APPENDIX 4D – HALF YEAR REPORT

HALF YEAR ENDED 31 DECEMBER 2016

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

1. Results for announcement to the market

	% change	6 months to 31 Dec 2016	6 months to 31 Dec 2015
Revenue from ordinary activities	(10%)	$15,596,663	$17,364,243
Statutory Profit / (Loss) after tax attributable to members	148%	$294,037	($614,231)
Operating Profit after tax attributable to members	(45%)	$802,348	$1,456,765

Refer to section 4 for an explanation of Statutory vs Operating Profit

Basic earnings / (loss) per share (Statutory)	148%	1.13c	(2.37)c
Diluted earnings/ (loss) per share (Statutory)	148%	1.13c	(2.37)c
Basic earnings per share (Operating)	(45%)	3.09c	5.61c
Diluted earnings per share (Operating)	(45%)	3.09c	5.61c

2. Dividends

	Cents per share	Franked amount cents per share	Payment date	Record date
2017 interim dividend	Nil	Nil	N/A	N/A
2016 final dividend	3.52	3.52	21 September 2016	25 August 2016

Due to the decline in Operating NPAT, the Directors do not recommend a dividend for the half year ended 31 December 2016.

3. Brief Explanation of Statutory and Operating Profit per share

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

Statutory Profit / (Loss) after tax of $294,037 (FY16 ($614,231)) included a loss after tax of $508,311 treated as Significant Items (refer also to the Directors Report). Excluding these items, Operating Profit was $802,348, down 45% from the previous corresponding period.

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

4. Net tangible assets

	31 December 2016	30 June 2016
Net tangible assets per share	$(0.13)	$(0.09)

5. Status of audit

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

All other information required to be disclosed by Energy Action Limited in the Appendix 4D is either not applicable or has been included in the attached Financial Report.

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

ENERGY ACTION LIMITED

ABN 90 137 363 636

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Financial Report
For the Half Year Ended 31 December 2016

Contents

Corporate Information

ACN: 137 363 636

Directors

Murray Bleach - Non-Executive Chairman
Dr. Ronald Watts – Non-Executive Director
Paul Meehan – Non Executive Director
Nitin Singhi – Independent Non-Executive Director
Mark de Kock – Non-Executive Director

Company Secretary

Carolyn West

Registered office and principal place of business

Level 5, 56 Station Street
Parramatta, NSW 2150

Share register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

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

Solicitors

DLA Piper
No 1 Martin Place
Sydney NSW 2000

Bankers

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

Auditors

Ernst & Young
200 George Street,
Sydney, NSW 2000

Directors Report

Your directors present their report, together with the financial statements for Energy Action Limited (the "Company") and its consolidated entities (the "Group"), for the half-year ended 31 December 2016.

Directors

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

Murray Bleach - Non-Executive Chairman
Dr. Ronald Watts – Non-Executive Director
Paul Meehan – Non Executive Director
Nitin Singhi – Independent Non-Executive Director
Mark de Kock – Non-Executive Director

Dividends

Dividends recommended: ***Ordinary shares***	**Cents per share**	**$**
Interim 2017 dividend – nil	Nil	Nil
Interim 2016 dividend paid 21 March 2016	2.80	726,715

Operating and Financial Review

The Board presents the FY17 first half year *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 the period. The review complements the financial report and has been prepared in accordance with 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 and Business customers. Its core services are:

- Energy procurement: specialised buying and negotiation strategies, utilising reverse auctions, bespoke tender models and advising on structured products within AFSL parameters;
- Energy Contract Management and Environmental Reporting (CMER) services; and,
- Energy efficiency and sustainability Projects and Advisory Services (PAS).

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

Financial performance

The Group generated a statutory net profit after tax of $294,037 for the half year ended 31 December 2016 compared to a statutory net loss after tax of $(614,231) for prior corresponding period.

Operating profit after tax was $802,348 compared to $1,456,765 for the previous corresponding period (pcp) a decrease of 45%. The business was impacted by the unprecedented volatility in energy markets experienced in H1 FY17. Factors influencing energy markets included the announcement of the closure of Hazelwood power station, blackouts in South Australia and the shortage of affordably priced gas. This volatility resulted in many instances of deferred or reworked procurement processes and higher churn as clients reacted to materially higher energy costs.

Operating costs continue to be tightly managed, growing only 1% versus the prior year. This has been achieved whilst also creating some funding for growth initiatives including the establishment of an embedded network business, a dedicated channel management function and increased marketing activities.

Financing costs are higher reflecting increased borrowings following the final instalment of the deferred consideration related to the acquisition of Energy Advice and lower Operating Cash Flows.

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

	NPAT			EBITDA		
$	31 Dec 2016	31 Dec 2015	Variance	31 Dec 2016	31 Dec 2015	Variance
Statutory results	294,037	(614,231)	148%	1,567,281	890,989	76%
Add back Significant Items after tax:						
Deferred consideration*	392,811	2,070,996	(81%)	392,811	2,070,996	(81%)
Restructuring costs**	115,500	-	N/M	165,000	-	N/M
Operating profit after tax***	802,348	1,456,765	(45%)	2,125,092	2,961,985	(28%)

* Deferred consideration relating to the acquisition of EnergyAdvice that is required to be expensed for accounting purposes

** Costs associated with restructuring including redundancies. This amount is net of tax

*** Restated to include share based payments in Operating NPAT as disclosed in the FY16 financial statements

Key Financial Metrics – six months ended 31 December 2016

Six months ended	**31 Dec 2016**	**31 Dec 2015**	**Variance**
Revenue	$15.60m	$17.36m	(10%)
Operating EBITDA	$2.13m	$2.96m	(28%)
Operating EBITDA margin	13.63%	17.06%	3.4ppts
Operating NPAT	$0.80m	$1.46m	(45%)
Operating Cash Flow[1]	$0.198m	$2.924m	(93%)
Statutory NPAT	$0.29m	$(0.61)m	148%
Earnings per share (Operating)	3.09c	5.61c	(45%)
Earnings per share (Statutory)	1.13c	(2.37)c	148%
Dividend per share	Nil	2.80c	(100%)

[1]Operating Cash Flow before Interest, Tax and Significant Items

Revenue

Six months ended	**31 Dec 2016**	**31 Dec 2015**	**Vs HY16**	**vs HY16 %**
Procurement	3,791,045	4,152,726	(361,681)	(9%)
CMER	8,593,397	8,571,478	21,919	0.3%
PAS	2,979,225	4,376,587	(1,397,362)	(32%)
Other revenue	232,996	263,452	(30,456)	(12%)
Total Revenue	**15,596,663**	**17,364,243**	**(1,767,580)**	**(10%)**

Revenue and other income for the year decreased by $1.77 million (10%) from $17.4 million to $15.6 million mainly as a result of the following:

- Procurement revenue declined by 9%, largely impacted by the volatile energy markets which affected all procurement products and services. Although the $/MWh increased substantially, the number of auctions, contract duration and average load all decreased. The number of tenders undertaken also decreased.
- CMER revenue of was flat at $8.6M, with the rollout of Embedded Network operations offsetting a slight decline in Energy Metrics revenues.
- PAS revenues declined vs H1 FY16, as the prior period included a large building services upgrade project. Excluding this, revenues from the higher margin consulting business were up 3% versus H1 FY16.

Operating expenditure

Operating overheads totalled $11.7 million for the period, compared to $11.6 million in the prior corresponding period, an increase of only 1%. This minimal increase reflects a continued focus on cost management and reallocation of resources to growth projects. Although not a material amount, Directors have agreed to reduce their fees in FY17.

Financial position and cashflows

Net assets decreased from $12.0 million at 30 June 2016 to $11.2 million, at 31 December 2016 following the payment of the FY16 full year dividend. Bank loans increased, mainly to fund the final deferred payment related to the acquisition of Energy Advice, and an increase in working capital.

Operating cash flows before interest, tax and significant items of $197,585 were generated during the half year, a decrease of 93% versus prior year. Operating cash flow was impacted by the lower EBITDA and an increase in working capital, mainly debtors, with timing of billings in the PAS division being skewed towards the end of the period, and some delayed receipts from retailers, resulting in higher than usual accounts receivable. Subsequent to the end of the period, several large outstanding amounts have been received and receivables balances have returned to more normal levels.

The Group incurred capital expenditure of $874,638 in the period, of which $680,724 was on IT projects, including the set-up of the Embedded Network solution as well as continued enhancements to the WA and Platinum Energy Metrics products.

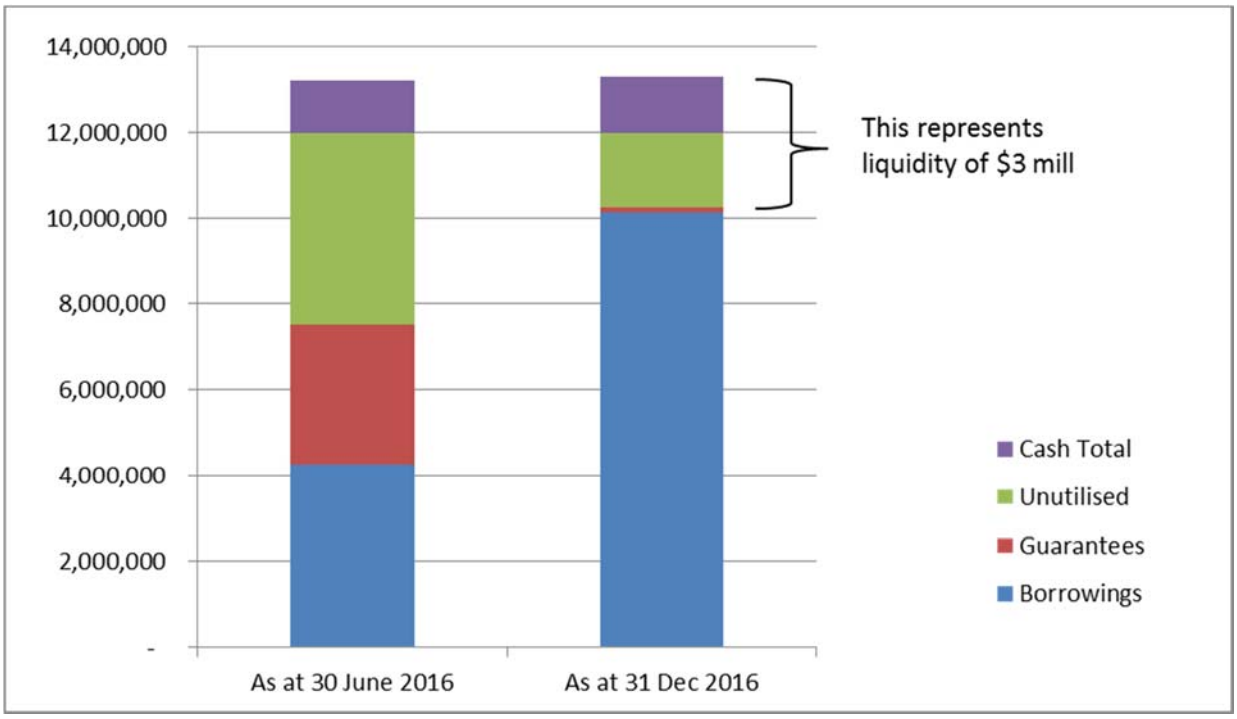
Reconciliation of Operating Cash Flow before interest, tax and significant items

Six months ended	31 Dec 2016	31 Dec 2015
Operating Cash flow	**(3,975,787)**	**(1,002,572)**
Add back:		
Taxes paid	660,187	543,388
Net Interest paid / (received)	206,185	240,790
Cash flows related to significant items	3,307,000	3,142,000
Operating cash flow before interest, tax and significant items	**197,585**	**2,923,606**

The Company has a five year, $12 million multi-option facility agreement, expiring October 2019. Funds can be provided under the facility as loans, bank guarantees or as letters of credit. As at 31 December 2016, the Company had utilised $10.27 million of the facility comprising a loan of $10.142 million and bank guarantees principally in relation to rental properties of $128,620.

The Group had $1.3 million of cash at bank at 31 December 2016, and total undrawn facilities and cash of approximately $3 million.

Given the reduction in Operating NPAT and Operating cash flow, The Board has decided to suspend dividend payments for this half year and focus on improving working capital. It is the intention to recommence dividend payments once Operating NPAT and Operating Cash Flows improve.



Operating review and highlights

H1 FY17 has been a difficult period with significant volatility in energy markets impacting on results, especially in procurement activities. Key operational achievements in the period include:

- Establishing the embedded network business;
- Growing the Energy Metrics Platinum business;
- Growing the number of clients utilising Strategic Procurement options; and,
- Increasing customer numbers using our Expert Monitoring & Diagnostic Service.

Procurement

As noted elsewhere in this report, unprecedented volatility in energy markets in the first half resulted in lower than anticipated procurement revenues which impacted all procurement products and services.

Auction activity decreased with the number of auctions decreasing to 704 from 969 in the pcp. Average $/MWh increased by 45% to $77.34, with higher prices in all States, especially so in South Australia. The average length of contracts continued to shorten, down to 19 months as customers opted for shorter contracts in response to the higher electricity prices.

Electricity tenders were also down versus the pcp, with a reduction in both the number of tenders performed, and the average price realised per tender. Tenders remain a very competitive area of the market, especially amongst large clients.

Structured Products continues to progress with the addition of a number of new clients and a strong sales pipeline.

Contract Management & Energy Reporting (CMER)

Overall revenue was in line with the previous year. The Company has been gradually migrating clients from legacy systems to a common platform to take advantage of greater user functionality and to streamline operations.

The embedded networks business was established from July 2016 and has successfully transitioned to operations.

Projects & Advisory Services (PAS)

PAS revenues were down 32% compared to the pcp. However, PAS revenues are influenced by the timing of project delivery and revenue recognition. In H1 FY16, a large building services upgrade project was undertaken. This was not repeated in H1 FY17, however a similar sized project will be undertaken in H2 FY17. Excluding this, the higher margin consulting business grew by 3%. The PAS order book also grew during the period, with circa $4 million of work scheduled to be delivered in the second half. The pipeline of Commercial Building Upgrade opportunities remains strong, with several projects likely to be approved in the H2 FY17.

Following a review of our PAS business, the Company has decided to focus on the higher margin consulting business rather than the lower margin supply and install work. This review has resulted in five employees leaving the business at the end of January.

Forward revenue

Forward revenue has reduced from $66.7 million at June 2016 to $62.3 million as at 31 December 2016. The reduction is mainly due to the lower level of orders than anticipated in the first half of the year and a net loss of 208 Energy Metrics sites. As in prior periods clients are also looking to align the contract length of Energy Metrics contracts with their retail energy contract resulting in an overall shortening of contract lengths. The Company continues to focus on improving customer service and enhancing the Contract Management & Environmental Reporting (CMER) offering including adding mobility functionality via an app.

Operational Key Performance Indicators

Six months ended	31 Dec 2016	31 Dec 2015	% change
Procurement			
No. of successful AEX auctions	704	969	(27%)
Average AEX contract duration (months)	18.98	23.2	(4.2 Month)
TWhs sold via Auction (annualised equivalent[1])	1.05	1.17	(10%)
Average $/MWh	$77.34	$53.46	45%
No. of electricity tender events[2]	100	156	(36%)
No. of gas tender events[2]	73	108	(32%)
Contract Management & Energy Reporting (CMER)			
Sites under current contract[3]	**31 Dec 2016**	**30 June 2016**	**No.**
Energy Metrics / Bureau Services	12,933	13,141	-208
Data only contracts (MP / MDA)	2,520	2,547	-27
No. of sites under contract	15,453	15,688	-235
Average Energy Metrics contract duration (months)	48	52	4 months
Projects & Advisory Services			
Contracted future orders	$6.6m	$6.1m	8%
Total Company future contracted revenue	$62.3m	$66.7m	-7%

1) Annualised figures & not consumption over the contract term

2 Includes C&I and tariff tenders

3) Does not include contracts which are signed, but yet to commence service delivery. Prior year reallocated where appropriate to ensure comparability

Outlook

On 31 October 2016, Energy Action advised the market that Operating NPAT is expected to be approximately 25% below FY16, equivalent to $2.6 million. Operating NPAT guidance has been reaffirmed at between $2.4 million to $2.7 million, assuming normal trading conditions.

The changing market conditions, whilst disruptive, also provide opportunities to deliver value added services to our clients as they look for ways to reduce the impact of higher energy prices, and our strategies are aligned to this.

The key focus areas for the remainder of FY17 include:

- Drive implementation of our key strategic growth drivers including including Embedded Networks, Structured Products and Energy Metrics Platinum to provide clients with new ways to manage energy costs and usage;
- Continue to upgrade the core contract management system and auction platform with improved customer functionality and process efficiencies;
- Reposition the PAS business to focus on higher margin consulting works;
- Improve operating cash flows with a continued focus on working capital management; and,
- Confirming a permanent CEO following the resignation of Scott Wooldridge in November 2016.

Revenue and profits are expected to be weighted to the second half of FY17, in line with the usual seasonal business phasing.

Events after the Reporting Period

No matters or circumstances have arisen since the end of the half-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.

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2016 has been received and can be found on the following page of the financial report.

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

Murray Bleach
Chairman
Dated: 20 February 2017

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Sydney NSW 2000 Australia
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Building a better working world

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

As lead auditor for the review of Energy Action Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Energy Action Limited and the entities it controlled during the financial period.

Ernst & Young

Ryan Fisk
Partner
20 February 2017

Financial Statements

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2016

	Note	Consolidated Group	
		H1 FY17	H1 FY16
		$	$
Continuing operations			
Revenue	4	15,363,667	17,100,791
Other income	5	232,996	263,452
Total Revenue		**15,596,663**	**17,364,243**
Cost of goods and services sold		(2,530,044)	(3,479,584)
Employee benefits expense		(7,994,139)	(8,308,372)
Deferred consideration on acquisitions	3	(392,811)	(2,070,996)
Restructuring costs		(165,000)	-
Rental expense		(574,795)	(579,139)
Travel expenses		(294,125)	(353,453)
Administration expenses		(2,078,467)	(1,681,710)
EBITDA		**1,567,282**	**890,989**
Depreciation and amortisation		(740,711)	(668,682)
EBIT		**826,571**	**222,307**
Financing costs	8	(266,510)	(240,790)
Profit / (Loss) before income tax		**560,061**	**(18,483)**
Income tax expense		(266,024)	(595,748)
Profit / (Loss) for the year attributable to members of the parent entity		**294,037**	**(614,231)**
Other comprehensive income/(loss) for the period, net of tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(337)	4,652
Total comprehensive income for the year attributable to members of the parent entity		293,700	(609,579)
Earnings per share:		Cents	Cents
Basic earnings per share for the year attributable to ordinary equity holders of the parent	10	1.13	(2.37)
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	10	1.13	(2.37)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	Consolidated Group	
		31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		1,296,380	1,207,046
Trade and other receivables		6,311,194	4,969,770
Current tax receivables		334,094	-
Other assets		1,447,601	1,468,736
TOTAL CURRENT ASSETS		9,389,269	7,645,552
NON-CURRENT ASSETS			
Trade and other receivables		88,729	85,509
Property, plant and equipment		853,534	801,237
Other assets		603,257	868,944
Software Development	6	3,006,651	2,805,478
Goodwill	6	9,944,796	9,944,796
Customer relationships	6	1,525,715	1,645,257
TOTAL NON-CURRENT ASSETS		16,022,682	16,151,221
TOTAL ASSETS		25,411,951	23,796,773
CURRENT LIABILITIES			
Trade and other payables	7	2,095,792	5,567,651
Current tax liabilities		-	47,052
Short Term provisions		1,296,944	1,312,597
TOTAL CURRENT LIABILITIES		3,392,736	6,927,300
NON-CURRENT LIABILITIES			
Other long term provisions		383,195	357,270
Loans and Borrowings	9	9,915,895	3,973,358
Deferred tax liabilities		519,548	532,566
TOTAL NON-CURRENT LIABILITIES		10,818,638	4,863,194
TOTAL LIABILITIES		14,211,374	11,790,494
NET ASSETS		**11,200,577**	**12,006,279**
EQUITY			
Issued capital	12b	6,537,906	6,537,906
Share based payment reserve	13	344,506	530,998
Retained earnings		4,351,958	4,971,505
Foreign currency translation reserve		(33,793)	(34,130)
TOTAL EQUITY		**11,200,577**	**12,006,279**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

Consolidated Group	Note	Issued Capital Ordinary	Share Based Payment Reserve	Retained Earnings	Other Reserves	Total
		$	$	$	$	$
Balance at 1 July 2015		6,537,906	553,154	6,422,734	(15,241)	13,498,553
Profit / (Loss) for the period		-	-	(614,231)	-	(614,231)
Other comprehensive income		-	-	-	(4,652)	(4,652)
Total comprehensive income		-	-	(614,231)	(4,652)	(618,883)
Share based payment		-	198,811	-	-	198,811
Dividends paid or provided for	11	-	-	(275,114)	-	(275,114)
Balance at 31 December 2015		**6,537,906**	**751,965**	**5,533,389**	**(19,893)**	**12,803,367**
Balance at 1 July 2016		6,537,906	530,998	4,971,505	(34,130)	12,006,279
Profit/(Loss) for the period		-	-	294,037	-	294,037
Other comprehensive income		-	-	-	337	337
Total comprehensive income		-	-	5,265,542	(33,793)	12,300,653
Share based payment		-	(186,492)	-	-	(186,492)
Dividends paid or provided for	11	-	-	(913,585)	-	(913,585)
Balance at 31 December 2016		**6,537,906**	**344,506**	**4,351,958**	**(33,793)**	**11,200,577**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flow

For the half year ended 31 December 2016

	Note	Consolidated Group	
		H1 FY17 $	H1 FY16 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		15,814,905	20,413,038
Payments to suppliers and employees (inclusive of GST)		(15,617,320)	(17,575,289)
Payments for deferred consideration	3	(3,142,000)	(3,142,000)
Restructuring Cost		(165,000)	-
Interest received		3,349	12,120
Interest paid		(209,534)	(167,052)
Income tax paid		(660,187)	(543,388)
Net cash provided by/(used in) operating activities		(3,975,787)	(1,002,572)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(250,557)	(57,184)
Software development costs		(624,081)	(608,421)
Net cash used in investing activities		(874,638)	(665,605)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by parent entity	11	(913,585)	(275,114)
Bank loan	9	5,892,000	1,442,000
Bank guarantee fees		(1,679)	(18,852)
Purchase of Shares (SBP)		(36,977)	-
Net cash generated from financing activities		4,939,759	1,148,034
Net decrease in cash held		89,334	(520,143)
Cash at beginning of financial year		1,207,046	2,740,288
Cash at end of financial year		1,296,380	2,220,145

The accompanying notes form part of these financial statements

NOTE 1: CORPORATE INFORMATION

The interim consolidated financial statements of Energy Action Limited and its Controlled Entities (the "consolidated group" or "group") for the half-year ended 31 December 2016 were authorised in accordance with a resolution of the directors on 20 February 2017.

Energy Action Limited ("the Parent" or "EAX") 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: BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim consolidated financial statements for the six months period ended 31 December 2016 have been prepared in accordance with AASB 134 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

Where necessary, comparatives have been reclassified for consistency with disclosures at 31 December 2016.

2.2 New Accounting Standards and interpretations

Changes in accounting policy

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of the following new standards and interpretations effective as of 1 July 2016:

- AASB 1057 Application of Australian Accounting Standard
- AASB 2015-1 Amendments to Australian Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application paragraphs [AASB 8, AASB 133 & AASB 1057]

The adoption of these amendments did not have any material impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTE 3: BUSINESS COMBINATIONS

3.1 Information on prior year acquisition

The Company acquired Energy Advice and Exergy in prior periods and these acquisitions included certain deferred consideration arrangements. These transactions have been fully described in previous financial statements.

The final deferred consideration payments were made in August 2016. The accounting and cash impacts of the final payments are noted below.

3.2 Total amounts of deferred consideration expense and acquisition expense

	Consolidated Group	
	H1 FY17	H1 FY16
	$	$
Deferred consideration		
Exergy	-	500,000
Energy Advice	392,811	1,570,996
Total deferred consideration expense	392,811	2,070,996

3.3 Total cash paid for acquisitions

Payments for deferred consideration classified as employee compensation:	Consolidated Group	
	H1 FY17	H1 FY16
	$	$
Energy Advice	3,142,000	3,142,000
	3,142,000	3,142,000

NOTE 4: 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: **Procurement** – via Energy Action's Australian Energy Exchange (AEX) and also via tenders and energy consulting, **Energy Monitoring** via EnergyMetrics service and **Project & Advisory Services**.

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

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

Project and 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.

Whilst the revenue is analysed by service line, 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%.

H1 FY17	Procurement	Monitoring	Project & Advisory Services	Total
	$	$	$	$
Sales to external customers	3,791,045	8,593,397	2,979,225	15,363,667

H1 FY16	Procurement	Monitoring	Project & Advisory Services	Total
	$	$	$	$
Sales to external customers	4,152,726	8,571,478	4,376,587	17,100,791

NOTE 5: OTHER INCOME

	Consolidated Group	
	H1 FY17	H1 FY16
	$	$
Research & development grant	3,929	27,000
Other Income	229,067	236,452
Total revenue	232,996	263,452

NOTE 6: INTANGIBLE ASSETS

	Consolidated Group	
	31 Dec 2016	30 June 2016
	$	$
Software development costs – net of amortisation	3,006,651	2,805,478
Goodwill	9,944,796	9,944,796
Customer relationships – net of amortisation	1,525,715	1,645,257
	14,477,162	14,395,531

NOTE 7: TRADE AND OTHER PAYABLES

	Consolidated Group	
	31 Dec 2016 $	30 June 2016 $
Trade payables	977,594	695,463
Deferred consideration – Energy Advice	-	2,749,189
Other payables and accrued expenses	1,118,197	2,122,999
	2,095,792	5,567,651

NOTE 8: FINANCING INCOME / (COSTS)

	Consolidated Group	
	H1 FY17 $	H1 FY16 $
Interest Income	3,350	12,120
Interest expense	(269,860)	(252,910)
	(266,510)	(240,790)

NOTE 9: LOANS AND BORROWINGS

	Consolidated Group	
	31 Dec 2016 $	30 June 2016 $
Multi-Option Facility Agreement	10,142,000	4,250,000
Less capitalised debt establishment fees	(226,105)	(276,642)
	9,915,895	3,973,358

Energy Action has a $12 million multi-option secured debt facility maturing in September 2019. Funds can be utilized in the form of loans, bank guarantees and letters of credit.

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

As at 31 December 2016, Energy Action had utilised $10.270 million of the facility, comprising a loan of $10.142 million and $0.128 million bank guarantees.

The carrying value of the loans and borrowings materially approximate fair value.

NOTE 10: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit / (loss) 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 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:

	H1 FY17 $	H1 FY16 $
Statutory Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings	294,037	(614,231)
Statutory Net Profit / (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilutions	294,037	(614,231)
	Dec 2016 **No.**	**Dec 2015** **No.**
Weighted average number of ordinary shares for basic earnings per share	25,954,117	25,954,117
Effect of dilution:		
Issue of shares – performance rights	90,408	-
Weighted average number of ordinary shares adjusted for the effect of dilution	26,044,525	25,954,117
Basic earnings / (loss) per share (Statutory)	1.13	(2.37)
Diluted earnings/ (loss) per share (Statutory)	1.13	(2.37)

There are 428,835 performance rights excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future.

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 11: DIVIDENDS

	Consolidated Group	
	H1 FY17 $	H1 FY16 $
Dividends paid:		
Final FY16 franked dividend of 3.52 cents per share	913,585	-
Final FY15 franked dividend of 1.06 cents per share	-	275,114
	913,585	275,114
Proposed interim FY17 franked dividend of 0 cents per share (interim FY16 franked dividend of 2.80 cents per share)	-	726,715

Tax rates
The tax rate at which paid dividends have been franked is 30% (FY16: 30%). Dividends proposed will be franked at the rate of 30% (FY16: 30%).

NOTE 12: ISSUED CAPITAL AND RESERVES

	Consolidated Group	
	December 2016 $	December 2015 $
Fully paid ordinary shares	6,537,906	6,537,906
	6,537,906	6,537,906

		Consolidated Group	
		H1 FY17 No.	H1 FY16 No.
a.	**Ordinary Shares (number)**		
	At the beginning of the reporting period:	25,954,117	25,954,117
	At the end of the reporting period	25,954,117	25,954,117

		Consolidated Group	
		December 201 $	December 2015 $
b.	**Ordinary Shares ($)**		
	At the beginning of the reporting period:	6,537,906	6,537,906
	At the end of the reporting period	6,537,906	6,537,906

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

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

NOTE 13: SHARE-BASED PAYMENTS

For the six months ended 31 December 2016, the Group has reversed ($149,399) of share-based payment transactions expense in the statement of comprehensive income (H1 FY16: $198,811). The reversal of share-based transactions expense in the six months ended 31 December 2016 relates to the reversal of Earnings per Share entitlements as a result of not reaching associated vesting targets. In addition there has been some reversal related to former employees.

NOTE 14: FINANCIAL INSTRUMENTS

Fair Values

Fair value estimation

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

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

On 20 February 2017, the directors of Energy Action Limited declared a NIL interim dividend on ordinary shares in respect of the 6 months to 31 December 2016.

No other matters or circumstances have arisen since the end of the half - year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Directors Declaration

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

In the opinion of the Directors:

a. The financial statements and notes of Energy Action Limited for the half - year ended 31 December 2016 are in accordance with the Corporations Act 2001, including:

   I. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and performance for the half year ended on that date; and

   II. complying with Accounting Standards AASB 134 and the Corporations Regulations 2001

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

On behalf of the board.

Murray Bleach
Chairman

20 February 2017

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To the members of Energy Action Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Energy Action Limited (the company), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Energy Action Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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a. the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ryan Fisk
Partner
Sydney
20 February 2017