APPENDIX 4D – HALF YEAR REPORT

HALF YEAR ENDED 31 DECEMBER 2017

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

1. Results for announcement to the market

	% change	6 months to 31 Dec 2017	6 months to 31 Dec 2016
Revenue from ordinary activities	4%	$16,259,736	$15,596,663
Statutory Profit / (Loss) after tax attributable to members	247%	$1,021,688	$294,037
Operating Profit after tax attributable to members	27%	$1,021,688	$802,348

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

Basic earnings / (loss) per share (Statutory)	247%	3.94c	1.13c
Diluted earnings/ (loss) per share (Statutory)	247%	3.93c	1.13c

Basic earnings per share (Operating)	27%	3.94c	3.09c
Diluted earnings per share (Operating)	27%	3.93c	3.08c

2. Dividends

	Cents per share	Franked amount cents per share	Payment date	Record date
2018 interim dividend	NIL	NIL	-	-
2017 final dividend	1.40	1.40	21 September 2017	28 August 2017

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 after tax for the half year was $1,021,688 compared to $294,037 in FY17. FY17 included a loss after tax of $508,311 treated as Significant Items (refer also to the Directors Report), resulting in an FY17 Operating Profit of $802,348. FY18 Operating Profit of $1,021,688 was up 27% from the previous corresponding period. There were no Significant Items in FY18.

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 2017	30 June 2017
Net tangible assets per share	$(0.07)	$(0.08)

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 2017

Financial Report for the Half Year Ended 31 December 2017

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Corporate Information

ACN: 137 363 636

Directors

Murray Bleach – Non-Executive Chairman
Nitin Singhi – Independent Non-Executive Director
John Mackay AM – Independent Non-Executive Director (appointed 30 June 2017)
Paul Meehan – Non-Executive Director
Mark de Kock – Non-Executive Director
Dr Ronald Watts – Non-Executive Director (resigned 30 June 2017)

Company Secretary

Carolyn West (resigned 21 June 2017)
Anna Sandham (appointed 21 June 2017)

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 2017.

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

Nitin Singhi – Independent Non-Executive Director

John Mackay AM – Independent Non-Executive Director

Paul Meehan – Non-Executive Director

Mark de Kock – Non-Executive Director

Dividends

Dividends recommended: ***Ordinary shares***	**Cents per share**	**$**
Interim 2018 dividend	NIL	NIL
Final 2017 dividend	1.40	363,358
Interim 2017 dividend	Nil	Nil

Operating and Financial Review

The Board presents the FY18 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 and purpose is:

"To help our clients understand and take control of their energy needs."

Energy Action's principal activities are providing integrated energy management services to a diverse base of Commercial, Industrial and small and medium sized business customers. Energy Action provides the following services:

- Help clients get the best energy deal in the current market using a range of procurement methodologies;
- Manage client energy contracts, including account management, liaison with their retailer, validating their bill, ensuring the right tariff and helping them to understand how they are using energy;
- Help clients reduce their energy consumption, which is good for their bottom line and good for the environment; and,
- Help clients become more self-sufficient with their energy needs by installing solar or other on-site generation solutions.

Initially founded in 2000, Energy Action listed on the Australian Securities Exchange on 13 October 2011.

Financial performance

The Group generated a statutory net profit after tax (NPAT) of $1,021,688 for the half year ended 31 December 2017 compared to a statutory net profit after tax of $294,037 for prior corresponding period (pcp). There were no Significant Items in FY18, and the Operating profit after tax was $1,021,688 compared to $802,348 for the pcp, an increase of 27%.

Revenues grew by 4% versus the previous period, driven by a 38% increase in Procurement and an 8% increase in PAS. Contract Management and Environmental Reporting revenues declined by 10%. Further details are included in the Revenue section below.

Operating overheads totalled $12.1 million for the period, compared to $11.7 million in the pcp, an increase of 3%, reflecting a continued focus on cost management and allocation of resources to growth projects.

The effective tax rate was 26.4%, reflecting a prior year tax refund.

A reconciliation of the Group's Statutory NPAT to Operating NPAT and Earning before income tax and depreciation (EBITDA) is shown in the table below:

	NPAT			EBITDA		
$	31 Dec 2017	31 Dec 2016	Variance	31 Dec 2017	31 Dec 2016	Variance
Statutory net profit after tax	**1,021,688**	**294,037**	**247%**	**2,403,866**	**1,567,282**	**53%**
Add back Significant Items after tax:						
Deferred consideration*	-	392,811	(100%)	-	392,811	(100%)
Restructuring costs**	-	115,500	(100%)	-	165,000	(100%)
Operating net profit after tax	**1,021,688**	**802,348**	**27%**	**2,403,866**	**2,125,093**	**13%**

* Deferred consideration in FY17 related to the acquisition of Energy Advice required to be expensed for accounting purposes

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

Key Financial Metrics – six months ended 31 December 2017

Six months ended	**31 Dec 2017**	**31 Dec 2016**	**Variance**
Revenue	$16.26m	$15.60m	4%
Operating EBITDA	$2.40m	$2.13m	13%
Operating EBITDA margin	14.78%	13.63%	1.15ppts
Operating NPAT	$1.02m	$0.80m	27%
Operating Cash Flow[1]	$2.108m	$0.160m	N/M
Statutory NPAT	$1.02m	$0.29m	247%
Earnings per share (Operating)	3.94c	3.09c	27%
Earnings per share (Statutory)	3.94c	1.13c	247%

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

Financial position and cashflows

Net assets increased from $12.6 million at 30 June 2017 to $13.2 million at 31 December 2017 as a result of the Statutory Profit of $1.0 million less the payment of the FY17 full year dividend of $0.4 million.

Operating cash flows before interest, tax and significant items of $2.1 million were generated during the half year, an increase of $2 million versus prior year. Overall working capital management improved substantially over the prior period and the conversion of Operating EBITDA to Operating Cash Flow was a healthy 88%.

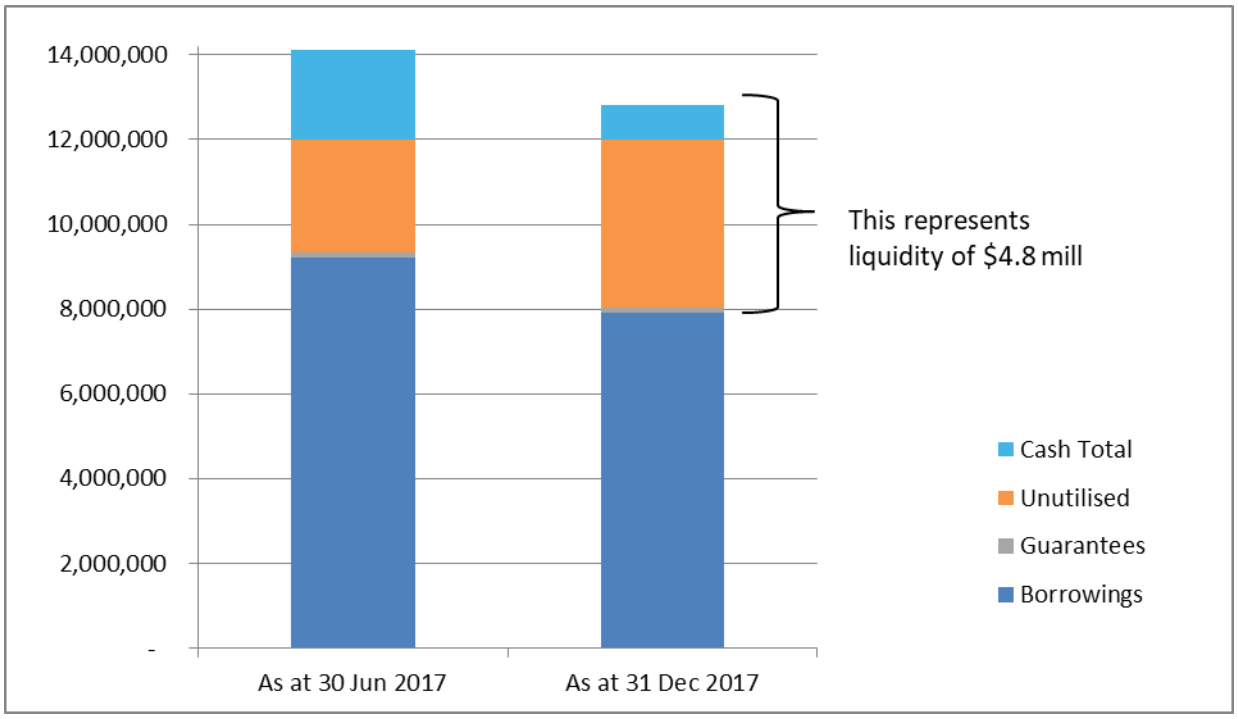
The Group incurred capital expenditure of $988,764 in the period, of which $849,963 was on IT projects, including progressing the renewal and enhancement of the Group's core Auction and Contract Management platforms.

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

Six months ended	**31 Dec 2017**	**31 Dec 2016**
Operating Cash flow	**1,357,053**	**(4,012,764)**
Add back:		
Taxes paid	519,713	660,187
Net Interest paid / (received)	231,365	206,185
Cash flows related to significant items	-	3,307,000
Operating cash flow before interest, tax and significant items	**2,108,131**	**160,608**

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 2017, the Company had utilised $8.03 million of the facility comprising a loan of $7.9 million and bank guarantees principally in relation to rental properties of $128,620.

The Group had $0.8 million of cash at bank at 31 December 2017, and total undrawn facilities and cash of approximately $4.8 million.



Operating review and highlights

H1 FY18 has been a significant improvement versus the pcp with solid improvements in revenue, profit and operating cash flows. This has been achieved via focusing on sales and marketing capability and execution, and building the Company's external profile. Key Operational achievements in the period include:

- Focus on improving sales process execution, resulting in an uplift in sales orders, compared to pcp;
- Increased profile of the organisation through social media and traditional media channels, resulting in higher brand awareness and an uplift of inbound sales enquiries;
- Execution of the regional strategy which has led to an increased amount of activity in regional areas such as the ACT and south coast NSW;
- Review of product and service pricing to ensure competitiveness and profitability;
- Continued improvement in providing a fully integrated solution for our client focused strategy, covering Procurement, Contract Management and Monitoring, Energy Efficiency measures and solar and/or Power Purchase Agreement arrangements;
- Continued work with Government agencies on policy work and assisting businesses impacted by high energy prices, including being appointed to the Industry Energy Support Stream panel in Victoria;
- Investment in our IT systems to further streamline and improve our backend processes allowing greater degree of efficiency;
- Outsourcing repetitive and low value activities to reduce cost to serve;
- Establishing relationships with Solar PV and LED specialist businesses to provide supply and install activities; and,
- Increased involvement in the Power Purchase Agreement market.

Revenue

Six months ended	**31 Dec 2017**	**31 Dec 2016**	**Vs HY17**	**vs HY17 %**
Procurement	5,244,131	3,791,045	1,453,086	38%
CMER	7,785,552	8,613,536	(827,984)	(10%)
PAS	3,228,647	2,979,225	249,422	8%
Other revenue	1,406	212,857	(211,451)	(99%)
Total Revenue	**16,259,736**	**15,596,663**	**663,073**	**4%**

Revenue and other income for the year increased by $0.66 million (4%) from $15.6 million to $16.3 million mainly as a result of the following:

- Procurement revenues grew 38%, driven by a 21% increase in the number of Auctions performed to 854 (up from 704 in the pcp) and an increase in the average $/MWh of 24% to $95.77. In line with our contracting guidance, contract duration increased to 26.5 months (up from 19 months on the pcp). Solid growth was also recorded in Structured Product and tender revenues.
- Contract Management and Environmental Reporting (CMER) revenue declined by 10% with a decline in sites under management. The large decline in Bureau site numbers was due to the loss of a large government department contract. Bureau services margins are significantly lower than CMER margins and the gross margin impact of this customer loss was not significant. Work is continuing to improve the customer value of the CMER service and arrest the decline of this service line.
- PAS revenues increased 8% vs the pcp with growth predominantly in the consulting operations.

Operating expenditure

Operating overheads totalled $12.1 million for the period, compared to $11.7 million in the pcp, an increase of 3%, reflecting a continued focus on cost management and allocation of resources to growth projects.

Forward revenue

Forward revenue has decreased from $54.5 million at June 2017 to $51.4 million as at 31 December 2017. Strong growth in procurement has been offset by a decline in CMER. 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 offering.

Operational Key Performance Indicators

Six months ended	31 Dec 2017	31 Dec 2016	% change
Procurement			
No. of successful AEX auctions	854	704	21%
Average AEX contract duration (months)	26.53	18.98	7.6 Month
TWhs sold via Auction (annualised equivalent[1])	0.98	1.05	(7%)
Average $/MWh	$95.77	$77.34	24%
No. of electricity tender events[2]	97	100	(3%)
No. of gas tender events[2]	50	73	(32%)
Contract Management & Energy Reporting (CMER)	**31 Dec 2017**	**30 Jun 2017**	
Sites under current contract[3]			**No.**
Energy Metrics	5,882	6,300	-418
Bureau Services[4]	4,246	5,809	-1,563
Data only contracts (MP / MDA)	1,722	2,203	-481
No. of sites under contract	11,850	14,312	-2,462
Average Energy Metrics contract duration (months)	43	47	-4 months
Projects & Advisory Services			
Contracted future orders	$4.2m	$4.6m	(9%)
Total Company future contracted revenue	$51.4m	$54.5m	(6%)

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.

4) Energy Action was advised post the half year end that a bureau services contract due to expire on 28th February 2018 with a large corporate client for approximately 3,100 sites was not renewed. This will not have a material impact on the full year financial results.

Outlook

We are pleased with the progress in sales and marketing capability and execution achieved during the half year. We will continue to focus on improving our customer service and sales and marketing effectiveness and our key priorities for the remainder of FY18 include:

- Gain market penetration via improved sales and marketing execution and improving the Company profile;
- Digitization of routine processes to streamline the customer journey;
- Develop & exploit regional opportunities; and,
- Developing a winning culture.

The Company is not providing formal earnings guidance.

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 2017 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: 16 February 2018

Ernst & Young
200 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

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 2017, 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
16 February 2018

Financial Statements

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2017

	Note	Consolidated Group H1 FY18 $	Consolidated Group H1 FY17 $
Continuing operations			
Revenue	4	16,258,330	15,383,806
Other income	5	1,406	212,857
Total Revenue		**16,259,736**	**15,596,663**
Cost of goods and services sold		(2,537,412)	(2,530,044)
Employee benefits expense		(8,112,866)	(7,994,139)
Deferred consideration on acquisitions	3	-	(392,811)
Restructuring costs		-	(165,000)
Rental expense		(625,049)	(574,795)
Travel expenses		(187,481)	(294,125)
Administration expenses		(2,393,062)	(2,078,467)
EBITDA		**2,403,866**	**1,567,282**
Depreciation and amortisation		(742,373)	(740,711)
EBIT		**1,661,493**	**826,571**
Financing costs	8	(272,712)	(266,510)
Profit / (Loss) before income tax		**1,388,781**	**560,061**
Income tax expense		(367,093)	(266,024)
Profit / (Loss) for the year attributable to members of the parent entity		**1,021,688**	**294,037**
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		20,969	(337)
Interest Swap Reserve		2,683	-
Total comprehensive income for the year attributable to members of the parent entity		**1,045,340**	**293,700**
Earnings per share:			Cents
Basic earnings per share for the year attributable to ordinary equity holders of the parent	10	3.94	1.13
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	10	3.93	1.13

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	Consolidated Group	
		31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		810,711	2,105,780
Trade and other receivables		5,267,754	5,992,413
Current Tax Asset		204,707	877
Other assets		2,926,903	2,221,521
TOTAL CURRENT ASSETS		**9,210,075**	**10,320,591**
NON-CURRENT ASSETS			
Trade and other receivables		91,358	91,358
Property, plant and equipment		675,949	744,273
Other assets		368,669	549,478
Software Development	6	3,746,263	3,312,004
Goodwill	6	9,944,796	9,944,796
Customer relationships	6	1,286,632	1,406,174
TOTAL NON-CURRENT ASSETS		**16,113,667**	**16,048,083**
TOTAL ASSETS		**25,323,742**	**26,368,674**
CURRENT LIABILITIES			
Trade and other payables	7	2,576,838	2,717,042
Short Term provisions		1,003,091	1,374,146
TOTAL CURRENT LIABILITIES		**3,579,929**	**4,091,188**
NON-CURRENT LIABILITIES			
Other long term provisions		350,355	320,180
Loans and Borrowings	9	7,756,115	9,015,005
Deferred tax liabilities		423,551	372,339
TOTAL NON-CURRENT LIABILITIES		**8,530,021**	**9,707,524**
TOTAL LIABILITIES		**12,109,950**	**13,798,712**
NET ASSETS		**13,213,792**	**12,569,962**
EQUITY			
Issued capital	12b	6,537,906	6,537,906
Share based payments reserve		271,920	262,768
Retained earnings		6,489,220	5,830,890
Interest Swap Reserve		(26,848)	(24,165)
Foreign currency translation reserve		(58,406)	(37,437)
TOTAL EQUITY		**13,213,792**	**12,569,962**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2017

Consolidated Group	Note	Issued Capital Ordinary	Share Based Payment Reserve	Retained Earnings	Other Reserves	Total
		$	$	$	$	$
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		-	-	**294,037**	**337**	**294,374**
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**
Balance at 1 July 2017		6,537,906	262,768	5,830,890	(61,602)	12,569,962
Profit/(Loss) for the period		-	-	1,021,688	-	1,021,688
Other comprehensive income		-	-	-	(23,652)	(23,652)
Total comprehensive income		**-**	**-**	**1,021,688**	**(23,652)**	**998,036**
Share based payment		-	9,152	-	-	9,152
Dividends paid or provided for	11	-	-	(363,358)	-	(363,358)
Balance at 31 December 2017		**6,537,906**	**271,920**	**6,489,220**	**(85,254)**	**13,213,792**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flow

For the half year ended 31 December 2017

	Note	Consolidated Group	
		H1 FY18 $	H1 FY17 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		18,615,516	15,814,905
Payments to suppliers and employees (inclusive of GST)		(16,515,298)	(15,617,320)
Payments for deferred consideration	3	-	(3,142,000)
Restructuring Cost		-	(165,000)
Interest received		3,683	3,349
Share based payments share purchase		4,231	(36,977)
Interest paid		(231,365)	(209,534)
Income tax paid		(519,713)	(660,187)
Net cash provided by/(used in) operating activities		1,357,054	(4,012,764)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(138,802)	(250,557)
Software development costs		(849,963)	(624,081)
Net cash used in investing activities		(988,765)	(874,638)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by parent entity	11	(363,358)	(913,585)
Bank loan	9	(1,300,000)	5,892,000
Bank guarantee fees		-	(1,679)
Net cash generated/(used) from financing activities		(1,663,358)	4,976,736
Net increase/(decrease) in cash held		(1,295,069)	89,334
Cash at beginning of financial year		2,105,780	1,207,046
Cash at end of financial year		810,711	1,296,380

The accompanying notes form part of these financial statements

NOTE 1: CORPORATE INFORMATION

The interim consolidated financial statements and notes represent those of Energy Action Limited and its Controlled Entities (the "consolidated group" or "group" or "EAX") for the half-year ended 31 December 2017. The financial statements were authorised for issue in accordance with a resolution of the directors on 15 February 2018.

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: BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim financial statements for the six months period ended 31 December 2017 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*.

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. 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 2017.

Where necessary, comparatives have been reclassified for consistency with disclosures at 31 December 2017.

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 amended Australian Accounting Standards and AASB Interpretations as of 1 July 2017; none of which had a material impact on the financial statements:

- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- *AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The adoption of these amendments did not have any material impact on the financial position or performance of the Group.

(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 half year reporting period ending 31 December 2017 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 9 Financial Instruments	January 1, 2018	June 30, 2019
AASB 15 Revenue from Contracts with Customers	January 1, 2018	June 30, 2019
AASB 16 Leases	January 1, 2019	June 30, 2020

With the exception of those noted below, 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.

Impact of AASB15 on future reporting periods:

Adoption of AASB15, to apply in FY2019, will require revenue from certain procurement activities to be recognised in the period in which the procurement activity is undertaken. Procurement revenue currently recognised over the term of the underlying energy contract will be brought forward and recognised on inception of the energy procurement contract. This will result in a one-off acceleration of revenue. Management has completed an initial assessment review, the finding indicates that AASB15 will mainly impact auction revenue.

Impact of AASB16 on future reporting periods:

Adoption of AASB16, to apply in FY2020, will require leases currently treated as operating leases, such as rental of office premises, to be recognised on the balance sheet. This change will impact the classification of certain expenses such as rental expense, depreciation and financing costs. Consequently, non IFRS measures such as EBITDA and EBIT will also be impacted. Management has completed an initial assessment review, and this change is expected to result in an increase of leased assets and lease liabilities.

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 FY18	H1 FY17
	$	$
Deferred consideration		
Energy Advice	-	392,811
Total deferred consideration expense	-	392,811

3.3 Total cash paid for acquisitions

Payments for deferred consideration classified as employee compensation:	Consolidated Group	
	H1 FY18	H1 FY17
	$	$
Energy Advice	-	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, Contract Management & Environmental Reporting (CMER) services, and sustainability services in Australia. The types of services provided are detailed below.

Types of Services

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

- Energy procurement: specialised buying and negotiation strategies, utilising reverse auctions, bespoke tender models and advising on structured products;
- CMER: manage client energy contracts, including account management, liason with their retailer, validating their bill, ensuring the right tariff and helping them to understand how they are using energy; and,
- Energy efficiency and sustainability; Projects and Advisory Services (PAS).

The Australian Energy Exchange (AEX) electricity and gas procurement service is an online, real time and reverse auction platform for business customers which provides the opportunity to competitively obtain energy supply contracts from various energy providers.

Energy Metrics is an independent CMER platform which transforms energy data into usable business intelligence that is easy to understand and essential for improving overall business efficiency.

The types of CMER services include 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 (PAS) is the energy efficiency and sustainability partnering service, which aims to improve and manage on site level of energy efficiency, through the use of innovative energy efficiency and energy management methodologies. The various services include 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% of total revenue.

H1 FY18	Procurement	Monitoring	Project & Advisory Services	Total
	$	$	$	$
Sales to external customers	5,244,131	7,785,552	3,228,647	16,258,330

H1 FY17	Procurement	Monitoring	Project & Advisory Services	Total
	$	$	$	$
Sales to external customers	3,791,045	8,613,536	2,979,225	15,383,806

NOTE 5: OTHER INCOME

	Consolidated Group	
	H1 FY18	H1 FY17
	$	$
Research & development grant	-	3,929
Other Income	1,406	208,928
Total revenue	1,406	212,857

NOTE 6: INTANGIBLE ASSETS

	Consolidated Group	
	31 Dec 2017	30 June 2017
	$	$
Software development costs – net of amortisation	3,746,263	3,312,004
Goodwill	9,944,796	9,944,796
Customer relationships – net of amortisation	1,286,632	1,406,174
	14,977,691	14,662,974

NOTE 7: TRADE AND OTHER PAYABLES

	Consolidated Group	
	31 Dec 2017	30 June 2017
	$	$
Trade payables	610,312	291,926
Other payables and accrued expenses	1,966,526	2,425,116
	2,576,838	2,717,042

NOTE 8: FINANCING INCOME / (COSTS)

	Consolidated Group	
	H1 FY18	H1 FY17
	$	$
Interest Income	3,683	3,350
Interest expense	(276,395)	(269,860)
	(272,712)	(266,510)

NOTE 9: LOANS AND BORROWINGS

	Consolidated Group	
	31 Dec 2017	30 June 2017
	$	$
Multi-Option Facility Agreement	7,900,000	9,200,000
Less capitalised debt establishment fees	(143,885)	(184,995)
	7,756,115	9,015,005

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 2017, Energy Action had utilised $8.028 million of the facility, comprising a loan of $7.90 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 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:

	H1 FY18	H1 FY17
	$	$
Statutory Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings	1,021,688	294,037
Statutory Net Profit / (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilutions	1,021,688	294,037
	Dec 2017	**Dec 2016**
	No.	**No.**
Weighted average number of ordinary shares for basic earnings per share	25,954,117	25,954,117
Effect of dilution:		
Potential issue of shares – performance rights	63,087	90,408
Weighted average number of ordinary shares adjusted for the effect of dilution	26,017,204	26,044,525
Basic earnings / (loss) per share (Statutory)	3.94	1.13
Diluted earnings/ (loss) per share (Statutory)	3.93	1.13

There are 185,845 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 FY18 $	H1 FY17 $
Dividends paid:		
Final FY17 franked dividend of 1.40 cents per share	363,358	-
Final FY16 franked dividend of 3.52 cents per share	-	913,585
	363,358	913,585

Tax rates
The tax rate at which paid dividends have been franked is 30% (FY17: 30%). Dividends proposed will be franked at the rate of 30% (FY17: 30%).

NOTE 12: ISSUED CAPITAL AND RESERVES

	Consolidated Group	
	December 2017 $	December 2016 $
Fully paid ordinary shares	6,537,906	6,537,906
	6,537,906	6,537,906

		Consolidated Group	
		H1 FY18 No.	H1 FY17 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 2017 $	December 2016 $
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 PAYMENT TRANSACTIONS

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

For the six months ended 31 December 2017, the Group has $36,152 of share-based payment transactions expense in the statement of comprehensive income (H1 FY17: reversal of $149,399).

NOTE 14: FINANCIAL INSTRUMENTS

Fair Values

Fair value estimation

The carrying value 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.
iii. Bank borrowings entered into an interest rates swap hedging instrument, fair value assessment every 6 months

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

Fair Values	31 December 2017			30 June 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Liabilities						
Bank loans	-	7,900,000	-	-	9,200,000	-

NOTE 15: 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.

Directors Declaration

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

1. In the opinion of the Directors:

    a. The financial statements and notes of Energy Action Limited for the half - year ended 31 December 2017 are in accordance with the Corporations Act 2001, including:
        i. giving a true and fair view of its financial position as at 31 December 2017 and performance
        ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporation 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 half - year ended 31 December 2017.

On behalf of the board.

Murray Bleach
Chairman

16 February 2018

Ernst & Young
200 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 Auditor's Review Report to the Members of Energy Action Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Energy Action Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, 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.

Building a better working world

Independence

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

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
16 February 2018