

# 2014

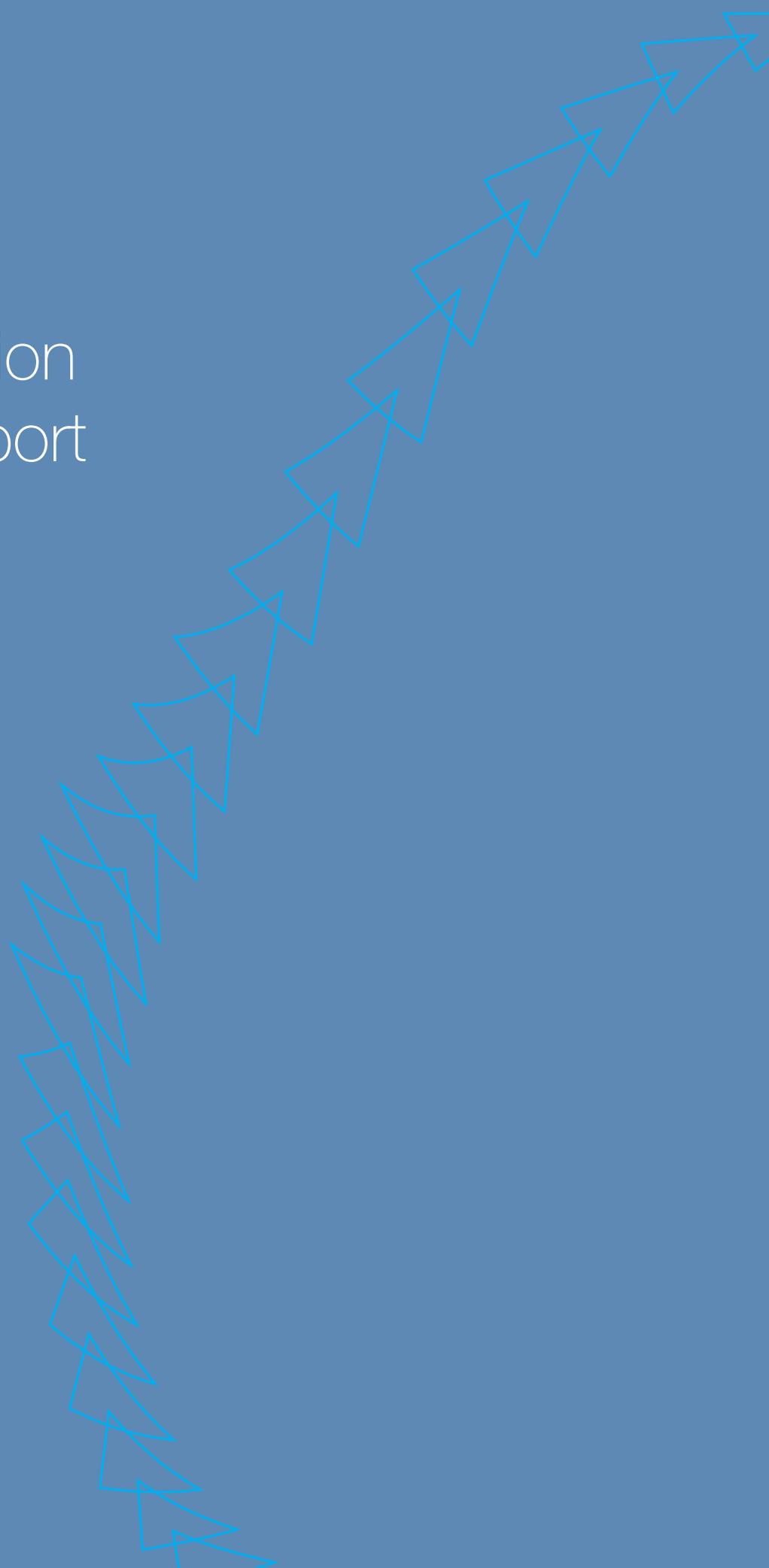
annual report

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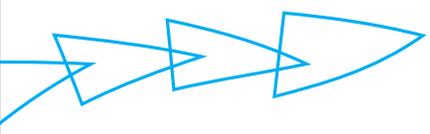


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Energy Action  
Annual Report  
2014



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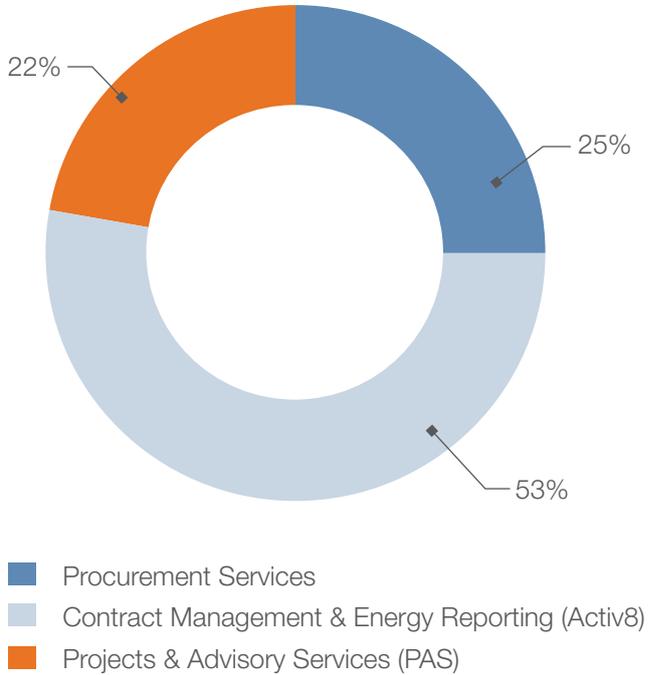
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# 01

## ABOUT ENERGY ACTION

Energy Action (ASX:EAX) is a leading energy management consultancy firm, offering comprehensive energy procurement and management services, aimed at reducing electricity and gas usage and improving energy efficiency, to deliver positive environmental and financial benefits for our business clients.

Energy Action offers its business clients a full energy management solution. Regardless of their size of operation, type of industry or energy consumption, more than 5000 businesses are achieving greater efficiency gains and managing their risk by working with Energy Action.

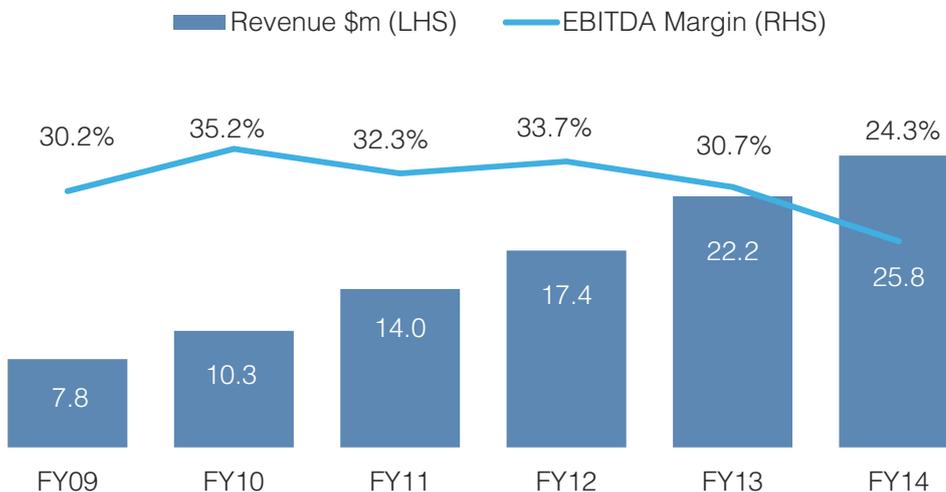


### Financial Results

Energy Action achieved a record revenue result of \$25.8 million for this financial year, up 17% on FY2013 (\$22.2 million). The Projects and Advisory Services division was a significant contributor to revenue with \$5.775 million of the figure, an increase of 137% – this included \$1.5 million contributed by the Exergy group since its acquisition by Energy Action in March 2014. Small Site procurement also enjoyed a solid increase of 100% reaching revenue of \$948,000 in FY2014.

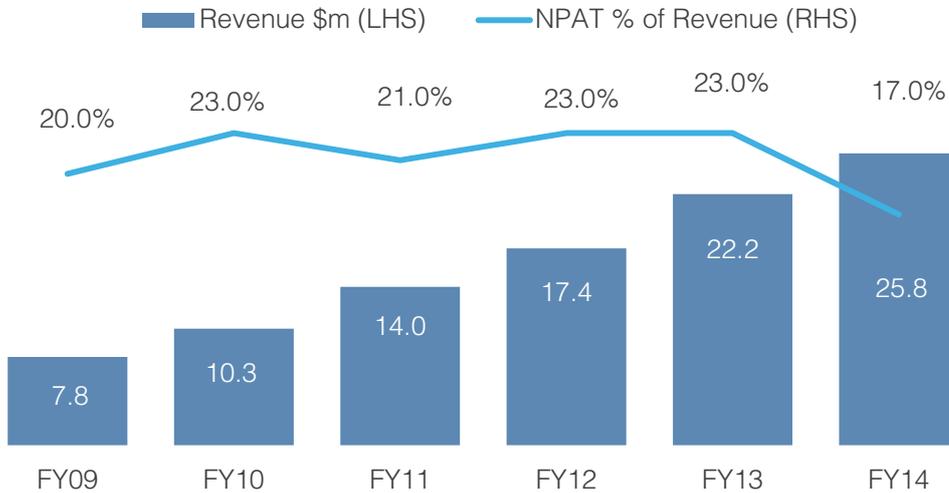
Operating Net Profit after Tax (NPAT) in FY2014 was 8% lower than that of last year at \$4.5 million (\$4.87 million in FY2013). The biggest impact on operating NPAT this financial year was a 30% increase in staff costs, largely due to planned investment in Retention and Acquisition Sales personnel, as well as Projects and Advisory Services resources.

### EBITDA Margin



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### Revenue and Operating NPAT Margin



Despite a one-off transaction cost of \$440,596 relating to the acquisition of the Exergy business, cash flows from operational activities remained strong in FY2014 at \$4.6 million, an increase of 12% on FY2013.

Similarly, despite a final payment of \$500,000 for the Ward Consulting acquisition, as well as a net payment of \$1.8 million as first tranche of the Exergy acquisition (inclusive of \$1 million held in escrow), Energy Action finished FY2014 in a solid position with \$4.5 million cash and no debt.

Energy Action enters FY2015 with a strong balance sheet and growing equity. The record revenue achieved has enabled us to deliver a fully franked total dividend of 7.37 cents per share for FY2014. We continue to focus on delivering maximum value to shareholders.

### Growth in equity from FY09 to FY14



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## CHAIRMAN'S REPORT

“Two important goals are to improve reach and performance in existing business areas, and to seek diversification within the broad market for business energy.”

Dr Ronald Watts, Chairman



Electricity prices have been a dominant media theme of the last year. High network tariffs have been accompanied by low wholesale energy prices in the National Electricity Market. While we might expect this to lead to business customers taking long contracts, a combination of uncertainty over the abolition of the carbon tax, and the unwillingness or inability of retailers to offer long cover has led to reduced average contract lengths. Towards the end of the year, contracts turned the corner and started to gradually lengthen.

This situation has reduced our revenue and margin opportunities through cheaper and shorter contracts, since our revenue scales with both price and contract length, and shorter contracts require more sales effort per revenue dollar. Uncertainty in carbon abatement policy has also impacted on project and policy advisory work early in FY2014. These effects are evident in revenue growth of 17%, and a decline in total NPAT of 8%. However, we have not changed our dividend policy, and will pay 50% of NPAT for 2013-14, as in previous years.

The deferral and shortening of contracts has led to a build-up of renewals being required from 1 July 2014, and our new Australian Energy Exchange (AEX) platform positions us well to assist customers with procurement. There remains a strong customer interest in our bill validation and tariff review services, where we have identified individual customer savings of up to six figures.

Our acquisition of Exergy positions us well for continued growth in energy efficiency and renewable energy projects, giving us scale and new expertise, along with excellent systems. We are broadly optimistic for the 2014-15 year.

Our shareholder register has grown steadily during the year, holdings by the founder group have reduced to 35%, which is good for liquidity, but still amounts a solid vote of confidence in the future of the company. Importantly, Institutions remain well represented on the register.

Our share price reached a high of \$4.25 during FY 2014, but following the earnings advice of December 2013 has since remained moderately stable in the range \$3.00-3.30.

We continue to assess merger and acquisition opportunities, as always with due diligence and an eye for growth, scale, and expertise. Two important goals are to improve reach and performance in existing business areas, and to seek diversification within the broad market for business energy. These goals are being pursued within the context of a five year plan jointly developed by our CEO, key staff and the Board.

It remains for me to thank our new CEO Scott Wooldridge and his staff, as well as my fellow Directors, for their commitment and hard work in delivering these results.

## CEO'S REPORT



“

We believe the ground work performed in FY2014 in relation to structure and strategy will provide a solid platform leading into FY2015 to continue the strong history of revenue growth and a return to solid profit growth.”

Scott Wooldridge, CEO

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The 2014 financial year saw substantial changes to Energy Action's operational capabilities, with 45% growth in staff numbers via organic growth and the acquisition of Exergy. The strategy for FY2014 incorporated a significant organic investment in Acquisition sales staff and Projects & Advisory Services staff to address evolving market opportunities. In particular, the opportunity to gain further procurement services market share due to the large amount of customers available in the market over the next 18 months who will require new energy contracts.

The first half of FY2014 saw the key operational focus being the completion of the sales restructure commenced late in FY2013 and the on-boarding and education of the newly appointed sales team members. The benefits expected took longer to come to fruition than initially anticipated. However, there was a clear improvement in sales performance in the second half as the benefits of the new sales structure started to be realised.

We were very pleased to welcome Exergy to Energy Action in March 2014. Energy Action had been investing since 2009 in energy efficiency related services to complement the existing procurement and contract management capabilities. The acquisition of Australia's leading energy efficiency consulting firm provided a strong consultancy services management team, industry thought leadership and a profitable business to the Energy Action portfolio of capabilities. The Exergy team have been quickly integrated with Ward Consulting and Energy Action's Sustainability Solutions team to form the Projects & Advisory Services Division of Energy Action.

Energy Action developed throughout FY2014 a 5 year strategic plan that incorporates numerous key initiatives that will continue to extend the capabilities and financial performance of the organisation. The cornerstone of the plan is the commitment to the continuation of the strong growth exhibited in past years by Energy Action, with both organic growth initiatives and targeted M & A activity of equal importance. The strategy has been launched to staff under the internal brand "Ignite" and incorporates annual financial milestones tightly linked to core operational performance drivers. Delivery against the plan is also strongly linked to the annual employee bonus scheme.

As part of the development of the strategic plan, Energy Action launched its new brand identity and website. The purpose of the re-branding was to clearly communicate to our customers and staff the evolving nature of the Energy Action business. It provides stronger clarity around our current and future offers and how they deliver value to the different Industry sectors we service.

We believe the ground work performed in FY2014 in relation to structure and strategy will provide a solid platform leading into FY2015 to continue the strong history of revenue growth and a return to solid profit growth.

I would take the opportunity to thank our employees for their dedication and commitment during a year of transition for the organisation and their enthusiasm and support for the future strategic direction of Energy Action.

# 04

## BOARD

### Board of Directors

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#### Dr Ronald Watts – 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.

#### Paul Meehan – Non-Executive Director



Principal of Meehans Solicitors, Paul Meehan has been practicing law in the Macarthur area for over 20 years, specialising in Conveyancing/ Property Investment/ Commercial Law/Leases/ Investment and Tax Advice.

Meehans Solicitors is now one of the largest in the Macarthur area.

#### Steve Twaddell – Non-Executive Director



Steve Twaddell is a graduate of Brown University and during his career served 8 years in the US Navy including 2 years of active duty.

Having worked in the computer industry since 1959 in a number of technical

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

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

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**Murray Bleach – Non-Executive Director**



Murray Bleach has over 30 years experience in the accounting and finance industry. He originally worked as a Chartered Accountant for KPMG Peat Marwick in Sydney and Dallas, Texas. His move into financial services came in

1987, when he joined Bankers Trust Australia.

Murray joined Macquarie Group as part of Macquarie's acquisition of Bankers Trust Australia. During this time he was CEO of Macquarie's US business and led the building of its US infrastructure business.

Murray was previously CEO of listed tollroad group, Intoll and a non-executive director of Eraring Energy. He is currently Chairman of Suicide Prevention Australia and peer-to-peer lender Society One. He is a non-executive director of Zanbato Inc., Together Let's, Strongform P/L, IFM Investors, a member of the Advisory Board to Derwent Executive and a partner at Alfred Street Investment Partners.

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

**Valerie Duncan – Non-Executive Director**

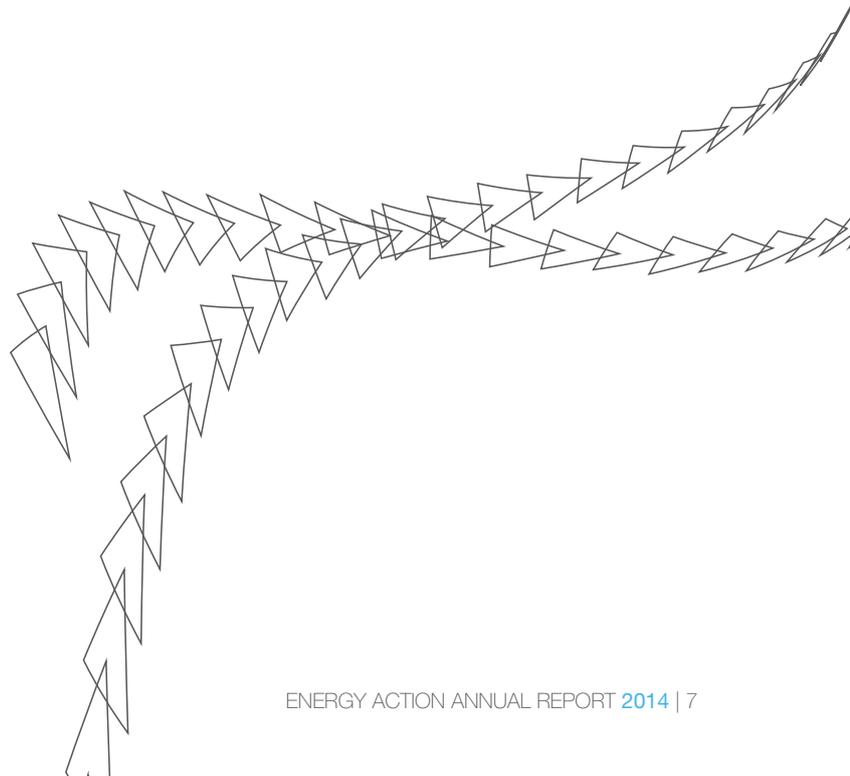


Valerie Duncan was the Managing Director of Energy Action from July 2002 to December 2013 and saw the company achieve 20% to 30% growth per annum.

Valerie has over 25 years energy industry experience, including 19 years in senior management

positions across all aspects of financial management and accounting, energy trading and retailing, strategic planning, human resource management, project management, corporate governance and company secretarial.

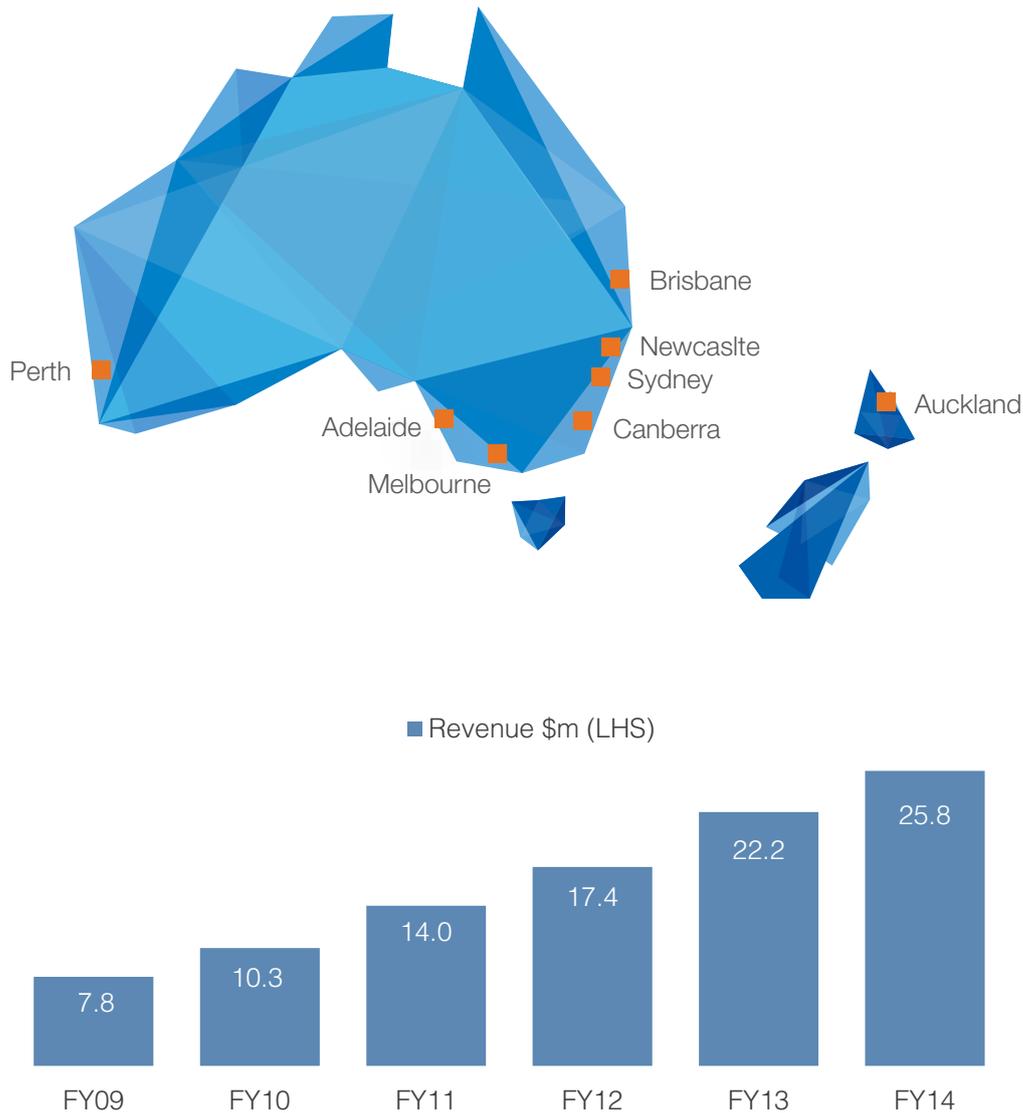
Valerie is currently a Fellow of the Chartered Institute of Company Secretaries in Australia, Australian Institute of Company Directors, Australian Institute of Energy and is a Member of the Australian Society of Certified Practising Accountants. Valerie has been an active board member on the boards of both Prospect Credit Union and the merged Sydney Credit Union having held the position of Chair on both organisations.



# 05

## SALES OVERVIEW

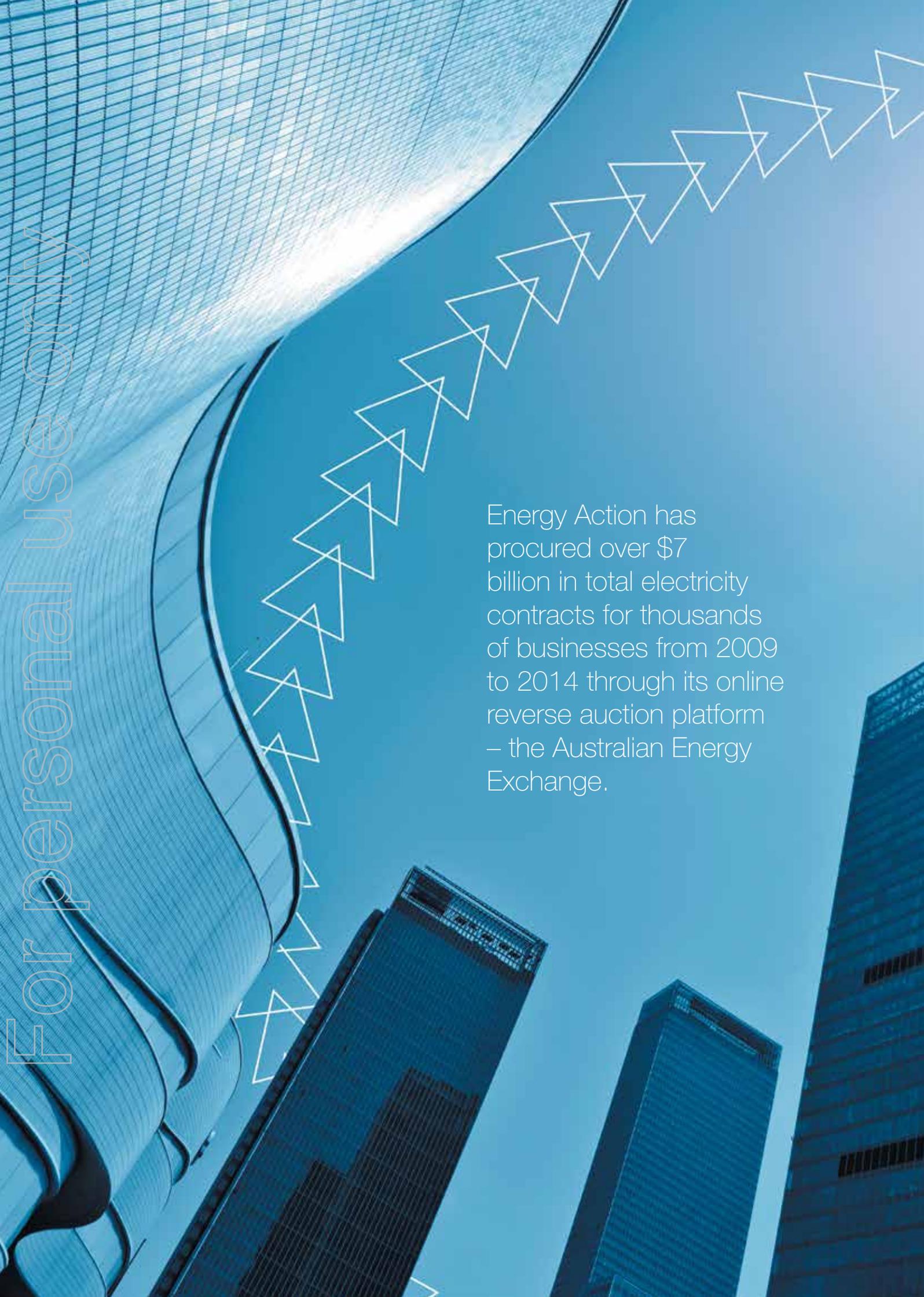
Energy Action achieved record revenue in FY2014, which was a pleasing result after a challenging first half. A major restructure of the sales team occurred late FY2013 and finalising this process impacted the first half sales performance.



The second half of FY2014 saw a strong improvement in procurement, with performance returning to historical levels and contracts secured for customers 64% higher on a half on half comparison basis.

Energy Action made a significant investment in both Retention and Acquisition Sales staff in FY2014 to take full advantage of the impending “renewal cliff” opportunity when 77% of sites under management in the large site electricity market become due for renewal between June 2014 through to December 2015.

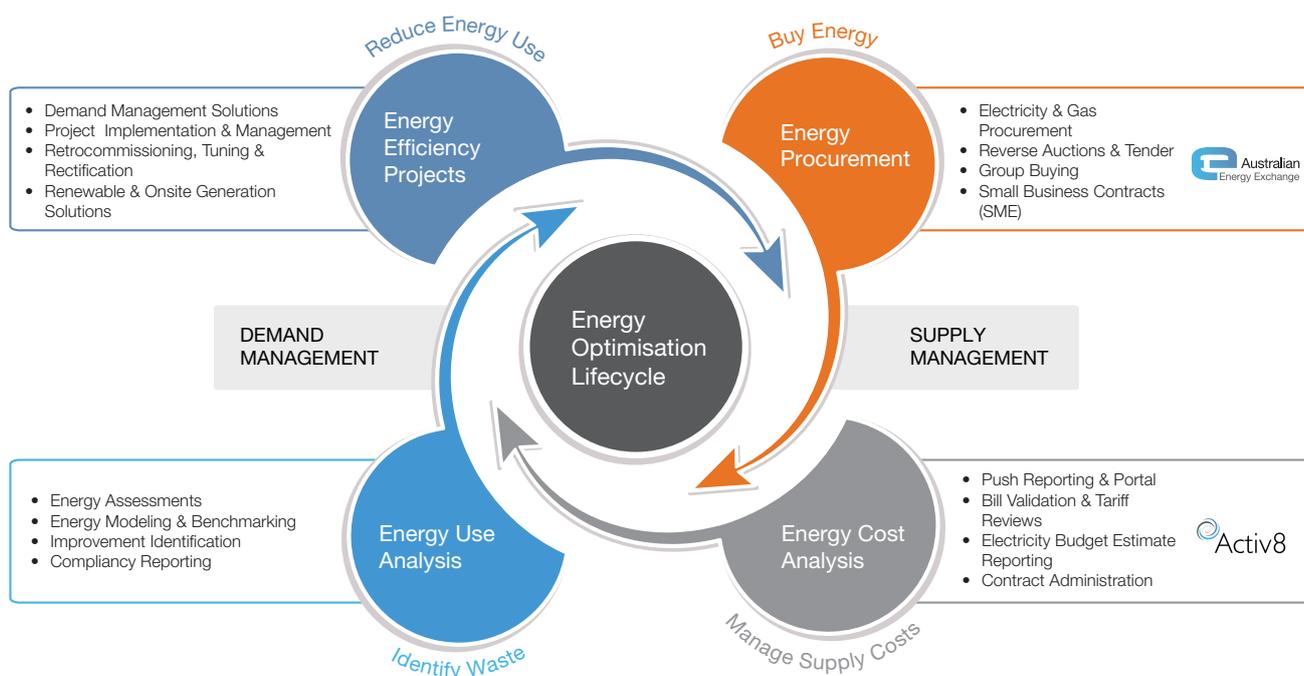
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Energy Action has procured over \$7 billion in total electricity contracts for thousands of businesses from 2009 to 2014 through its online reverse auction platform – the Australian Energy Exchange.

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The investment in strengthening our Acquisition Sales Team during the period reflects a unique opportunity to increase our market share, as the majority of the available market has the same renewal characteristics of Energy Action's existing client base. Given the increased product portfolio offered by Energy Action the changed sales structure also better supports the cross promotion of the full suite of products and services that Energy Action has to offer via our "energy optimisation lifecycle" approach for energy management services for all customers – a major point of differentiation in the marketplace.



In addition, we established a Corporate Sales team in FY2014 which is focused on managing and growing our accounts amongst the Top 500 energy users in Australia, and also on promoting the full range of products and services we have to offer these clients. The Corporate Sales Team will own the responsibility for growing the Projects and Advisory Services division into this market segment in FY2015.

The integration of the Exergy team into our business will continue to provide benefits, by enabling Energy Action to reinforce its position as the "trusted partner" in the provision of energy management services through the full lifecycle of energy optimisation in the energy sector.

Energy Action foresees potential upside in FY2015 through its established presence in Western Australia. With enhancements underway to the Australian Energy Exchange (AEX), our online reverse auction platform will support customers in Western Australian for energy procurement and Energy Action is well placed to become a market leader in this region.

The gas market continues to be a strong source of growth for the company, and we see this as a natural fit to our existing offering, although we acknowledge the small size of this market in Australia, relative to business electricity use.

The restructure of the business into the three distinct divisions of Energy Procurement, Contract Management & Energy Reporting, and Projects & Advisory Services (incorporating Exergy) provides a clear focus on the performance of each division and recognises both the complementary natures of the offers and the unique structures and development roadmaps needed to ensure each division exhibits strong growth into FY2015.

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# ENERGY PROCUREMENT

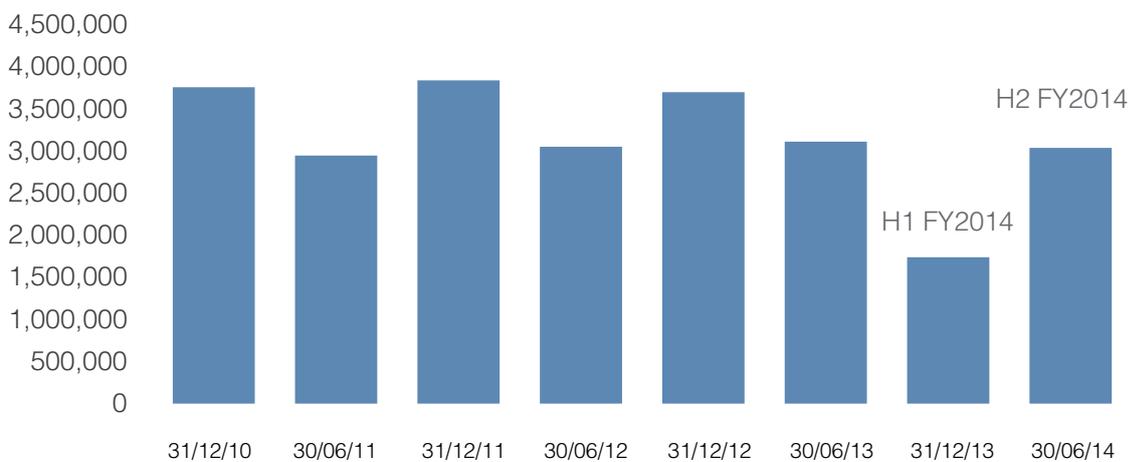
Energy Action is the foremost electricity and gas procurement services provider in Australia. We manage the procurement for over 10% of the entire commercial and industrial large market sites in the country. Energy Action also provides assistance for small to medium businesses (SMEs), with group procurement for a number of small sites or individual tenders.

## Performance

Revenue from Large Market Procurement (large market auctions and auction registration fees) via Energy Action's Australian Energy Exchange reverse auction platform was flat in FY2014 due to a decline in load volume and MWh price. This decline was partially offset by an increase in commission rates from 1.5% to 1.95%, along with increased auction registration fees. We expect to see a more significant contribution from this price change through FY2015.

While sales performance in the first half was also affected by a restructure of the sales team in April 2013, the benefits of this restructure were beginning to be seen in the second half, with load successfully contracted via auction returning to historical levels.

## Load successfully contracted via auction (MWh's)



The Australian Energy Exchange platform continued to perform well, with 1,406 successful auctions in FY2014 compared to 1,390 in FY2013, an increase of 1%. This was a pleasing result given the challenging market conditions.

The company deployed substantial improvements to the Australian Energy Exchange platform in September 2013, which allowed for auto-bidding, auto-bid creation and for multiple auctions to run simultaneously. These changes allow for increased auction volumes during peak periods, with a record 27 auctions conducted on a single day in June 2014 versus a prior record of 15 auctions.

Small Site Procurement also performed well, with an increase of 100%, reaching revenue of \$948,000 in FY2014, underpinning a 6% increase in overall procurement revenue. Once again, the company is encouraged by this result and has identified this as potential driver for future growth.



The total auction bid value decreased by 46% to \$214 million in FY2014, mainly as a result in the average price per MWh decreasing by 23% from \$58.12 to \$44.74. This pricing factor, along with a continuation of the trend to contract short (due to uncertainty about the market beyond mid July 2017 because of changes to the carbon tax) all resulted in a reduction of energy load auctioned from 6.87 million MWhs to 4.79 million MWhs.

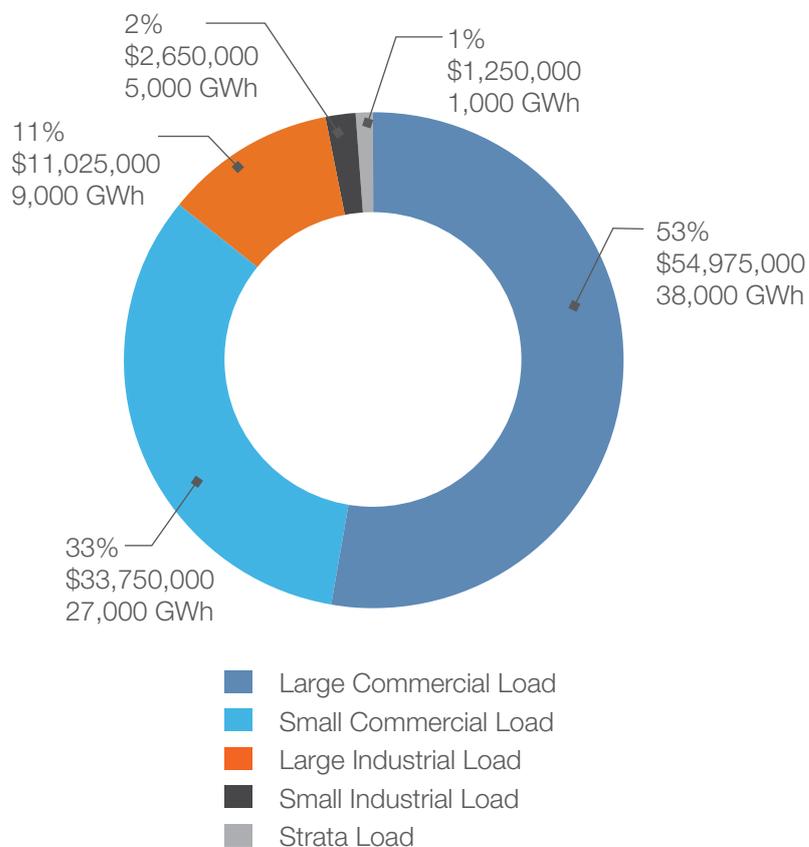
### The Future

Energy Action is the market leader in Australia in energy procurement, with its proprietary Australian Energy Exchange platform providing a distinct point of difference and major competitive advantage. Energy Action will continue to invest in the Australian Energy Exchange platform to improve and enhance functionality.

Energy Action is confident of growing its presence in the Western Australian market as it moves to an auction rather than tender system, as no other competitor has a similar platform.

The planned inclusion of gas procurement and SME electricity on the Australian Energy Exchange platform for FY2015 will also be a major driver for growth, once again allowing Energy Action to position itself as a full solution provider for energy procurement, and also as an end-to-end energy management provider.

**Total Accessible Commissions \$103.65M (80,000 GWh)**



Procured  
**4.79 million**  
mega watts  
FY2014

Auctions run  
**1,406**  
FY2014



# CONTRACT MANAGEMENT & ENERGY REPORTING

Energy Action's contract management and energy reporting service is powered by its Activ8 technology platform and is an advanced electricity monitoring and contract management service for commercial and industrial businesses. The service is built around automated business intelligence reports based on energy consumption and cost trend analysis, which empowers businesses to take control of their energy bills through bill validations, tariff reviews and demand alerts and timely feedback and alerts on consumption and demand.

## Performance

The Contract Management & Energy Reporting division continues to deliver strong, annuity style revenues to Energy Action, entering FY2015 with future contracted revenue of \$62 million, and an average contract length of 54 months.

Contract Management revenue was flat against 2013 after a number of contract cancellations early in the first half of 2014, linked primarily to the sales team restructure. A reversal of this trend in the second half led to an overall 6% increase in sites under management to 9,011. Revenue recognition from sites under contract is normally delayed by 16 weeks on average, which is the time lag between contract signing and the service delivery starting.

A major development for the division was an investment in technology allowing for the automation of the bill validation service. This enhancement allowed for approximately 20,000 bills to be processed automatically in FY2014 with the aim to significantly increase this to approximately 40,000 bills in FY2015. The new system has also created much greater efficiencies for customers by simplifying billing and accruals management.

over  
**18,000**

Energy Procurement  
large & small market sites  
under contract

over  
**9,000**

Contract Management & Energy  
Reporting large market sites  
under management

Investment in the development of a new Customer Portal in FY2014 will provide our customers with greater flexibility around managing their portfolio of assets with dashboards. Core functionality will include dashboards of key performance indicators, such as cost and consumption at a site or portfolio level, as well as comprehensive drill down reporting capabilities into timely and validated data. The outcome will mean greater transparency of energy usage across their organisation. Our customers will also be able to self-manage user access. There has been a strong demand for ad-hoc reporting and dashboard capabilities from our client base and the portal addresses these requirements. The portal will be launched to customers in late 2014.

As part of our Contract Management & Energy Reporting Service, network tariff reviews are conducted twice a year, resulting in the identification of potential savings for our customers. The network tariff review conducted in January 2014 in Victoria identified potential savings of \$1,350,000, and in July 2013 for NSW, QLD, SA, ACT and TAS an amount of \$588,000, with combined potential savings of almost \$1.9 million. This service continues to provide significant cost benefits to our customers.

### The Future

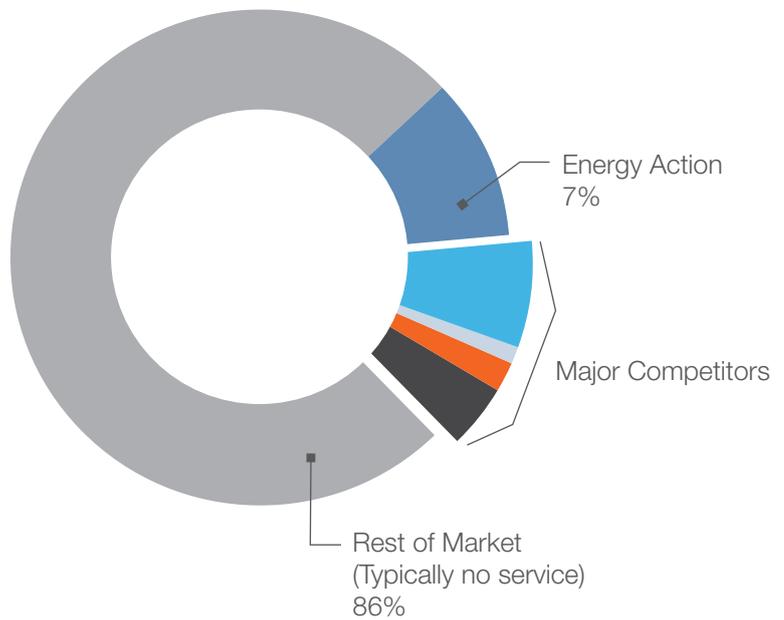
Energy Action has received positive feedback from customers about improvements and enhancements made to its bill validation system, and will continue to advance automation of the system to achieve even greater efficiencies.

The degree of automation already embedded in the bill validation service provides for greater scalability of the system, hence providing another growth opportunity.

Feedback from many of our customers has also indicated that they wish to capture all utilities consumption figures in order to combine these for reporting purposes (NABERS, NGERS, CBD & GRI). Energy Action has identified this as another opportunity for growth as the trend towards compliance and transparency continues.

Energy Action will continue to conduct network tariff reviews in every state in Australia throughout FY2015 in order to identify potential savings for its customers and enhance its reputation as the leader in energy management and reporting.

Contract Management: Total Potential Market



# PROJECT & ADVISORY SERVICES (INCORPORATING EXERGY)

Energy Action offers a range of tailored services that can help any business assess, improve and manage on-site levels of energy efficiency, through the use of innovative energy efficiency and energy management methodologies. As a result, businesses can generate up to a 40% reduction in total energy usage – a major step towards sustainability.

## Performance

FY2014 saw the formation of Energy Action's Projects and Advisory Services division. The division formed from the integration of Ward Consulting, Energy Action's existing Sustainability Solutions division (formerly Activ8+) and Exergy into Projects & Advisory Services. While this integration process is ongoing into fy2015, it however has been substantially completed. The combined division delivers key benefits by way of synergies and complementary skills, and also through greater efficiencies.

The Projects & Advisory Services division was significantly enhanced by the integration of the Exergy group, which was acquired by Energy Action in March 2014. This assisted in the division achieving an increase of 137% in revenue in FY2014 to \$5.775 million.

The Exergy business brings organisational maturity to the division, with proven structures and work methods that are improving productivity levels as well as the quality of work delivered to clients.

Additionally, the Exergy team bring with them considerable technical prowess across a broad range of energy efficiency subject area. This encompasses a deep knowledge and understanding of Building Management Systems upgrades, to sustainability project management skills, industry stewardship and government policy development via initiatives such as the NABERS programme.

Energy Action is pleased that through the integration of Exergy into Projects & Advisory Services, Dr Paul Bannister is now the head of this combined business division. Dr Bannister founded the Exergy group in 1999 and is regarded as a leader in the field of energy efficiency, having led the technical development of the NABERS system.



Dr Paul Bannister

The division is also pleased to welcome aboard senior thought leaders Dr Mirek Piechowski and Steve Castell, who joined the team in senior roles to lead the Engineering Projects and Consulting team and the Environmental Reporting team respectively. Dr Piechowski brings to Energy Action the benefit of his more than 20 years' experience in implementing energy efficiency in the built environment. Steve Castell has had a successful career in managing the sustainability needs of a large and complex buildings portfolio, including the implementation, monitoring and verification of more than 400 building upgrade projects.

The key growth areas for the division in FY2014 were the supply and installation of both solar and lighting, which grew 93% to \$1.056 million in FY2014, up from \$545,418 in FY2013. Revenue contribution from Photovoltaic (PV) solar supply and installation also grew at 206% to \$1.336 million, up from \$436,269 in FY2013.

The division also has a solid annuity income relating to compliance reporting (NGERS) as well as building and implementing performance reporting and audits (NABERS). The division now employs 45 staff and has been focused on providing expert consulting services for Energy Action's existing client base.



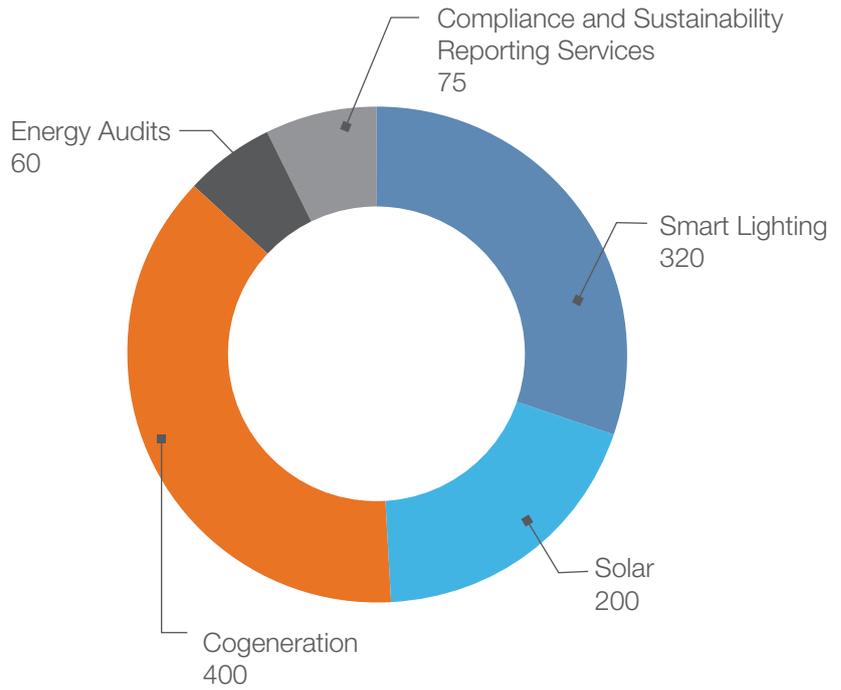
### The Future

After an intensive 12 months combining three business units into one team, the Projects & Advisory Services division is now looking forward to a productive FY2015. We see major opportunities in managing the complex data requirements of our customers for their complete energy management services needs from both a technology and consulting services perspective. This integration enables us to improve efficiency in data collection and reporting for our clients, holistically across their full range of energy management, efficiency and compliance objectives. This holistic view of our customer's data will also underpin an upgrade of the Exergy-developed Lucida on-line monitoring platform.

In addition to the Total Annual Potential Market is the significant opportunity associated with energy efficiency implementation programs beyond lighting, solar and cogeneration, which we are already heavily involved in at a number of sites. These opportunities build from the energy audit workstream and have a potential value up to 10 times greater than the audits by themselves.

Supported by the sales resources, broad market penetration and sophisticated IT development capabilities that Energy Action possesses, the Projects & Advisory Services division will lead the evolution of the Australian market for energy efficiency, and support all our customers to deliver positive environmental benefits and real cost savings in their business via substantial reductions in their energy intensity.

Total Annual Potential Market (Millions)



## MARKET AND REGULATORY ENVIRONMENT

During FY2014 retail prices for electrical energy in Queensland and South Australia maintained a substantial premium over New South Wales and Victoria. In all four states prices have fallen over the last six months of the financial year with this trend being most apparent in New South Wales and Victoria where prices may now have bottomed out at close to historical lows. Retail price performance has also not been strongly linked with any particular time of year. In the previous FY2013 prices were more volatile with the overall trend being sideways in all states.

The repeal of the carbon tax will affect our customers differently according to the type of contract they have. The biggest impact for customers is how the tax will be unwound for those on carbon inclusive contracts. Here carbon is wrapped into the energy rate at a fixed amount that does not change if the carbon tax rate changes.

Different retailers take different approaches on the ability of removing this carbon component from existing retail contracts. Many of these retailers will have purchased similar contracts on the wholesale market, so their ability to strip carbon out will depend on the treatment of carbon under those contracts with generators. For customers on carbon exclusive contracts the issue is much simpler. They will see the carbon tax removed in its entirety from their bill, although this may take a few months to work its way through the retailers' billing systems. Eventually they would expect to be credited with any tax that they have been billed for from 1 July onwards.

Energy Action is discussing with each retailer their progress and methodology in repealing the tax and will be writing to customers with progressive updates. In addition, as we receive bills from retailers we will be checking that they accurately reflect the intent of the repeal legislation.

The expected dilution or abolition of the Federal Government's Renewable Energy Target will result in a reduction in customers' bills as the costs of supporting this scheme reduces. This may also result in a reduction in the rate of solar photovoltaic uptake if subsidies to this sector of the market end.

The major state funding models for energy efficiency are the Victorian Energy Efficiency Target (VEET), which is scheduled for abolition at the end of 2015, and the Energy Savings Scheme (ESC) in New South Wales which is expected to continue until 2020. Costs to customers under either scheme are a small component of the total bill. In the energy efficiency space customers demand that projects meet reasonable criteria in terms of commercial outcomes including return on investment. This is a challenge that Energy Action is well credentialed to assist with.

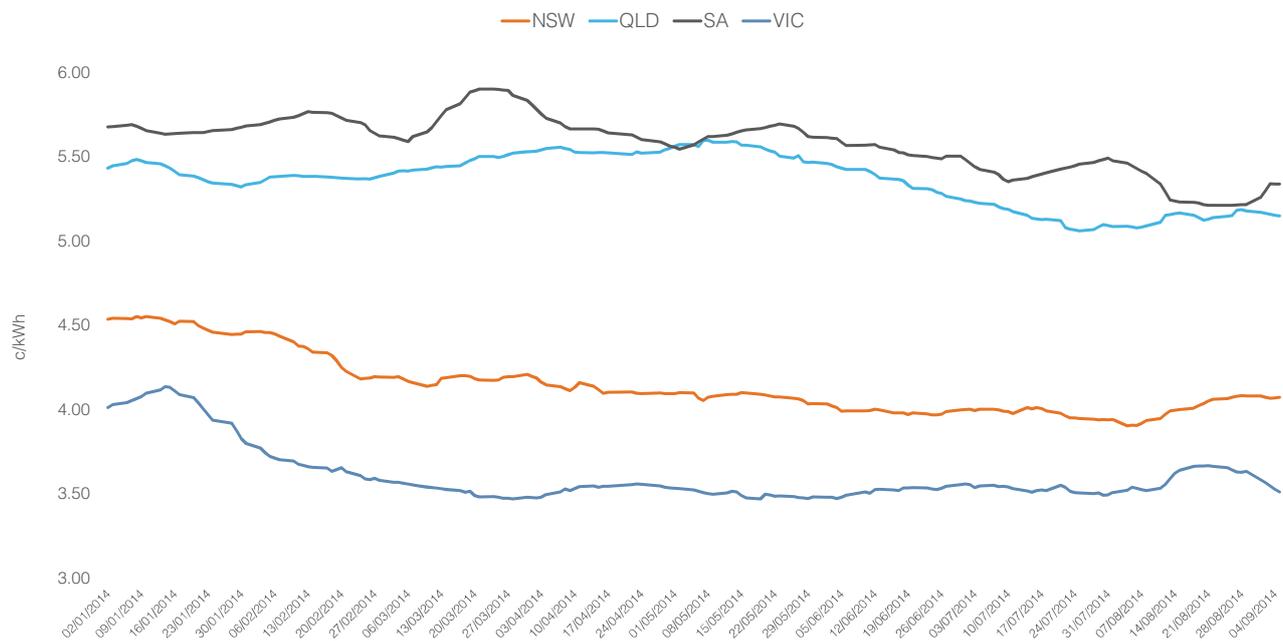
Energy Action does not see a material impact to its business performance in FY 2015 stemming from the changes in either the carbon tax or the differing renewable energy and energy efficiency schemes. We are optimistic of longer term procurement contracts becoming available from retailers as certainty about the carbon and renewables components of the electricity price increases going forwards.

Overall the biggest cost drivers for most customer's electricity bills are network charges followed by energy costs with taxes and regulatory charges representing relatively smaller components of the total bill.

In many cases network charges increased by more than the rate of inflation during FY2014, as has been the case for the past several years. However, we are now beginning to see a flattening of network charges in New South Wales, which we soon expect to extend to the other states. We also expect this flattening of the price to continue for the next 5 years.

The other major component of energy bills is the raw energy cost – this is where Energy Action helps the customer achieve the lowest available price. FY2014 saw prices decline over the year, especially in New South Wales and Victoria. The Energy Action Price Index shows that at the beginning of 2014 the average commercial and industrial (C&I) customer in New South Wales renewing its contract could expect to pay around 4.5c/kWh for the energy component of supply excluding electrical losses. By the end of the financial year that had fallen to close to 4.0c/kWh with similar savings being achieved for customers in Victoria. In South Australia and Queensland the retail price has remained at a much higher level throughout the year, with C&I customers in those states paying around 5.0c-5.5c/kWh at year end.

**Energy Action Price Index (EAPI)**  
**1st January 2014 – 5th September 2014**



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# 07

## OUR PEOPLE

Energy Action made a significant investment in its sales force during FY2014, with the creation of dedicated Retention and Acquisition Sales Teams, as well as a Corporate Sales Team to look after our larger clients and also grow our market share amongst Australia's Top 500 energy users.

Our sales leadership capability has been enhanced by the appointment of Paul Cooper to the position of Sales Director. Paul comes to us from Schneider Electric where he was most recently Sales Director (Industry Business). Barry Denton has been appointed to the position of Corporate Business Director to focus on new account acquisitions.

Bob Stammers recently joined Energy Action from Essential Energy, where he was Group Manager, Retail Sales and Marketing. Bob has responsibility for Energy Action's key commercial building portfolio clients.

Phillip Ridler joined the company on July 1 to manage Energy Action's key industry portfolio customers. Phillip was most recently with Schneider Electric where he was General Manager, Energy Management and Solutions.

The Ward Consulting business has now been fully integrated, joining with the Exergy business and Energy Action's Sustainability Solutions to become one business division under the Projects & Advisory Services banner. The acquisition of both new businesses has resulted in an additional 33 staff to Energy Action.

The dedicated Human Resources function which was put in place in FY2013 continues to benefit Energy Action and its employees, mainly through focusing on staff recognition and retention strategies, career progression and skills development, as well as improving internal communications. These were all areas identified as drivers for employee engagement and satisfaction via in-house staff surveys.

Human Resources also launched the new initiative of quarterly all-staff webinars during FY2014, planned to maintain employee engagement and build on initiatives already in place. The employee bonus scheme has been reviewed and modified for FY2015 to provide a stronger link to company performance and specific KPI's that are associated with our new company program, Ignite. This will drive increased alignment across each of the divisions and will ensure individual priorities are well aligned to the key business drivers identified within Energy Action's 5 year plan.

Energy Action is proud to be an Equal Employment Opportunity employer that supports Cultural Diversity and an inclusive work environment.

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**11%**

11% of our workforce is employed under a flexible/family friendly workplace agreement, including permanent part-time and working from home arrangements.



**2%**

2% of our employees have a disability for whom we have provided assistance with modified work equipment.



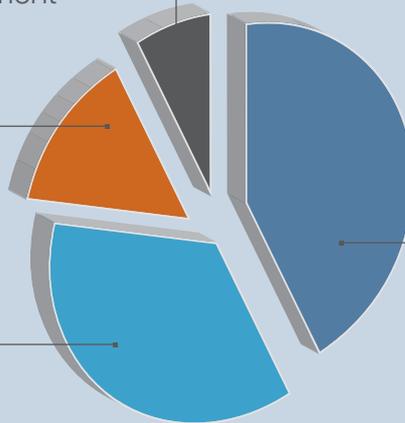
**14%**  
semi-retirement



**7%** pursue a sporting interest



**36%** worklife balance



**43%** returning from maternity leave



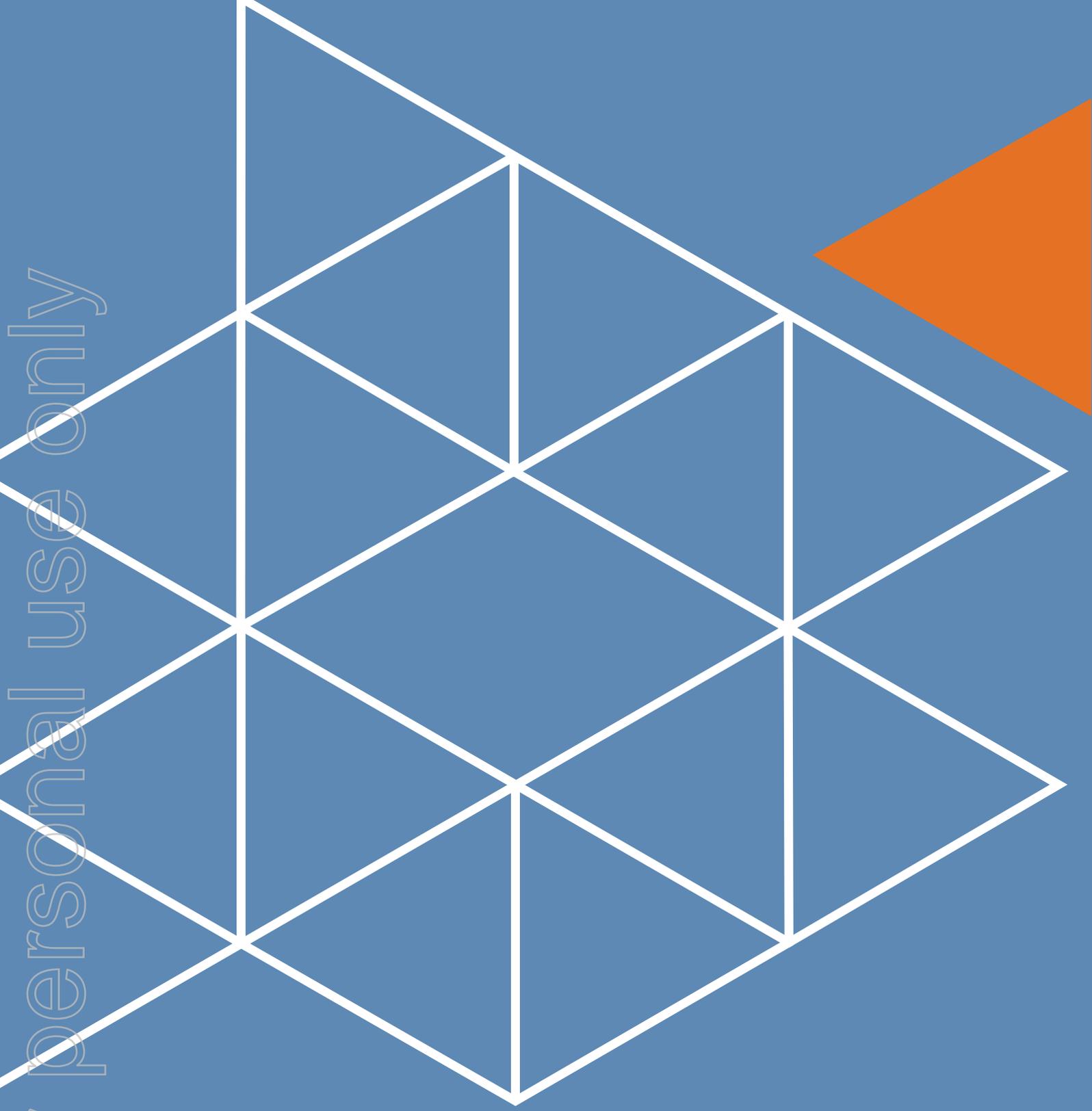
**54%** born overseas

**40%** speak a different language

**26** languages spoken

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# FINANCIAL REPORT



# FINANCIAL REPORT

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# DIRECTORS' REPORT

Your Directors present their report, together with the financial statements for Energy Action Limited (the "Company") and its consolidated entities (the "Group"), for the financial year ended 30 June 2014.

## Directors

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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 (Chairman)**

Qualifications – Bachelor Science, Honours, University of New South Wales, Diploma of Applied Finance, PHD in Applied Science – Cambridge

Experience – Appointed Chairman 2003

Special Responsibilities – Chairman of Nomination Committee

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

### **Valerie Jean Duncan (Non-Executive 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 and Remuneration 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), University of Sydney

Experience – Board member since 2003

Special Responsibilities – Member of Remuneration Committee and Nomination Committee

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

### **Stephen Twaddell (Non-Executive Director)**

Qualifications – Bachelor of Arts, Brown University

Experience – Board member since 2003

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

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

### Murray Bleach (Non-Executive Director)

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	1,659,898	-
Valerie Duncan	750,000	-
Paul Meehan	4,727,091	-
Stephen Twaddell	1,796,209	-
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 (resigned as Company Secretary 29 November 2013) – Master of Business, General Management Charles Sturt University, Company Secretarial FCSA, Company Director FAICD. Valerie has worked for the Group for over 10 years holding CEO roles in the executive divisions of the business. Valerie was appointed Company Secretary on 3 February 2003.

### Dividends

Dividends recommended:	Number of ordinary shares	Number of options over ordinary shares
Final 2014 dividend recommended to be paid 15th October 2014	3.62	939,757
Interim 2014 dividend paid 13 March 2014	3.73	962,993
Final 2013 dividend paid 13 September 2013	5.10	1,290,653

## Operating and Financial Review

---

The Board presents the 2014 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 2014 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:

- Online procurement for energy: specialised buying and negotiation strategies, utilising reverse auctions and bespoke tender models
- Energy monitoring and assessment and contract management; and
- Energy efficiency and sustainability projects and advisory services.

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

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

### 2014 financial performance

The Group generated statutory net profit after tax of \$3.5 million for the year ended 30 June 2014 compared to \$4.4 million for the year ended 30 June 2013, representing a 20% decrease.

Statutory net profit after tax of \$3.5 million is after costs relating to the acquisition of Exergy Australia Holding Pty Limited and its subsidiaries ("Exergy") of \$0.4 million and Share Based Payments Expenses of \$0.3 million. In relation to the Exergy acquisition \$2 million of the consideration is deferred, to be paid over a 2 year period from the acquisition date of 13 March 2014. Because the payments are linked to the continuing employment of the vendors the payments are required to be remuneration expense. In the FY14 period \$0.3 million has been expensed.

Operating profit after tax for the year ended 30 June 2014 was \$4.5 million, representing an 8.2% decrease over the prior year like for like result of \$4.9 million.

Revenue and other income for the same period increased by \$3.6 million from \$22.2 million to \$25.8 million mainly as a result of the following:

- Higher small sites procurement revenue which increased by 123%, or \$0.5 million to \$0.95 million.
- Higher revenue from Projects & Advisory Services (PAS) (\$2.4 million to \$5.8million). PAS incorporates Energy Action's former Sustainability Solutions division, Ward Consulting Services ("Ward") acquired August 2012, and a \$1.5 million revenue contribution from Exergy, which was acquired on 13 March 2014.
- The above results were offset by a decrease in Auction (large site procurement) revenue from \$5.1 million to \$4.8 million mainly as a result of lower volume auctioned compared to FY13 (6.8 million MWhs to 4.8 million MWhs) and a reduction in the average price per MWh from \$58.12 to \$44.74 The average contract duration fell slightly from 26.9 months to 26.1 months.

## Key Financial Metrics

	FY14	FY13	Variance
Revenue	\$25.8m	\$22.2m	17%
EBITDA <sup>1</sup>	\$7.0m	\$7.4m	(5%)
EBITDA margin	27.1%	33.3%	
Operating NPAT <sup>1</sup>	\$4.5m	\$4.9m	(8%)
Statutory NPAT	\$3.5m	\$4.4m	(20%)
Earnings per share (operating) <sup>1,2</sup>	17.29c	19.48c	(11%)
Earnings per share (statutory) <sup>2</sup>	13.60c	16.98c	(20%)
Dividend per share <sup>3</sup>	7.35c	8.65c	(15%)

1 Before acquisition costs of \$0.4m (2013:\$0.5m) and Exergy deferred consideration of \$0.3m.

2 Includes 596,000 shares which was the prior year estimated number of shares which were issued to the Ward Consulting Services vendor. The number of shares issued on 30 September 2013 is 510,577 which have been reflected in the current year calculation of earnings per share.

3 Represents a payout ratio of 50% of statutory net profit after tax (FY14 and FY13)

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

\$000's	FY14	FY13
Statutory net profit after tax	3,512	4,376
Add back: M&A acquisition costs	441	491
Add back: Share based payment	259	-
Add back: Exergy deferred consideration <sup>^</sup>	292	-
<b>Operating profit after tax</b>	<b>4,504</b>	<b>4,867</b>

<sup>^</sup> In relation to the Exergy acquisition \$2 million of the consideration is deferred, to be paid over a 2 year period from the acquisition date of 13 March 2014. Because the payments are linked to the continuing employment of the vendors the payments are required to be booked as remuneration expense.

Overheads, excluding acquisition costs and deferred consideration, totalled \$19.8 million for the year, compared to \$15.4 million in the previous year. Of total overheads \$12.8 million (or 64%) related to employee remuneration which increased from \$9.9 million in FY13. The increase in overheads was driven by the following key items:

- Acquisition of Exergy on 13 March 2014 which incurred overheads of \$0.6 million;
- Higher staff and other expenses associated with increased headcount in Projects & Advisory Services (Previously Activ8+ and Sustainability Solutions)
- Amortisation of customer relationships
- Higher staff expenses associated with increased headcount in Sales new account acquisition roles

## Financial position and cashflows

Net assets increased from \$13.3 million at 30 June 2013 to \$16.6 million, at 30 June 2014 mainly as a result of a net change in receivables versus payables of \$3.7 million. The Group had \$5.5 million of cash at bank at 30 June 2014, inclusive of \$1 million allocated to Exergy in an Escrow account and no bank debt.

Following the acquisition of Ward on 1 August 2012 and Exergy on 13 March 2014, the Group has recognised total Goodwill of \$4.1 million and Customer Relationships of \$2.0 million.

Operating cash flow of \$4.6 million was generated during the year, compared to \$5.7 million in the previous period (excluding one off non-recurring sales commission payment in FY13), in line with reduced statutory NPAT generated.

A second half fully franked dividend of 3.62 cents per share was declared on 19th August 2014, bringing total fully franked dividends for the year to 7.35 cents per share, a decrease of 15% compared to FY13. The FY14 dividend reflects a payout ratio of 50% of statutory net profit after tax after adding back Exergy deferred payment \$292k, unchanged from FY13.

### Key developments

On 13 March 2014 Energy Action Limited acquired Exergy, a leading consultancy service in the energy efficiency space. Refer to "Note 4" of the financial statements 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 months. Valerie resigned from her role 29 November 2013 and assumed a Non-Executive board role after a replacement had been found and inducted into the business. Scott Wooldridge assumed the role of Chief Executive Officer on the 29 of October 2013.

A second half fully franked dividend of 3.62 cents per share was declared on 19 August 2014 bringing the total fully franked dividends for the year to 7.35 cents per share compared to 8.65 cents per share in FY13.

### Operational review

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

The complexities of the energy market, and greater awareness of 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.

The company continued to invest in the Australian Energy Exchange ("AEX"), which experienced further growth in traffic, with 1,406 successful auctions run on the Exchange over the past year, compared to 1,390 during FY13, an increase of 1%. A new auction platform was launched in October 2013 which resulted in an enhanced customer offering and operational efficiencies. Whilst auction activity increased, the load volume of the customers was lower than traditionally experienced and the average auction contract length stagnated at 26 months in FY14. These factors had a direct negative impact on the load contracted, finishing the year at 4.79TWh compared to FY13 at 6.87TWh. In conjunction with lower contracted load, historical low energy prices were experienced with the average energy rate 23% below FY13 contracted rates. Energy Action currently has more than 9,500 auction sites under active or future energy contracts which remains consistent from FY13.

The company's Contract Management & Energy Reporting (Activ8) suite of services also performed strongly with 9,011 sites now under active or future contracts compared to 8,472 as at 30 June 2013. Given Contract Management & Energy Reporting is the largest revenue contributor to the group this growth was a key performance driver in FY14.

## Operational Key Performance Indicators

	FY14	FY13	% change
Future contracted revenue	\$74.5m	\$78.1m	(5%)
No. of successful AEX auctions	1,406	1,390	1%
Average AEX contract duration (months)	26	27	(4%)
TWhs sold	4.79	6.87	(30%)
Average \$/MWh	\$44.74	\$58.12	(23%)
Total Auction bid value <sup>^</sup>	\$214m	\$398m	(46%)
No. of AEX sites under contract (incl future contracts)	9,532	9,598	(1%)
Average Activ8 contract duration (months)	54	53	2%
No. of Activ8 sites under contract (incl future contracts)	9,011	8,472	6%

<sup>^</sup> 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 ongoing organic growth and merger and acquisition activity (M&A).

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

In relation to M&A, Energy Action undertook its second acquisition in March 2014, acquiring Exergy. During the year the Group was very active in relation to investigating potential M&A opportunities and this will continue into FY15. 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 growth and to return to profit growth.

Energy Action is expecting to realise the benefits of the investment made in the FY14 in sales acquisitions resources and projects and advisory services personnel in FY15. We believe these investments have put the Group in a strong position to benefit from the fact that the majority of Commercial & Industrial customers will need to have their contracts renewed during 2015. Energy Action is well placed to aggressively grow market share, while receiving the benefit of renewing a large percentage of the existing customer base.

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

The following key risks have been identified 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 3.62 cents per share in respect of the 6 months period to 30 June 2014 was declared on 19 August 2014.

## Environmental issues

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

## Meetings of Directors

The number of meetings of directors (including meetings of 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		Remuneration Committee		Nomination Committee*	
	No. Eligible to attend	No. Attended						
Dr. Ronald Watts	15	15	0	0	0	0	0	0
Valerie Duncan	15	13	4	4	3	3	0	0
Paul Meehan	15	15	0	0	3	3	0	0
Stephen Twaddell	15	15	4	4	0	0	0	0
Murray Bleach	15	15	4	4	3	3	0	0

\* There were no nomination committee meetings held during the year.

## Indemnifying Officers or Auditor

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

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

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

### Proceedings on Behalf of Company

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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

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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.

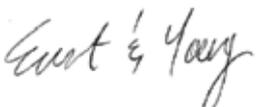
The following fees were paid or payable to Ernst & Young for non-audit services provided during the year ended 30 June 2014:

	\$
Tax compliance	30,759
Due diligence services	93,232
Other	35,839
<b>Total</b>	<b>159,830</b>

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## 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 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



P S Barnard  
Partner  
Sydney  
19 August 2014

# 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 2014.

## 1. Remuneration Framework

### 1.1. Role of the Remuneration Committee

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

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

The committee oversees governance procedures and policy on remuneration including:

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

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

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

In undertaking its work, the committee seeks 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)
Valerie Duncan	Non-Executive Director (appointed 29 November 2013)

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### 1.2.2. Executive directors

Valerie Duncan	Managing Director (resigned as working Director 29 November 2013)
Edward Hanna	Executive Director – Sustainability and Energy Efficiency (resigned as Executive Director 1 September 2013)

### 1.2.3. Senior executives (not directors of the board)

Scott Wooldridge	Chief Executive Officer (appointed 21 October 2013)
Barry Denton	Corporate Business Development Director
Edward Hanna	Director, Strategy & Business Integration
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 AON Hewitt Remuneration Survey data for the prior financial year to ensure market structures were appropriate for executives. During 2013/14 these market structures were updated using the AON Hewitt Remuneration Survey Data.

## 1.4. Long term incentive scheme

### Purpose and type of equity awarded

The Group introduced a long term incentive scheme (LTI) for its senior executives during the year ended 30 June 2014. The LTI is governed by the Performance Rights and Options Plan (PROP), under which currently performance rights (not options) are granted to participants. Each performance right entitles the participant to one share in Energy Action for nil consideration at the time of vesting subject to meeting conditions outlined below.

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

### Number of instruments awarded

As at 30 June 2014 the PROP accounted for 1.4% of issued securities of the Group, made up of 366,894 performance rights.

### Valuation

The fair value of an executives annual LTI grant is a set percentage of their base plus Short Term Incentive (STI) remuneration.

## Performance hurdles

For the 2014 LTI allocation, the two performance hurdles that apply to the Performance Rights for vesting over a three year period commencing 1 July 2013 were:

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

## LTI Outcomes

The following LTI outcomes occurred in 2014:

**PROP:** The Group's relative TSR hurdle (1.1 times ASX 300) was met with an EAX compound return of 16.30% compared to the ASX300 return of 14.50%. The EPS target was not met.

## 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 2014, including superannuation, was as follows:

Base fee	\$
Chairman	<u>65,546</u>
Non-Executive Directors	<u>49,159</u>

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 2013.

## 2.2. Executive directors and senior executives

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

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

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

The Group undertakes a market benchmarking analysis and provide recommendations. The market analysis considers the target total remuneration opportunity as well as its core components and the mix of those components. In addition, the information also contains a view on market and emerging trends in executive remuneration structures and the mix of fixed and performance based remuneration arrangements. The agreed remuneration mix for the CEO and senior executives for the year ended 30 June 2014 was:

	Fixed Component	Bonus Component	LTI Component
CEO	63%	18%	19%
Corporate Business Development Director	63%	20%	17%
Director, Strategy & Business Integration	71%	14%	15%
Chief Financial Officer & Company Secretary	74%	11%	15%

### 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 CEO and senior executives is:

	Company	Team	Individual
CEO	30%	20%	50%
Corporate Business Development Director	30%	20%	50%
Director, Strategy & Business Integration	30%	20%	50%
Chief Financial Officer & Company Secretary	30%	20%	50%

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

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

The actual percentage of Bonus Potential and LTI incentive potential earned by the CEO and Senior Executives for the year ended 30 June 2014 was:

	% of Bonus Potential	% LTI Potential
Scott Wooldridge	0%	25%
Barry Denton	0%	25%
Edward Hanna	0%	25%
Nathan Francis	0%	25%

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

### 3. Service agreements

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

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

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

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

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## 4. Remuneration tables

### 4.1. Remuneration table for the year ended 30 June 2014

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

	Cash salary and fees \$	Short term benefits			Post employment benefits	Long term benefits	Long term benefits	Share based payments	Total
		Additional fees <sup>^^</sup> \$	Cash bonus \$	Non monetary benefits \$	Super \$	Termination benefits \$	Long service leave \$	Performance rights \$	Total \$
<b>Non-executive directors</b>									
Dr. Ronald Watts	59,996	-	-	-	5,550	-	-	-	65,546
Paul Meehan	44,997	-	-	-	4,162	-	-	-	49,159
Stephen Twaddell	44,997	-	-	-	4,162	-	-	-	49,159
Valerie Duncan*	26,248	-	-	-	2,428	-	-	-	28,676
Murray Bleach	67,532	-	-	-	6,247	-	-	-	73,779
<b>Sub-total</b>	<b>243,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,319</b>
<b>Executives</b>									
Valerie Duncan*	192,461	-	-	-	12,687	-	-	-	205,148
Scott Wooldridge <sup>^</sup>	240,455	-	-	-	13,331	-	-	64,408	318,194
Edward Hanna	228,200	-	-	-	21,108	-	3,803	58,362	311,473
Barry Denton	184,250	48,500	-	-	17,775	-	3,822	77,815	332,162
Nathan Francis	224,580	12,000	-	-	17,775	-	-	58,362	312,717
<b>Sub-total</b>	<b>1,069,946</b>	<b>60,500</b>	<b>-</b>	<b>-</b>	<b>82,676</b>	<b>-</b>	<b>7,625</b>	<b>258,947</b>	<b>1,479,694</b>
<b>Total</b>	<b>1,313,716</b>	<b>60,500</b>	<b>-</b>	<b>-</b>	<b>105,225</b>	<b>-</b>	<b>7,625</b>	<b>258,947</b>	<b>1,746,013</b>

#### Notes

\* Resigned as Managing Director effective 29 November 2013.

<sup>^</sup> Commenced employment 21 October 2013.

<sup>^^</sup> Additional fees relates to motor vehicle allowances.

#### 4.2 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.

	Cash salary and fees \$	Short term benefits			Post employment benefits	Long term benefits	Long term benefits	Total
		Additional fees \$	Cash bonus \$	Non monetary benefits \$	Super \$	Termination benefits \$	Long service leave \$	Total \$
<b>Non-executive directors</b>								
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
<b>Sub-total</b>	<b>204,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,128</b>	<b>-</b>	<b>-</b>	<b>218,277</b>
<b>Executives</b>								
Valerie Duncan	298,804	-	58,227	-	25,676	-	-	382,707
Edward Hanna	213,200	-	24,420	-	21,386	-	-	259,006
Barry Denton <sup>1</sup>	183,263	65,509	39,370	-	16,470	-	-	304,612
Nathan Francis	196,815	12,000	34,055	-	16,470	-	-	259,340
<b>Sub-total</b>	<b>892,082</b>	<b>77,509</b>	<b>156,072</b>	<b>-</b>	<b>80,002</b>	<b>-</b>	<b>-</b>	<b>1,205,665</b>
<b>Total</b>	<b>1,096,231</b>	<b>77,509</b>	<b>156,072</b>	<b>-</b>	<b>94,130</b>	<b>-</b>	<b>-</b>	<b>1,423,942</b>

Notes

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

## 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	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
<b>Non-executive directors</b>						
Dr. Ronald Watts	100	100	-	-	n/a	n/a
Valerie Duncan*	100	-	-	-	n/a	n/a
Paul Meehan	100	100	-	-	n/a	n/a
Stephen Twaddell	100	100	-	-	n/a	n/a
Murray Bleach	100	100	-	-	n/a	n/a
<b>Executives</b>						
Valerie Duncan*	100	85	-	15	-	n/a
Scott Wooldridge	75	-	-	-	25	n/a
Edward Hanna	83	91	-	9	17	n/a
Barry Denton	78	87	-	13	22	n/a
Nathan Francis	83	87	-	13	17	n/a

\* Resigned as Managing Director effective 29 November 2013.

## Performance holdings of key management personnel

The following performance rights were issued during the 30 June 2014 financial year.

	Options Issued	
	2014 \$	2013 \$
Scott Wooldridge	64,408	-
Edward Hanna	58,362	-
Barry Denton	77,815	-
Nathan Francis	58,362	-
	<b>258,947</b>	<b>-</b>

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

Series	Grant date	Number	Date vested and exercisable	Expiry date <sup>3</sup>	Exercise price	Value per Performance Right at grant date
Series A	2 December 2013*	29,242	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$1.93
Series A	2 December 2013*	42,188	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$2.31
Series A	2 December 2013*	42,188	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$2.05
Series A	2 December 2013*	42,188	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$2.06
Series B	2 December 2013*	39,788	31 August 2014 <sup>2</sup>	N/A	\$0.00	\$3.04
Series B	2 December 2013*	39,788	31 August 2015 <sup>2</sup>	N/A	\$0.00	\$2.78
Series B	2 December 2013*	39,788	31 August 2016 <sup>2</sup>	N/A	\$0.00	\$2.14
Series A	2 December 2013*	9,747	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$3.01
Series A	2 December 2013*	14,063	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$2.08
Series A	2 December 2013*	14,063	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$2.08
Series A	2 December 2013*	14,063	31 August 2017 <sup>1</sup>	N/A	\$0.00	\$2.08
Series B	2 December 2013*	13,263	31 August 2014 <sup>2</sup>	N/A	\$0.00	\$3.94
Series B	2 December 2013*	13,263	31 August 2015 <sup>2</sup>	N/A	\$0.00	\$2.74
Series B	2 December 2013*	13,263	31 August 2016 <sup>2</sup>	N/A	\$0.00	\$2.14

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

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

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

<sup>3</sup> Performance Rights will be exercised immediately upon vesting as there is no exercise price.

### Fair value of Performance Rights

The fair value of each Performance Right is estimated on the date the Performance Rights are granted using a Monte Carlo Simulation valuation model. The following assumptions were considered in the valuation of Performance Rights issued during the year ended June 30, 2014:

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

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

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

The following tables outline the Performance Rights issued for the benefit of Directors and the KMP during the 2014 financial year and those Performance Rights which have vested at the year-end. We note that there were no options or performance rights issued prior to 30 June 2013.

Total value of performance rights issued:

30 June 2014	Balance at 1 July 2013	Granted	Grant Date	Options exercised / cancelled / forfeited/ other	Options expired without exercise	Net change	Balance at end of period	Amount vested at June 30, 2014
	\$	\$		\$	\$	\$	\$	\$
S. Wooldridge	-	64,408	2 December 2013	-	-	64,408	64,408	-
E. Hanna	-	58,362	2 December 2013	-	-	58,362	58,362	-
B. Denton	-	77,815	2 December 2013	-	-	77,815	77,815	-
N. Francis	-	58,362	2 December 2013	-	-	58,362	58,362	-
<b>Total</b>	-	<b>258,947</b>		-	-	<b>258,947</b>	<b>258,947</b>	-

Total number of performance rights issued:

30 June 2014	Balance at 1 July 2013	Granted	Grant Date	Options exercised / cancelled / forfeited/ other	Options expired without exercise	Net change	Balance at end of period	Amount vested at June 30, 2014
	\$	\$		\$	\$	\$	\$	\$
S. Wooldridge	-	207,740	2 December 2013	-	-	207,740	207,740	-
E. Hanna	-	47,746	2 December 2013	-	-	47,746	47,746	-
B. Denton	-	63,661	2 December 2013	-	-	63,661	63,661	-
N. Francis	-	47,746	2 December 2013	-	-	47,746	47,746	-
<b>Total</b>	-	<b>366,893</b>		-	-	<b>366,893</b>	<b>366,893</b>	-

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

30 June 2013	Balance 1 July 2012	Net change other	Balance 30 June 2013
<b>Directors</b>			
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
<b>Executive Directors</b>			
Valerie Duncan	2,413,377	(700,000)	1,713,377
Edward Hanna	1,305,044	(525,000)	780,044
<b>Executives</b>			
Barry Denton	1,000,331	(250,331)	750,000
Nathan Francis	-	-	-
<b>Total</b>	<b>15,167,332</b>	<b>(2,440,713)</b>	<b>12,726,619</b>

### 4.3 Transactions with related parties

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

The following transactions occurred with related parties:

	Consolidated Group	
	2014 \$	2013 \$
<b>i. Other related parties:</b>		
▪ 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	94,379	74,924
<b>ii. Key Management Personnel</b>		
▪ Meehan's Solicitors Pty Ltd legal services rendered to the Company	13,843	28,115

### 4.4 Company Performance

The Group had reported strong results for the financial year ended 30 June 2014 with operating net profit after tax of \$3.5 million compared to \$4.4 million in the prior year.

	FY14	FY13	FY12
Revenue & other income (\$000's)	25,827	22,166	17,372
Net profit after tax (\$000's)	3,512	4,376	3,611
Operating profit after tax (\$000's)	4,504	4,867	3,975
Earnings per share	13.60 cents	16.98 cents	15.13 cents
Market capitalisation	\$81.3m	\$76m	\$44m
Closing share price	3.15 cents	3.00 cents	1.77 cents

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



**Valerie Duncan**  
Director

Dated: 19 August 2014

# 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](http://www.asx.com.au). The Principles are not prescriptive; however, listed entities (including Energy Action) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle 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
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>	
1.1 The entity has established the functions reserved to the board and those delegated to senior executives.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
1.2 The entity has disclosed its process for evaluating the performance of senior executives.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
1.3 The entity has provided the information indicated in the guide to reporting on Principle 1	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>	
2.1 A majority of the board are independent directors.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2.2 The chair is an independent director.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
2.3 The roles of chair and chief executive officer are not exercised by the same individual.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2.4 The board has established a nomination committee.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2.5 The entity has disclosed the process for evaluating the performance of the board, its committees and individual directors.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2.6 The entity has provided the information indicated in the guide to reporting on Principle 2.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b>	
3.1 The entity has established a code of conduct and disclosed the code or a summary of the code.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

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Recommendation		The entity complied for the full period	
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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
3.5	The entity has provided the information indicated in the guide to reporting on Principle 3	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>			
4.1	The board has established an audit committee.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
4.2	The audit committee has been structured so that it: <ul style="list-style-type: none"> <li>▪ consists only of non-executive directors</li> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent chair, who is not chair of the board</li> <li>▪ has at least three members.</li> </ul>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
4.3	The audit committee has a formal charter.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
4.4	The entity has provided the information indicated in the guide to reporting on Principle 4.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
5.2	The entity has provided the information indicated in the guide to reporting on Principle 5.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS</b>			
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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
6.2	The entity has provided the information indicated in the guide to reporting on Principle 6.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	The entity has established policies for the oversight and management of material business risks and disclosed a summary of those policies.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
7.4	The entity has provided the information indicated in the guide to reporting on Principle 7.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Recommendation	The entity complied for the full period
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>	
8.1 The board has established a remuneration committee.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8.2 The remuneration committee is structured so that it: <ul style="list-style-type: none"> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent chair</li> <li>▪ has at least three members.</li> </ul>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
8.3 The entity clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
8.4 The entity has provided the information indicated in the guide to reporting on Principle 8.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

A detailed outline of Energy Action's corporate governance practices as at 30 June 2014 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 CEO 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 Chief Executive Officer, have formalised job descriptions and, as with all Energy Action employees, letters of appointment.

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**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 five 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 2014 Energy Action had a five member board comprising of five non executive directors, one of whom is 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, in 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 is carried out by Scott Wooldridge.

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.

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### 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**

- Energy Action currently has specific flexible working arrangements with 15 employees representing 11% of total staff (male and 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 2014.

***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 2014, the proportion of women on the Board is 20%, in senior management 25% and across all staff 46%.

#### **What you can find on our website:**

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

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#### 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 four (4) occasions during the year to 30 June 2014. 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 CEO 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 CEO are webcast.

Full copies of notices of meetings are placed on the Energy Action website. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that shareholders cannot attend formal meetings, they are able to lodge a proxy on line in accordance with the Corporations Act. 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 CEO 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 Valerie Duncan (please refer to the Directors' Report for information in regard to the members and the number of meetings held and attended). Murray Bleach, the committee chair is an independent director. 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.

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***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 2014 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).

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# FINANCIAL STATEMENTS

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
Revenue	6	25,601,147	21,916,511
Other income	6	226,191	249,223
		<u>25,827,338</u>	<u>22,165,734</u>
Employee benefits expense	6	(12,848,989)	(9,906,418)
Depreciation and amortisation	6	(913,789)	(773,443)
Cost of goods and services sold		(2,288,337)	(1,251,094)
Acquisition and transaction related costs		(440,596)	(491,303)
Rental expense		(529,773)	(437,324)
Travel		(527,335)	(268,186)
Administration expenses	6	(2,989,153)	(2,731,829)
<b>Profit before income tax</b>		<u>5,289,366</u>	<u>6,306,137</u>
Income tax expense	7	(1,777,414)	(1,930,078)
<b>Profit for the year attributable to members of the parent entity</b>		<u>3,511,952</u>	<u>4,376,059</u>
<b>Other comprehensive income net of income tax that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		(349)	-
<b>Total comprehensive income for the year attributable to members of the parent entity</b>		<u>3,511,603</u>	<u>4,376,059</u>
<b>Earnings per share:</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share for the year attributable to ordinary equity holders of the parent	8	13.60	16.98
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	8	13.31	16.98

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	4,556,558	6,444,441
Restricted cash	10	1,000,000	-
Trade and other receivables	11	5,293,181	3,513,972
Other assets	14	1,258,455	980,715
<b>TOTAL CURRENT ASSETS</b>		<b>12,108,194</b>	<b>10,939,128</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	11	46,322	15,331
Property, plant and equipment	12	563,920	553,300
Other assets	14	946,829	1,246,965
Intangible assets	13	7,567,771	6,361,092
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9,124,842</b>	<b>8,176,688</b>
<b>TOTAL ASSETS</b>		<b>21,233,036</b>	<b>19,115,816</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	2,137,085	4,052,417
Current tax liabilities	16	492,914	115,217
Provisions	17	946,216	632,510
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,576,215</b>	<b>4,800,144</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions & other payables	17	252,723	221,905
Deferred tax liabilities	16	803,007	840,815
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,055,730</b>	<b>1,062,720</b>
<b>TOTAL LIABILITIES</b>		<b>4,631,945</b>	<b>5,862,864</b>
<b>NET ASSETS</b>		<b>16,601,091</b>	<b>13,252,952</b>
<b>EQUITY</b>			
Issued capital	18	6,160,906	4,329,671
Share based payment reserve	18b	258,947	-
Retained earnings		10,181,587	8,923,281
Foreign currency translation reserve	18b	(349)	-
<b>TOTAL EQUITY</b>		<b>16,601,091</b>	<b>13,252,952</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

Consolidated Group	Note	Share Capital Ordinary	Share and Payments Reserve	Retained Earnings	Other Reserve	Total
		\$	\$	\$		\$
<b>Balance at 1 July 2012</b>		3,979,171	35,000	6,379,596	-	10,393,767
Total 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)
<b>Balance at 30 June 2013</b>		4,329,671	-	8,923,281	-	13,252,952
Total income attributable to members of parent entity		-	-	3,511,952	-	3,511,952
Net share capital issued in the year	18b	1,831,235	-	-	-	1,831,235
Share based payments	18d	-	258,947	-	-	258,947
Foreign currency translation reserve		-	-	-	(349)	(349)
Dividends paid or provided for	9	-	-	(2,253,646)	-	(2,253,646)
<b>Balance at 30 June 2014</b>		6,160,906	258,947	10,181,587	(349)	16,601,091

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flow

For the year ended 30 June 2014

	Note	Consolidated Group	
		2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		26,202,218	23,302,450
Payments to suppliers and employees (inclusive of GST)		(20,234,046)	(16,073,715)
One off commission payment	14	-	(1,726,930)
Acquisition and transaction related costs		(440,596)	(491,303)
Interest received		172,191	195,097
Income tax paid		(1,245,670)	(1,212,582)
Net cash provided by operating activities	20	4,454,097	3,993,017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(145,917)	(372,613)
Acquisition of Ward Consulting Services	4	(500,000)	(1,940,288)
Acquisition of Exergy		(1,805,140)	-
Acquisition of Exergy – restricted cash		(1,000,000)	-
Software development costs	13	(637,277)	(400,906)
Net cash used in investing activities		(4,088,334)	(2,713,807)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid by parent entity	9	(2,253,646)	(1,832,373)
Proceeds from share issue	18b	-	240,000
Net cash provided by/ (used in) financing activities		(2,253,646)	(1,592,373)
Net (decrease)/increase in cash held		(1,887,883)	(313,163)
Cash at beginning of financial year	10	6,444,441	6,757,604
Cash at end of financial year	10	4,556,558	6,444,441

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For year ended 30 June 2014

## 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 2014. The financial statements were authorised for issue in accordance with a resolution of the directors on 18 August 2014.

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 2013; none of which had a material impact on the financial statements:

- AASB 10 – Consolidated Financial Statements effective 1 July 2013
- AASB 12 – Disclosure of Interests in Other Entities effective 1 July 2013
- AASB 13 – Fair Value Measurement effective 1 July 2013
- AASB 119 – Employee Benefits effective 1 July 2013
- AASB 2012-2 – Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities effective 1 July 2013
- AASB 2012-5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle effective 1 July 2013
- AASB 1053 – Application of Tiers of Australian Accounting Standards effective 1 July 2013
- AASB 2011-4 – Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] effective 1 July 2013

Early adoption of AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136 Impairment of Assets

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## Note 2: Summary of Significant Accounting Policies (Continued)

These amendments remove the unintended consequences of AASB 13 on the disclosures required under AASB 136. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided AASB 13 is also applied. The Group has early adopted these amendments to AASB 136 in the current period since the amended/additional disclosures provide useful information as intended by the AASB. Accordingly, these amendments have been considered while making disclosures for impairment of non-financial assets in Note 13. These amendments would continue to be considered for future disclosures

### (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 2014, with the exception of AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136 Impairment of Assets which has been discussed in Note 2.2(i), are outlined in the table below:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.	July 1, 2014	June 30, 2015
Interpretation 21 Levies	July 1, 2014	June 30, 2015
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	July 1, 2014	June 30, 2015
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, 3, 7, 10, 12, 107, 112, 124, 127, 132, 134 and 139]	July 1, 2014	June 30, 2015
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policy Holders [AASB 1038]	July 1, 2014	June 30, 2015
AASB 1031 Materiality	July 1, 2014	June 30, 2015
Annual Improvements 2010-2012 Cycle	July 1, 2014	June 30, 2015
Annual Improvements 2011-2013 Cycle	July 1, 2014	June 30, 2015
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	Part A: July 1, 2014 Part B: July 1, 2015	Part A: June 30, 2015 Part B: June 30, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	July 1, 2016	June 30, 2017
IFRS 14 Interim standard on regulatory deferral accounts	January 1, 2016	June 30, 2016
IFRS 15 Revenue from Contracts with Customers	July 1, 2017	June 30, 2018
IFRS 9 Financial Instruments	January 1, 2018	June 30, 2019

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

## 2.3 Key Accounting Policies

### a. Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

Subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

## **Note 2: Summary of Significant Accounting Policies (Continued)**

### **b. Business combinations**

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

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

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

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

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

### **c. Goodwill**

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

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

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

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

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

Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

### **d. Income Tax and other taxes**

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

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

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



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

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

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

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

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

#### Other taxes

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

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

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

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

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

#### e. Plant and Equipment

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

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

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

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## Note 2: Summary of Significant Accounting Policies (Continued)

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

### Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
----------------------	-------------------

Computer equipment	33.3%
--------------------	-------

Furniture and fittings	20% – 33.3%
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

### f. Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

### g. Financial Instruments

#### Initial recognition and measurement

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit

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



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

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

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

(i) *Loans and receivables*

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

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

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

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

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

(iii) *Financial liabilities*

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

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.

## **Note 2: Summary of Significant Accounting Policies (Continued)**

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

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

Impairment losses of continuing operations, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

The following assets have specific characteristics for impairment testing:

### **Goodwill**

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

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

### **Intangible assets**

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

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.

*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.

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## **Note 2: Summary of Significant Accounting Policies (Continued)**

### **m. Revenue and Other Income**

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

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

Procurement and Monitoring revenue is recognised progressively over the term of the contract (typically over 3 years for Procurement and 4 years for Monitoring). A portion of the Procurement commission is recognised upfront with the balance recognised over the contract term. Project Advisory Services 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).

### **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 Energy Action. This commission is capitalised and is being amortised over the term of the customer contract.

### **p. Foreign Currency Transaction**

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

### **i) Transactions and balances**

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

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



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

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

*ii) Group companies*

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

*q. Work-in-progress*

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

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

### 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.

### Note 3: Significant Accounting Judgements, Estimates and Assumptions (Continued)

#### (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 2014, the carrying amount of capitalised development costs was \$1,741,016 (2013: \$1,656,828).

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

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#### Acquisition of Exergy Holdings Pty Limited

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

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

Consideration is comprised of the following:

*Initial Consideration (paid)* – \$2,000,000 cash payment, paid to the vendors on 13 March 2014.

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

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

The deferred payments are subject to the continuing employment of the vendors. Due to the direct link to continuing employment of the vendors the deferred consideration of \$2,000,000 is required to be expensed to

the Profit and Loss Statement evenly over the 2 year period ended 13 March 2016. The expense recognised in the FY14 period was \$291,667.

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

The acquisition was provisionally accounted at 30 June 2014.

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

\$	Note	Fair value recognised on acquisition
<b>Assets</b>		
Cash		194,860
Trade receivables		1,005,924
Prepayments		79,697
Property, plant and equipment		58,157
		<b>1,338,638</b>
<b>Liabilities</b>		
Provisions		628,374
		<b>628,374</b>
Total identifiable net assets at fair value		710,264
Goodwill arising on acquisition	13	1,289,736
<b>Purchase consideration</b>		<b>2,000,000</b>
Analysis of cash flows on acquisition:		
Net cash acquired		194,860
Cash paid		(2,000,000)
<b>Net cash outflow</b>		<b>(1,805,140)</b>

The goodwill is attributed to the expected synergies and other benefits from combining the activities of Exergy to the Group. The goodwill is provisional as the excess of the net assets acquired has been allocated to goodwill until other intangible assets have been identified.

From the date of acquisition until 30 June 2014 Exergy contributed \$1,519,535 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 \$4,558,605.

The transaction costs of \$440,596 have been expensed in the income statement and are part of operating cash flows in the statement of cash flows.

#### Information on prior year acquisition

##### 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. Established in 1999, Ward Consulting Services 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.

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

The acquisition has been accounted for using the acquisition method.

Consideration was comprised of the following:

Tranche 1 (paid 1 August 2012) – \$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 (paid 30 September 2013) – \$500,000 cash payment and contingent consideration which was paid in the form of Energy Action Limited ordinary shares. The issue price was calculated based on the 20 day VWAP for the period ending on the day before the issue date. Tranche 2 was payable 30 business days following completion of the audit of Ward Consulting Services financial statements for the year ended 30 June 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 was based on 50% of a multiple of Ward Consulting Services' normalised audited net profit after tax for the year ended 30 June 2013.

Final total consideration:

	\$
Cash paid	2,000,000
Equity paid	75,500
Deferred	<u>2,341,339</u>
Total	<u>4,416,839</u>

In accordance with AASB3, Energy Action has recognised the fair values of assets and liabilities acquired from Ward in the Balance Sheet at acquisition date.

\$	Note	Fair value recognised on acquisition
<b>Assets</b>		
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
		<b>2,248,758</b>
<b>Liabilities</b>		
Provisions		35,668
Deferred tax liabilities	16	602,100
Tax payable		44,728
		<b>682,496</b>
Total identifiable net assets at fair value		1,566,262
Goodwill arising on acquisition	13	2,850,577
		<b>4,416,839</b>
<b>Purchase consideration</b>		
Analysis of cash flows on acquisition:		
Net cash acquired		59,712
Cash paid		(2,000,000)
<b>Net cash outflow</b>		<b>(1,940,288)</b>

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

## Note 5: Segment information

### Identification of reportable segments

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

### Types of Services

The business's service range is composed of the three major services: **Energy Procurement** via Energy Action's Australian Energy Exchange (AEX) and also via tender process through Ward Consulting, **Energy Monitoring** via Energy Action's Contract Management & Energy Reporting service and also through Ward Consulting's product offering, and **Projects and Advisory Services** (incorporating Exergy).

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 platform which includes energy consumption monitoring and costing, energy emissions monitoring, contract administration, detailed technical reporting, desktop energy efficiency review and additional reporting and monitoring.

Projects & Advisory Services 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.

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 2014	Procurement	Monitoring	Project Advisory Services	Total
	\$	\$	\$	\$
Sales to external customers	5,991,146	13,834,168	5,775,833	25,601,147
	5,991,146	13,834,168	5,775,833	25,601,147

Year-ended 30 June 2013	Procurement	Monitoring	Project Advisory Services	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

## Note 6: Revenue, Other Income and Expenses

	Note	Consolidated Group	
		2014 \$	2013 \$
Revenue			
Sales revenue		25,601,147	21,916,511
Other income		226,191	249,223
Total		25,827,338	22,165,734
a. Other revenue:			
– Interest income		172,191	195,223
– Research & development grant		54,000	54,000
		226,191	249,223

	Note	Consolidated Group	
		2014 \$	2013 \$
Administration expenses			
Accounting, audit and tax fees		178,460	123,056
Advertising		247,549	242,339
Legal and professional fees		71,377	180,167
Telephone and internet		305,676	334,286
Computer maintenance costs		456,650	287,081
Consulting		96,367	252,901
Other expenses		1,633,074	1,311,999
		2,989,153	2,731,829
Depreciation and amortisation			
– Depreciation of property, plant & equipment	12a	193,454	153,656
– Amortisation of customer relationships	13	167,246	153,313
– Amortisation of software development costs	13	553,089	466,474
		913,789	773,443
Employee benefits			
– Salaries		9,192,178	7,118,012
– Share based payment		258,947	-
– Exergy deferred payments		291,667	-
– Commissions		1,198,146	1,283,359
– Superannuation		966,608	719,988
– Other (includes payroll tax, workers compensation)		941,443	785,059
		12,848,989	9,906,418



## 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:

	2014 \$	2013 \$
Net profit attributable to ordinary equity holders of the parent from continuing operations	3,511,952	4,376,058
<b>Net profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>3,511,952</b>	<b>4,376,058</b>
<b>Net Profit Attributable to ordinary equity holders of the parent adjusted for the effect of dilutions</b>	<b>3,511,952</b>	<b>4,376,058</b>
	<b>2014 No.</b>	<b>2013 No.</b>
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>25,817,498</b>	<b>25,778,052<sup>^</sup></b>
<b>Effect of dilution:</b>		
Share options and performance rights	562,486	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>26,379,984</b>	<b>25,778,052</b>

<sup>^</sup> 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.

As part of the final payment 510,557 shares were issued to Jennifer Ward on 30 September 2013

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

		Note	Consolidated Group	
			2014 \$	2013 \$
Dividends paid:				
Final 2012 franked dividend of 3.72 cents per share			-	933,977
Interim 2013 franked dividend of 3.55 cents per share			-	898,396
Final 2013 franked dividend of 5.10 cents per share			1,290,653	-
Interim 2014 franked dividend of 3.73 cents per share			962,993	-
			2,253,646	1,832,373
a.	Proposed final 2014 franked dividend of 3.62 cents per share	25	939,757	1,290,653
b.	(Final 2013 franked dividend of 5.10 cents per share)			
Balance of franking account at year end adjusted for franking credits arising from:				
	- Opening balance		3,196,855	2,382,101
	- Opening balance adjustment		-	196,064
	- Ward franking account balance		-	174,655
	- Exergy franking account balance		743,785	-
	- Refund of income tax		(333,708)	
	- Payment of provision for income tax		1,679,665	1,229,338
	- 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		(965,848)	(785,303)
			4,320,749	3,196,855
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:			(402,753)	(553,137)
			3,917,996	2,643,718

### Tax rates

The tax rate at which paid dividends have been franked is 30% (2013: 30%). Dividends proposed will be franked at the rate of 30% (2013: 30%).

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## Note 10: Cash and Cash Equivalents

	Note	Consolidated Group	
		2014 \$	2013 \$
Cash at floating rates		2,056,558	3,371,802
Short-term deposits		2,500,000	3,072,639
Cash at bank and in hand		4,556,558	6,444,441
Restricted cash		1,000,000	-

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.

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

## Note 11: Trade and Other Receivables

	Note	Consolidated Group	
		2014 \$	2013 \$
CURRENT			
Trade receivables		5,362,182	3,647,497
Provision for impairment	11a	(69,001)	(133,525)
Total current trade receivables		5,293,181	3,513,972
NON-CURRENT			
Bonds and security deposits		46,322	15,331

### 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.

	Net Amount \$	Past due and Impaired \$	Past Due but Not Impaired (Days Overdue)					Within Initial Trade Terms \$
			< 30 \$	31-60 \$	61-90 \$	91-120 \$	120+ \$	
<b>2014</b>								
Trade and term receivables	5,293,181	(69,001)	719,580	861,576	128,574	436,852	182,058	3,033,543
<b>2013</b>								
Trade and term receivables	3,513,972	(133,525)	459,977	323,593	294,867	216,433	-	2,352,627

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	
		2014 \$	2013 \$
<b>Computer equipment:</b>			
At cost		1,100,431	737,290
Accumulated depreciation		(809,191)	(482,455)
		291,240	254,835
<b>Furniture and fittings:</b>			
At cost		577,486	494,935
Accumulated depreciation		(304,806)	(196,470)
		272,680	298,465
Total Plant and Equipment		563,920	553,300

**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

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Note 12: Property, Plant and Equipment (Continued)

	Computer Equipment	Furniture and Fittings	Total
	\$	\$	\$
<b>Consolidated Group:</b>			
<b>Balance at 1 July 2012</b>	237,188	97,155	334,343
Additions	136,207	236,406	372,613
Depreciation expense	(118,560)	(35,096)	(153,656)
<b>Balance at 30 June 2013</b>	254,835	298,465	553,300
Additions	63,367	82,550	145,917
Assets acquired from acquisition	58,157	-	58,157
Depreciation expense	(85,119)	(108,335)	(193,454)
<b>Balance at 30 June 2014</b>	291,240	272,680	563,920

Note 13: Intangible Assets

	Note	Consolidated Group	
		2014 \$	2013 \$
Goodwill <sup>^</sup>		4,140,313	2,850,577
Customer relationships		2,007,000	2,007,000
Accumulated amortisation		(320,558)	(153,313)
Net carrying value		1,686,442	1,853,687
Software development costs		3,887,031	3,249,753
Accumulated amortisation		(2,146,015)	(1,592,925)
Net carrying value		1,741,016	1,656,828
Total intangibles		7,567,771	6,361,092

	Goodwill	Customer Relationships	Software Development Costs	Total Intangibles
	\$	\$	\$	\$
<b>Consolidated Group:</b>				
<b>Year ended 30 June 2013</b>				
Balance at the beginning of year	2,850,577	2,007,000	1,722,396	6,579,973
Additions	-	-	400,906	400,906
Amortisation charge	-	(153,313)	(466,474)	(619,787)
	2,850,577	1,853,687	1,656,828	6,361,092
<b>Year ended 30 June 2014</b>				
Balance at the beginning of year	2,850,577	1,853,687	1,656,828	6,361,092
Acquisition of a subsidiary	1,289,736	-	-	1,289,736
Internal development	-	-	637,277	637,277
Amortisation charge	-	(167,245)	(553,089)	(720,334)
<b>Closing value at 30 June 2014</b>	4,140,313	1,686,442	1,741,016	7,567,771

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## Note 13: Intangible Assets (Continued)

EnergyAction

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.

^ Intangible assets arising from the acquisition of Exergy and Ward consultancy service (note 4).

Refer to Note 2 for capitalisation policy.

### 13 (a) Impairment testing of goodwill

For the year ended 30 June 2014, Goodwill acquired through business combinations with indefinite lives has been allocated to one Cash Generating Unit (CGU).

From February 2014 the Ward business was integrated into Energy Action's Project Advisory Services (PAS). Energy Action has one reportable operating segment, the being 'the provision of electricity procurement services, energy monitoring services, and project advisory services in Australia'. Therefore goodwill will, from June 2014, be allocated across Energy Action's sole operating segment.

The recoverable amount of Goodwill has been determined on a value in use calculation using cash flow projections based on the 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 is 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

	Note	Consolidated Group	
		2014 \$	2013 \$
CURRENT			
Prepayments		590,597	356,829
Work in progress		163,486	-
Contract acquisition costs		504,372	623,886
		<u>1,258,455</u>	<u>980,715</u>
NON CURRENT			
Contract acquisition costs		946,829	1,246,965
		<u>946,829</u>	<u>1,246,965</u>

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).

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#### Note 14: Other Assets (Continued)

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 Energy Action.

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	
		2014 \$	2013 \$
CURRENT			
<b>Unsecured liabilities:</b>			
Trade payables		486,094	445,818
Deferred consideration payable – Ward Consulting	4	-	2,332,323
Deferred consideration payable – Exergy		291,667	-
Other payables and accrued expenses		1,339,324	1,274,276
		<u>2,137,085</u>	<u>4,052,417</u>
<b>a. Financial liabilities at amortised cost classified as trade and other payables</b>			
Trade and other payables:			
– total current		2,137,085	4,052,417
– total non-current		-	-
		<u>2,137,085</u>	<u>4,052,417</u>
Financial liabilities as trade and other payables	22	<u>2,137,085</u>	<u>4,052,417</u>

Terms and conditions of the above financial liabilities:

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

**Note 16: Tax**

	Consolidated Group	
	2014 \$	2013 \$
<b>CURRENT</b>		
Income tax payable	492,914	115,217

**NON-CURRENT**

	Opening Balance	Charged to Income	Acquired	Charged directly to Equity	Closing Balance
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>					
<b>Deferred Tax 2014</b>					
Provisions	244,834	8,217	91,176	-	344,227
Accruals	26,902	19,596	-	-	46,498
Fixed assets	(145,671)	(156,351)	-	-	(302,022)
Equity raising costs	148,940	(51,852)	-	-	97,088
Customer relationships	(556,106)	50,173	-	-	(505,933)
Prepaid commissions	(561,255)	125,895	-	-	(435,360)
WIP	-	(49,046)	-	-	(49,046)
Other	1,541	-	-	-	1,541
	(840,815)	(53,368)	91,176	-	(803,007)
<b>Deferred Tax 2013</b>					
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)

## Note 17: Provisions and other liabilities

### Analysis of total provisions

	Consolidated Group	
	2014 \$	2013 \$
Current		
Annual leave	682,001	367,535
Long service leave	220,230	220,990
Deferred grant income	43,985	43,985
	946,216	632,510
Non-current	184,779	99,961
Long service leave	67,944	121,944
Deferred grant income	252,723	221,905

### 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 (\$54,000) was recognised as income in 30 June 2014 (30 June 2013: \$54,000) 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

	Note	Consolidated Group	
		2014 \$	2013 \$
Fully paid ordinary shares	18	6,160,906	4,329,671
		6,160,906	4,329,671
<b>a. Ordinary Shares (number)</b>			
At the beginning of the reporting period:		25,306,921	25,064,945
Movement in the year:			
– Shares issued to Jennifer Ward		510,577	41,976
– Shares issued to Moss Capital <sup>^</sup>		-	200,000
At the end of the reporting period		25,817,498	25,306,921

<sup>^</sup> 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.

	Note	Consolidated Group	
		2014 \$	2013 \$
<b>b. Ordinary Shares (\$)</b>			
At the beginning of the reporting period:		4,329,671	3,979,171
Movement in the year			
– Shares issued to Moss Capital for advisory services on listing		-	240,000
– Shares issued to Jennifer Ward		1,831,235	75,500
– Share based payment**		-	35,000
At the end of the reporting period		6,160,906	4,329,671

\*\* 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.

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

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

**c. Share based payments reserve**

*Share-based payment transactions:*

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

On 2 December 2013, 366,893 performance rights were granted to senior executives under the Performance Rights & Options Plan (PROP). Vesting only occurs when and if service and performance conditions are met.

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

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

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

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

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**Note 18: Issued Capital and Reserves (Continued)**

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

The vesting period is annually over the 3 year period to 31 August 2017, except for the Chief Executive Officer whose vesting period is the 4 year period to 31 August 2017.

A Monte Carlo simulation valuation technique has been adopted to value the performance rights at grant date. The fair value of performance rights granted during the six months ended 30 June 2014 was estimated on the date of grant using the following assumptions:

Dividends	FY14 10 cents, 20% pa growth thereafter
Expected volatility (%)	40
Risk-free interest rate (%)	3.06 – 3.28
Share price (\$)	4.20

The grant date fair value of the performance rights granted during the year was as follows:

**CEO** – EPS related rights \$1.93-\$2.31, TSR related rights \$2.08 - \$3.01

**Other Executives** – EPS related rights \$2.14 - \$3.04, TSR related rights \$2.14 - \$3.94

The rights granted to the CEO have a lower value as the rights are not able to be re-tested, unlike other executives whose rights, if they do not vest, can be retested and may vest in the following year.

For the year ended 30 June 2014, the Group has recognised \$258,947 of share-based payment transactions expense in the statement of comprehensive income (30 June 2013: nil).

**d. Foreign currency translation reserve**

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

**e. Capital Management**

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

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

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

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 2014 and 30 June 2013 are as follows:

	Note	Consolidated Group	
		2014 \$	2013 \$
Trade and other payables	15	1,845,418	1,835,311
Payable to Exergy	15	291,667	
Payable to Ward Consultancy Services	4	-	2,332,323
Less cash and cash equivalents	10	(4,556,558)	(6,444,441)
Net debt/(cash)		(2,419,473)	(2,276,807)
Total equity		16,601,092	13,252,952
Capital and net debt/cash		14,181,619	10,976,145
Gearing		-15%	-21%

Gearing as measured by total borrowings divided by total assets was 0% as at 30 June 2014 and 30 June 2013.

## Note 19: Capital and Leasing Commitments

	Note	Consolidated Group	
		2014 \$	2013 \$
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	788,351	529,687
	– between 12 months and 5 years	931,258	727,298
		1,719,609	1,256,985

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 2014 for regional offices		
	– Parramatta office	72,389	72,389
	– Sydney office	92,515	-
	– Canberra office	-	5,670
	– Brisbane office	13,982	25,540
	– Melbourne office	19,250	19,250
		198,136	122,849

## Note 20: Cash Flow Information

		Consolidated Group	
		2014 \$	2013 \$
a.	Reconciliation of Cash Flow from Operations with Profit after Income Tax		
	Profit after income tax	3,511,952	4,376,058
	– Depreciation and amortisation	913,789	773,443
	– Provision for trade debtors	(64,523)	76,498
	– Share based payments expense	258,947	-
	– Deferred consideration for Exergy	291,667	-
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
	– (increase)/decrease in trade and term receivables	(430,133)	(798,118)
	– (increase)/decrease in prepayments and other assets	(782,951)	(1,761,920)
	– increase/(decrease) in trade payables and accruals	211,597	826,559
	– increase/(decrease) in deferred taxes	(37,808)	614,300
	– increase/(decrease) in provisions payable	581,560	(184,068)
	– Cash flow from operations	4,454,097	3,922,752

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## Note 21: Related Party Disclosures

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

a. Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2014	2013
Subsidiaries of Energy Action Limited:			
Eactive Consulting Pty Limited	Australia	100%	100%
Energy Action (Australia) Pty Limited	Australia	100%	100%
EAIP Pty Limited	Australia	100%	100%
ACN 087 790 770 Pty Limited	Australia	100%	100%
Exergy Holdings Pty Limited**	Australia	100%	-
Exergy Australia Pty Limited**	Australia	100%	-
Exergy New Zealand Limited**	New Zealand	100%	-

\* Percentage of voting power is in proportion to ownership.

\*\* Acquired on 13 March 2014.

### b. The Group's main related parties are as follows:

#### i. Key management personnel:

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

#### 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. 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 2014.

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

	Note	Consolidated Group	
		2014 \$	2013 \$
Short-term employee benefits		1,381,841	1,329,812
Share based payments		258,947	-
Post-employment benefits – superannuation		105,225	94,130
Total Compensation		1,746,013	1,423,942

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

**d. The ultimate parent**

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

**Note 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	
		2014 \$	2013 \$
Financial assets			
Cash and cash equivalents	10	4,556,558	6,444,441
Receivables	11	5,293,181	3,513,972
Bond and security deposits	11	46,324	15,331
Total financial assets		9,896,063	9,973,744
Financial liabilities			
Financial liabilities:			
– Trade and other payables	15	1,845,418	4,052,417
– Deferred cash consideration	4	291,667	500,000
Total financial liabilities		2,137,085	4,167,634

**Financial Risk Management Policies**

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

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

**Specific Financial Risk Exposures and Management**

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

**a. Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer

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## Note 22: Financial Risk Management (Continued)

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.

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

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

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

### b. Liquidity risk

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

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

The following table 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	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Consolidated Group</b>	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding est. annual leave)	2,137,085	4,052,417	-	-	-	-	2,137,085	4,052,417
Total expected outflows	2,137,085	4,052,417	-	-	-	-	2,137,085	4,052,417
<b>Financial assets – cash flows realisable</b>								
Cash and cash equivalents	4,556,558	6,444,441	-	-	-	-	4,556,558	6,444,441
Trade, term and loans receivables	5,293,181	3,513,972	-	-	-	-	5,293,181	3,513,972
Bonds and security deposits	-	-	46,324	15,331	-	-	46,324	15,331
Total anticipated inflows	9,849,739	9,958,413	46,324	15,331	-	-	9,896,063	9,973,744
Net (outflow)/inflow on financial instruments	7,712,654	5,905,996	46,324	15,331	-	-	7,758,978	5,921,327

**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 2014, the Group had \$2,500,000 at a fixed rate of 3.44% and other \$2,556,558 at a floating rate of 1.75% (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 3.00%).

**d. Market Risk**

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

*i) Interest rate risk*

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

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

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

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## Note 22: Financial Risk Management (Continued)

### ii) Sensitivity Analysis

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

	Consolidated Group	
	Increase/decrease in basis points \$	Profit before tax \$
Year ended 30 June 2014	+/-100	+/-45,566
Year ended 30 June 2013	+/-100	+/-64,444

### Net Fair Values

#### Fair value estimation

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

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

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

Financial liabilities are classified into Levels:

Level 1 those items traded with quoted prices in active markets for identical liabilities

Level 2 those items with significantly observable inputs other than quoted process in active markets

Level 3 those with unobservable inputs

### Note 23: Auditors' Remuneration

	Consolidated Group	
	2014 \$	2013 \$
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	106,066	105,350
– Other services in relation to the entity and any other entity in the consolidated group	47,389	79,833
– Due diligence services	93,232	45,141
– Tax services	30,759	36,680
	277,446	267,004

### Note 24: Information relating to Energy Action Limited (“the parent entity”)

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

	Note	Consolidated Group	
		2014 \$	2013 \$
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Current assets		4,339,582	4,641,466
Non-current assets		8,619,619	6,786,964
Total assets		12,959,201	11,428,430
Current liabilities		707,770	2,320,877
Non-current liabilities		3,586,106	1,755,954
Total liabilities		4,293,876	4,076,831
Issued capital		7,784,626	5,953,391
Reserves		-	-
Retained earnings		880,699	1,398,208
Total Equity		8,665,325	7,351,599
Profit of the parent entity		1,277,190	3,832,807
Total comprehensive income of the parent entity		1,277,190	3,832,807

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## Note 25: Events After the reporting period

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Energy Action completed the acquisition of a leading Energy Management Consultancy business, EnergyAdvice Pty Ltd on the 18 August 2014. As part consideration for this acquisition Filadown Pty Ltd has been granted 123,356 non restricted shares. This allocation of shares has been added to the issued shares as of 30 June 2014 to determine the 30 June 2014 dividend payments.

A fully franked dividend in respect of the 6 months period to 30 June 2014 of 3.62 cents per share was declared on 19 August 2014.

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.

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## 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 2014 are in accordance with the Corporations Act 2001, including:
    - i. giving a true and fair view of its financial position as at 30 June 2014 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 2014.

On behalf of the board



Valerie Duncan  
Director

19 August 2014



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

## 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 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

### *Auditor's responsibility*

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

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

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

### *Independence*

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

### **Auditor's Opinion**

In our opinion:

- a. the financial report of Energy Action Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



P S Barnard  
Partner  
Sydney  
19 August 2014

# 09

## CORPORATE INFORMATION

ACN: 137 363 636

### Directors

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Dr Ronald Watts – Chairman

Paul Meehan – Non-Executive Director

Stephen Twaddell – Non-Executive Director

Valerie Duncan – Non-Executive Director (resigned as Managing Director 29 November 2013)

Murray Bleach – Non-Executive Director

### Company Secretaries

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Nathan Francis

Valerie Duncan (resigned as Company Secretary 29 November 2013)

### Registered Office and principal place of Business

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Level 5, 56 Station Street  
Parramatta NSW 2150

### Share register

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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

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Greenwich Legal  
Level 11, 50 Margaret Street  
Sydney NSW 2000

### Bankers

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Commonwealth Bank of Australia  
Level 3, 101 George Street  
Parramatta NSW 2150

### Auditors

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Ernst & Young  
680 George Street  
Sydney NSW 2000

## 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 10 September 2014.

	Shareholder	No. Shares	% IC
1	NATIONAL NOMINEES LIMITED	3,056,022	11.77%
2	MEEHANTEAM PTY LTD	2,900,698	11.18%
3	EQUITAS NOMINEES PTY LIMITED	1,830,504	7.05%
4	TOVEELEN PTY LTD	1,796,209	6.92%
5	HOLYOAKE INVESTMENTS PTY LTD	1,708,372	6.58%
6	CITICORP NOMINEES PTY LIMITED	1,223,796	4.72%
7	AMARINA SYSTEMS PTY LTD	1,202,037	4.63%
8	J P MORGAN NOMINEES AUSTRALIA	1,019,652	3.93%
9	J & C ALLEN SUPERANNUATION	875,833	3.37%
10	BNP PARIBAS NOMS PTY LTD	839,505	3.23%
11	HSBC CUSTODY NOMINEES	804,947	3.10%
12	MR EDWARD HANNA	784,023	3.02%
13	VAL DUNCAN	750,000	2.89%
14	JENNIFER ANNE WARD	510,577	1.97%
15	UBS NOMINEES PTY LTD	421,500	1.62%
16	CITICORP NOMINEES PTY LIMITED	398,522	1.54%
17	MR BARRY DENTON	330,165	1.27%
18	AMARINA SYSTEMS PTY LTD	306,459	1.18%
19	DR GEOFFREY PHILLIP BENT &	246,299	0.95%
20	MR BARRY DENTON	175,140	0.67%
	Total	21,180,260	81.61%

As at 10 September 2014 there were 25,954,117 shares on issue.

### Distribution of shares

The following table summarises the distribution of listed shares as at 10 September 2014.

Shareholder	No. Shares	% IC
1-1,000	217	0.51%
1001-5,000	400	4.31%
5001-10,000	114	3.47%
10,001 - 100,000	76	7.59%
100,001 - and over	25	84.12%
Total	832	100.00%

The number of individual shareholders holding less than a marketable parcel of shares was 27 holdings with 1,475 shares.

## Substantial Shareholders

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The following table shows holdings of five percent or more of voting rights in Energy Action Limited's shares (as at 10 September 2014):

Person or Group	Relevant Interest in no. of shares	Percentage of total voting rights
Paul Meehan and related entities	4,727,091	18.21%
IOOF Holdings Limited	3,198,688	12.32%
Microequities Asset Management Pty Ltd	1,806,704	6.96%
Stephen Twadell and related entity	1,806,209	6.96%
Dr Ronald Watts and related entities	1,689,898	6.51%

## Voting rights

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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

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

## GLOSSARY OF TERMS

Activ8	Energy Action's advanced electricity and gas monitoring service technology platform.
Activ8+	Energy Action's energy management and sustainability solutions consulting service, which has been combined with Ward Consulting and Exergy to create the Projects & Advisory Services (incorporating Exergy) division.
Australian Energy Exchange (AEX)	Energy Action's online, real-time reverse auction platform for the procurement of electricity and gas contracts.
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.
CBD	Commercial Building Disclosure Program which requires most sellers and lessors of office space of 2000m <sup>2</sup> and over to obtain a Building Energy Efficiency Certificate (BEEC) before it goes on the market for sale, lease or sublease.
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.
GRI	Global Reporting Initiative (GRI) is a non-profit organisation that promotes economic sustainability.
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.
MSATS	The Australian Energy Market Operator's (AEMO) Market Settlement and Transfer Solutions.
Meter	A device used to measure energy consumption at a site.
NABERS	National Australian Built Environment Rating System that measures the environmental performance of Australian buildings, tenancies and homes.
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.
Terrawatt	A measure of energy which equals one trillion watts.
Victorian Energy Efficiency Target (VEET)	A Victorian Government initiative which subsidises energy efficient activities (marketed as the Energy Saver Incentive).

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