EnergyAction

2018 ANNUAL REPORT

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Financial Reports

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 2018.

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.

Murray Bleach (Non-Executive Chairman)

Qualifications – Bachelor of Arts (Financial Studies) and Master of Applied Finance - Macquarie University, Institute of Chartered Accountants, Graduate Member of the Australian Institute of Company Directors.

Experience – Board Member since 2012, Chairman since 2015

Special Responsibilities – Member of each of the Audit & Risk Management, Nomination and Remuneration Committees

Directorships held in other listed entities currently and during the three prior years to the current year: Carlton Investments Ltd – Independent Non-Executive Director (appointed 2 December 2014)

Other Directorships and interests - Director of Suicide Prevention Australia, Partner in Alfred Street Investment Partners, Member of Advisory Board for Derwent Executive, Non-Executive Director of IFM Investors, Chairman of AddVenture Fund.

PAUL Meehan (Non-Executive Director)

Qualifications – Diploma of Law (SAB), University of Sydney

Experience – Board member since 2003

Special Responsibilities – Member of each of the Audit & Risk Management, Nomination and Remuneration Committees.

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

Other Directorships and interests - Director of Meehans Solicitors Pty Ltd, Non-executive Director of Commercial First Realty Pty Ltd T/as LJ Hooker Commercial Macarthur.

Nitin Singhi (Independent Non-Executive director)

Qualifications – Bachelor of Economic and Master of Laws – University of Sydney, Member of the Australian Institute of Company Directors

Experience – Board Member since 2015

Special Responsibilities – Chairman of each of the Audit & Risk Management and Nomination Committees and a member of the Remuneration Committees.

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

Other Directorships and interests - Managing Director of Horizon Private Capital Partners, Director of TiE Sydney, Director of Sport and Leisure Education Group Pty Limited.

Mark de Kock (Non-Executive Director)

Qualifications – Bachelor of Science (First Class Honours) in Electronic Engineering from University College London, Executive MBA from the Australian Graduate School of Management, Member of the Institution of Engineering and Technology.

Experience – Nominee Director since 2015, appointment recommended by Microequities Asset Management.

Special Responsibilities – Member of each of the Audit & Risk Management and Remuneration Committee

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

Other Directorships and interests – Director, Frontier DC Ltd.

John Mackay AM (Independent Non-Executive director)

Qualifications – Bachelor of Arts Administration / Economics from University of Canberra, Honourary Doctorate from University of Canberra.

Experience – Board Member since July 2017

Special Responsibilities – Member of each of the Audit & Risk Management and Nomination Committees and Chair of the Remuneration Committee.

Directorships held in other listed entities currently and during the three prior years to the current year: Speedcast International – Independent Non-Executive Chairman (appointed to the Board in 2013 and as Chairman in 2014), Independent Non-executive Chairman, CommsChoice Group Ltd, formerly Director of CIC Australia (now part of Peet Limited).

Other Directorships and interests – Chairman of the National Arboretum Foundation, Director of Total Energy Pty Limited.

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
Murray Bleach	1,881,645	-
Paul Meehan	4,798,993	-
Nitin Singhi	3,000	-
Mark de Kock	-	-
John Mackay AM	58,470	-

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Anna Sandham – Bachelor of Economics, University of Sydney, Graduate Diploma of Applied Corporate Governance, Governance Institute of Australia, Chartered Secretary

DIVIDENDS

Dividends recommended:	**Cents per share**	**$**
Ordinary shares		
Final 2018 dividend recommended to be paid 27 September 2018	4.00	1,038,165
Final 2017 dividend paid 21 September 2017	1.40	363,358

OPERATING AND FINANCIAL REVIEW

The Board presents the 2018 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 FY18 financial year and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of the Group.

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 range 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 they are on 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.

2018 FINANCIAL PERFORMANCE

The Group generated a statutory net profit after tax (NPAT) of $2.59 million for the year ended 30 June 2018 compared to a statutory NPAT of $1.77 million for the year ended 30 June 2017, an increase of 46%.

Operating NPAT for the year ended 30 June 2018 was $2.59 million, a 3% increase from the prior year Operating NPAT of $2.52 million. Revenues declined by 5% with strong growth in Procurement (+15%) offset by declines in Contract Management and Environmental Reporting (CMER) of 9% and Projects and Advisory Services (PAS) of 15%. PAS revenues declined following a decision to de-emphasize the low margin supply and install business and focus on the higher margin core consulting work.

Good cost control coupled with improved margins following the changes in PAS sales emphasis resulted in a 3% increase in Operating NPAT versus the prior period. The focus on core margin improvement and strong cost control resulted in an increase in Operating EBITDA margin to 18.3%, an increase of 1.2 percentage points.

Operating Cash Flow was $6.9 million was up 91% compared to the prior period reflecting the strong underlying cash generation in the business and the ongoing focus on working capital management, particularly receivables collection. This strong cash generation enabled the repayment of $4.1 million of gross debt ($3.1 million net of cash on hand) during the year.

A fully franked dividend of 4.00 cents per share was declared on 16 August 2018, payable on 27th September 2018. This reflects a 186% increase over the prior period and reflects the increase in Statutory Profit and strong cash flow generated during the year.

There were no significant items in the FY18 financial year.

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

$	NPAT 30 June 2018	NPAT 30 June 2017	NPAT Variance	EBITDA 30 June 2018	EBITDA 30 June 2017	EBITDA Variance
Statutory results	2,588,357	1,772,970	46%	5,703,603	4,731,322	21%
Add back Significant Items after tax:						
Deferred consideration*	-	392,811	-100%	-	392,811	-100%
Restructuring costs**	-	355,408	-100%	-	507,725	-100%
Operating profit after tax / Operating EBITDA	**2,588,357**	**2,521,189**	**3%**	**5,703,603**	**5,631,858**	**1%**

Prior year significant items were:
** Deferred consideration relating to the acquisition of Energy Advice required to be expensed for accounting purposes*
***Costs associated with restructuring including redundancies.*

Key Financial Metrics

	FY18	FY17	Variance
Revenue	$31.17m	$32.96m	-5%
Operating EBITDA	$5.70m	$5.63m	1%
Operating EBITDA margin	18.3%	17.1%	1.2 ppt
Operating NPAT	$2.59m	$2.52m	3%
Operating Cashflow[1]	$6.9m	$3.6m	91%
Statutory NPAT	$2.59m	$1.77m	46%
Earnings per share (Operating)[1]	9.97cps	9.71cps	3%
Earnings per share (Statutory)	9.97cps	6.83cps	46%
Dividend per share full year	4.00cps	1.40cps	186%

[1]*Operating Cash Flow is defined as Operating Cash Flow before Interest, Tax and Significant Items*

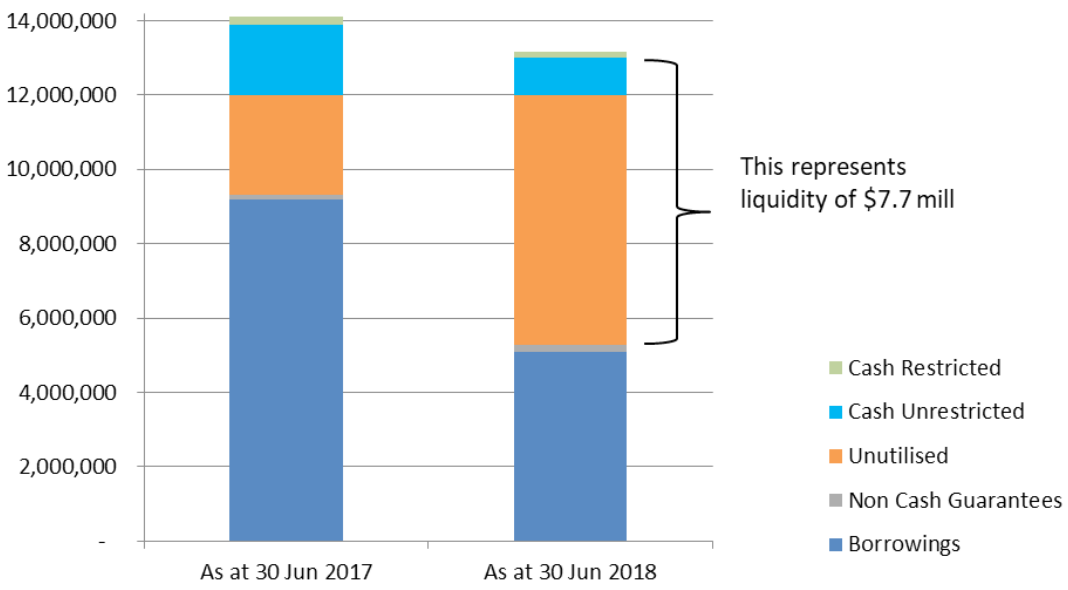
FINANCIAL POSITION AND CASHFLOWS

Operating Cash Flow of $6.9 million was up 91% versus the prior period, with the conversion of Operating EBITDA into cash of 121%. This reflected the strong underlying cash generative nature of the business plus a continued focus on working capital management, and debtors in particular.

Net assets increased from $12.6 million at 30 June 2017 to $14.9 million at 30 June 2018 mainly as a result of the Statutory Profit generated of $2.59 million.

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 30 June 2018, the Company had utilised $5.3 million of the facility comprising a loan of $5.1 million and bank guarantees principally in relation to rental properties of $0.2 million.

The strong operating cash flow enabled gross debt to be reduced by $4.1 million during the year. The Group had $1 million of unrestricted cash at bank at 30 June 2018, and total undrawn facilities and cash of approximately $7.7 million. This reflects an increase of $3.1 million over the available borrowing facilities as at 30 June 2017.



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

	30 June 2018	30 June 2017
Statutory operating cash flow	**5,257,589**	**(1,416,108)**
Add back:		
Taxes paid	1,150,702	1,116,918
Interest paid / received	468,118	418,816
Cash flows related to significant items	-	3,481,958
Operating cash flow before interest, tax and significant items	**6,876,409**	**3,601,584**
Operating EBITDA	5,703,603	5,631,858
Operating cash flow as % of Operating EBITDA	**121%**	**64%**

OPERATING REVIEW AND HIGHLIGHTS

Revenue

Revenue by Product line is set out in the table below:

Revenue $	**FY18**	**FY17**	**vs FY17 $**	**vs FY17 %**
Procurement	9,279,290	8,079,593	1,199,697	15%
CMER	15,145,890	16,695,501	(1,549,611)	-9%
PAS	6,637,696	7,788,714	(1,151,018)	-15%
Other revenue	110,948	393,295	(282,347)	-72%
Total Revenue	**31,173,824**	**32,957,103**	**(1,783,279)**	**-5%**

Revenue and other income for the full year decreased by $1.78 million (or 5%) from $32.96 million to $31.17 million.

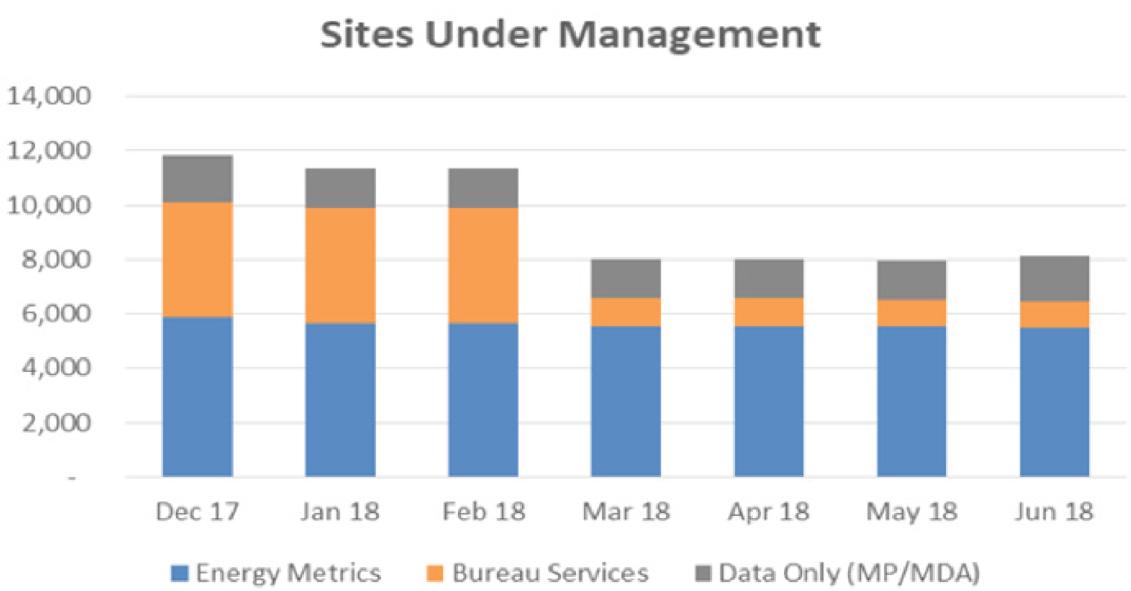
The highlights per product line as outlined below:

Procurement

- Procurement revenues increased 15% over the full year as a result of higher $/MWH and an increase in average contract duration to 26 months. Auction numbers were slightly up compared to the previous period.
- Structured Products revenues increased strongly with seven new clients added this financial year. This service is increasingly being seen as an excellent way for large business clients to effectively manage their electricity price risk.
- Growth was also recorded in Tariffs and Electricity Tenders, offset by a decline in Gas Tenders due to the lack of affordably priced gas in the marketplace.

Contract Management & Environmental Reporting (CMER)

- Overall CMER revenue declined 9% versus FY17 with sites under management in the core Energy Metrics service declining by circa 800 sites over the year. A number of strategies have been put into place to halt this decline including introducing more competitive pricing and the Q4 launch of “Energy Metrics Insight” a service offering an automated, simplified and lower priced option to clients.
- The rate of decline in the number of Energy Metrics sites under management has slowed in the second half, with site numbers relatively stable since January 2018.
- As previously advised in the FY18 half year results, a bureau services contract that expired on 28th February 2018 with a large corporate client for approximately 3,100 sites was not renewed. Whilst this resulted in a reduction in revenue this did not have a material impact on the full year financial results.
- Embedded Networks business grew revenues by over 100% to $428,000. Tenancies under management grew from 750 in FY17 to 1,378 at the end of June as new centres were added.



Project & Advisory Services (PAS)

- PAS revenues declined by 15% vs FY17, with a decision to focus on higher margin consulting work, and to de-emphasise and phase out supply and install head contractor project work. This has been somewhat offset by growth in core project management, energy policy consulting, and Opteemise, a service providing continuous monitoring and tuning of energy performance in commercial buildings.

Operating expenditure

Strong cost management actions resulted in a decrease in costs of 2% compared to the prior period. Employment costs were approximately $1 million lower than the previous period with a number of activities now performed by our offshore business processing outsourcing partner and other third parties. Incentive payments were also lower as Company wide financial targets were not achieved.

There has been an increase in marketing spend to increase visibility of the Energy Action brand.

Forward revenue

Forward revenue has reduced from $51.4 million as at June 30 2017 to $46.5 million at the end of FY18. The reduction is largely in CMER due to the reduction in site numbers noted above. Traditionally, Energy Metrics was sold on a five year term. However, in recent periods, clients are looking to align the contract length of Energy Metrics contracts with their retail electricity contract, resulting in a shortening in average contract lengths. This has also contributed to the lower forward revenue at year end.

Procurement forward revenue has increased with longer contracts recently being signed, and higher $/MWH.

Operational Key Performance Indicators

	FY18	FY17	% change
Procurement			
No. of successful AEX auctions	1,311	1,306	+0.3%
Average AEX contract duration (months)	26.1	20.3	+5.8 mths
TWhs sold via Auction (annualised equivalent)	1.48	1.57	-5.7%
Average $/MWh	$88.85	$85.52	+3.9%
Total Auction bid value[1]	$285m	$227m	+26%
No. of electricity tender events	47	40	+18%
No. of gas tender events	52	67	-22%
Contract Management & Energy Reporting (CMER)	**30 June 2018**	**31 Dec 2017**	
Sites under current contract[2]			No.
Energy Metrics	5,492	5,882	-390
Bureau services	987	4,246	-3,259
Data only contracts (MP / MDA)	1,648	1,722	-74
Total Metrics sites under contract	8,127	11,850	-3,723
Average Metrics contract duration (months)	41.0	43.0	-2 months
Embedded Network tenancies under management	1,378	1,030	
Projects & Advisory Services			
Contracted future orders	$5.3m	$4.2m	+26%
Total Company Future contracted revenue	**$46.5m**	**$51.4m**	**-10%**

[1] Electricity component of contract only, i.e. excluding network and other charges
[2] Does not include contracts which are signed, but yet to commence service delivery.

BUSINESS STRATEGY AND PROSPECTS FOR FUTURE FINANCIAL YEARS

Energy Action's purpose is to:

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

Energy Action has strengths in the following areas:

- Procurement methodologies that cover the whole business client gas and electricity segments, from SME's to some of the largest energy users in Australia;
- Supply and demand side expertise;
- Expert capability and knowledge;
- National reach and market leading products and services; and
- Market leading products and services.

The current economic conditions and external environment of high energy prices is positive for Energy Action, with increasing demand from clients for solutions to mitigate the impact of high energy prices. Energy Action is unique amongst our competitors in being able to deliver not only a competitive energy cost outcome to clients, but also using our in-house expertise to assist clients to reduce consumption and thus costs.

Energy Action's immediate focus is to:

- Refresh Energy Metrics with new offerings and competitive pricing
- Develop an Integrated Energy Plan for clients
- Develop new products and services to grow the business including:
    - Extending the AEX platform to other energy related products and services;
    - Facilitating corporate power purchase agreements between clients and developers; and,
    - Extending Structured Products to target mid-tier clients.
- Continue to automate and streamline processes through digitisation.

Risks to achieving financial outcomes in relation to future prospects

Energy Action identifies major risks using an enterprise wide risk program. Energy Action faces a wide variety of risks due to the nature of the industry it which it operates. In relation to each risk, Energy Action has in place actions to reduce the likelihood of the risk eventuation and / or to reduce, as far as practicable, the adverse consequences of the risk should it occur. Many of the risks are influenced by factors external to, and beyond the control of Energy Action. Details of Energy Action's main risks and the related mitigations are set out below:

Risk	Risk Description	Potential consequences and mitigation strategies
Regulatory risk	The risk of unforeseen changes in government policy or regulation impacting ongoing operations. Recent developments regarding the National Energy Guarantee and the Australian Domestic Gas Security Mechanism highlight the importance to energy customers of understanding developments in the policy area.	Potential earnings impacts of unpredicted policy or regulatory changes to be mitigated by ongoing monitoring of the political/regulatory environment.
Failure to deliver against customer obligations.	The risk that Energy Action is unable to meet its contractual obligations to customers for the delivery of services.	Potential earnings and reputational impact from failure to deliver contracted services mitigated by completed review of service delivery capabilities, development of risk management plans and implementation of continuous improvement programmes.
Increasing competition	The risk that Energy Action is unable to differentiate from competitors.	Potential earnings impact from lost sales countered by expanded product offerings from procurement through to energy monitoring and energy efficiency projects. Examples include Corporate Power Purchasing Agreements, mid-market Structured Products and the client Integrated Energy Plan.
Earnings and Cash Flow	The risk of failing to maintain adequate earnings and funding to finance growth objectives and to generate adequate returns for shareholders.	Potential earnings impact mitigated by improved operational performance, timely and transparent market disclosures and maintenance of strong relationships with banks and shareholders.
Occupational Health & Safety (OH&S)	The risk of not operating safely and in accordance with relevant legislation leading to an employee injury.	Potential for employee injury and Company reputation addressed by OH&S systems and practices. Mitigated by ongoing training and updates to OH&S policies.
Employee engagement and performance	The risk of failing to attract and retain the best talent available.	Impacts on performance due to unavailability of talent mitigated by staff development plans, succession plans and remuneration strategies.

Loss of key staff	The risk of company performance declining due to key staff either leaving or being unavailable unexpectedly or due to high turnover of non-key staff hampering performance due to training lead times.	Mitigated by staff reviews, identification of points of vulnerability, cross training and succession planning.
Legal risk – Competition and consumer law or terms of the company's AFS licence.	The risk of legal action following a breach of the Competition and Consumer Act or the terms of Energy Action's Australian Financial Services Licence.	Likelihood of breaches reduced by training of all outward facing staff in Consumer and Competition Law requirements. AFSL compliance system in place. Procedures in place for monitoring and reporting of breaches and potential breaches.
Cyber Security Risk	Cyber-attack or similar event involving unauthorised access to EAX's IT systems leading to denial of systems and/or corruption of data.	Security review of key systems and processes has been completed. Recommendations were commenced during FY18 with no high rated vulnerabilities being identified post implementation.
Customer Retention/ Acquisition	Failure to attract and retain sufficient customers to sustain the business	Mitigated by restructuring of the sales business into regional sales teams, creation of the position of Product Manager for Energy Metrics, increased marketing activity and the adoption of an account management model for servicing high value customers.
Unethical Sales Conduct	The risk of unethical sales practices resulting in lost business or in legal action.	The level of scrutiny of sales practices for energy businesses has increased due to electricity and gas prices being at near record levels. This risk is mitigated by ongoing sales training, reviews of sales procedures and the confirmation of an ethical sales culture.

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.

Energy Action is committed to environmental best practice, and to the continual improvement of its environmental performance, recognising its obligations both locally and globally, to the present and succeeding generations. Energy Action aims to lead in defining best environmental practice, and will set its own demanding standards where none exist. Energy Action is committed to implementing the requirements of all applicable Commonwealth, State and local environmental legislation and regulations and, where possible, exceeding any relevant minimum requirements.

Energy Action aims to raise the environmental awareness of the public, governments, industry, and the general community by promoting the concept of ecological sustainability and by openly recognising the ongoing need to move toward an ecologically sustainable future.

MEETINGS OF DIRECTORS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Board Meeting		Audit & Risk Committee		Remuneration Committee		Nomination Committee	
	No. Eligible to attend	No. Attended	No. Eligible to attend	No. Attended	No. Eligible to attend	No. Attended	No. Eligible to attend	No. Attended
Murray Bleach	11	11	4	4	2	2	1	1
Paul Meehan	11	11	4	4	2	2	1	1
Nitin Singhi	11	11	4	4	2	2	1	1
Mark de Kock	11	11	1	1	2	2	0	0
John Mackay	11	10	4	4	2	2	1	1

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

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceeding during the year.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the audit and risk management committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and,
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Ernst & Young for non-audit services provided during the year ended 30 June 2018:

	$
Review of LTI plan	13,500
Other services	-
Total	13,500

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

As lead auditor for the audit of Energy Action Limited for the financial year ended 30 June 2018, 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 audit; and

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

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

Ernst & Young

Ryan Fisk
Partner
16 August 2018

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 2018.

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 consisted of four non-executive directors, namely Nitin Singhi (Chairman), Murray Bleach, Mark de Kock 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,
- Bonus and incentive schemes, and
- Recruitment and termination.

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

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

In undertaking its work, the committee seeks advice 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

Murray Bleach	Non-Executive Chairman
Paul Meehan	Non-Executive Director
Nitin Singhi	Non-Executive Director
Mark de Kock	Non-Executive Director
John Mackay AM	Non-Executive Director

1.2.2. Non-Executive directors

Ivan Slavich	Chief Executive Officer
Michael Fahey	Chief Operating Officer & Chief Financial Officer

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. EY undertook review of the performance rights and options plan this year.

1.4. Long term incentive scheme

Purpose and type of equity awarded

The Group operates a long term incentive scheme (LTI) for its senior executives. The LTI is governed by the Performance Rights and Options Plan (PROP), under which 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 the 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 2018, the PROP accounted for 2.8% (FY17 1.6%) of issued securities of the Group, made up of 725,578 (FY17 415,456) performance rights.

Valuation

The fair value of any LTI grant is a determined by an external valuation at the time of the grant.

Performance hurdles

For the 2018 LTI allocation, the two performance hurdles that apply to the Performance Rights for vesting 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. Fifty percent of the performance right that is subject to the relative performance hurdle vests if the actual Operating EPS meets 95% of the Budgeted Operating EPS. One hundred percent will vest if the actual performance meets or exceeds the Budgeted Operating EPS. If the actual EPS is between 95% and 100% of Budgeted Operating EPS, the percentage that will vest is determined on a linear basis.
- 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 vests 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

Neither the TSR nor EPS hurdles were met for the year ending 30 June 2018. The Energy Action TSR for the period 1 July 2017 to 30 June 2018 was negative 6.67% compared to the benchmark ASX300 index which returned positive 8.54%. Accordingly, no rights will vest in 2018.

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 do not receive 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 2018, including superannuation, was as follows:

Base Fee	$
Non-Executive Chairman	75,000
Non-Executive Directors	60,000

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

The non-executive directors and chairman fees for FY 2018 remained the same as FY 2017.

2.2. Senior executives

The framework for the remuneration of senior executives consists of a mix of fixed and variable remuneration. The components are:

- Base remuneration package and benefits, inclusive of superannuation (Total Fixed Remuneration)
- Short-Term Incentive – 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 CFO for the year ended 30 June 2018 was:

	Fixed Component	Bonus Component	LTI Component
Chief Executive Officer	69%	25%	6%
Chief Operating Office/Chief Financial Officer	80%	14%	6%

Short-Term Incentive (STI)

The STI is based upon performance against the Group financial performance 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 and individual components. The specific company measures include profitability, revenue growth and customer satisfaction. Individual measures are developed having regard to functional plans and targets, aligned to the company strategy.

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 125%). The final percentage allocated to each person is then applied to the STI potential to determine the actual STI payment to be made to an individual.

The performance matrix used to determine actual STI earnings against the STI potential for the CEO and CFO is:

	Company	Individual
Chief Executive Officer	70%	30%
Chief Operating Office/Chief Financial Officer	70%	30%

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 annually, where applicable, in September in relation to the preceding year.

The actual percentage of STI potential and LTI potential earned by the CEO and COO/CFO for the year ended 30 June 2018 was:

	% of Bonus Potential	% LTI Potential
Ivan Slavich	0%	0%
Michael Fahey	0%	0%

The STI 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. Payment of any individual KPI achievement is conditional on the Group meeting a minimum threshold Operating Profit.

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 CFO are as follows:

Name	Fixed Component	Termination*
Ivan Slavich	On-going (no fixed term)	3 months base salary termination by company or 3 months termination by executive
Michael Fahey	On-going (no fixed term)	12 weeks base salary termination by company or 12 weeks termination by executive

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

4. REMUNERATION TABLES

4.1. Remuneration table for the year ended 30 June 2018

Details of remuneration of directors and KMP of the Group for the 2018 financial year are set out in the following table.

The KMP are considered to be the CEO and COO/CFO only.

		Short Term Benefits		Post Employment Benefits	Long Term Benefits		Share Based Payments	Total
Non-executive Directors	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super**	**Termination benefits**	**Long service leave**	**Performance rights**	**Total**
Murray Bleach	68,493	-	-	6,507	-	-	-	75,000
Paul Meehan	54,795	-	-	5,205	-	-	-	60,000
Nitin Singhi	54,795	-	-	5,205	-	-	-	60,000
Mark de Kock	54,795	-	-	5,205	-	-	-	60,000
John Mackay	54,795	-	-	5,205	-	-	-	60,000
Sub-total	**287,673**	-	-	**27,327**	-	-	-	**315,000**
Executives								
Ivan Slavich	387,500	-	-	20,049	-	-	3,263	410,812
Michael Fahey	333,388	-	-	20,049	-	-	2,446	355,883
Sub-total	**720,888**	-	-	**40,098**	-	-	**5,709**	**766,695**
Total	**1,008,561**	-	-	**67,425**	-	-	**5,709**	**1,081,695**

4.2. Remuneration table for the year ended 30 June 2017

Details of remuneration of directors and KMP of the Group for the 2017 financial year are set out in the following table.

The KMP are considered to be the CEO and COO/CFO only.

		Short Term Benefits		Post Employment Benefits	Long Term Benefits		Share Based Payments	Total
Non-executive Directors	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super**	**Termination benefits**	**Long service leave**	**Performance rights**	**Total**
Murray Bleach	68,493	-	-	6,507	-	-	-	75,000
Paul Meehan	54,495	-	-	5,206	-	-	-	59,701
Ronald Watts[1]	55,995	-	-	5,320	-	-	-	61,315
Nitin Singhi	54,795	-	-	5,205	-	-	-	60,000
Mark de Kock	54,795	-	-	5,205	-	-	-	60,000
Sub-total	**288,573**	-	-	**27,443**	-	-	-	**316,016**
Executives								
Scott Wooldridge[2]	131,036	-	-	9,084	165,000	-	18,281	323,401
Ivan Slavich[3]	74,219	50,000[4]	-	4,904	-	-	-	129,123
Michael Fahey	313,290	35,000	-	19,616	-	-	-	367,906
Sub-total	**518,545**	**85,000**	-	**33,604**	**165,000**	-	**18,281**	**820,430**
Total	**807,118**	**85,000**		**61,047**	**165,000**		**18,281**	**1,136,446**

[1] Ronald Watts resigned 30 June 2017
[2] Scott Wooldridge resigned 18 November 2016. Performance rights that had met performance hurdles in previous years were vested and allocated to Mr Wooldridge upon leaving the Company
[3] Ivan Slavich appointed 3 April 2017
[4] Ivan Slavich bonus subject to satisfactory completion of probation in October 2017

Relative Proportion of Remuneration

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

	Fixed Remuneration		At Risk – Cash Bonus/Other		At Risk - Securities	
Non-executive Directors	**2018 %**	**2017 %**	**2018 %**	**2017 %**	**2018 %**	**2017 %**
Murray Bleach	100	100	-	-	N/A	N/A
Dr. Ronald Watts	100	100	-	-	N/A	N/A
Paul Meehan	100	100	-	-	N/A	N/A
Nitin Singhi	100	100	-	-	N/A	N/A
Mark de Kock	100	100	-	-	N/A	N/A
Executives						
Scott Wooldridge^	-	79	-	-	-	21
Ivan Slavich^^	69	61	25	39	6	N/A
Michael Fahey	80	72	14	13	6	14

^ Resigned as a Chief Executive Officer effective 18 November 2016
^^Commenced as Chief Executive Officer effective 3 April 2017

Performance holdings of key management personnel.

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

Grant date	Number	Date vested and exercisable	Expiry date	Exercise price	Value per Performance Right at grant date
12 March 2018*	47,024	31 August 2020 (1)	N/A	$0.00	$0.58
12 March 2018*	125,000	31 August 2021 (1)	N/A	$0.00	$0.58
12 March 2018*	250,000	31 August 2021 (2)	N/A	$0.00	$0.58

** Denotes Performance Rights for which no consideration is payable on exercise.*
(1) Performance Rights which were granted to Michael Fahey
(2) Performance Rights which were granted to Ivan Slavich

4.3. 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, 2018:

Grant date share price ($)	$0.685
Exercise price ($)	$0.00
Dividend yield	1.40c per share, growing at 10% per year
Expected volatility	50%
Risk-free interest rate	1.98%
Life of Option [1]	3 years

[1] 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 have a four-year vesting period. Retention Performance Rights granted for the benefit of the Chief Operating Officer/Chief Financial Officer have a four-year vesting period. All Performance Rights granted for the benefit of other employees vest in equal proportions on an annual basis over three years. The Performance Rights are exercisable immediately at vesting date, subject to achievement of the relevant performance hurdles.

The following tables outline the movements in Performance Rights balances of Directors and the KMP during the 2018 financial year, and those Performance Rights which have vested at the year-end.

422,024 performance rights were issued to KMP during the 2018 financial year.

Total value of performance rights issued:

30 June 2018	Balance at 1 July 2017	Granted $	Grant Date	Rights vested & transferred	Options cancelled/ forfeited/ other	Options expired without exercise	Net change	Balance at end of period $
	$		$	$	$	$	$	$
I. Slavich	-	144,918	12/3/2018	-	(32,109)	-	112,809	112,809
M. Fahey	13,800	99,880	12/3/2018	(13,800)	(24,108)	-	61,972	75,772
Total	**13,800**	**244,798**		**(13,800)**	**(56,217)**	**-**	**174,781**	**188,581**

Total number of performance rights issued:

30 June 2018	Balance at 1 July 2017	Granted $	Grant Date	Rights vested & transferred	Options cancelled/ forfeited/ other	Options expired without exercise	Net change	Balance at end of period $
	No.	No.		No.	No.	No.	No.	No.
I. Slavich	-	250,000	12/3/2018	-	(46,875)	-	203,125	203,125
M. Fahey	14,000	172,024	12/3/2018	(14,000)	(35,194)	-	122,830	136,830
Total	**14,000**	**422,024**		**(14,000)**	**(82,069)**	**-**	**325,955**	**339,955**

Shareholdings of key management personnel

30 June 2018	Balance 1 July 2017	Net change	Balance 30 June 2018
Directors			
Murray Bleach	1,881,645	-	1,881,645
Paul Meehan	4,798,993	-	4,798,993
Nitin Singhi	3,000	-	3,000
John Mackay AM	32,660	25,810	58,470
Executives			
Ivan Slavich	219,214	110,000	329,214
Michael Fahey	-	14,000	14,000
Total	**6,935,512**	**149,810**	**7,085,322**

Shareholdings of key management personnel

30 June 2017	Balance 1 July 2016	Net change	Balance 30 June 2017
Directors			
Murray Bleach	273,155	1,608,490	1,881,645
Dr. Ronald Watts	1,730,371	2,018	1,732,389
Paul Meehan	4,798,993	-	4,798,993
Nitin Singhi	3,000	-	3,000
John Mackay AM	-	32,660	32,660
Executives			
Ivan Slavich	-	219,214	219,214
Michael Fahey	-	-	-
Total	**6,805,519**	**1,862,382**	**8,667,901**

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	
	2018 $	**2017 $**
Key Management Personnel		
Derwent Executive[1] – recruitment services rendered	22,000	84,150

[1]*Related party as Murray Bleach serves on the Advisory Board of Derwent Executive*

4.4. Company Performance

The Group results for the financial year ended 30 June 2018 was a Statutory Profit after tax of $2.6 million compared to a profit of $1.8 million in the prior year.

	FY18	FY17	FY16	FY15	FY14
Revenue & other income ($000's)	31,174	32,957	33,978	32,049	25,655
Net profit / (loss) after tax ($000's)	2,588	1,773	(449)	(2,148)	3,512
Operating profit after tax ($000's)	2,588	2,521	3,520	2,395	4,504
Earnings per share – Operating	9.97 cents	9.71 cents	13.56 cents	9.22 cents	17.29 cents
Market capitalisation	$18.2m	$19.5m	$30.6m	$23.9m	$81.3m
Closing share price	$0.70	$0.75	$1.18	$0.92	$3.15

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

Mr Murray Bleach
Director

Dated: 16 August 2018

Corporate Governance Statement

Energy Action Limited ("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:

- reports against the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) and the practices detailed in this Statement are current as at 16 August 2018; and
- has been approved by the Board and is available of Energy Action's website at http://www.energyaction.com.au/about/corporate-governance

The table at the end of this statement provides cross references between the disclosures and statements in this Corporate Governance statement and the relevant ASX Principles.

1. THE BOARD

The Board operates in accordance with the general principles set out in its Charter which can be viewed in the Corporate Governance section of the Company's website.

1.1. Role of the Board

The role of the Board is to create sustainable shareholder wealth in a manner consistent with the Company's constitution and principles of good corporate governance. The Board achieves this by representing the interests of shareholders in setting and overseeing the company's values, direction, strategies, financial objectives and performance within a framework of prudent and effective controls for the assessment and management of risk. 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:

Strategic Direction

- Oversight of the strategic direction for Energy Action and endorsing Energy Action's strategy developed by the Chief Executive Officer (CEO);
- Decision making in relation to matters of a sensitive or extraordinary nature;
- Providing advice and counsel to management on a periodic and ad hoc basis; and,
- Ensuring management implement the policies and decisions of the Board.

Governance
- Undertaking all reasonable measures to ensure best practice corporate governance;
- Monitoring the performance of the CEO and approving senior management remuneration policies and practices; and,
- Reporting to shareholders.

Compliance
- Undertaking all reasonable measures to ensure that appropriate compliance frameworks and controls are in place and are operating effectively; and,
- Approving and monitoring the effectiveness of and compliance with policies governing the operations of Energy Action.

Risk Management
- Monitoring the integrity of internal control and reporting systems; and,
- Monitoring strategic risk management systems, including the review of processes for identifying areas of significant business risk, monitoring risk management policies and procedures, monitoring insurance coverage and oversight of internal controls and review of major assumptions used in the calculation of significant risk exposure.

Operating Performance
- Approving decisions concerning the capital of Energy Action, including capital restructures;
- Reviewing and approving the annual operating budget, the annual and half-yearly statutory financial statements and monitoring the financial results on an on-going basis; and,
- Determining dividend policy and approving dividends.

Operational Development
- The appointment of the CEO and the approval of the succession plan; and,
- Endorsing the appointment of the CEO's direct reports.

The Energy Action Constitution
The Energy Action Constitution is Energy Action's key governance document. The Board ensures that it and Energy Action complies with the provisions of the Constitution.

Compliance with Laws
Energy Action recognises that it must comply with the Corporations Act, as well as all other applicable laws. The ASX Listing Rules are also applicable. Examples of applicable areas of regulation include:
- AFSL Compliance;
- Occupational health and safety legislation;
- Employment related laws;
- Environmental protection legislation;
- Anti-discrimination legislation;
- Taxation legislation; and,
- Competition and Consumer Act 2010.

As a company which is planning to operate in other jurisdictions, Energy Action recognises that it must ensure that it is aware of and complies with all applicable laws in those jurisdictions.

At least once each year, the Directors will review this Charter and approve any required amendments including those required to comply with the ASX Principles.

1.2. Composition of the Board

It is intended that the Board should comprise a majority of non-executive Directors with a broad range of skills, expertise and experience, consistent with the Energy Action Diversity & Inclusion Policy.

The appointment and removal of Directors is governed by Energy Action's Constitution. Under Energy Action's Constitution the Board must comprise of a minimum of three (3) Directors. The Board is responsible for selecting and approving its own candidates to fill any casual vacancies that may arise on the Board with the assistance of the Nomination Committee. Directors who have been appointed to fill casual vacancies must offer themselves for re-election at the next annual general meeting of Energy Action. In addition, at each annual general meeting, at least one Director must be a candidate for re-election and no Director shall serve more than three years without being a candidate for re-election.

There have been no changes to the Board in the past financial year.

The Board is a five member Board comprising 5 non-executive Directors of which 2 are independent (Nitin Singhi and John Mackay). This is in line with the Board seeking to sustain and improve shareholder value by adding independent Directors progressively.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

1.3. Independence

The independence of Directors is determined by objective criteria acknowledged as being desirable to protect investor interests and optimise the financial performance and returns to investors. The Board regularly assesses the 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.

The Board requires each Director to disclose any new information, matter or relationship which could, or could reasonably be perceived to, impair the Director's independence, as soon as these come to light. All material personal interests are verified at each Board meeting under a standing agenda item.

Mr Nitin Singhi and Mr John Mackay AM are considered to be independent directors under the guidelines in ASX Principle 2. Mr Paul Meehan is not regarded as independent under the guidelines in ASX Principle 2 nor the criteria adopted by the Company, as he is a substantial shareholder and has been a director of the company since inception in 2003. Mr Murray Bleach is not regarded as independent under the guidelines in ASX Principle 2 and the criteria adopted by the Company, as he is a substantial shareholder. Mr Mark de Kock is not regarded as independent under the guidelines in ASX Principle 2 and the criteria adopted by the Company, as he is a Nominee Director whose appointment was recommended by one of Energy Action's major shareholders, Microequities Asset Management. Prior to his appointment, the Board considered Mr de Kock's experience and believe he can contribute to the company's strategy and growth.

Accordingly the Company does not meet Recommendations 2.4 the ASX Principles, insofar as the majority of the Board are not independent directors. Despite this, the Board considers that its composition is appropriate for the size and scale of the Company and its activities, and that the Company benefits from the skills, knowledge and experience of Mr Bleach, Mr Meehan, and Mr de Kock individually and collectively. Mr Bleach and Mr Meehan also consider that they bring quality independent judgement to bear on all relevant issues falling within the scope of non-executive directors, notwithstanding their substantial interests in shares of the Company. Mr de Kock is subject to the same duty of care and diligence as other non-executive directors to discharge his duties in good faith in the proper interests of the company as a whole and for a proper purpose. Mr de Kock is required not to place himself in a position where a potential conflict of interest could occur. All directors are required to excuse themselves from any discussions in which a potential conflict of interest is perceived. The Chairman and Independent Chairman of the Audit and Risk Management Committee will resolve and make the final decision on any conflict of interest matter.

The Company does not meet Recommendation 2.5 of the ASX Principles as the Chair is not an independent Director. Despite this, the Board considers that there is an appropriate culture of openness and constructive challenge that allows for a diversity of views to be considered by the Board. The Board considers Nitin Singhi to be the senior independent Director who fulfils the role of chair whenever the chair is conflicted.

The Board also has procedures in place to ensure it operates independently of management. Non-executive Directors meet together periodically in the absence of executives of the company to discuss the operation of the Board and a range of other matters.

The Board believes the separation of the roles of Chairman and Chief Executive Officer and the composition of the Board comprising 2 independent and 3 non-independent Directors is appropriate.

Directors' shareholdings are set out in the Remuneration Report.

1.4. Term of office and re-election of Directors

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

The Board has established a Nomination Committee which as at 30 June 2018 consisted of an independent Chairman, Nitin Singhi, Murray Bleach and Paul Meehan.

A copy of the Nomination Committee Charter which sets out the roles and responsibilities of the Committee is available on the company's website.

In making recommendations to the Board regarding the appointment of Directors, the Nomination Committee assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board. When a vacancy exists, the Nomination Committee determines the selection criteria based on the skills deemed necessary. The Committee identifies potential candidates, and if appropriate, will utilise an external consultant to assist in identifying potential candidates. The Board then appoints the most suitable candidate.

The company will undertake appropriate background checks and screening checks prior to nominating a Director for election by shareholders and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes to accompany the notice of meeting.

New Directors will participate in an induction program to assist them to understand Energy Action's business and the particular issues it faces.

All Directors are elected by shareholders at the Annual General Meeting following their appointment and thereafter subject to re-election at least once every three years.

1.5. Access to information and independent advice

The Board collectively has the right to seek independent professional advice as it sees fit. Each Director individually has the right to seek independent professional advice, subject to the approval of the Chairman. All Directors have direct access to the Company Secretary.

Directors also have complete access to the senior management team. In addition to regular reports by senior management to the Board meetings, Directors may seek briefings from senior management on specific matters and are entitled to request additional information at any time when they consider it appropriate.

2. BOARD COMMITTEES

The Board generally operates as a whole across the range of its responsibilities but, to increase its effectiveness, uses committees where closer attention to particular matters is required. The role of the Board Committees is to make recommendations to the Board on matters set out in each Committee's Charter. The Charters for each of the Audit & Risk Management, Remuneration and Nomination Committees are available on the corporate governance section of the Company's website.

The Audit & Risk Management Committee (ARMC) and the Remuneration & Nomination Committees composition as at 30 June 2018 are set out below. Details regarding the number of Board meetings and Committee meetings held during the year and the attendance of each member is set out in the Directors' Report.

2.1. Audit & Risk Management Committee

Members

The Audit & Risk Management Committee as at 30 June 2018 comprises Nitin Singhi (independent non-executive Chairman), Murray Bleach (non-executive Director), John Mackay (independent non-executive Director) and Paul Meehan (non-executive Director). Nitin Singhi is Chairman of the Committee. The Board aims to progressively appoint independent Directors onto the Committee.

Role

The ARMC's role is 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.

Responsibilities

The ARMC's responsibilities include:-

- 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.

A copy of the ARMC Charter and Risk Management and Audit Policy is available on the Company's website

Composition

The Committee is chaired by an independent non-executive Director and currently comprises five non-executive Directors, two of whom are independent Directors and financially literate. The Chairman of the Board is not permitted to chair the committee. Mr Nitin Singhi is Chairman of the committee. The Committee met on four (4) occasions during the year to 30 June 2018. Please refer to the Directors' Report for more information on members, including attendance at committee meetings.

Consultation	The CEO and Chief Financial Officer (CFO) are invited to attend all committee meetings. Other members of management may also attend by invitation. The committee has access to financial and legal advisers as it considers appropriate. The committee also meets separately with the external auditor to ensure the committee can be satisfied that the auditors have had the full cooperation of management in conducting the audit functions and to give the auditor the opportunity to raise any matters of concern. The external auditor must monitor its independence and report to the committee every six months that it has remained independent.
External Auditor	The external auditor is appointed by the Board and approved by shareholders in accordance with the requirements of the Corporations Act. The ARMC is responsible for reviewing the terms of appointment of the external auditor and for making recommendations to the Board regarding the appointment of the external auditor. It is the Company's policy to require that the external audit partner be rotated within 5 years from the date of appointment. Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the ARMC (or its chairman between meetings). All non-audit assignments are to be reported to the ARMC every six months. The Board and the ARMC are of the view that, at the present time, Ernst & Young is best placed to provide the Company's audit services. Ernst & Young is a top tier professional services firm. It has provided audit services to the Group since its listing and is familiar with its structure and assets. The external auditor is required to be independent from the Company and Energy Action. Ernst & Young meets this requirement. The external 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.

2.2. Remuneration Committee

Members	The Remuneration Committee, as at 30 June 2018 comprises five non-executive Directors being John Mackay (independent non-executive Chairman), Nitin Singhi (independent non-executive Director), Murray Bleach (non-executive Director), Paul Meehan (non-executive Director) and Mark de Kock (non-executive Director). John Mackay AM is Chairman of the committee. The Board aims to progressively appoint independent Directors onto the Committee.
Role	The role of the Committee is to oversee remuneration matters to ensure they 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.
Responsibilities	The responsibilities of the Committee in respect of remuneration include: • Ensure 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; • Assisting the Board in determining an appropriate remuneration framework for senior management and remuneration, recruitment, retention and termination policies;

- Making recommendations to the Board on the Chief Executive Officer's remuneration, (including short and long term incentive plans and performance targets); and,
- Liaising with external advisors on remuneration-related matters, if and when external remuneration advice is needed.

For further information in regards to the Company's remuneration framework, please refer to the Remuneration Report, including a detailed description of the structure of non-executive Directors' remuneration and senior executives' remuneration.

Composition	The Committee is chaired by an independent non-executive Director and currently comprises five non-executive Directors, two of whom are independent Directors and financially literate. The Chairman of the Board is not permitted to chair the committee. Mr John Mackay is Chairman of the Committee. The Committee met on two occasions during the year to 30 June 2018. Please refer to the Directors' Report for more information on members, including attendance at committee meetings
Consultation	The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.
Charter	The Remuneration Committee's charter which sets out further details on the role and duties of the committee is available in the corporate governance section of the Company's website.

2.3. Nomination Committee

Members	The Nomination Committee, as at 30 June 2018 comprised four non-executive Directors being Nitin Singhi (independent non-executive Chairman), Murray Bleach (non-executive director), John Mackay (independent non-executive Director) and Paul Meehan (non-executive director). Nitin Singhi is Chairman of the committee. The Board aims to progressively appoint independent Directors onto the committee.
Role	The role of the committee is to oversee matters and policies to ensure succession planning, recruitment, appointment and remuneration of non-executive Directors. The Committee met once during the financial year.
Responsibilities	The responsibilities of the committee in respect of Nomination include: • Review and recommend to the Board the size and composition of the Board; including review of Board succession plans and the succession of the Chairman and CEO; • Review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members; • Review Board membership and make recommendations to the Board regarding its membership; and,

	• Assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies.
Composition	The committee is chaired by an independent non-executive Director and currently comprises four non-executive directors, 2 of whom are independent directors. Please refer to the Directors' Report for more information on members, including attendance at committee meetings.
Consultation	The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.
Charter	The Nomination Committee's charter which sets out further details on the role and duties of the committee is available in the corporate governance section of the Group's website.

3. PERFORMANCE EVALUATION AND REMUNERATION

3.1. Performance Evaluation

The Nominations Committee is responsible for determining the process for evaluating Board Performance. Evaluations are normally undertaken annually and the process led by the Chairman. The evaluation was undertaken in November 2017.

The annual performance review involves all Directors completing a questionnaire including allowance for additional comments or raising any issues relating to the Board's or a committee's operation. The results of the review are reviewed by the Chairman and discussed with Board members as a whole at an appropriate Board meeting. The purpose of the review is to assess the strengths and weakness of the Board and Committees, and identify areas that might be improved. The findings of the performance review are considered by the Board and continue to be taken into account in identifying and nominating new candidates for appointment as Director, and in planning and conducting Board and committee matters. Directors are able to raise concerns regarding an individual Director's performance with the Chairman at any time during the year.

The performance of the Chief Executive Officer (CEO) is reviewed by the Board on a periodic basis. The Chairman co-ordinates the comments of all directors to provide a written assessment to the CEO. This is supported by half year verbal reviews by the Chairman.

The performance of the Company's senior executives is reviewed by the Chief Executive Officer as part of the annual remuneration review process and reported to the Remuneration Committee. The reviews usually take place in July/August of each year. Further details regarding the remuneration review process are set out in the Remuneration Report.

3.2. Director and Executive Remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced personnel. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process. The total remuneration paid to Directors and key management personnel for the year ended 30 June 2018 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 employee incentive schemes or bonus payments. The remuneration packages of senior executives comprise salary and short-term incentives (i.e. bonus).

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 July at the end of the financial year;
- All employees are 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.

4. RISK MANAGEMENT AND INTERNAL CONTROLS

4.1. Risk Management Framework

Energy Action has a formalised risk management framework. The identification and effective management of risk, including calculated risk taking is viewed as an essential part of the Company's approach to creating long term shareholder value. Compliance with risk management policies is monitored by the ARMC. The Risk Management and Audit Policy is included on the Groups website.

As part of its risk monitoring duties, the ARMC is required to:

- Oversee and approve risk management, internal compliance and control policies and procedures of the Company;
- 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.

4.2. Internal controls framework

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 periodical 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 ARMC, which in turn reports on this to the Board. During the year, management has reported to the ARMC 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 Company does not warrant an internal audit function as the Company's internal audit function is carried out by the Audit & Risk management Committee. This policy is subject to ongoing review.

The Board of Energy Action has received assurance from the CEO and CFO 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.

5. ENERGY ACTION GOVERNANCE POLICIES

5.1. Integrity, ethical standards and compliance

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

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

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

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

5.2. Dealing in Securities

The Company has in place a formal Security Trading Policy which regulates the manner in which Directors and staff involved in the management of the Company can deal in Company 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 Company 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 Company. A copy of the current Security Trading Policy is available on the Company's website.

5.3. Diversity & Inclusion

The Company has in place the Diversity & Inclusion Policy. The Policy 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 & Inclusion 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; and,
  - 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 8 employees representing 6.5 % of total staff (male & female employees).
- Energy Action has in its employment staff from 19 different cultural backgrounds.

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 2018. As at 30 June 2018, there were no women on the Board or Executive Committee, 40% of management positions were filled by women and 43% of employees are female. A copy of the Code of Conduct, Trading Policy and Diversity & Inclusion Policy is available on the Company's Website.

5.4. Health, safety and environment

The Company has continued its emphasis on health and safety in the workplace with the aim of ensuring that people achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. The Company has an occupational health and safety policy and a new management system in place. MANGO, a web based safety management tool for housing safety information, record keeping and incident reporting was introduced across the PAS division. The Company's safety performance is reported regularly to the Board to assist the Board in monitoring compliance with the Company's policy and the relevant regulatory requirements.

During FY2018 there were no reported environmental incidents and no Lost Time Injuries.

5.5. Continuous disclosure and communications with shareholders

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the ASX continuous disclosure regime. The Board has a Disclosure Policy, details of which are accessible in the Corporate Governance section on the Company's website. The policy includes procedures for dealing with potentially price-sensitive information which includes referral to the CEO, CFO 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.

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.
- Shareholders are able to provide their email address to Energy Action's share registry, Link Market Services Limited to enable all communications from the company to be received electronically. Contact details for Link Market Services Limited are on the company's website.
- 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 investor 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 road shows are held periodically throughout Australia. Where they contain new information, investor and road show 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.

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS

ASX Principle		Reference^	Compliance
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: a. the respective roles and responsibilities of its Board and management; and, b. those matters expressly reserved to the Board and those delegated to management.	1.1	Comply
1.2	A listed entity should: a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and, b. provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	1.4	Comply
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	1.4 and 2018 Remuneration Report	Comply
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	1.2	Comply
1.5	A listed entity should: a. have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b. disclose that policy or a summary of it; and, c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant Committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	5.3	Comply

ASX Principle		Reference^	Compliance
	2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act		
1.6	A listed entity should: a. have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	3.1	Comply
1.7	A listed entity should: a. have and disclose a process for periodically evaluating the performance of its senior executives; and, b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	3.2	Comply
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE			
2.1	The Board of a listed entity should: a. have a nomination committee which: 1. has at least three members, a majority of whom are independent Directors; and 2. is chaired by an independent Director, and disclose: 3. the charter of the committee 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings	2.3	Comply except for 2.1(a)(1) As at 30 June 2018, the Committee has four Directors, two of whom are independent Directors.
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership	1.2	Comply
2.3	A listed entity should disclose: a. the names of the Directors considered by the Board to be independent Directors; b. if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of	1.3 and 2018 Directors' report	Comply

ASX Principle		Reference^	Compliance
	the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and c. the length of service of each Director		
2.4	A majority of the Board of a listed entity should be independent Directors.	1.3	Do not comply As at 30 June 2018, do not comply as the Board has five Directors, two of whom are independent Directors.
2.5	The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	1.3	Partially comply As at 30 June 2018 the chair of the Board is not an independent Director.
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	1.4	Comply
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: a. have a code of conduct for its Directors, senior executives and employees; and b. disclose that code or a summary of it.	5.1	Comply
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The Board of a listed entity should: a. have an Audit Committee which: 1. has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and 2. is chaired by an independent Director, who is not the chair of the Board, and disclose: 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and	2.1	Comply except for 4.1(a)(1) As at 30 June 2018, the Committee comprised of two independent and three non-independent Directors.

ASX Principle		Reference^	Compliance
	5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.		
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.2	Comply
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	2.1	Comply
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and, b. disclose that policy or a summary of it.	5.5	Comply
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	5.5	Comply
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	5.5	Comply
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	5.5	Comply
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	5.5	Comply

ASX Principle		Reference^	Compliance
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The Board of a listed entity should: a. have a committee or committees to oversee risk, each of which: 1. has at least three members, a majority of whom are independent Directors; and 2. is chaired by an independent Director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;	2.1, 4.1, 4.2	Comply except for 7.1(a)(1) As at 30 June 2018, the Committee comprised of two independent and three non-independent Directors.
7.2	The Board or a committee of the Board should: a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b. disclose, in relation to each reporting period, whether such a review has taken place.	4.2	Comply
7.3	A listed entity should disclose: a. if it has an internal audit function, how the function is structured and what role it performs; or b. if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	4.2	Comply
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	4.1, 4.2	Comply
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The Board of a listed entity should: a. have a remuneration committee which: 1. has at least three members, a majority of whom are independent Directors; and 2. is chaired by an independent Director, and disclose: 3. the charter of the committee; 4. the members of the committee; and	2.2	Comply except for 8.1(a)(1) As at 30 June 2018, the Remuneration Committee comprised two independent and three non-independent Directors.

ASX Principle		Reference^	Compliance
	5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.	2.2	Comply
8.3	A listed entity which has an equity-based remuneration scheme should: a. have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b. disclose that policy or a summary of it.	5.2 and 2018 Remuneration Report	Comply

All references are to sections of this Corporate Governance Statement unless otherwise stated

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	Consolidated Group 2018 $	2017 $
Revenue	5&6	31,062,876	32,563,808
Other income	6	110,948	393,295
Total Revenue		**31,173,824**	**32,957,103**
Cost of goods and services sold		(4,466,526)	(5,931,570)
Employee benefits expense	6	(14,648,760)	(15,665,277)
Deferred consideration on acquisitions	4	-	(392,811)
Acquisition, transaction and restructuring related costs	6	-	(507,725)
Rental expense	6	(1,248,300)	(1,176,810)
Travel costs	6	(313,028)	(675,694)
Administration expenses	6	(4,793,607)	(3,875,894)
EBITDA*		**5,703,603**	**4,731,322**
Depreciation and amortisation expense	6	(1,535,080)	(1,510,210)
EBIT**		**4,168,523**	**3,221,112**
Financing costs	6	(530,032)	(539,378)
Profit before income tax		**3,638,491**	**2,681,734**
Income tax expense	7	(1,050,134)	(908,764)
Profit / (loss) for the period attributable to owners of the parent entity		**2,588,357**	**1,772,970**
Other comprehensive profit / (loss) net of income tax that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(2,373)	(3,307)
Total comprehensive profit / (loss) for the period attributable to owners of the parent entity		**2,586,984**	**1,769,666**
Gain / (loss) per share:		**Cents**	**Cents**
Basic gain/(loss) per share for the year attributable to ordinary equity holders of the parent	8	9.97	6.83
Diluted gain/(loss) per share for the year attributable to ordinary equity holders of the parent	8	9.71	6.76

**EBITDA = Earnings before Interest, Tax, Depreciation & Amortisation*
*** EBIT = Earnings before Interest & Tax*

Consolidated Statement of Financial Position

For the year ended 30 June 2018

	Note	Consolidated Group 2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	1,171,288	2,105,780
Trade and other receivables	11	3,838,586	5,992,413
Current tax asset	16	56,738	877
Other assets	14	2,374,044	2,221,521
TOTAL CURRENT ASSETS		**7,440,656**	**10,320,591**
NON-CURRENT ASSETS			
Trade and other receivables	11	91,358	91,358
Property, plant and equipment	12	529,890	744,273
Other assets	14	339,389	549,478
Other Intangible assets	13	3,959,113	3,312,004
Goodwill	13	9,944,796	9,944,796
Customer relationships	13	1,167,090	1,406,174
TOTAL NON-CURRENT ASSETS		**16,031,636**	**16,048,083**
TOTAL ASSETS		**23,472,292**	**26,368,674**
CURRENT LIABILITIES			
Trade and other payables	15	1,927,698	2,717,042
Short-term provisions	17	1,000,837	1,374,146
TOTAL CURRENT LIABILITIES		**2,928,535**	4,091,188
NON-CURRENT LIABILITIES			
Other long-term provisions	17	354,256	320,180
Loans and Borrowings	18	4,997,225	9,015,005
Deferred tax liability	16	327,632	372,339
TOTAL NON-CURRENT LIABILITIES		**5,679,113**	**9,707,524**
TOTAL LIABILITIES		**8,607,648**	**13,798,712**
NET ASSETS		**14,864,644**	**12,569,962**
EQUITY			
Issued capital	19b	6,537,906	6,537,906
Share based payments reserve		318,226	262,768
Retained earnings		8,055,889	5,830,890
Interest rate hedging reserve		(7,567)	(24,165)
Foreign currency translation reserve		(39,810)	(37,437)
TOTAL EQUITY		**14,864,644**	**12,569,962**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

		Ordinary Issued Share Capital	Share Based Payments Reserve	Retained Earnings	Foreign currency translation reserve	Interest Swap Reserve	Total
Consolidated Group	**Note**	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 30 June 2016		6,537,906	530,998	4,971,505	(34,130)	-	12,006,279
Profit/(Loss) attributable to owners of parent entity		-	-	1,772,970	-	-	1,772,970
Foreign currency translation reserve		-	-	-	(3,307)	-	(3,307)
Interest rate hedging reserve		-	-	-	-	(24,165)	(24,165)
Total comprehensive income		-	-	**1,772,970**	**(3,307)**	**(24,165)**	**1,745,498**
Share based payments	19	-	(268,230)	-	-	-	(268,230)
Dividends paid or provided for		-	-	(913,585)	-	-	(913,585)
Balance at 30 June 2017		**6,537,906**	**262,768**	**5,830,890**	**(37,437)**	**(24,165)**	**12,569,962**
Profit/(Loss) attributable to owners of parent entity		-	-	2,588,357	-		2,588,357
Foreign currency translation reserve		-	-	-	(2,373)	-	(2,373)
Interest rate hedging reserve		-	-	-	-	16,598	16,598
Total comprehensive income		-	-	**2,588,357**	**(2,373)**	**16,598**	**2,602,582**
Share based payments	19	-	55,458	-	-	-	55,458
Dividends paid or provided for	9	-	-	(363,358)	-		(363,358)
Balance at 30 June 2018		**6,537,906**	**318,226**	**8,055,889**	**(39,810)**	**(7,567)**	**14,864,644**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flow

For the year ended 30 June 2018

	Note	Consolidated Group 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		36,346,684	35,163,840
Payments to suppliers and employees (inclusive of GST)		(29,327,496)	(31,502,849)
Payments for deferred consideration	4	-	(3,142,000)
Restructuring costs		-	(339,958)
Interest received		8,539	8,557
Share based payments share purchase		(142,779)	(59,407)
Interest paid		(476,657)	(427,373)
Income tax paid		(1,150,702)	(1,116,918)
Net cash (used in) / provided by operating activities	21	**5,257,589**	**(1,416,108)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(161,384)	(335,927)
Software development costs	13	(1,567,339)	(1,385,646)
Net cash used in investing activities		**(1,728,723)**	**(1,721,573)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by parent entity		(363,358)	(913,585)
Bank loan drawn down/(repayment)	9	(4,100,000)	4,950,000
Net cash (used in) / provided by financing activities	18	(4,463,358)	4,036,415
Net (decrease)/increase in cash held		(934,492)	898,734
Cash (including restricted cash) at beginning of financial year	10	2,105,780	1,207,046
Cash (including restricted cash) at end of financial year	10	**1,171,288**	**2,105,780**

The accompanying notes form part of these financial statements

Notes to the Financial Statements for year ended 30 June 2018

NOTE 1: CORPORATE INFORMATION

The consolidated financial statements and notes represent those of Energy Action Limited and it's Controlled Entities (the "consolidated group" or "group" or ''EAX'') for the year ended 30 June 2018. The financial statements were authorised for issue in accordance with a resolution of the directors on 16 August 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: 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 policies

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 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

Note 2: Summary Of Significant Accounting Policies (Continued)

ii. Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2018 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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	January 1, 2018	June 30, 2019
AASB 9 Financial Instruments	January 1, 2018	June 30, 2019
AASB 15 Revenue from Contracts with Customers	January 1, 2018	June 30, 2019
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	January 1, 2018	June 30, 2019
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	January 1, 2018	June 30, 2019
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018	June 30, 2019
AASB 16 Leases	January 1, 2019	June 30, 2020
IFRIC 23 Uncertaininty over Income Tax Treatments (Australian-equivalent interpretation not yet issued)	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, primarily Auction revenue 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.

Note 2: Summary Of Significant Accounting Policies (Continued)

Management has completed an initial assessment by reviewing a sample of contracts/arrangements. Based on the work performed to date the finding indicates that AASB15 is likely to have a material impact on the revenue recognition of procurement revenue. Revenue generated from monitoring and consultancy services is unlikely to have a material impact on the financial statement for 30 June 2019.

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, deprecation 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.

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 2018. 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.

Note 2: Summary Of Significant Accounting Policies (Continued)

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.

b. Business combinations

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

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

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

any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.
All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

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

c. Goodwill

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

i. the consideration transferred;
ii. any non-controlling interest; and
iii. the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

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

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

Goodwill on acquisitions of subsidiaries is included in intangible assets.

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

d. Income Tax and other taxes

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

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

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

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.

Note 2: Summary Of Significant Accounting Policies (Continued)

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

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.
Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

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

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

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

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

Commitments and 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.

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	25% - 33.3%
Furniture and fittings	20%

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.

Note 2: Summary Of Significant Accounting Policies (Continued)

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. Estimated remediation costs at the conclusion of a lease are accrued 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.

h. Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an

Note 2: Summary Of Significant Accounting Policies (Continued)

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.

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 assets 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

Software, research and development costs

Research 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, which is between six and twelve years.

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 high quality corporate 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.

Onerous contracts
An onerous contract is considered to exist where the company has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring
A restructuring provision is recognised when Energy Action has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Future operating losses are not provided for.

l. Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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

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

Auction and Metrics and Embedded Network Annuity revenue is recognised progressively over the term of the contract (typically over 1-2 years for Auctions and 4 years for Metrics). A portion of the Auction commission is recognised upfront with the balance recognised over the contract term.

Other Procurement and Monitoring revenue, Project and Advisory Services (PAS) revenue is recognised in the accounting period in which services are rendered, in accordance with the percentage of completion of the project. Revenue from cancellation fees are recognised upon receipt.

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

n. Contract Acquisition Costs

The sales commission paid to sales employees is an incremental cost directly related to obtaining or acquiring energy supply, monitoring or PAS 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 commission or fee paid to EAX. This commission is capitalised and is being amortised over the term of the customer contract.

Upon adoption of AASB15, Revenue from Contracts with Customers, the Group will amend its accounting policy on contract acquisition costs. From 1 July 2018, the contract acquisition costs will be expensed up front at the inception of the energy contract.

o. 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).

Note 2: Summary Of Significant Accounting Policies (Continued)

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.

p. 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.

q. Share based payments

The Group provides benefits to employees in the form of equity settled share based payments, whereby employees render services in exchange for shares or rights over shares. The fair value of rights granted to eligible employees under the Energy Action Performance Rights & Options Plan (PROP) is recognised as an employee benefits expense, with a corresponding increase in the employee equity benefits reserve. The fair value is measured at grant date and recognised over the period in which the employee becomes entitled to the PROP grant. The fair value at grant date is determined by an independent valuer. Details of the fair value of share based payment plans are set out in Note 19.

At the end of each reporting period, the Group revises its estimate of the numbers of rights expected to vest. The amount recognised as an expense is only adjusted when the rights do no vest due to non-market related conditions.

r. Interest Rate Hedging

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments

are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
At the inception of the hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

To protect against adverse interest rate movement, the Group has entered into an interest rate swap transaction for up to a maximum of $5 million to fix at an effective interest rate of 3.38% (inclusive of margin) on the first $5 million for the balance of the Multi-Option Facility Agreement ending 1 October 2019.

At the end of each reporting period, the Group assesses the hedge effectiveness between hedged item and hedging instrument to determine whether the risk management objective for the hedging relationship has changed.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTE 3: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Impairment of goodwill and other intangible assets
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.

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 19.

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

Provision for impairment of receivables
Collectability of trade receivables is assessed on an ongoing basis. An allowance for doubtful debts is established when there is objective evidence the Energy Action will not be able to collect all amounts due. Management uses its judgement in determining the level of doubtful debt provisioning, considering historical analysis of bade debts trends and prevailing economic circumstances.

Business Combinations
Acquisitions of businesses are accounted for using the acquisition method. This method requires the application of fair values for both the consideration and the assets and liabilities acquired. The calculation of fair value is often based on estimates and judgements including future cash flows, revenue streams and value in use calculations.

Onerous Contracts
Energy Action's policy for onerous contracts is stated in Note 2(k). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances in relation to costs to meet contractual obligations.

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

Employee benefits
Employee benefits are predominantly annual leave and long service leave. In determining these provisions, management makes assumptions in regards to future wage increases, and the probability that employees may satisfy vesting requirements for long service leave

Work in progress
Energy Action performs services under contracts that last longer than one reporting period. For these contracts, revenue and costs are recognised on a percentage of completion basis. Percentage of completion by project is estimated by the project relevant project manager based on their assessment of completion versus milestones.

NOTE 4: BUSINESS COMBINATIONS

4.1. Information on prior year acquisition

Acquisition of Energy Advice

The last instalment of deferred consideration of $3.142m was made in FY17. The deferred expense recognised in the last 12 month period to 30 June 2018 was Nil (FY17 $392,811). All deferred payments have been fully expensed and no expense associated with this transaction has been recognised in FY18.

4.2. Total amounts of deferred consideration expense and acquisition expense

	Consolidated Group	
	2018 **$**	**2017** **$**
Deferred consideration		
Energy Advice	-	392,811
Total deferred consideration expense	-	392,811

NOTE 5: 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, liaison 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.

Note 5: Segment Information (Continued)

Revenue by customer

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

Year ended 30 June 2018	Procurement $	Monitoring $	Project Advisory Services $	Total $
Sales to external customers	9,279,290	15,145,890	6,637,696	31,062,876
	9,279,290	15,145,890	6,637,696	31,062,876

Year ended 30 June 2017	Procurement $	Monitoring $	Project Advisory Services $	Total $
Sales to external customers	8,079,593	16,695,501	7,788,714	32,563,808
	8,079,593	16,695,501	7,788,714	32,563,808

NOTE 6: REVENUE, OTHER INCOME AND EXPENSES

	Consolidated Group	
	2018 **$**	**2017** **$**
Revenue		
Sales revenue	31,062,876	32,563,808
Other income	110,948	393,295
Total Revenue	**31,173,824**	**32,957,103**

Note 6: Revenue, Other Income and Expenses (continued)

	Note	Consolidated Group 2018 $	Consolidated Group 2017 $
Employee benefits			
Salaries		11,332,295	12,357,351
Commissions		820,501	805,863
Superannuation		1,282,982	1,392,122
Share based payment expense		82,457	(203,230)
Other		1,130,525	1,313,171
Total Employment benefits		**14,648,760**	**15,665,277**
Administrative costs			
Accounting, audit and tax fees		198,235	203,993
Advertising		470,536	239,803
Legal and professional fees		92,804	132,353
Telephone and internet		204,219	500,862
Computer maintenance costs		1,763,038	945,571
Bad debt expense		100,768	141,074
Recruitment costs		112,989	238,246
Travel costs		313,028	675,694
Rental expense		1,248,300	1,176,810
Other expenses		1,851,018	1,473,992
Total Administrative costs		**6,354,935**	**5,728,398**
Depreciation and amortisation			
Depreciation		375,767	392,007
Amortisation - Software		920,230	879,120
Amortisation - Customer relationships		239,083	239,083
Total Depreciation & Amortisation		**1,535,080**	**1,510,210**
Significant Item Costs			
Deferred payments for acquisitions	4	-	392,811
Restructure costs		-	507,725
Total Significant Items		-	**900,536**
Financing costs / (income)			
Interest income		(8,539)	(8,557)
Interest expenses		452,070	452,652
Borrowing costs		86,501	95,283
Total Financing costs / (income)		**530,032**	**539,378**

NOTE 7: INCOME TAX EXPENSE

	Note	Consolidated Group 2018 $	2017 $
a. The components of tax expense comprise:			
Current tax		1,151,405	1,050,787
Current tax – under/(over) prior year		(56,564)	18,204
Deferred tax	16	(44,706)	(160,227)
		1,050,134	**908,764**
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax (benefit) / payable on profit / (loss) from ordinary activities before income tax at 30% (2017: 30%)		1,091,547	804,520
Add Tax effect of :			
Permanent Differences			
• Deferred consideration		-	117,845
• Share based payments/trust		(15,400)	(60,969)
• Other permanent differences		25,557	81,815
• Accounting R&D		-	90,165
• Prior year adjustments		(56,564)	18,204
Less Tax effect of :			
Deductible Expense			
• R&D Benefit		-	(120,220)
• Unbooked tax losses		4,994	(22,596)
Income tax attributable to entity		**1,050,134**	**908,764**
The applicable weighted average effective tax rates are as follows:		28.86%	33.89%

Energy Action Limited and its 100% owned subsidiaries formed a tax consolidated group with effect from 3 March 2009. Energy Action Limited is the head entity of the tax consolidated group.

NOTE 8: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic diluted earnings per share computations:

	2018 $	2017 $
Net profit / (loss) attributable to ordinary equity holders of the parent from continuing operations	2,588,357	1,772,970
Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings	2,588,357	1,772,970
Net profit / (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilutions	**2,588,357**	**1,772,970**
	2018 **No.**	**2017** **No.**
Weighted average number of ordinary shares for basic earnings per share	25,954,117	25,954,117
Effect of dilution:		
Share options and performance rights	707,714	268,188
Weighted average number of ordinary shares adjusted for the effect of dilution	**26,661,831**	**26,222,305**
Basic earnings / (loss) per share (Statutory)	9.97	6.83
Diluted Earnings / (loss) per share (Statutory)	9.71	6.76

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.

Under the accounting standards, losses are not diluted. The dilution calculation has been performed to enable users of these financial statements to determine the impact of the dilution on both Statutory and Operating Profit per share. Refer also to the Directors' Report for further information on the calculation of Operating Profit.

NOTE 9: DIVIDENDS

	Note	Consolidated Group 2018 $	2017 $
Dividends paid:			
Final 2016 franked dividend of 3.52 cents per share		-	913,585
Final 2017 franked dividend of 1.40 cents per share		363,358	-
		363,358	**913,585**
a. Proposed final 2018 franked dividend of 4.00 cents per share (Final 2017 franked dividend of 1.40 cents per share)	26	**1,038,165**	**363,358**
b. Balance of franking account at year end adjusted for franking credits arising from:			
• Opening balance		6,834,935	6,091,677
• Opening balance adjustment		-	57,752
• Payment of provision for income tax		1,150,702	1,077,041
• 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		(155,725)	(391,536)
		7,829,911	**6,834,935**
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:		(444,928)	(155,725)
		7,610,784	**6,679,210**

Tax rates
The tax rate at which paid dividends have been franked is 30% (2017: 30%). Dividends proposed will be franked at the rate of 30% (2017: 30%).

NOTE 10: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2018 $	2017 $
Cash at floating rates*	1,016,005	1,954,669
Restricted cash**	155,283	151,111
Total Cash	**1,171,288**	**2,105,780**

**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.*

***Refers to cash held in the Energy Action Employee Share Trust, an entity used to manage employee equity plans as well as cash bank guarantee held by the bank.*

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2018 $	**2017 $**
CURRENT		
Trade receivables	4,153,454	6,208,932
Provision for impairment	(314,868)	(216,519)
Total current trade receivables	**3,838,586**	**5,992,413**
NON-CURRENT		
Bonds and security deposits	91,358	91,358

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.

Note 11: Trade and Other Receivables (Continued)

	Net Amount	Past due and Impaired	Past due but not impaired (days overdue) < 30	31–60	61–90	91+	Within Initial Trade Terms
	$	$	$	$	$	$	$
2018							
Trade and term receivables	3,838,586	314,868	783,548	60,400	8,902	331,344	2,969,260
2017							
Trade and term receivables	5,992,413	216,519	1,196,571	508,372	289,443	430,957	3,783,589

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

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

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

NOTE 12: PROPERTY PLANT AND EQUIPMENT

	Note	Consolidated Group 2018 $	2017 $
Computer equipment:			
At cost		1,996,467	1,827,612
Accumulated depreciation		(1,779,165)	(1,626,109)
		217,302	**201,503**
Furniture and fittings:			
At cost		1,640,552	1,637,712
Accumulated depreciation		(1,327,964)	(1,094,942)
		312,588	**542,770**
Total Plant and Equipment		**529,890**	**744,273**

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Computer Equipment $	Furniture and Fittings $	Total $
Consolidated Group:			
Balance at 1 July 2016	**232,171**	**569,066**	**801,237**
Additions	115,644	222,160	337,804
Assets disposed	(2,761)	-	(2,761)
Depreciation expense	(143,551)	(248,456)	(392,007)
Balance at 30 June 2017	**201,503**	**542,770**	**744,273**
Additions	174,261	2,840	177,101
Assets disposed	(7,347)	(8,370)	(15,717)
Depreciation expense	(151,115)	(224,652)	(375,767)
Balance at 30 June 2018	**217,302**	**312,588**	**529,890**

NOTE 13: INTANGIBLE ASSETS

	Consolidated Group 2018 $	Consolidated Group 2017 $
Goodwill	**9,944,796**	**9,944,796**
Customer relationships	2,438,000	2,438,000
Accumulated amortisation	(1,270,910)	(1,031,826)
Net carrying value – customer relationships	**1,167,090**	**1,406,174**
Software development costs	9,219,150	7,654,189
Accumulated amortisation	(5,260,037)	(4,342,185)
Net carrying value – software development costs	**3,959,113**	**3,312,004**
Total intangibles	**15,070,999**	**14,662,974**

	Goodwill $	Customer relationships $	Software Development costs $	Total Intangibles $
Consolidated Group:				
Year ended 30 June 2016				
Balance at the beginning of year	9,944,796	1,645,257	2,805,478	14,395,531
Internal development	-	-	1,385,646	1,385,646
Amortisation charge	-	(239,083)	(879,120)	(1,118,203)
Closing value at 30 June 2017	**9,944,796**	**1,406,174**	**3,312,004**	**14,662,974**
Year ended 30 June 2017				
Balance at the beginning of year	9,944,796	1,406,174	3,312,004	14,662,974
Internal development	-	-	1,567,339	1,567,339
Disposal	-	-	(2,378)	(2,378)
Amortisation charge	-	(239,084)	(917,852)	(1,156,936)
Closing value at 30 June 2018	**9,944,796**	**1,167,090**	**3,959,113**	**15,070,999**

Note 13: Intangible Assets (continued)

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

Refer to Note 2 for capitalisation policy.

13 (a) Impairment testing of goodwill

For the year ended 30 June 2018, Goodwill acquired through business combinations with indefinite lives has been allocated to one Cash Generating Unit (CGU).

Energy Action has one reportable operating segment, being 'the provision of electricity procurement services, CMER services, and project advisory services in Australia'. Therefore goodwill will 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 Board approved budget for the year ended 30 June 2019 extrapolated for 4 years.

The discount rate applied to cash flow projections is a pre-tax rate of 19.6% (post tax 13.7%) and the cash flows beyond the approved budgets are extrapolated using 1% growth rate and terminal growth rate of nil.

NOTE 14: OTHER ASSESTS

	Consolidated Group	
	2018 $	**2017 $**
CURRENT		
Prepayments	937,364	1,047,072
Work in progress	865,241	593,814
Contract acquisition costs	571,439	580,635
	2,374,044	**2,221,521**
NON CURRENT		
Contract acquisition costs	339,389	549,478
	339,389	**549,478**

Contract acquisition costs represent sales commissions paid to sales employees. Sales commissions are calculated and paid on a quarterly basis to sales employees. These costs are recognised progressively in line with revenue from procurement and contract management services, typically over two to five years.

NOTE 15: TRADE AND OTHER PAYABLES

	Note	Consolidated Group 2018 $	2017 $
CURRENT			
Unsecured liabilities:			
Trade payables		559,164	291,926
Other payables and accrued expenses		1,368,534	2,425,116
		1,927,698	**2,717,042**

a. **Financial liabilities at amortised cost classified as trade and other payables**

	Note	2018 $	2017 $
Trade and other payables:			
• Total current		1,927,698	2,717,042
Financial liabilities as trade and other payables	23	**1,927,698**	**2,717,042**

Terms and conditions of the above financial liabilities:

- *Trade payables are non-interest bearing and are normally settled on 30 or 60 day terms*
- *Other payables are non-interest bearing and have an average term of six months*

NOTE 16: TAX

	Consolidated Group	
	2018 $	2017 $
CURRENT		
Income Tax Asset	56,738	877

	Opening Balance $	Charged to Income $	Charged directly to Equity $	Closing Balance $
Consolidated Group:				
Deferred Tax 2018				
Provisions	590,087	(64,725)	-	525,362
Accruals	214,869	(81,696)	-	133,173
Fixed assets	(257,607)	138,932	-	(118,675)
Customer relationships	(421,852)	71,725	-	(350,127)
Prepaid commissions	(341,232)	67,490	-	(273,742)
Work in progress	(176,498)	(83,056)	-	(259,554)
Share Based Payments	19,894	(3,962)	-	15,932
	(372,339)	**44,707**	-	**(327,632)**
Deferred Tax 2017				
Provisions	574,398	15,689	-	590,087
Accruals	270,218	(55,349)	-	214,869
Fixed assets	(322,755)	65,148	-	(257,607)
Customer relationships	(493,577)	71,725	-	(421,852)
Prepaid commissions	(351,444)	10,212	-	(341,232)
Work in progress	(229,565)	53,067	-	(176,498)
Share Based Payments	20,159	(265)	-	19,894
	(532,566)	**160,227**	-	**(372,339)**

NOTE 17: PROVISIONS AND OTHER LIABILITIES

Analysis of total provisions

	Consolidated Group 2018 $	Consolidated Group 2017 $
CURRENT		
Annual leave	758,605	923,448
Long service leave	242,232	450,698
	1,000,837	**1,374,146**
NON-CURRENT		
Long service leave	354,256	320,180
	354,256	**320,180**

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: LOANS AND BORROWINGS

	Consolidated Group 2018 $	Consolidated Group 2017 $
Multi-Option Facility Agreement	5,100,000	9,200,000
Less capitalised debt establishment fees	(102,775)	(184,995)
	4,997,225	**9,015,005**

During the year ending 30 June 2015, Energy Action entered into $12 million multi-option secured debt facility, expiring October 2019. The facility has a five year term and is available to fund future purchase price instalments of the Energy Advice acquisition and for general corporate purposes. Funds can be utilised 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 Interest Cover and Gearing ratios.

Debt establishment fees are capitalised and amortised over the life of the loan facility.

Utilization of the facility is summarised in the following table:

Financing facilities

	Consolidated Group 2018 $	Consolidated Group 2017 $
Loan facilities	12,000,000	12,000,000
Amounts utilised		
Borrowings	5,100,000	9,200,000
Bank guarantees	189,617	128,620
Total amounts utilised	**5,289,617**	**9,328,620**
Total amounts unutilised	**6,710,383**	**2,671,380**

NOTE 19: ISSUED CAPITAL AND RESERVES

	Consolidated Group	
	2018 $	2017 $
Fully paid ordinary shares	6,537,906	6,537,906
	6,537,906	**6,537,906**

	Consolidated Group	
	2018 No.	2017 No.
a. Ordinary Shares (number)		
At the beginning of the reporting period:	25,954,117	25,954,117
Movement in the year:	-	-
At the end of the reporting period	25,954,117	25,954,117

	Consolidated Group	
	2018 No.	2017 No.
b. Ordinary Shares ($)		
At the beginning of the reporting period:	6,537,906	6,537,906
Movement in the year:	-	-
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.

c. Share based payments reserve

Share-based payment transactions:

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

Note 19: Issued Capital and Reserves (Continued)

On 12 March 2018, 592,707 performance rights were granted to senior executives and certain other employees 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).

75% of Performance Rights
Earnings Per Share Target (EPS)
("Target 1 Entitlement")

Target 1	Available Performance Rights
Actual Operating EPS LESS THAN 94.9 % of Budget Operating EPS	Nil
Actual Operating EPS EQUALS 95% of Budget Operating EPS	50%
Actual Operating EPS EQUALS (OR GREATER THAN) Budget Operating EPS	Vesting will occur on a linear basis between 50% and up to a maximum of 100%

25% of Performance Rights
Total Shareholder Return (TSR)
("Target 2 Entitlement")

Target 2	Available Performance Rights
Company Total Compounded TSR LESS THAN Total Compounded TSR of the Index	0%
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%

Note 19: Issued Capital and Reserves (Continued)

Awards have been granted with a 3 year vesting period ending 30 June 2020. The details and fair values of performance rights granted during the year was as follows:

	EPS $	TSR $
3 Year	0.6693	0.3244

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 year ended 30 June 2018 was estimated on the date of grant using the following assumptions:

Dividends	FY18 1.40 cents, 10% pa growth thereafter
Expected volatility (%)	50
Risk-free interest rate (%)	1.98% (2 year), 2.08% (3 year)
Share price ($)	0.685

For the year ended 30 June 2018, the Group has recognised $82,457 of share-based payment expense in the statement of comprehensive income (30 June 2017: ($203,230)). Share based payments expense is net of reversals due to non-achievement of targets (EPS targets) and forfeitures in the case of terminated employees.

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.

f. Interest Rate Hedging Reserve

Exposure to interest rate risk arises on financial assets recognised at reporting date whereby a future change in interest rates will affect future

Note 19: Issued Capital and Reserves (Continued)

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 borrowings balances with floating interest rates. Interest rate risk is managed using a mix of terms on the bank borrowings and the interest rate swap hedging instrument.

To protect against adverse interest rate movement, the Group has entered into an interest rate swap transaction for up to a maximum of $5 million to fix at an effective interest rate of 3.38% on the first $5 million for the balance of the Multi-Option Facility Agreement ending 1 October 2019.

At the end of each reporting period, the Group assesses the hedge effectiveness between hedged item and hedging instrument to determine whether the risk management objective for the hedging relationship has changed as described in note 2.

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. Bank guarantees are excluded from this calculation. The gearing ratios for the year ended 30 June 2018 and 30 June 2017 are as follows:

		Consolidated Group	
	Note	2018 No.	2017 No.
Bank loans	18	4,997,225	9,015,005
Less cash and cash equivalents	10	(1,171,288)	(2,105,780)
Net debt / (cash)		3,825,937	6,909,225
Total Equity		14,864,644	12,569,962
Gearing percentage (%)		26%	55%

Gearing as measured by total net debt divided by total equity was 26% as at 30 June 2018 and 55% at 30 June 2017

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group 2018 No.	Consolidated Group 2017 No.
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		788,726	870,072
• between 12 months and 5 years		1,467,507	928,874
		2,256,233	**1,798,946**

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 five years.

b. Bank Guarantees

The Group acquired Energy Advice in prior period and the acquisition included deferred consideration arrangement. The final deferred consideration payment of $3,142,000 was made to the Energy Advice vendors on 18 August 2016. The bank guarantee related to this payment has subsequently been cancelled.

The Group has provided the following bank guarantees at 30 June 2018 for regional offices:

	Note	Consolidated Group 2018 No.	Consolidated Group 2017 No.
Parramatta office		97,297	97,297
Sydney office		126,210	126,210
Brisbane office		31,323	31,323
Melbourne office		19,250	19,250
		274,080	**274,080**

NOTE 21: CASH FLOW INFORMATION

a. Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated Group	
	2018 No.	**2017 No.**
Profit after income tax	2,588,357	1,772,970
• Depreciation and amortisation	1,535,080	1,510,210
• Share based payments expense	55,458	(203,230)
• Other non-cash items	-	57
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
• (increase)/decrease in trade and term receivables	2,153,828	(1,028,492)
• (increase)/decrease in prepayments and other assets	139,786	(434,196)
• increase/(decrease) in trade payables and accruals	(780,117)	(2,897,659)
• increase/(decrease) in deferred taxes	(100,567)	(160,227)
• increase/(decrease) in provisions	(334,236)	24,459
Cash flow from operations	**5,257,589**	**(1,416,108)**

b. Reconciliation of liabilities arising from financing activities

	2017 $	**Cashflow $**	**Acquisition $**	**Foreign exchange movement $**	**Fair value changes $**	**2018 $**
Long term borrowings	9,200,000	(4,100,000)	-	-	-	5,100,000
Total liability from financing activities	9,200,000	(4,100,000)	-	-	-	5,100,000

NOTE 22: 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 (%)*	
Subsidiaries of Energy Action Limited:		2018	2017
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%	100%
Exergy Australia Pty Limited	Australia	100%	100%
Exergy New Zealand Limited	New Zealand	100%	100%
Energy Advice Pty Ltd	Australia	100%	100%

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

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

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

For details of disclosures relating to key management personnel, refer to the Remuneration Report contained in the Director's Report.

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.

The Group procures recruitment services on an arms-length basis from Derwent Executive. Murray Bleach is a member of the Advisory Board of Derwent Executive. $22,000 was paid in FY18 (FY17 $84,150)

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 2018.

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

Note 22: Related Party Disclosures (Continued)

	Consolidated Group	
	2018 No.	**2017 No.**
Short-term employee benefits	1,008,561	892,118
Long-term employee benefits	-	165,000
Share based payments	5,709	18,281
Post-employment benefits – superannuation	67,425	61,047
Total Compensation	**1,081,695**	**1,136,446**

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 23: FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has 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 2018 No.	Consolidated Group 2017 No.
Financial assets			
Cash and cash equivalents, including restricted cash	10	1,171,288	2,105,780
Receivables	11	3,838,586	5,992,413
Bond and security deposits	11	91,358	91,358
Tax Receivable	16	56,738	877
Total financial assets		**5,157,970**	**8,190,428**
Financial liabilities			
Loans and Borrowings	18	4,997,225	9,015,005
Trade & Other payables	15	1,927,698	2,717,042
Total financial liabilities		**6,924,923**	**11,732,047**

Financial Risk Management Policies

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

The ARMC'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.

Note 23: Financial Risk Management (Continued)

a. Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 to 90 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. The institutions selected are determined by the Board.

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

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

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

b. Liquidity risk

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

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

Note 23: Financial Risk Management (Continued)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Financial liabilities due for payment								
Bank loans	-	-	4,997,225	9,015,005	-	-	4,997,225	9,015,005
Trade and other payables (excluding est. annual leave)	1,927,698	2,717,042	-	-	-	-	1,927,698	2,717,042
Total expected outflows	**1,927,698**	**2,717,042**	**4,997,225**	**9,015,005**	-	-	**6,924,923**	**11,732,047**
Financial assets — cash flows realisable								
Cash and cash equivalents	1,016,005	1,954,669	-	-	-	-	1,016,005	2,100,187
Restricted cash	155,283	151,111	-	-	-	-	155,283	5,593
Trade, term and loans receivables	3,838,586	5,992,413	-	-	-	-	3,838,586	5,992,413
Bonds and security deposits	-	-	91,358	91,358	-	-	91,358	91,358
Tax asset	56,738	877	-	-	-	-	56,738	877
Total anticipated inflows	**5,066,612**	**8,099,070**	**91,358**	**91,358**	-	-	**5,157,970**	**8,190,428**
Net (outflow)/inflow on financial instruments	**3,138,914**	**5,382,028**	**(4,905,867)**	**(8,923,647)**	-	-	**(1,766,953)**	**(3,541,619)**

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 variety of borrowing terms from 30 days to 180 days and hedging $5 million of loan amounts via an interest rate swap. Cash and cash equivalents are all on short term deposits. As at 30 June 2018, the Group had bank loans of $5.1 million comprising of $0.1 million on 30 day terms at 3.24% and $5.0 million on 3.38% fixed interest for 1.25 years (Multi-option Facility Agreement ending on 1 October 2019). At the end of each reporting period, the Group assesses the hedge effectiveness between hedged item and hedging instrument to determine whether the risk management objective for the hedging relationship has changed. The interest rate hedge effectiveness was assessed as at 30 June 2018, $8k was recognised in interest rate reserve in the balance sheet (30 June 2017: $24k). As at 30 June 2017, the Group had bank loans of $9.2 million comprising of $6.2 million on 30 day terms at 2.87% and $3.0 million on 3.38% fixed interest for 2.25 years.

Note 23: Financial Risk Management (Continued)

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 borrowings balances with floating interest rates.

Interest rate risk is managed using a mix of terms on the bank borrowings and the interest rate swap referred to in Note 23(c) above. The company has insignificant other balances that have interest payment terms.

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 2018	+/- 100	+/- 73,390
Year ended 30 June 2017	+/- 100	+/- 68,540
Year ended 30 June 2016	+/- 100	+/- 73,310

The assumed movement in basis points for the interest rate sensitivity analysis is based on currently observable market environment, showing a significantly lower volatility than in prior years.

Note 23: Financial Risk Management (Continued)

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

	FY18			FY17		
Fair Values	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial Liabilities						
Bank loans	-	4,997,225	-	-	9,015,005	-

NOTE 24: AUDITORS' REMUNERATION

The auditor for Energy Action Limited is Ernst & Young

	Consolidated Group	
	2018 $	2017 $
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	149,900	146,965
• Other services in relation to the entity and any other entity in the consolidated group	13,500	-
• Tax services (Fringe benefit tax)	-	6,075
	163,400	153,040

NOTE 25: 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	Parent 2018 $	Parent 2017 $
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Current assets		11,161,174	8,839,702
Non-current assets		14,560,537	14,799,620
Total assets		**25,721,711**	**23,639,322**
Current liabilities		(7,820,914)	(4,836,178)
Non-current liabilities		(8,017,128)	(12,877,274)
Total liabilities		**(15,838,042)**	**(17,713,452)**
Issued capital		(8,005,600)	(8,161,626)
Retained earnings		(1,878,069)	2,235,756
Total Equity		**9,883,669**	**5,925,870**
Profit of the parent entity		(6,723,394)	(5,414,625)
Total comprehensive income of the parent entity		(6,723,394)	(5,414,625)

NOTE 26: EVENTS AFTER THE REPORTING PERIOD

A fully franked dividend in respect of the 12 month period to 30 June 2018 of 4.00 cents per share was declared on 16 August 2018, payable on 27th September 2018.

Energy Action issued an ASX release on 6th August 2018 to advise that the Group would commence a strategic review. The Board of Directors has decided to conduct a review of the various strategic options available to the Company to maximise value for its shareholders. The Board has appointed PwC to assist it with this review which will encompass assessing the potential sale, joint venture or merger of the Company with or to another organisation.

While the review is underway, Energy Action remains firmly committed to growing its pipeline of contract opportunities and targeting bottom line growth through adapting its products and services to meet the needs of its clients in a changing energy market.

The Company will keep shareholders fully informed in accordance with its continuous disclosure obligations.

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

Director’s Declaration

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

1. In the opinion of the Directors:

    a. The financial statements and notes of Energy Action Limited for the financial year ended 30 June 2018 are in accordance with the Corporations Act 2001, including:

        i. giving a true and fair view of its financial position as at 30 June 2018 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 2018.

On behalf of the board

Mr Murray Bleach
Director

Dated: 16 August 2018

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Independent Auditor's Report to the Members of Energy Action Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Energy Action Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of intangible assets

Why significant	How our audit addressed the key audit matter
As required by Australian Accounting Standards, the Group performs an annual impairment assessment of its goodwill balances. Other intangible assets comprise customer relationships and capitalised system development costs which were assessed by the Group for indicators of impairment. If indicators of impairment exist during the year, an impairment test for these assets is also performed. The carrying value of intangible assets was considered to be a key audit matter due to the magnitude of the balance in the consolidated statement of financial position and the significant judgments and assumptions involved in the assessment of indicators of impairment and impairment tests. Refer to Note 13 of the financial report for the related disclosures.	Our audit procedures included the following: • Assessed the Group's determination of the appropriate Cash Generating Units (CGU). • Evaluated the Group's assessment for indicators of impairment for the other intangible assets • For the impairment test performed, we assessed the appropriateness of the board approved cash flow forecast and assumptions therein, including performing a sensitivity analysis of key assumptions and evaluated whether a reasonably possible change in assumptions could result in an impairment of the carrying value of the assets. • Considered the historical accuracy of the Group's cash flow forecasts against based on actual cash performance in recent years. • We tested the mathematical integrity of the impairment model. • Considered the adequacy of the financial report disclosures contained in Note 13 of the financial report.

Recognition of revenue

Why significant	How our audit addressed the key audit matter
The Group generates revenue from projects that may cross multiple financial periods. Australian Accounting Standards require the Group to estimate the amount of revenue to be recognised in the current financial period. This assessment is dependent upon the project costs incurred at the end of the reporting period relative to the estimated total project costs. There is significant judgment exercised by the Group in determining the valuation of work in progress to be recorded. Refer to Note 2(m) within the financial report for a summary of the Group's policy. The contracting terms used can vary significantly between contracts and involve judgment in the recognition of revenue and valuation of work in progress. As a result, this was a key audit matter.	Our procedures included the following: • Assessed whether the Group recognised revenue in accordance with Australian Accounting Standards • Selected a sample of contracts to determine whether revenue was recognised in accordance with the contract terms and the Group's revenue recognition policies. • Assessed the appropriateness of the estimated project costs for significant projects through discussions with project managers and obtained project questionnaires which includes project status update and costs to complete analysis for a sample of contracts to assess the cost inputs used to estimate the percentage of completion. • Tested the mathematical accuracy of revenue and contract profit recognised based on the percentage of completion for all contracts. • Considered the disclosures contained within Note 6 of the financial report.

Information Other than the Financial Statements and Auditor’s Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Energy Action Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
16 August 2018

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 Paul Meehan – Non Executive Director Mark de Kock – Non-Executive Director
COMPANY SECRETARY	Anna Sandham
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

Share and Shareholder Information

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

1. Substantial shareholders

The number of securities held by substantial shareholders and their associates as lodged with the ASX are set out below:

Name	Number of Shares	Current Interest	Latest Notice Date
Mr Murray Bleach & related entities	1,717,329	6.62%	05/09/2016
Microequities Asset Management Pty Ltd	5,185,244	19.98%	23/08/2016
Mr Paul Meehan & related entities	4,727,091	18.21%	18/11/2013
Mr Stephen Twadell & related entities	1,946,209	7.50%	13/11/2012
Dr Ron Watts & related entities	2,245,280	8.65%	13/11/2012

2. Number of security holders and securities on issue

EAX has 25,954,117 fully paid ordinary shares on issue which are held by 547 shareholders.

3. Voting rights

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

4. Distribution of security holders

The following table summarises the distribution of quoted securities as at 24 September 2018:

Category / Range	Number of shareholders	%
1 – 1,000	128	23.40
1,001 – 5,000	224	40.95
5,001 to 10,000	72	13.16
10,001 to 100,000	92	16.82
100,001 and over	31	5.67

5. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 75. 602 fully paid ordinary shares comprises a marketable parcel at EAX's closing share price of $0.83 on 24 September 2018.

6. Twenty largest shareholders of quoted equity securities as at 24 September 2018

Details of the 20 largest shareholders of quoted securities by registered shareholding are:

Rank	Name	No. of Shares	% IC
1	MEEHANTEAM PTY LTD	2,900,698	11.18
2	MICROEQUITIES ASSET MANAGEMENT PTY LTD	2,760,361	10.64
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,500,347	9.63
4	HOLYOAKE INVESTMENTS PTY LTD	1,774,127	6.84
5	TOVEELEN PTY LTD	1,696,209	6.54
6	MR MURRAY EDWARD BLEACH & MRS NORMA LEIGH EDWARDS	1,608,490	6.20
7	AMARINA SYSTEMS PTY LTD	1,197,063	4.61

Rank	Name	No. of Shares	% IC
8	ANACACIA PTY LIMITED	881,784	3.40
9	J & C ALLEN SUPERANNUATION FUND PTY LTD	875,833	3.37
10	MR EDWARD JAMES HANNA	611,387	2.36
11	JASPER SUPERANNUATION FUND PTY LTD	552,553	2.13
12	MR BARRY DENTON	505,305	1.95
13	ACRES HOLDINGS PTY LTD	410,000	1.58
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	374,380	1.44
15	MR IVAN ROMAN SLAVICH & MRS ANNA SLAVICH	329,214	1.27
16	AMARINA SYSTEMS PTY LIMITED	293,300	1.13
17	EQUITAS NOMINEES PTY LIMITED	290,582	1.12
18	LONGRO PTY LTD	264,750	1.02
19	DR GEOFFREY PHILLIP BENT & MRS GABRIELLE MARY BENT	246,299	0.95
20	FSG (HOLDING) PTY LTD	217,956	0.84
	Total	**20,290,638**	**78.18**
	Balance of register	**5,663,479**	**21.82**
	Grand total	**25,954,117**	**100.00**

7. On market buy-back

There is no current on market buy-back.

8. Securities exchange listing

Energy Action Limited’s shares are traded on the Australian Securities Exchange under the ticker code “EAX”.