ownership of a site changes.
MWh	Mega watt hour.
Petajoule	A measure of energy which equals one thousand Terajoules
Roll-in	Additional site(s) included into an existing agreement at the contracted rates and term.
Roll-out	When a contract site is terminated from an existing agreement.
Site	An individual metered location with a unique supply point identifier (SPID).
Small-Medium Enterprise (SME)	A SME is a business which consumes less than 160 MWh p.a. in NSW, VIC, SA, ACT & TAS and less than 100 MWh in QLD.
Small Scale Renewable Energy Scheme (SRES)	A Federal renewable energy scheme which provides subsidies to small-scale domestic installations.
Tariff	The pricing a retailer charges a customer for energy consumption.
Terajoule	A measure of energy which equals one thousand gigajoules.
Victorian Energy Efficiency Target (VEET)	A Victorian Government initiative which subsidises energy efficient activities (marketed as the Energy Saver Incentive).

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