2019

ANNUAL REPORT

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Corporate information

ACN: 137 363 636

Directors
Murray Bleach - Non-Executive Chairman
Nitin Singhi – Independent Non-Executive Director
John Mackay AM – Independent Non-Executive Director (resigned 30 June 2019)
Paul Meehan – Non Executive Director
Mark de Kock – Independent 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

Financial Report for the Year Ended 30 June 2019

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Directors' Report

Your Directors present their report, together with the financial statements for Energy Action Limited (the "Company") and its consolidated entities (the "Group"), for the financial year ended 30 June 2019.

Directors

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

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 and Nomination & 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 - Partner in Alfred Street Investment Partners, 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 and Nomination & 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 & 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 (Independent 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 of Microequities from 2015 – February 2019. Non-executive Director from February 2019 to June 2019. Independent Non-executive Director since 1 July 2019.

Special Responsibilities – Member of each of the Audit & Risk Management and Nomination & 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, Frontier Data Centre Ltd.

John Mackay (Independent Non-Executive Director, resigned 30 June 2019)

Qualifications – Bachelor of Arts Administration / Economics from University of Canberra, Honourary Doctorate from University of Canberra.
Experience – Board Member from July 2017 until June 2019
Special Responsibilities – Prior to his resignation, a 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).

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	2,700,700	-
Paul Meehan	4,792,846	-
Nitin Singhi	3,000	-
Mark de Kock	50,000	-

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 recommended:	Cents per share	$
Ordinary shares		
Final 2019 dividend	NIL	NIL
Interim 2019 dividend	NIL	NIL
Final 2018 dividend paid 27 September 2018	4.00	1,038,165

Operating and Financial Review

The Board presents the 2019 *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 FY19 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"

We have the power to help business save on energy costs, reduce emissions and increase the value of their assets. Our power comes from:

- Our expertise - a national team with knowledge and capability to offer better ways of buying, using and generating energy
- Our independence - to fight for a better deal, ensure "apples" to "apples" comparison and that retailers and providers deliver what they promise
- Our systems and processes - that ensure automated and reliable delivery of valuable information, validated bills, tariff reviews and insights.

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

- Broking or Consulting using a range of procurement methodologies including auctions (via the Australian Energy Exchange), tenders (small and large market), progressive and structured purchasing, corporate power purchase agreements ;
- 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;
- Manage and identify opportunities to lower usage and emissions with business and building monitoring, audits and energy efficiency initiatives;
- Help clients generate and manage self-sufficiency with solar and batteries or corporate power purchase agreements;
- Help clients increase the value of their assets with embedded networks, microgrids, solar and building ratings improvements

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

2019 financial performance

The Group generated a statutory net profit/(loss) after tax (NPAT) of ($12.09) million for the year ended 30 June 2019, a decline compared to a statutory NPAT of $3.26 million for the year ended 30 June 2018.The FY19 results included significant items of $13.1 million (FY18:NIL), resulting in operating net profit after tax for the year ended 30 June 2019 of $1.01 million, compared to $3.26 million for the pcp, a decrease of 69%.

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

$	NPAT			EBITDA		
	30 June 2019	30 June 2018 (Restated)	Variance	30 June 2019	30 June 2018 (Restated)	Variance
Statutory balance after tax	(12,092,885)	3,260,674	-471%	(10,028,320)	6,664,056	-250%
Add back Significant Items after tax:						
Strategic Review	265,086	-	-100%	365,634	-	-100%
Restructuring costs*	657,229	-	-100%	906,523	-	-100%
Accelerated D&A**	1,252,357	-	-100%	-	-	0%
Other Significant item***	72,500	-	-100%	100,000	-	-100%
Impairment of Goodwill	9,944,796	-	-100%	9,944,796	-	-100%
Impairment of Software	906,250	-	-100%	1,250,000	-	-100%
Operating balance after tax	**1,005,334**	**3,260,674**	**-69%**	**2,538,633**	**6,664,056**	**-62%**

** Costs associated with restructuring and closure of rental premises*
***Accelerated Depreciation & Amortisation on specific items of Software and Customer Relationships*
****Cost for PAS onerous projects*

Key Financial Metrics

	FY19	FY18 (Restated)	Variance
Revenue	**$24.80m**	**$31.77m**	**-22%**
Operating EBITDA	**$2.54m**	**$6.66m**	**-62%**
Operating EBITDA margin	**10.2%**	**21%**	**-10.8 ppt**
Operating NPAT	**$1.01m**	**$3.26m**	**-69%**
Operating Cash flow[1]	**$3.9m**	**$6.9m**	**-43%**
Statutory NPAT	**-$12.09m**	**$3.26m**	**-471%**

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

Revenues

Revenues declined by 22% versus the previous period, with a decline in Procurement 35%, a decline in Contract Management and Environmental Reporting (CMER) 7% and decline in Projects and Advisory Services (PAS) of 36%, in line with the repositioning of the PAS division.

Revenue $	FY19	FY18 (Restated)	vs FY18 $	vs FY18 %
Procurement	6,419,299	9,872,786	(3,453,487)	-35%
CMER	14,165,024	15,256,838	(1,091,814)	-7%
PAS	4,216,777	6,637,696	(2,420,919)	-36%
Total Revenue	**24,801,100**	**31,767,320**	**(6,966,220)**	**-22%**

Revenue for the full year decreased from $31.77 million to $24.80 million mainly as a result of the following:

- Procurement revenues declined 35%, driven by a 34.9% decrease in the number of Auctions performed to 854 (down from 1,311 in the pcp) and a decrease in the average $/MWh of 12.7% to $77.53. In line with our contracting guidance, contract duration was 25.9 months largely in line with the pcp of 26.1 months. Tariffs and Tenders also saw a decline in volumes, and structured products declined 4%.
- Contract Management and Environmental Reporting (CMER) revenue declined by 7% with a decline of -793 in the sites under management in Metrics services, offset by the gain in Bureau Services from the retail billing services provided to CS Energy. Work is continuing to improve the customer value of the CMER service and arrest this decline including a refreshed portal, the introduction of Metrics for small sites, and improved service delivery. Embedded

Networks tenancies under management grew from 1,378 in June 2018 to 2,377 at the end of June 2019 as 999 new centres were added.

- PAS revenues decreased $2.4 million, 36% vs the pcp across the full range of services with operating performance impacted by high staff turnover and the repositioning of the PAS division being announced on 2 April 2019. All activity relating to head contracting on projects, project management, independent commissioning agent and engineering contracts (including upgrades), which were often underperforming areas of the PAS division will cease. The newly positioned Advisory division will focus on optimising energy efficiency for commercial buildings, as well as environmental reporting and NABERS rating services for property portfolio clients. The decline in revenues was somewhat offset by lower costs of goods sold, down $1.07 million, with reduced project delivery.

Operating expenditure

Operating overheads (net of significant items) totalled $19.8 million, compared to $22.2 million, a reduction of $2.4 million (12%), with the action to adopt a leaner management structure and reduce operating costs. The good cost control has partially offset the decline in revenue resulting a decline in EBITDA margin to 10.2%, down 10.8 percentage points. In particular:

- Employment costs were $1.6 million lower than pcp primarily as a result of :
  - A flattening of the management structure reducing leadership by 5 FTE and resulting in forecasted savings in excess of $1 million per annum from FY20, with some savings achieved in the second half of FY19.
  - The Company continues to expand its offshore resources replacing on-shore transactional roles as appropriate with 17 FTE in FY19.
  - The number of employees in the PAS business reduced by 27 FTE.
  - Investment in recruiting additional operational staff, often with relevant industry experience, to underpin service delivery improvements and ensure improved customer service outcomes.
- Closure of 4 rental premises, with consolidation of 3 office locations into Sydney and Melbourne and the Perth office relocating into a flexible serviced office. This will result in cost savings of approximately $0.2 million per annum.
- Reduction of Directors fees by 40% resulting in annualised savings of $0.126 million effective 1 February 2019.
- Ongoing strict cost control across all discretionary spend areas.
- A decline in operating D&A (net of significant items) of $0.6 million with accelerated depreciation and amortisation from the reassessment of customer relationships and specific software useful life to 30 June 2019. (FY18: $1.56 million)

Cashflows

Operating Cash flow was $3.9 million, down 43% on pcp, however continuing the strong underlying cash generation in the business. The Company has continued an ongoing focus on working capital management, achieving an operating cash flow conversion of 155% to operating EBITDA.

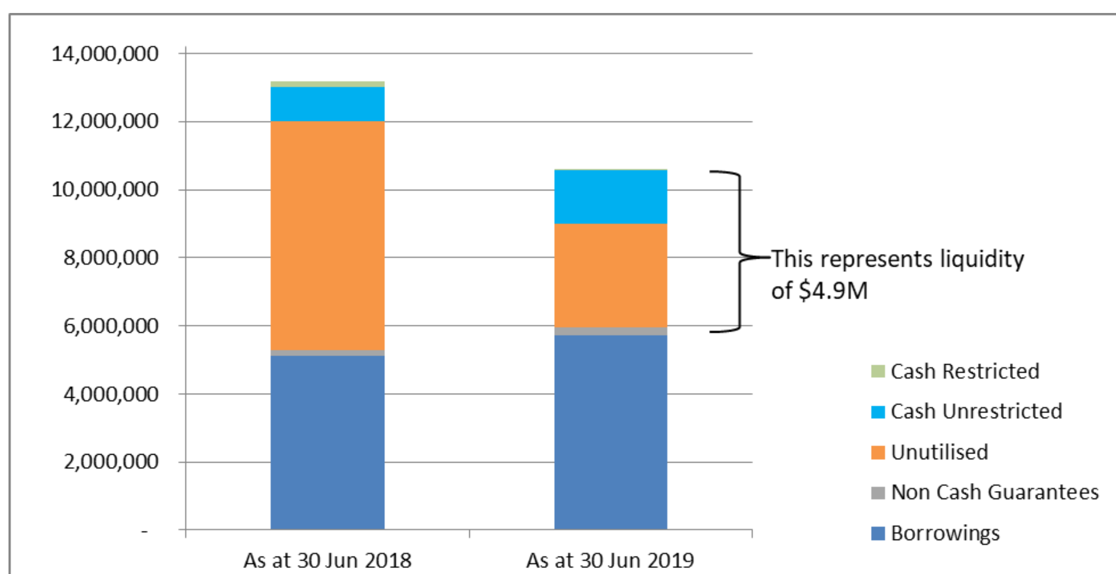
Reconciliation of Operating Cash Flow before interest, tax and significant items

	30 June 2019	30 June 2018 (Restated)
Statutory operating cash flow	**2,702,643**	**5,273,306**
Add back:		
Taxes paid	168,952	1,150,702
Interest paid / (received)	405,679	468,118
Cash flows related to significant items	666,088	-
Operating cash flow before interest, tax and significant items	**3,943,362**	**6,892,126**
Operating EBITDA	2,538,633	6,664,056
Operating cash flow as % of Operating EBITDA	**155%**	**103%**

The group incurred capital expenditure of $1.85 million during the year, of which $1.73 million was on IT projects, predominately completing the renewal of the enhancement of the Group's core Customer and Contract Management platforms.

The Company has signed a two year, $9.55 million market rate loan agreement, expiring September 2021 as an extension of the facility agreement with the bank, on substantially the same terms and conditions as its previous Facility agreement. Funds can be provided under the facility as loans, bank guarantees or as letters of credit with $9.3 million available to be utilised for liquidity purposes. The facility limit was reduced from $12 million to $9.3 million during FY19, reducing liquidity by $2.7 million. This will provide savings in borrowing costs of $48,000 per annum.

As at 30 June 2019, the Company had utilised $5.96 million of the facility comprising a loan of $5.72 million and bank guarantees principally in relation to rental properties and guarantee provided on project works of $0.24 million. The Group had $1.6 million of unrestricted cash at bank at 30 June 2019, and total undrawn facilities and cash of approximately $4.9 million. Net debt was maintained in FY19, $4,381,959 as at 30 June 19, an increase of $118,112 over pcp.



Other

A Nil dividend was declared on 27 February, 2019 and 28 August, 2019 with a priority of reducing net debt as well as investing in continuing to automate and streamline processes through digitisation and support the Company's commercial focus on scalable, platform-based services that add value to our clients.

The effective tax rate of 8.0% was primarily due to the addback of the goodwill impairment in addition to the change in the corporate tax rate from 30% to 27.5% as at 1 July 2018. This change resulted in a reduction of deferred tax liabilities of $0.169 million which has been included as a reduction in income tax expense.

The Group incurred significant items totaling $13,098,219. Of this amount $12,170,575 (93%) were non-cash items. These significant items net of tax effect were:

- Impairment of goodwill of $9,944,796 related to previous acquisitions. A formal assessment of the carrying value of Goodwill has been undertaken. This assessment resulted in an impairment of 100% of Goodwill.
- Impairment of software of $906,250. A formal assessment of the carrying value of Software has been undertaken. This assessment resulted in an impairment of $1.25 million of Software (before tax).
- Accelerated amortization of customer relationships intangibles of $846,140 related to previous acquisitions and Accelerated amortization of software of $406,217. The Company has assessed the useful life of Customer Relationships and Software Development costs. This has resulted in the acceleration of Customer Relationship amortisation and specific Software Development amortisation to finish at the 30 June 2019.
- Costs associated with an organisational restructure of $657,229 relates to the restructuring of the PAS division, the flatter management structure, and the closure of the rental premises in Sydney and Melbourne. Costs associated with the strategic review of $265,086.
- Costs associated with PAS onerous project of $72,500.

Forward revenue

The opening balance of forward revenue has been restated to $38.5 million at June 2018 as a result of the adoption of AASB 15 Revenue from Contracts with Customers. Auction revenue is now recognised in full at the time of the Contract, and accordingly there is no longer any additional revenue recognised over the term of the contract for this line of business. Forward revenue for the year ending 30 June 2019 has declined to $25.1 million with Procurement and CMER forward revenue declining with new contract sales lower than roll-off revenue. The Company continues to focus on improving acquisitions, retentions, customer service and enhancing the Contract Management & Environmental Reporting offering.

Operational Key Performance Indicators

	FY19	FY18	% change
Procurement			
No. of successful AEX auctions	854	1,311	-34.9%
Average AEX contract duration (months)	25.9	26.1	-0.2 mths
TWhs sold via Auction (annualised equivalent)	0.81	1.48	-45.3%
Average $/MWh	$77.53	$88.85	-12.7%
Total Auction bid value[1]	$136m	$285m	-52.3%
No. of electricity tender events	27	47	-42.6%
No. of gas tender events	32	52	-38.5%
Contract Management & Energy Reporting (CMER)	**30 June 2019**	**30 June 2018**	
Sites under current contract[2]			No.
Energy Metrics	4,699	5,492	-793
Bureau services	1,909	987	+922
Data only contracts (MP / MDA)	1,615	1,648	-33
Total Metrics sites under contract	8,223	8,127	+96
Average Metrics contract duration (months)	43.0	41.0	+2.0 mths
Embedded Network tenancies under management	2,377	1,378	+999
Total sites	10,600	9,505	+1,095
Total Company Future contracted revenue	$25.1m	$38.5m	-46%

[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.

Operational Performance

Following the completion of the Strategic Review and the appointment of John Huggart as CEO in January 2019, the company focused on five key priorities to stabilise the company and focus on delivering its strong market position in core energy procurement and monitoring services and streamline the delivery of its energy efficiency solutions. The success of these key priorities include:

	"Back to Basics"	Progress
Sales Growth	Working with the mid-market sales team to accelerate acquisitions and retention of customers. A substantive change in sales and service model for the team has commenced.	First two phases of project has been completed. Retention rates for customers from January to June have increased substantively due to improved sales and sales management. For the three months June to August the number of auctions exceed the prior year.
Capability	The delivery of retail billing project which has now been completed.	Complete and in BAU.
	The delivery of the replacement of Group's core Customer and Contract Management Platforms.	The project is in the final stages of completion, with a planned "hypercare" period to follow and ensure any remaining system or training gaps are rapidly addressed.
	The refresh of the Metrics platform for retention and growth in CMER.	Complete and in BAU.
Service	Improve customer interactions and delivery to achieve improved retention and net promoter outcomes.	Service delivery remains a continued focus to ensure customer expectations are met. Milestone reporting including Network Tariff Reviews and Budget estimates have now been on time for the past three months.
Profit	Continue to improve the operating margins of the PAS division, develop partnerships to assist with delivery of services to customers and strong performance and cost management.	Decision made to re-position PAS to Advisory Services, referral partners appointed for work previously undertaken by PAS. Benefits of a leaner and flatter leadership team with lower cost and continued cash and cost focus balanced with investment in ensuring support for recruiting skilled service delivery team and building capability.
Engagement	Building a high performance culture.	Significant improvement in engagement score to 65%.

Corporate Highlights

There have been a number of key operational highlights in the period that include:

Sales :

- In the second half of FY19 the mid-market sales team has worked to accelerate the acquisition and retention of customers. A substantive change in the sales and service model has been achieved including the establishment of a campaign sales team and key deliverables. The results of this activity is seeing early improvements expected to continue to rebuild into FY20.
- An increase in embedded network tenancies under management of 999 (72%);
- Completion of the Energy Strategy to guide the development of Stage 1 of Western Sydney Airport, a $5.3 billion Federal Government investment due to be operational in 2026. The strategy incorporated both demand and supply side measures to deliver an energy investment model for the Airport.

Capability :

- The successful implementation of a large scale energy retailer billing system and customer portal on behalf of CS Energy. The implementation is a multi-year contract, which involved the successful transfer and billing of several hundred sites in less than three months. It is a scalable application of an improved project deployment approach, market leading technology and energy data management processes to a growing market segment that was previously not accessible to Energy Action;
- Replacement the Group's core Customer and Contract Management platforms in the final stages of completion. This platform is expected to deliver key efficiencies and automation. The refresh of the Metrics platform for retention and growth in CMER. This included a portal refresh as well as adding the functionality to view SME sites on the portal.

Profit :

- The reposition of the PAS division to eliminate loss-making activity and support the Company's commercial focus on scalable, platform-based services that add value to our clients.
- Flattening of the management structure reducing leadership by 5 FTE and resulting in forecasted annual savings in excess of $1 million per annum from FY20, with savings flowing from the second half of FY19.
- Expansion of the Business Processing Offshore team to 17 Full Time Equivalent (FTE) replacing on-shore transactional roles as appropriate.
- Closure of 4 leased premises, with consolidation of 3 office locations into Sydney and Melbourne and the Perth office relocating into a flexible serviced office. This will result in forecasted cost savings of $0.2 million per annum
- Continued focus on Operating Cash Flow with the conversion of Operating EBITDA to Operating Cash Flow a healthy 155%.

Culture :

Establishment of Cultural Transformation Program to diagnose and enhance the organisational culture. Significant improvement has been achieved in engagement with a June 2019 survey demonstrating a strong improvement.

Business strategy and prospects for future financial years

The new strategic priorities are "Foundations for Growth" with the primary aim of leveraging the value and efficiencies from systems investment, exit from un-profitable activities and improved focus on core business with the plan to increase the future contracted revenue.

Priorities	"Foundations for Growth"
Sales Growth	Continuing with sales and customer management programs to lift retention rates and acquisition across all customer segments. Launch new products to key customer segments, including expansion of progressive purchasing clients and environmental reporting
Capability	Continue to develop the scalable platform to capture additional efficiencies and eliminate remaining legacy systems
	Continued improvements in Metrics platform for customers to meet existing and emerging customer demand and develop energy insights underpinned by data management and analysis
	Enhanced capability to assist small market customers
Service	Improve customer interactions and delivery to achieve improved retention and net promoter outcomes
Profit	Maintain disciplined performance management and cost control, lift the value of forward revenue, leverage the efficiencies of the newly built core systems and ensure Advisory business achieves commercial outcomes.
Engagement	Building and maintaining a high performance culture

The Company is not providing formal earnings guidance.

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 in 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
Customer Retention/Acquisition	Failure to attract and retain sufficient customers to sustain the business	Major initiative completed during FY19 examining all aspects of sales activity and identifying actions and plans to increase customer retention and acquisition. Implementation of results completed mostly in FY19 with monitoring and ongoing review continuing into FY20.
Increasing competition	The risk that Energy Action is unable to differentiate from competitors.	Review of service offerings undertaken during FY19 and identifying services to be discontinued and increasing focus on services to be retained. Examples include Energy Procurement, mid-market Structured Products and Contract Management and Energy Reporting services.
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 to be mitigated by exit from unprofitable markets, improved business processes for delivery of ongoing services, including the replacement of Energy Action's core Customer and Contract Management platforms, and increased risk management planning for customer outcomes.
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.	Mitigated by implementation of a focused back to basics strategy to establish the core foundation for scale and growth including. This includes the decision to re-position PAS, a leaner management structure, improve sales growth, improve company capability, improve service delivery and employee engagement through building a high performance culture. In addition, mitigated by improved visibility of key performance indicators and drivers of performance, timely and transparent market disclosures, and maintenance of strong relationships with banking partners 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. OH&S risk also reduces consequent to Energy Action Advisory restructure with the exiting (in progress) of projects including site works.
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.	Procedures for systems recovery are in place including off site storage of data. Systems restoration completed within 24 hours where a cyber breach has occurred.

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	9	9	4	4	2	2	1	1
Paul Meehan	9	8	4	4	2	2	1	1
Nitin Singhi	9	9	4	4	2	2	1	1
Mark de Kock	9	8	4	4	2	2	0	0
John Mackay	9	9	4	3	2	1	1	0

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;
- 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; and
- no fees were paid or payable to Ernst & Young for non-audit services provided during the year ended 30 June 2019.

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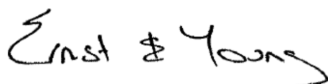
Auditor's Independence Declaration to the Directors of Energy Action Limited

As lead auditor for the audit of Energy Action Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

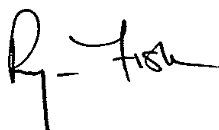
a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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
28 August 2019

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 2019.

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 (resigned effective 30 June 2019)

1.2.2. Senior executives (not directors of the board)

John Huggart	Chief Executive Officer (appointed 1 January 2019)
Tracy Bucciarelli	Chief Financial Officer (appointed 18 February 2019)
Ivan Slavich	Chief Executive Officer (resigned effective 21 December 2018)
Michael Fahey	Chief Operating Officer & Chief Financial Officer (resigned effective 27 February 2019)

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. No remuneration consultants were used 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 2019, the PROP accounted for 0.1% (FY18 2.8%) of issued securities of the Group, made up of 33,334 (FY18 725,578) 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 2019 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 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'a 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 2019. The Energy Action TSR for the period 1 July 2018 to 30 June 2019 was negative 42.8% compared to the benchmark ASX300 index which returned positive 6.8%. Accordingly, no rights will vest in 2019.

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 2019, including superannuation, was as follows:

Base fee	$ FY19 (1 Feb 19-30 June 19)	$ FY19 (1 July 18 – 31 Jan 19)	$ FY18
Non-Executive Chairman	45,000	75,000	75,000
Non-Executive Directors	36,000	60,000	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 FY19 was reduced by 40% effective 1 February 2019, reducing costs by $0.126M per annum.

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 2019 was:

	Fixed Component	STI Bonus Component	LTI Component
Chief Executive Officer (Ivan Slavich)	69%	25%	6%
Chief Executive Officer (John Huggart)	80%	20%	0%
Chief Operating Office/Chief Financial Officer (Michael Fahey)	78%	16%	6%
Chief Financial Officer (Tracy Bucciarelli)	85%	15%	0%

Notes

[1] Ivan Slavich resigned 21 December 2018

[2] John Huggart appointed 1 January 2019

[3] Michael Fahey resigned 27 February 2019

[4] Tracy Bucciarelli appointed 18 February 2019

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 (Ivan Slavich)	70%	30%
Chief Executive Officer (John Huggart)	70%	30%
Chief Operating Officer/Chief Financial Officer (Michael Fahey)	70%	30%
Chief Financial Officer (Tracy Bucciarelli)	70%	30%

Notes

[1] Ivan Slavich resigned 21 December 2018

[2] John Huggart appointed 1 January 2019

[3] Michael Fahey resigned 27 February 2019

[4] Tracy Bucciarelli appointed 18 February 2019

In FY19 the company 70% is made up of Company NPAT 50%, Client NPS 10% and Employee engagement 10%

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 2019 was:

	% of Bonus Potential	% LTI Potential
Ivan Slavich	0%	0%
John Huggart	0%	0%
Michael Fahey	0%	0%
Tracy Bucciarelli	0%	0%

Notes

[1] Ivan Slavich resigned 21 December 2018

[2] John Huggart appointed 1 January 2019

[3] Michael Fahey resigned 27 February 2019

[4] Tracy Bucciarelli appointed 18 February 2019

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	**Term of agreement**	**Termination***
John Huggart	On-going (no fixed term)	3 months base salary termination by company or 3 months termination by executive
Tracy Bucciarelli	On-going (no fixed term)	3 months base salary termination by company or 3 months termination by executive

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

Remuneration tables

4.1 Remuneration table for the year ended 30 June 2019

Details of remuneration of directors and executive KMP of the Group for the 2019 financial year are set out in the following table. The executive KMP are considered to be the CEO, COO/CFO and 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	57,078	-	-	5,422	-	-	-	62,500
Paul Meehan	45,662	-	-	4,338	-	-	-	50,000
John Mackay	45,662	-	-	4,338	-	-	-	50,000
Nitin Singhi	45,662	-	-	4,338	-	-	-	50,000
Mark de Kock	45,662	-	-	4,338	-	-	-	50,000
Sub-total	**239,726**	**-**	**-**	**22,774**	**-**	**-**	**-**	**262,500**

Executives								
Ivan Slavich[1]	210,707	-	-	20,716	110,000	-	(3,263)	338,160
John Huggart[2]	300,270			20,531			-	320,801
Michael Fahey[3]	326,373	-	-	21,922	141,032	-	(2,446)	486,881
Tracy Bucciarelli[4]	205,890			19,329			-	225,219
Sub-total	**1,043,240**	**-**	**-**	**82,498**	**251,032**	**-**	**(5,709)**	**1,371,061**
Total	**1,282,966**	**-**	**-**	**105,272**	**251,032**	**-**	**(5,709)**	**1,633,561**

Notes

[1] Ivan Slavich resigned 21 December 2018
[2] John Huggart appointed 1 January 2019
[3] Michael Fahey resigned 27 February 2019
[4] Tracy Bucciarelli appointed 18 February 2019

4.2 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
John Mackay	54,795	-	-	5,205	-	-	-	60,000
Nitin Singhi	54,795	-	-	5,205	-	-	-	60,000
Mark de Kock	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**

Nitin Singhi is a consultant of Horizon Services Trust, which was paid $116,875 in FY19 (FY18 nil). Horizon Services Trust provided consulting services in relation to the strategic review, the renegotiation of the banking facility and the PAS repositioning, and introduction of new partners.

Relative Proportion of Remuneration

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

Non-executive directors	**Fixed Remuneration**		**At Risk – Cash Bonus/Other**		**At Risk - Securities**	
	2019 %	**2018 %**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
Murray Bleach	100	100	-	-	N/A	N/A
Paul Meehan	100	100	-	-	N/A	N/A
John Mackay	100	100	-	-	N/A	N/A
Nitin Singhi	100	100	-	-	N/A	N/A
Mark de Kock	100	100	-	-	N/A	N/A
Executives						
Ivan Slavich^	69	69	25	25	6	6
John Huggart^^	100	-	-	-	-	-
Michael Fahey^^^	78	80	16	14	6	6
Tracy Bucciarelli^^^^	100	-	-	-	-	-

^ Resigned as a Chief Executive Officer effective 21 December 2018
^^ Commenced as Chief Executive Officer effective 1 January 2019
^^^ Resigned as Chief Operating Officer and Chief Financial Officer effective 27 February 2019
^^^^ Commenced as Chief Financial Officer effective 27 February 2019

Performance rights of key management personnel.

There were NIL Performance Rights for key management personnel as at 30 June 2019 (FY18 422,024 Performance Rights).

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 tables outline the movements in Performance Rights balances of Directors and the KMP during the 2019 financial year, and those Performance Rights which have vested at the year-end.

No performance rights were issued to KMP during the 2019 financial year.

Total value of performance rights issued:

30 June 2019	Balance at 1 July 2018	Granted	Grant Date	Rights vested & transferred	Options cancelled/ forfeited/ other	Options expired without exercise	Net change	Balance at end of period
	$	$		$	$	$	$	$
I. Slavich	112,809	-		-	(112,809)	-	(112,809)	-
M. Fahey	75,772	-		-	(75,772)	-	(75,772)	-
Total	**188,581**	**-**		**-**	**(188,581)**	**-**	**(188,581)**	**-**

Total number of performance rights issued:

30 June 2019	Balance at 1 July 2018	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	203,125	-		-	(203,125)	-	(203,125)	-
M. Fahey	136,830	-		-	(136,830	-	(136,830)	-
Total	**339,955**	**-**		**-**	**(339,955)**	**-**	**(339,955)**	**-**

Shareholdings of key management personnel	**Balance 1 July 2018**	**Net change**	**Transfer from Eplan**	**KPM resigned**	**Balance 30 June 2019**
30 June 2019					
Directors					
Murray Bleach	1,881,645	819,055	-	-	2,700,700
Paul Meehan*	4,792,846	-	-	-	4,792,846
Nitin Singhi	3,000	-	-	-	3,000
John Mackay AM **	58,470	-	-	-	58,470
Mark de Kock	-	50,000	-	-	50,000
Executives					
Ivan Slavich	329,214	-	-	(329,214)	-
John Huggart	-	-	-	-	-
Michael Fahey	14,000	-	-	(14,000)	-
Tracy Bucciarelli	-	-	-	-	-
Total	**7,079,175**	**869,055**	**-**	**(343,214)**	**7,605,016**

** John Mackay resigned as director effective 30 June 2019

Shareholdings of key management personnel	**Balance 1 July 2017**	**Net change**	**Transfer from Eplan**	**KPM resigned**	**Balance 30 June 2018**
30 June 2018					
Directors					
Murray Bleach	1,881,645	-	-	-	1,881,645
Paul Meehan*	4,798,993	(6,147)	-	-	4,792,846
Nitin Singhi	3,000	-	-	-	3,000
John Mackay AM	32,660	25,810	-	-	58,470
Mark de Kock	-	-	-	-	-
Executives					
Ivan Slavich	219,214	110,000	-	-	329,214
Michael Fahey	-	-	14,000	-	14,000
Total	**6,935,512**	**129,663**	**14,000**	**-**	**7,079,175**

*Corrected as at 30 June 2018

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	
	2019 $	2018 $
Key Management Personnel		
Derwent Executive[1] – recruitment services rendered	-	22,000
Horizon Services Trust[2] – business consulting	116,875	-
Total Key Management Personnel	**116,875**	**22,000**

[1]Related party as Murray Bleach served on the Advisory Board of Derwent Executive (to 18 October 2018)
[2]Nitin Singhi is a consultant of Horizon Services Trust, which was paid $116,875 in FY19 (FY18 nil). Horizon Services Trust provided consulting services in relation to the strategic review, the renegotiation of the banking facility and the PAS repositioning, and introduction of new partners.

4.3 Company Performance

The Group results for the financial year ended 30 June 2019 was a Statutory loss after tax of $12.09 million compared to a profit of $3.26 million in the prior year.

	FY19	FY18 (Restated)	FY17	FY16	FY15
Revenue & other income ($000's)	24,801	31,767	32,957	33,978	32,049
Net profit / (loss) after tax ($000's)	(12,093)	3,261	1,773	(449)	(2,148)
Operating profit after tax ($000's)	1,005	3,261	2,521	3,520	2,395
Earnings per share – Operating	3.87 cents	12.56 cents	9.71 cents	13.56 cents	9.22 cents
Market capitalisation	$10.4m	$18.2m	$19.5m	$30.6m	$23.9m
Closing share price	$0.40	$0.70	$0.75	$1.18	$0.92

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

Murray Bleach
Director
Dated: 28 August 2019

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	Consolidated Group	
		2019 $	2018 (Restated) $
Revenue from Contracts with Customers	5	24,631,210	31,656,372
Other income		169,890	110,948
Total Revenue	5.1	**24,801,100**	**31,767,320**
Cost of goods and services sold		(3,410,880)	(4,482,181)
Employee benefits expense	5.2	(12,701,589)	(14,266,148)
Rental expense		(1,344,865)	(1,248,300)
Travel costs		(373,527)	(313,028)
Administration expenses	5.3	(4,431,606)	(4,793,607)
Impairment of goodwill	12	(9,944,796)	-
Impairment of software	12	(1,250,000)	-
Strategic review		(365,634)	-
Restructuring costs ***		(1,006,523)	-
EBITDA*		**(10,028,320)**	**6,664,056**
Depreciation and amortisation expense	5.4	(914,641)	(1,535,080)
One-off Accelerated Depreciation and amortisation expense	5.5	(1,727,389)	-
EBIT**		**(12,670,350)**	**5,128,976**
Financing costs	5.6	(474,553)	(530,032)
Profit before income tax		**(13,144,903)**	**4,598,944**
Income tax expense	6	1,052,018	(1,338,270)
Profit / (loss) for the period attributable to owners of the parent entity		**(12,092,885)**	**3,260,674**
Other comprehensive profit / (loss) net of income tax that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		1,427	(2,373)
Total comprehensive profit / (loss) for the period attributable to owners of the parent entity		**(12,091,458)**	**3,258,301**
Gain / (loss) per share:		**Cents**	**Cents**
Basic gain/(loss) per share for the year attributable to ordinary equity holders of the parent	7	(46.59)	12.56
Diluted gain/(loss) per share for the year attributable to ordinary equity holders of the parent	7	(46.59)	12.28

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

** EBIT = Earnings before Interest & Tax

*** Costs associated with restructuring, closure of rental premises and PAS onerous projects

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

For the year ended 30 June 2019

	Note	Consolidated Group	
		2019	2018 (Restated)
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	1,608,515	1,171,288
Trade and other receivables	10	3,495,883	3,838,586
Current tax asset	15	74,638	56,738
Other assets	13	4,463,137	5,914,216
TOTAL CURRENT ASSETS		**9,642,173**	**10,980,828**
NON-CURRENT ASSETS			
Trade and other receivables	10	86,043	91,358
Property, plant and equipment	11	257,283	529,890
Other assets	13	2,935,228	3,289,971
Other Intangible assets	12	3,264,423	3,959,113
Goodwill	12	-	9,944,796
Customer relationships	12	-	1,167,090
TOTAL NON-CURRENT ASSETS		**6,542,977**	**18,982,218**
TOTAL ASSETS		**16,185,150**	**29,963,046**
CURRENT LIABILITIES			
Trade and other payables	14	2,531,845	2,606,507
Short-term provisions	16	1,168,528	1,000,837
TOTAL CURRENT LIABILITIES		**3,700,373**	**3,607,344**
NON-CURRENT LIABILITIES			
Other long-term provisions	16	234,402	354,256
Loans and Borrowings	17	5,688,471	4,997,225
Deferred tax liability	15	868,145	2,071,216
TOTAL NON-CURRENT LIABILITIES		**6,791,018**	**7,422,697**
TOTAL LIABILITIES		**10,491,391**	**11,030,041**
NET ASSETS		**5,693,759**	**18,933,005**
EQUITY			
Issued capital	18b	6,537,906	6,537,906
Share based payments reserve		170,833	318,226
Retained earnings		(1,006,800)	12,124,250
Interest rate hedging reserve	18f	(9,610)	(7,567)
Foreign currency translation reserve		1,430	(39,810)
TOTAL EQUITY		**5,693,759**	**18,933,005**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

Consolidated Group	Note	Ordinary Issued Share Capital	Share Based Payments Reserve	Retained Earnings	Foreign currency translation reserve	Interest Swap Reserve	Total
		$	$	$	$	$	$
Balance at 30 June 2017 (Restated)		6,537,906	262,768	9,226,934	(37,437)	(24,165)	15,966,006
Profit/(Loss) attributable to owners of parent entity		-	-	3,260,674	-	-	3,260,674
Foreign currency translation reserve	18d	-	-	-	(2,373)	-	(2,373)
Total comprehensive income		-	-	3,260,674	(2,373)	-	3,258,301
Interest rate hedging reserve	18f	-	-	-	-	16,598	16,598
Share based payments	18c	-	55,458	-	-	-	55,458
Dividends paid or provided for	8	-	-	(363,358)	-	-	(363,358)
Balance at 30 June 2018 (Restated)		**6,537,906**	**318,226**	**12,124,250**	**(39,810)**	**(7,567)**	**18,933,005**
Balance at 30 June 2018 (Restated)		6,537,906	318,226	12,124,250	(39,810)	(7,567)	18,933,005
Profit/(Loss) attributable to owners of parent entity		-	-	(12,092,885)	-	-	(12,092,885)
Foreign currency translation reserve	18d	-	-	-	41,240	-	41,240
Total comprehensive income		-	-	(12,092,885)	41,240	-	(12,051,645)
Interest rate hedging reserve	18f	-	-	-	-	(2,043)	(2,043)
Share based payments	18c	-	(147,393)	-	-	-	(147,393)
Dividends paid or provided for	8	-	-	(1,038,165)	-	-	(1,038,165)
Balance at 30 June 2019		**6,537,906**	**170,833**	**(1,006,800)**	**1,430**	**(9,610)**	**5,693,759**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flow

For the year ended 30 June 2019

	Note	Consolidated Group	
		2019 $	2018 (Restated) $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		29,169,796	36,346,684
Payments to suppliers and employees (inclusive of GST)		(25,226,434)	(29,311,779)
Restructuring costs		(393,728)	-
Strategic review		(272,360)	-
Share based payments share purchase		-	(142,779)
Interest received		6,974	8,539
Interest paid		(412,653)	(476,657)
Income tax paid		(168,952)	(1,150,702)
Net cash (used in) / provided by operating activities	20a	2,702,643	5,273,306
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(122,760)	(177,101)
Software development costs	12	(1,728,212)	(1,567,339)
Net cash used in investing activities		(1,850,972)	(1,744,440)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid by parent entity	8	(1,038,165)	(363,358)
Bank loan drawn down/(repayment)	20b	623,721	(4,100,000)
Net cash (used in) / provided by financing activities		(414,444)	(4,463,358)
Net (decrease)/increase in cash held		437,227	(934,492)
Cash (including restricted cash) at beginning of financial year	9	1,171,288	2,105,780
Cash (including restricted cash) at end of financial year	9	1,608,515	1,171,288

The accompanying notes form part of these financial statements

Notes to the Financial Statements for year ended 30 June 2019

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 2019. The financial statements were authorised for issue in accordance with a resolution of the directors on 28 August 2019.

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. 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 Australian Accounting Standards and AASB Interpretations and change in the Company accounting policy as of 1 July 2018:

- AASB 15 Revenue from Contracts with Customers
- AASB 9 Financial Instruments
- Sales Commission Expense

The impact on the Group's retained earnings as at FY19, FY18 and FY17 was as follows:

Note 2: Summary of Significant Accounting Policies (Continued)

	FY18 Full Year Jun 18 $ (Restated)	FY17 Full Year Jun 17 $ (Restated)
Retained earnings, as previously reported	-	5,830,890
Retained earnings, restated (B/F)	9,226,934	-
Changes arising from the application of AASB 15 (note a)	593,496	6,392,509
Changes arising from the application of AASB 9 (note b)	-	-
Changes in relation to sales commissions expense (note c)	366,957	(1,541,017)
Tax impact of the above (note 15)	(288,136)	(1,455,448)
NPAT impact	672,317	3,396,044
Profit/(Loss) for the period (as previously reported)	2,588,357	-
Dividend paid	(363,358)	-
Retained earnings, restated	12,124,250	9,226,934

Note 2: Summary of Significant Accounting Policies (Continued)

The impact on the Group's financial position as at 30 June 2018 was as follows:

	Consolidated Group				
	30 Jun 2018 (As reported) $	AASB 15 Adjustment (Note a) $	AASB 9 Adjustment (Note b) $	Sales Commission Expense (Note c) $	30 Jun 2018 (Restated) $
CURRENT ASSETS					
Cash and cash equivalents	1,171,288	-	-	-	1,171,288
Trade and other receivables	3,838,586	-	-	-	3,838,586
Current tax asset	56,738	-	-	-	56,738
Other assets	2,374,044	4,111,610	-	(571,438)	5,914,216
TOTAL CURRENT ASSETS	**7,440,656**	**4,111,610**	**-**	**(571,438)**	**10,980,828**
NON-CURRENT ASSETS					
Trade and other receivables	91,358	-	-	-	91,358
Property, plant and equipment	529,890	-	-	-	529,890
Other assets	339,389	3,289,971	-	(339,389)	3,289,971
Software Development	3,959,113	-	-	-	3,959,113
Goodwill	9,944,796	-	-	-	9,944,796
Customer relationships	1,167,090	-	-	-	1,167,090
TOTAL NON-CURRENT ASSETS	**16,031,636**	**3,289,971**	**-**	**(339,389)**	**18,982,218**
TOTAL ASSETS	**23,472,292**	**7,401,581**	**-**	**(910,827)**	**29,963,046**
CURRENT LIABILITIES					
Trade and other payables	1,927,698	-	-	678,809	2,606,507
Short Term provisions	1,000,837	-	-	-	1,000,837
TOTAL CURRENT LIABILITIES	**2,928,535**	**-**	**-**	**678,809**	**3,607,344**
NON-CURRENT LIABILITIES					
Other long term provisions	354,256	-	-	-	354,256
Loans and Borrowings	4,997,225	-	-	-	4,997,225
Deferred tax liabilities	327,632	2,220,474	-	(476,890)	2,071,216
TOTAL NON-CURRENT LIABILITIES	**5,679,113**	**2,220,474**	**-**	**(476,890)**	**7,422,697**
TOTAL LIABILITIES	**8,607,648**	**2,220,474**	**-**	**201,919**	**11,030,041**
NET ASSETS	**14,864,644**	**5,181,107**	**-**	**(1,112,746)**	**18,933,005**
EQUITY					
Issued capital	6,537,906	-	-	-	6,537,906
Share based payments reserve	318,226	-	-	-	318,226
Retained earnings	8,055,889	5,181,107	-	(1,112,746)	12,124,250
Interest Swap Reserve	(7,567)	-	-	-	(7,567)
Foreign currency translation reserve	(39,810)	-	-	-	(39,810)
TOTAL EQUITY	**14,864,644**	**5,181,107**	**-**	**(1,112,746)**	**18,933,005**

Note 2: Summary of Significant Accounting Policies (Continued)

The impact on the Group's financial position as at 30 June 2017 was as follows:

					Consolidated Group
	30 Jun 2017 (As reported) $	AASB 15 Adjustment (Note a) $	AASB 9 Adjustment (Note b) $	Sales Commission Expense (Note c) $	30 Jun 2017 (Restated) $
CURRENT ASSETS					
Cash and cash equivalents	2,105,780	-	-	-	2,105,780
Trade and other receivables	5,992,413	-	-	-	5,992,413
Current tax asset	877	-	-	-	877
Other assets	2,221,521	3,736,988	-	(815,396)	5,143,113
TOTAL CURRENT ASSETS	**10,320,591**	**3,736,988**	**-**	**(815,396)**	**13,242,183**
NON-CURRENT ASSETS					
Trade and other receivables	91,358	-	-	-	91,358
Property, plant and equipment	744,273	-	-	-	744,273
Other assets	549,478	2,655,520	-	(594,004)	2,610,994
Software Development	3,312,004		-		3,312,004
Goodwill	9,944,796		-		9,944,796
Customer relationships	1,406,174		-		1,406,174
TOTAL NON-CURRENT ASSETS	**16,048,083**	**2,655,520**	**-**	**(594,004)**	**18,109,599**
TOTAL ASSETS	**26,368,674**	**6,392,508**	**-**	**(1,409,400)**	**31,351,782**
CURRENT LIABILITIES					
Trade and other payables	2,717,042	-	-	131,617	2,848,659
Short Term provisions	1,374,146	-	-		1,374,146
TOTAL CURRENT LIABILITIES	**4,091,188**	**-**	**-**	**131,617**	**4,222,805**
NON-CURRENT LIABILITIES					
Other long term provisions	320,180	-	-	-	320,180
Loans and Borrowings	9,015,005	-	-	-	9,015,005
Deferred tax liabilities	372,339	1,917,752	-	(462,305)	1,827,786
TOTAL NON-CURRENT LIABILITIES	**9,707,524**	**1,917,752**	**-**	**(462,305)**	**11,162,971**
TOTAL LIABILITIES	**13,798,712**	**1,917,752**	**-**	**(330,688)**	**15,385,776**
NET ASSETS	**12,569,962**	**4,474,756**	**-**	**(1,078,712)**	**15,966,005**
EQUITY					
Issued capital	6,537,906	-	-	-	6,537,906
Share based payments reserve	262,768	-	-	-	262,768
Retained earnings	5,830,890	4,474,756	-	(1,078,712)	9,226,934
Interest Swap Reserve	(24,165)	-	-	-	(24,165)
Foreign currency translation reserve	(37,437)	-	-	-	(37,437)
TOTAL EQUITY	**12,569,962**	**4,474,756**	**-**	**(1,078,712)**	**15,966,006**

Note 2: Summary of Significant Accounting Policies (Continued)

The impact on the Group's comprehensive income as at 30 June 2018 was as follows:

					Consolidated Group
	FY18 (As reported) $	AASB 15 Adjustment (Note a) $	AASB 9 Adjustment (Note b) $	Sales Commission Expense (Note c) $	FY18 (Restated) $
Continuing operations					
Revenue	31,062,876	593,496	-	-	31,656,372
Other income	110,948	-	-	-	110,948
Total Revenue	31,173,824	593,496	**-**	**-**	**31,767,320**
Cost of goods and services sold	(4,466,526)	-	-	(15,655)	(4,482,181)
Employee benefits expense	(14,648,760)	-	-	382,612	(14,266,148)
Rental expense	(1,248,300)	-	-	-	(1,248,300)
Travel expenses	(313,028)	-	-	-	(313,028)
Administration expenses	(4,793,607)	-	-	-	(4,793,607)
EBITDA	**5,703,603**	**593,496**	**-**	**366,957**	**6,664,056**
Depreciation and amortisation	(1,535,080)	-	-	-	(1,535,080)
EBIT	**4,168,523**	**593,496**	**-**	**366,957**	**5,128,976**
Financing costs	(530,032)	-	-	-	(530,032)
Profit / (Loss) before income tax	**3,638,491**	**593,496**	**-**	**366,957**	**4,598,944**
Income tax expense	(1,050,134)	(178,049)	-	(110,087)	(1,338,270)
Profit / (Loss) for the year attributable to members of the parent entity	**2,588,357**	**415,447**	**-**	**256,870**	**3,260,674**
Other comprehensive income/(loss) for the period, net of tax, that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	-	-	-	-	-
Interest Swap Reserve	(2,373)	-	-	-	(2,373)
Total comprehensive income for the year attributable to members of the parent entity	**2,585,984**	**415,447**	**-**	**256,870**	**3,258,301**
Earnings per share:					Cents
Basic earnings per share for the year attributable to ordinary equity holders of the parent	9.97	-	-	-	12.56
Diluted earnings per share for the year attributable to ordinary equity holders of the parent	9.95	-	-	-	12.53

Note 2: Summary of Significant Accounting Policies (Continued)

(a) AASB 15 Revenue from Contracts with Customers

AASB 15 introduced revised guidance which will require revenue from certain procurement activities to be recognised in the period in which the procurement activity is undertaken.

Energy Action reviewed its accounting policy in light of this guidance and performed analysis on each revenue line item. It was determined that procurement revenue relating to Auction and Commission Based Tenders previously recognised over the term of the underlying energy contract will be recognised on finalisation of the related energy procurement contract.

Accordingly, revenue will be recognised upfront once the Auction is complete and contracts signed between the retailer and the customer. Upon completion of the Auction, the amount recognised as contract assets are reclassified to trade receivables. The commercial and payment terms of the contract term remain unchanged with payments being received over the life of the contract. Accordingly, a contract asset called “Revenue not invoiced” has been created to recognise the difference between revenue recognised and the amount invoiced.

Energy Action has historically experienced cancellation of Auction revenue during the contract period of approximately 7.3% based on the last 2 years of history. Accordingly it was assessed that 7.3% of the total values of contracts entered into should be provided for on the balance sheet as a provision for cancellations on an ongoing basis. This has the effect of reducing revenue and providing for the risk of cancellation, for the period between recognising revenue and invoicing the retailer.

Energy Action has adopted the full retrospective approach to implement the standard since it allows for comparison of FY19 results to FY18 results on a like for like basis. This will result in a one-off acceleration of revenue. Management has completed a full assessment by reviewing all contracts/arrangements. The finding indicates that the adoption of the new revenue accounting policies resulted in an adjustment of $593,498 before tax in Jun 18 and $6,392,509 before tax in Jun 17.

As a practical expedient, Energy Action recognise the incremental costs of obtaining a contract as an expense when incurred. From 1 July 2018 management has expensed sales representative and agents’ commissions upfront in line with the revenue also being recognised upfront.

Other Procurement and Monitoring revenue, Project and Advisory Services (PAS) revenue is recognised in the accounting period in which services are rendered and/or in accordance with the percentage of completion of the project.

(b) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 in relation to financial instruments and hedge accounting.

The key change to Energy Action’s financial report arising from this standard is in relation to the impairment of financial assets (mainly receivables). AASB 9 effectively moves from an “incurred losses” model to an “expected losses” model, which requires a forward-looking assessment of potential default events and losses over the life of these assets.

Energy Action evaluated the aged debtors trial balance on a monthly basis. An allowance for expected credit loss has been calculated based on the forward-looking loss rates established for direct customers. Accounts with administrator appointed or in liquidation will be fully provided for except where a reasonable estimate can be made of the recoverable amount. Nil provision for retailers and metering companies based on history and due to minimal risk.

The adoption of AASB 9 did not have any material impact on the financial position or performance of the group.

(c) Sales Commissions Expense

In conjunction with the change in revenue recognition for auctions, management has also changed the current policy in relation to sales commissions expense. The sales commissions expense relates to sales representatives and external agents who are paid commission on sales contracts, predominately Auction and Metrics related. Historically sales representatives commissions are paid upfront, held in the balance sheet as an asset and amortised over a period of time in line with the average length of the contracts. This company policy change results in the adjustment of $366,955 before tax in Jun 18 and ($1,541,017) before tax in Jun 17.

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 2019 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 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
AASB 17 Insurance Contracts	January 1, 2019	June 30, 2020
AASB Interpretation 23 Uncertainty over Income Tax Treatment	January 1, 2019	June 30, 2020
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	January 1, 2019	June 30, 2020
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	January 1, 2019	June 30, 2020
AASB 2017-7 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	January 1, 2019	June 30,2020
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	January 1, 2019	June 30, 2020
- AASB 3 Business Combinations		
- AASB 11 Joint Arrangements		
- AASB 112 Income Taxes		
- AASB 123 Borrowing Costs		

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 AASB 16 on future reporting periods:

Adoption of AASB 16, effective 1 January 2019, AASB 16 set out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard requires leasing contracts to be recognised on the balance sheet. A distinction is no longer made between operating leases and finance leases. The directors expect this will result in an increase in assets and liabilities, as well as a decrease in operating expenses (net of significant items) and an increase in financial expenses.

The adoption of AASB 16 is likely to have a material impact on the financial position of the Group.

2.3 Key Accounting Policies

a. Principles of Consolidation

The consolidated financial statements are comprised of the financial statements of the Group and its subsidiaries as at 30 June 2019. 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

Note 2: Summary of Significant Accounting Policies (Continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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(s) 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 consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

b. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. 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 that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Note 2: Summary of Significant Accounting Policies (Continued)

c. Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

d. Income Tax and other taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it reflects new information obtained about facts and circumstances that exist at the acquisition date that, if known, would have affected the amount recognised at that date where recognised during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Other taxes

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

- When the GST incurred on a sale or purchase of assets or services in not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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.

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.

Note 2: Summary of Significant Accounting Policies (Continued)

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.

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

Financial assets – initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Group recognises an allowance for expected credit losses (ECLs) for all receivables and contract assets. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Note 2: Summary of Significant Accounting Policies (Continued)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group adopted AASB 9 effectively moves from an "incurred losses" model to an "expected losses" model, which requires a forward-looking assessment of potential default events and losses over the life of these assets. The Group's trade receivables do not contain a significant financing component, lifetime expected credit losses can be recognised right on initial recognition. The Group elected to use the simplification method, hence a provision matrix can be used.

The Group's trade and other receivables are exposed to credit risk 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.

Financial Liabilities - Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

h. Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. 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 statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income (OCI). For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill and intangibles with indefinite useful life, an assessment is made at each reporting date to determine whether there is an 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.

Note 2: Summary Of Significant Accounting Policies (Continued)

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 statement of profit or loss 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 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.

Note 2: Summary Of Significant Accounting Policies (Continued)

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on 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 the Group 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

The Group is in the business of providing procurement activity, contract management and environmental reporting, embedded networks and advisory services. Revenue from contracts with customers is recognised when controls of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Revenue from Auction and Commission based tenders are recognised upfront once the Auction is complete and contracts signed between the retailer and the customer. The commercial and payment terms of the contract term remain unchanged with payments being received over the life of the contract. Accordingly, a contract asset called "Revenue not invoiced" has been created to recognise the difference between revenue recognised and the amount invoiced.

Note 2: Summary Of Significant Accounting Policies (Continued)

Auction contracts provide a customer with a right to cancel during the contract period. The Group estimates cancellation of Auction revenue during the contract period of approximately 7.3% based on the last 2 years of history. Accordingly it was assessed that 7.3% of the total values of contracts entered into should be provided for on the balance sheet as a provision for cancellations on an ongoing basis. This has the effect of reducing revenue and providing for the risk of cancellation, for the period between recognising revenue and invoicing the retailer.

Other Procurement and Monitoring revenue, Project and Advisory Services (PAS) revenue is recognised in the accounting period in which services are rendered and/or in accordance with the percentage of completion of the project. (Revenue is transferred over time)

The sales commission paid to sales representatives and external agent will be expensed up front in line with the revenue also being recognised upfront.

n. 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).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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

Note 2: Summary Of Significant Accounting Policies (Continued)

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.

o. 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.

p. 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 18.

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.

q. 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.

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.

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.

Revenue not invoiced and Provision for Cancellation

The Group adopted the full retrospective approach to implement AASB 15 Revenue from Contracts with Customers. The revenue will be recognised upfront once the auction is complete and contracts signed between the retailer and the customer. An asset "Revenue not invoice" has been created to recognise the difference between revenue recognised and the amount invoiced. The total value of contracts entered into historically experienced cancellation of auction revenue during the contract period. A provision for cancellations of 7.3% has been provided to reduce the risk of cancellation. The assessment of historical cancellations is reviewed at each reporting period and revised accordingly. As at 30 June 2019, holds a provision for 6.7% of the total value of revenue not invoiced.

Note 4: Segment information

Identification of reportable segments

The Group has identified one reportable operating segment, which provides electricity and gas procurement services, Contract Management & Environmental Reporting (CMER) services, and sustainability services in Australia. The types of services provided are detailed below.

Types of Services

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

- Energy procurement: specialised buying and negotiation strategies, utilising reverse auctions, bespoke tender models and advising on structured products;
- CMER: manage client energy contracts, including account management, 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.

Advisory Services (AS) will focus on optimizing energy efficiency for commercial buildings, as well as environmental reporting and NABERS rating services for property portfolio clients. The Group will also continue to engage in embedded networks implementation. All activity relating to head contracting on projects, project management, independent commissioning agent and engineering contracts (including upgrades), which often were underperforming areas of the former PAS division, will cease. The Group expects to complete a majority of the current order book related to these activities by 30 June 2019 and will be referring any outstanding work to partners.

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

Accounting Policies and inter-segment transaction

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

Revenue by customer

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

Note 5: Revenue, Other Income and Expenses

Year-ended 30 June 2019	Procurement $	Monitoring $	Project Advisory Services $	Total $
Revenue from contracts with customers	6,419,299	13,995,134	4,216,777	24,631,210
Other income	169,890	-	-	169,890
	6,589,189	**13,995,134**	**4,216,777**	**24,801,100**

Year-ended 30 June 2018 (Restated)	Procurement $	Monitoring $	Project Advisory Services $	Total $
Revenue from contracts with customers	9,872,786	15,145,890	6,637,696	31,656,372
Other income	110,948	-	-	110,948
	9,983,734	**15,145,890**	**6,637,696**	**31,767,320**

5.1	Consolidated Group	
Timing of Revenue Recognition	**2019 $**	**2018 (Restated) $**
Services transferred at a point in time	5,129,626	8,040,802
Services transferred over time	19,671,474	23,726,518
Total Revenue from contracts with customers	**24,801,100**	**31,767,320**

All material revenues are generated in Australia.

Note 5: Revenue, Other Income and Expenses (continued)

	Note	Consolidated Group	
		2019	2018 (Restated)
		$	$
5.2			
Employee benefits			
Salaries		10,501,458	11,332,295
Commissions		223,376	445,165
Superannuation		1,098,749	1,275,709
Share based payment expense		(93,759)	82,457
Other		971,765	1,130,522
Total Employment benefits		**12,701,589**	**14,266,148**
5.3			
Administrative costs			
Accounting, audit and tax fees		225,049	198,235
Advertising		253,496	470,536
Legal and professional fees		125,606	92,804
Telephone and internet		99,677	204,219
Computer maintenance costs		1,992,418	1,763,038
Bad debt expense *		(12,302)	100,768
Recruitment costs		118,579	112,989
Other expenses		1,629,083	1,851,018
Total Administrative costs		**4,431,606**	**4,793,607**
5.4			
Depreciation and amortisation			
Depreciation		238,409	375,767
Amortisation - Software		676,232	920,230
Amortisation - Customer relationships		-	239.083
Total Depreciation & amortisation		**914,641**	**1,535,080**
5.5			
One-off Accelerated Depreciation and Amortisation			
Accelerated Amortisation – Customer relationship		1,167,090	-
Accelerated Amortisation – Software		496,671	-
Accelerated Depreciation – Furniture and fitting		63,628	-
Total One-off Accelerated Depreciation and Amortisation		**1,727,389**	**-**
5.6			
Financing costs / (income)			
Interest income		(6,960)	(8,539)
Interest expenses		372,192	452,070
Borrowing costs		109,321	86,501
Total Financing costs / (income)		**474,553**	**530,032**

*Bad debt exp included provision adjustment ($12,302), (FY18: actual bad debt write-off $37,349 net of provision adjustment $63,419)

Note 6: Income Tax Expense

		Note	Consolidated Group	
			2019	2018 (Restated)
			$	$
a.	The components of tax expense comprise:			
	Current tax		115,183	1,151,405
	Current tax – under/(over) prior year		(7,224)	(56,564)
	Tax rate change		(169,010)	-
	Deferred tax	15	(990,967)	243,430
			(1,052,018)	1,338,270
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 27.5% (2018: 30.0%)		(3,614,849)	1,379,683
	Add Tax effect of :			
	Permanent Differences			
	— Tax rate change		(169,010)	-
	— Share based payments/trust		(12,128)	(15,400)
	— Goodwill impairment		2,734,819	-
	— Other permanent differences		16,374	25,557
	— Prior year adjustments		(7,224)	(56,564)
	Less Tax effect of :			
	Deductible Expense			
	— Unbooked tax losses		-	4,994
	Income tax attributable to entity		(1,052,018)	1,338,270
	The applicable weighted average effective tax rates are as follows:		8.00%	29.10%

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 7: 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:

	2019 $	2018 (Restated) $
Net profit / (loss) attributable to ordinary equity holders of the parent from continuing operations	(12,092,885)	3,260,673
Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings	(12,092,885)	3,260,673
Net profit / (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilutions	(12,092,885)	3,260,673
	2019 No.	2018 No.
Weighted average number of ordinary shares for basic earnings per share	25,954,117	25,954,117
Effect of dilution:		
Performance rights	-	600,838
Weighted average number of ordinary shares adjusted for the effect of dilution	25,954,117	26,554,955
Basic earnings / (loss) per share (Statutory)	(46.59)	12.56
Diluted Earnings / (loss) per share (Statutory)	(46.59)	12.28

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. Effect of dilution: Performance rights 33,334 (FY18: 600,838).

Refer also to the Directors' Report for further information on the calculation of Operating Profit.

Note 8: Dividends

	Note	Consolidated Group 2019 $	2018 (Restated) $
Dividends paid:			
Final 2017 franked dividend of 1.40 cents per share		-	363,358
Final 2018 franked dividend of 4.00 cents per share		1,038,165	-
		1,038,165	363,358
a. Proposed final 2019 franked dividend of NIL cents per share	25	-	
(Final 2018 franked dividend of 4.00 cents per share)			
b. Balance of franking account at year end adjusted for franking credits arising from:			
— Opening balance		7,829,912	6,834,935
— Opening balance adjustment		-	-
— Payment of provision for income tax		168,952	1,150,702
— 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		(444,928)	(155,725)
		7,553,936	7,829,912
Subsequent to year end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:		-	(444,928)
		7,553,936	7,384,984

Tax rates

From 1 July 2018 the tax rate at which paid dividends have been franked is 27.5% (2018: 30.0%), prior to this dividends were franked at 30.0%. Dividends proposed will be franked at the rate of 27.5% (2018: 30.0%).

Note 9: Cash and Cash Equivalents

	Note	Consolidated Group 2019 $	2018 (Restated) $
Cash at bank*		1,579,429	1,016,005
Restricted cash**		29,086	155,283
Total Cash	22	**1,608,515**	**1,171,288**

*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 10: Trade and Other Receivables

	Note	Consolidated Group 2019 $	2018 (Restated) $
CURRENT			
Trade receivables		3,767,945	4,153,454
Provision for expected credit loss		(272,062)	(314,868)
Total current trade receivables	22	**3,495,883**	**3,838,586**
NON-CURRENT			
Bonds and security deposits	22	86,043	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.

The Group policy stipulates that the receivable accounts with an administrator appointed or in liquidation or with 90 days+ outstanding – fully (100%) provided for except where a reasonable estimate can be made of the recoverable amount. Accounts assigned to a debt collector – 50% provided. Direct customers – expected credit loss (ECL) model based on risk associated with different ageing bucket. Retailers and Metering companies – no provision required, historical evidence shows immaterial write-off of debt. Partially due to the pre-approval process for many of the retailers which results in the amounts validated prior to invoicing. Disputed amounts owing which are in the process of litigation will be provided for on a case by case basis depending on the probability of recovery.

ECL rates are applied to gross receivable balances after adjusting for any specific bad debts.

Note 10: Trade and Other Receivables (Continued)

		Past due but not impaired (days overdue)				
		Within				
	Total	Trade Terms	< 30	31–60	61–90	91+
	$	$	$	$	$	$
2019						
Trade and term receivables	3,767,945	2,385,864	675,104	145,667	193,676	367,634
Expected credit loss allowance	272,062	0	4,370	11,199	9,395	247,098
	3,495,883	2,385,864	670,734	134,468	184,281	120,536
2018						
Trade and term receivables	4,153,454	2,969,261	783,548	60,400	8,902	331,344
Expected credit loss allowance	314,868	0	12,615	9,919	11,462	280,872
	3,838,586	2,969,261	770,932	50,481	-2,560	50,472

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

Revenue not invoiced is shown as net of provision for cancellation in Note 13.

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 11: Property Plant and Equipment

	Note	Consolidated Group	
		2019	2018
		$	$
Computer equipment:			
At cost		2,026,141	1,996,467
Accumulated depreciation		(1,879,857)	(1,779,165)
		146,284	**217,302**
Furniture and fittings:			
At cost		1,422,999	1,640,552
Accumulated depreciation		(1,312,000)	(1,327,964)
		110,999	**312,588**
Total Plant and Equipment		**257,283**	**529,890**

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

	Note	Computer Equipment	Furniture and Fittings	Total
		$	$	$
Consolidated Group:				
Balance at 1 July 2017		**201,503**	**542,770**	**744,273**
Additions		174,261	2,840	177,101
Assets disposed		(7,347)	(8,370)	(15,717)
Depreciation expense	5.4	(151,115)	(224,652)	(375,767)
Balance at 30 June 2018		**217,302**	**312,588**	**529,890**
Additions		65,272	57,488	122,760
Assets disposed		-	(93,330)	(93,330)
Depreciation expense	5.4	(136,290)	(102,119)	(238,409)
Accelerated Depreciation	5.5		(63,628)	(63,628)
Balance at 30 June 2019		**146,284**	**110,999**	**257,283**

Note 12: Intangible Assets

	Consolidated Group 2019 $	Consolidated Group 2018 $
Goodwill	9,944,796	9,944,796
Accumulated amortisation - goodwill	(9,944,796)	-
Net carrying value – goodwill	**-**	**9,944,796**
Customer relationships	2,438,000	2,438,000
Accumulated amortisation – customer relationship	(2,438,000)	(1,270,910)
Net carrying value – customer relationships	**-**	**1,167,090**
Software development costs	10,841,063	9,219,150
Impairment of software	(1,250,000)	-
Accumulated amortisation	(6,326,640)	(5,260,037)
Net carrying value – software development costs	**3,264,423**	**3,959,113**
Total intangibles	**3,264,423**	**15,070,999**

		Goodwill $	Customer relationships $	Software Development costs $	Total Intangibles $
Consolidated Group:					
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
G/(L) on Disposal		-	-	-	-
Amortisation charge	5.4	-	(239,084)	(920,230)	(1,159,314)
Closing value at 30 June 2018		**9,944,796**	**1,167,090**	**3,959,113**	**15,070,999**
Year ended 30 June 2018					
Balance at the beginning of year		9,944,796	1,167,090	3,959,113	15,070,999
Internal development		-	-	1,728,212	1,728,212
G/(L) on Disposal		-	-	-	-
Impairment		(9,944,796)	-	(1,250,000)	(11,194,796)
Amortisation charge	5.4	-	-	(676,232)	(676,232)
One-off Accelerated Amortisation	5.5	-	(1,167,090)	(496,671)	(1,663,761)
Closing value at 30 June 2019		**-**	**-**	**3,264,423**	**3,264,423**

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.

Note 12: Intangible Assets (continued)

12 (a) Impairment testing of goodwill and other intangible assets

For the year ended 30 June 2019, 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 the cash generating unit (CGU) has been determined on a value in use calculation using cash flow projections. These cash flow projections have been based on a forecast for the next two years. This has then been extrapolated for a further 3 years.

The discount rate applied to cash flow projections is a 17.6% post tax, 24.3% pre-tax (FY18: 13.2% post tax, 9.69% pre-tax) and the cash flows beyond the next two calendar year forecasts are extrapolated using 0% growth rate (FY18: 1%) and terminal growth rate of nil (FY18: nil).

The increase in the discount rate is due to an additional risk premium as a result of the decreased profitability during the year and associated business risk.

A detailed analysis and formal testing was performed as at 31 December 2018. With indicators of impairment during the reporting period, the Company undertook a formal assessment of goodwill. The impairment of goodwill resulted in an impairment of 100% of goodwill to the value of $9.94 million. The balance of goodwill as at 30 June 2019 is NIL. In addition, a formal testing was performed as at 30 June 2019, with indicators of impairment, resulting in an impairment to other intangible assets to the value of $1.25 million.

12 (b) Accelerate amortisation

For the year ended 30 June 2019, the company has assessed the useful life of Customer Relationships and Software Development costs. Due to the loss of significant customers, the Company has revisited the expected useful life of customer relationships to 30 June 2019. With Business Transformation Program (BTP) expected to be in use from the next financial year, the expected useful life of Enact related assets was reduced to finish at 30 June 2019.

This has resulted in the accelerated of Customer Relationship amortisation and specific Software Development depreciation until the 30 June 2019.

Note 13: Other Assets

	Consolidated Group	
	2019 $	2018 (Restated) $
CURRENT		
Prepayments	271,199	937,365
Work in progress*	948,836	865,241
Revenue not invoiced*	3,243,102	4,111,610
	4,463,137	5,914,216
NON CURRENT		
Revenue not invoiced*	2,935,228	3,289,971
	2,935,228	3,289,971

* These represents conditional contract asset as on 30 June 2019. (Note 3)

Note 14: Trade and Other Payables

			Consolidated Group	
			2019	2018 (Restated)
			$	$
CURRENT				
Unsecured liabilities:				
Trade payables			695,339	559,164
Other payables and accrued expenses			1,836,506	2,047,343
			2,531,845	2,606,507
a.	**Financial liabilities at amortised cost classified as trade and other payables**			
	Trade and other payables:			
	- Total current		2,531,845	2,606,507
	Financial liabilities as trade and other payables	22	2,531,845	2,606,507

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 15: Tax

	Note	Consolidated Group 2019	2018 (Restated)
		$	$
CURRENT			
Income tax asset	22	74,638	56,738

NON-CURRENT

	Opening Balance	AASB 15 & Sales Commission Expense FY17	Adjusted Opening Balance	Tax rate change	True-up to Tax Return	Charge to Income	Closing Balance
			$	$		$	$
Consolidated Group Deferred Tax 2019							
Provisions	710,018	-	710,018	(58,288)	(10,564)	(147,180)	493,986
Accruals	390,473	-	390,473	(32,539)	-	(75,311)	282,623
Fixed assets	(118,675)	-	(118,675)	9,890	-	488,029	379,244
Customer relationships	(350,127)	-	(350,127)	29,177	-	320,950	-
Prepaid commissions	(54,153)	-	(54,153)	41	53,658	(17,925)	(18,379)
Work in progress	(259,554)	-	(259,554)	21,630	-	3,737	(234,187)
Share Based Payments	15,932	-	15,932	(1,328)	-	(13,656)	948
Sundry	-	-	-	-	-	48,399	48,399
Revenue not invoiced	(2,405,130)	-	(2,405,130)	200,428	-	383,924	(1,820,778)
	(2,071,216)	-	(2,071,216)	169,011	43,094	990,966	(868,145)
Deferred Tax 2018							
Provisions	590,087	27,943	618,030	-	-	91,986	710,018
Accruals	214,869	39,485	254,354	-	-	136,119	390,473
Fixed assets	(257,607)	-	(257,607)	-	-	138,932	(118,675)
Customer relationships	(421,852)	-	(421,852)	-	-	71,725	(350,127)
Prepaid commissions	(341,232)	422,820	81,588	-	-	(135,740)	(54,153)
Work in progress	(176,498)	-	(176,498)	-	-	(83,056)	(259,554)
Share Based Payments	19,894	-	19,894	-	-	(3,962)	15,932
Sundry	-	-	-	-	-	-	-
Revenue not invoiced	-	(1,945,696)	(1,945,696)	-	-	(459434)	(2,405,130)
	(372,339)	(1,455,447)	(1,827,786)	-	-	(243,430)	(2,071,216)

Note 16: Provisions and other liabilities

Analysis of total provisions

		Consolidated Group	
	Note	2019 $	2018 $
Current			
Restructuring Provision		382,705	-
Annual leave		588,084	758,605
Long service leave		197,738	242,232
		1,168,528	1,000,837
Non-current			
Long service leave		234,402	354,256
		234,402	354,256

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 17: Loans and Borrowings

		Consolidated Group	
	Note	2019 $	2018 $
Market Rate Loan Facility (FY18: Multi-Option Facility Agreement)		5,723,721	5,100,000
Less capitalised debt establishment fees		(35,250)	(102,775)
	22	5,688,471	4,997,225

Energy Action entered into a total loan commitment of $9.55 million with the CBA on 8 May 2019, including a market rate loan facility of $9 million, bank guarantee facility of $0.3 million and corporate card facility of $0.25 million. The facility was extended during the year for a two year term expiring 29 September 2021. This facility was reduced from the previous $12.0 million facility limit at the request of Energy Action, decreasing liquidity by $2.8 million.

As at 30 June 2019, Energy Action had utilised $5.7 million of market rate loan and $0.238 million bank guarantees. The carrying value of the loans and borrowings materially approximate fair value. Funds advanced under the facility are secured by a charge over the assets of the Group, and includes Interest Cover and Gearing ratios.

Utilisation of the facility is summarised in the following table:

Note 17: Loans & Borrowings (Continued)

Financing facilities

	Consolidated Group	
	2019 $	2018 $
Loan facilities (excluding corporate card facility)	9,300,000	12,000,000
Amounts utilised		
Borrowings	5,723,721	5,100,000
Bank guarantees – non cash	237,667	189,617
Total amounts utilised	5,961,388	5,289,617
Total amounts unutilised	3,338,612	6,710,383

Note 18: Issued Capital and Reserves

	Consolidated Group	
	2019 $	2018 $
Fully paid ordinary shares	6,537,906	6,537,906
	6,537,906	6,537,906

		Consolidated Group	
		2019 No.	2018 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	
		2019 $	2018 $
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.

Note 18: Issued Capital and Reserves (Continued)

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.

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")		**25% of Performance Rights Total Shareholder Return (TSR) ("Target 2 Entitlement")**	
Target 1	**Available Performance Rights**	**Target 2**	**Available Performance Rights**
Actual Operating EPS LESS THAN 94.9 % of Budget Operating EPS	Nil	Company Total Compounded TSR LESS THAN Total Compounded TSR of the Index	0%
Actual Operating EPS EQUALS 95% of Budget Operating EPS	50%	Company Total Compounded TSR EQUALS Total Compounded TSR of the Index	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%	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 18: 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 2019, the Group has recognised ($93,759) of share-based payment expense in the statement of comprehensive income (30 June 2018: $82,457). Share based payments expense is net of reversals due to non-achievement of targets (EPS targets) and forfeitures in the case of terminated employees.

		Consolidated Group	
Share Based Payment Reserve	Note	2019 $	2018 $
at the beginning of the reporting period		318,226	262,768
Share based payment expenses		(93,759)	82,457
Employee shares		-	111,109
PROP payment		(53,634)	-
Transfer cash to Employee Shared Trust		-	(138,108)
Movement in the year		(147,393)	55,458
At the end of the reporting period		**170,833**	**318,226**

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.

		Consolidated Group	
Foreign Currency Translation Reserve	Note	0 $	0 $
at the beginning of the reporting period		(39,810)	(37,437)
Foreign currency translation reserve write off		39,641	-
Foreign currency translation entry (current period)		1,599	(2,373)
Movement in the year		41,240	(2,373)
At the end of the reporting period		**1,430**	**(39,810)**

Note 18: Issued Capital and Reserves (Continued)

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 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 Market Rate Loan Facility Agreement. Interest rate swap transaction of $5 million expiring 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. For the year ended 30 June 2019, the interest rate hedging reserve was $9,610 (FY18: $7,567)

		Consolidated Group	
Interest Rate Hedging Reserve	Note	0 $	0 $
at the beginning of the reporting period		(7,567)	(24,165)
Interest rate hedging entry (reverse prior period)		7,567	24,165
Interest rate hedging entry (current period)		(9,610)	(7,567)
Movement in the year		(2,043)	16,598
At the end of the reporting period		**(9,610)**	**(7,567)**

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 2019 and 30 June 2018 are as follows:

		Consolidated Group	
	Note	2019 $	2018 (Restated) $
Bank loans	17	5,688,471	4,997,225
Less cash and cash equivalents	9	(1,608,515)	(1,171,288)
Net debt / (cash)		4,079,956	3,825,937
Total Equity		5,693,759	18,933,005
Gearing percentage (%)		72%	20%

Gearing as measured by total net debt divided by total equity was 72% as at 30 June 2019 and 20% at 30 June 2018.

Note 19: Capital and Leasing Commitments

	Note	Consolidated Group 2019 $	Consolidated Group 2018 $
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		668,864	788,726
– between 12 months and 5 years		796,787	1,467,507
		1,465,651	2,256,233

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.

The Group has provided the following bank guarantees at 30 June 2019 for regional offices:

	Note	Consolidated Group 2019 $	Consolidated Group 2018 $
– Parramatta office		145,347	97,297
– Sydney office		-	126,210
– Brisbane office		31,323	31,323
– Melbourne office		19,250	19,250
		195,920	274,080

Note 20: Cash Flow Information

	Consolidated Group	
	2019	2018 (Restated)
	$	$
a.Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	(12,092,885)	3,260,674
– Depreciation and amortisation	2,642,030	1,535,080
– Share based payments expense	(147,392)	55,458
– Amortisation of borrowing costs	68,875	-
– Impairment of goodwill	9,944,796	-
– Impairment of software	1,250,000	-
– Strategic review	93,274	-
– Restructuring costs	520,145	-
- Restructuring Asset write off	93,331	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
– (increase)/decrease in trade and term receivables	1,888,584	2,153,828
– (increase)/decrease in prepayments and other assets	265,254	(820,667)
– increase/(decrease) in trade payables and accruals	(290,393)	(764,400)
– increase/(decrease) in deferred taxes	(1,220,971)	187,569
– increase/(decrease) in provisions	(312,005)	(334,236)
Cash flow from operations	2,702,643	5,273,306

b. Reconciliation of liabilities arising from financing activities

Total liability from financing activities	Opening Balance	Cash flow	Non-cash changes			Closing Balance
			Acquisition	Foreign exchange movement	Fair value changes	
	$	$	$	$	$	$
FY19						
Long term borrowings	5,100,000	623,721	-	-	-	5,723,721
FY18						
Long term borrowings	9,200,000	(4,100,000)	-	-	-	5,100,000

Note 21: Related Party Disclosures

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

a. Controlled Entities Consolidated

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
Subsidiaries of Energy Action Limited:		**2019**	**2018**
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%
Employee Share Trust	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.

Share based payment expense reversal of $71,314 related to KMP's

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 no longer a member of the Advisory Board of Derwent Executive from 18 October 2018. Nil amount was paid in FY19 (FY18 $22,000)

Nitin Singhi is a consultant of Horizon Services Trust, which was paid $116,875 in FY19 (FY18 nil). Horizon Services Trust provided consulting services in relation to the strategic review, the renegotiation of the banking facility and the PAS repositioning, and introduction of new partners.

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 2019.

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

	Consolidated Group	
	2019 $	**2018 $**
Short-term employee benefits	1,282,966	1,008,561
Long-term employee benefits	251,032	-
Share based payments	-	5,709
Post-employment benefits – superannuation	105,272	67,425
Total Compensation	1,639,270	1,081,695

Note 21: Related Party Disclosures (Continued)

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

The ultimate parent

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

Note 22: 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 9 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
	Note	2019 $	2018 (Restated) $
Financial assets			
Cash and cash equivalents, including restricted cash	9	1,608,515	1,171,288
Receivables	10	3,495,883	3,838,586
Bond and security deposits	10	86,043	91,358
Revenue not invoiced	13	6,178,330	7,401,581
Total financial assets		11,368,771	12,502,813
Financial liabilities			
Loans and Borrowings	17	5,688,471	4,997,225
Trade & Other payables	14	2,531,845	2,606,507
Total financial liabilities		8,220,316	7,603,732

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 22: 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 10.

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 10.

b. **Liquidity risk**

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

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

Note 22: Financial Risk Management (continued)

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018 (Restated)
Consolidated Group	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Bank loans	50,573	49,223	5,688,471	4,997,225	-	-	5,739,044	5,046,448
Trade and other payables (excluding est. annual leave)	2,531,845	2,606,507	-	-	-	-	2,531,845	2,606,507
Total expected outflows	2,582,418	2,655,730	5,688,471	4,997,225	-	-	8,270,889	7,652,955
Financial assets — cash flows realisable								
Cash and cash equivalents	1,579,429	1,016,005	-	-	-	-	1,579,429	1,016,005
Restricted cash	29,086	155,283	-	-	-	-	29,086	155,283
Trade, term and loans receivables	3,495,883	3,838,586	-	-	-	-	3,495,883	3,838,586
Work in progress	948,836	865,241	-	-	-	-	948,836	865,241
Bonds and security deposits	-	-	86,043	91,358	-	-	86,043	91,358
Revenue not invoiced	3,243,102	4,111,610	2,935,228	3,289,971	-	-	6,178,330	7,401,581
Total anticipated inflows	9,296,336	9,986,725	3,021,271	3,381,329	-	-	12,317,607	13,368,054
Net (outflow)/inflow on financial instruments	6,713,918	7,330,995	(2,667,200)	(1,615,896)	-	-	4,046,718	5,715,099

b. 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 loan rollover 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 2019, the Group had bank loans of $5.7 million comprising of $0.7 million on 90 day terms at 2.74% and $5.0 million on 3.38% fixed interest expiring 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 2019, $10k was recognised in interest rate reserve in the balance sheet (30 June 2018: $8k). 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.

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 net of cash.

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.

Note 22: Financial Risk Management (continued)

ii. Sensitivity Analysis

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

	Consolidated Group	
	Increase/decrease in basis points	Profit before tax
	$	$
Year ended 30 June 2019	+/- 100	-/+ 56,495
Year ended 30 June 2018	+/- 100	-/+ 73,390

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.

Fair Values

Fair value estimation

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

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

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments whose carrying value are deemed to be equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.

(ii) Term receivables generally reprice to a market interest rate every 6 months, and fair value therefore approximates carrying value.

(iii) Bank borrowings entered into an interest rates swap hedging instrument, fair value assessment every 6 months

Financial liabilities are classified into Levels:

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

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

Level 3 those with unobservable inputs

Fair Values	FY19			FY18		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial Liabilities						
Bank loans	5,688,471	-	-	4,997,225	-	-

Note 23: Auditors' Remuneration

	Consolidated Group	
	2019 $	2018 $
The auditor for Energy Action Limited is Ernst & Young		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
— An audit or review of the financial report of the entity and any other entity in the consolidated group	208,400	146,965
— Other services in relation to the entity and any other entity in the consolidated group	-	13,500
	208,400	163,400

Note 24: Information relating to Energy Action Limited ("the parent entity")

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

	Note	Parent	
		2019 $	2018 (Restated) $
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Current assets		16,600,039	14,455,480
Non-current assets		3,448,650	14,560,537
Total assets		20,048,689	29,016,017
Current liabilities		(10,422,300)	(10,118,695)
Non-current liabilities		(7,471,939)	(8,008,194)
Total liabilities		(17,894,239)	(18,126,890)
Issued capital		(8,005,600)	(8,005,600)
Retained earnings		5,851,149	(2,883,528)
Total Equity		(2,154,450)	(10,889,127)
Profit of the parent entity		3,539,746	(8,045,708)
Total comprehensive income of the parent entity		3,539,746	(8,045,708)

Note 25: Events After the reporting period

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 2019 are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of its financial position as at 30 June 2019 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 2019.

On behalf of the board

Murray Bleach
Director

28 August 2019

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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 2019, 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 2019 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.

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Carryingvalue 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. During the year the Group has recognised impairment of $9.94 million and $1.25 million in respect of the Goodwill and other intangible assets balances, respectively. 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 12 of the financial report for the related disclosures.	Our audit procedures included the following: • Assessing the Group’s determination of the appropriate Cash Generating Units (CGU). • Evaluating the Group’s assessment of indicators of impairment for the other intangible assets. • For the impairment test performed, assessing the appropriateness of the board approved cash flow forecast and assumptions therein, including performing a sensitivity analysis of key assumptions and evaluating whether a reasonably possible change in assumptions could result in an impairment of the carrying value of the assets. • We considered the historical accuracy of the Group’s cash flow forecasts against 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 12 of the financial report.

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Recognition of revenue

Why significant

AASB 15 *Revenue from Contracts with Customers* is the new Australian Accounting Standard relating to revenue recognition and became effective for the Group from 1 July.

Under AASB 15, revenue from procurement activities relating to commission based tenders of the Group is recognised in the period in which the procurement activity is undertaken. This treatment is different to that previously applied by the Group and has resulted in a $3.4 million transitional adjustment impacting the opening retained earnings disclosed in note 2.2(i) of the financial report.

The Group generates revenue from projects that may cross multiple financial periods. For such contracts, AASB 15 requires the Group to recognise revenue over the period of time as and when customers receive and consume the benefits resulting from the satisfaction of underlying performance obligations identified within the contracts.

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.

Refer to Note 2(m) within the financial report for a summary of the Group's policy.

How our audit addressed the key audit matter

Our procedures included the following:

- Assessing whether the Group's revenue recognition policy is in line with the requirements of the new revenue recognition standard.
- Selecting a sample of contracts to determine whether revenue was recognised in accordance with the contract terms and the Group's revenue recognition policies.
- Assessing the appropriateness of the estimated project costs for significant projects through discussions with project managers and obtaining a sample of project questionnaires. These questionnaires which include a project status update and costs to complete analysis for the respective contract and support the estimate of the percentage of completion.
- Assessing the recoverability of work in progress for the outstanding projects through testing of subsequent billings and cash receipts.
- We tested the mathematical accuracy of revenue and contract profit recognised based on the percentage of completion for all contracts.
- In testing the transition to the new accounting standard:
    - We obtained an understanding of the Group's process for implementing AASB 15.
    - We selected key contracts with the customers on a sample basis and reviewed them to ensure that the application of the policy is in line with the requirements of AASB 15.
    - We tested the completeness of the population of contracts included in the transition adjustment.
    - Tested the mathematical accuracy of transition adjustments.
- Considered the adequacy of the disclosures contained within Notes 2.2(i) and 5 of the financial report.

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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 2019 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 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

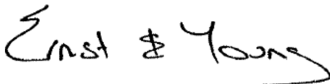
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Energy Action Limited for the year ended 30 June 2019, 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.



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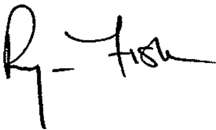

Ryan Fisk
Partner
Sydney
28 August 2019

Corporate Governance Policy

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 17 October 2019; and
- has been approved by the Board and is available of Energy Action's website at http://www.energyaction.com.au/about/corporate-governance

Shareholder Information as at 25 September 2019

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[1]	Latest Notice Date
Mr Bruce Duncan MacFarlane and Ms Linda Ann Millar	1,686,895	6.50%	27/06/2019
Mr Murray Bleach & related entities	2,684,435	10.34%	23/04/2019
Microequities Asset Management Pty Ltd	4,772,313	18.38%	02/04/2019
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

2. Number of security holders and securities on issue

EAX has 25,954,117 fully paid ordinary shares on issue which are held by 498 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 25 September 2019:

Range	No. of holders	%
1 to 1,000	126	25.51
1,001 to 5,000	198	40.08
5,001 to 10,000	57	11.54
10,001 to 100,000	86	17.41
100,001 and Over	27	5.47

5. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is 173. A unmarketable parcel comprises of 1,785 fully paid ordinary shares based on EAX's closing share price of $0.28 on 25 September 2019.

6. Twenty largest shareholders of quoted equity securities as at 25 September 2019

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

Rank	Name	25 Sep 2019	%IC
1	MEEHANTEAM PTY LTD	2,900,698	11.18
2	MR MURRAY EDWARD BLEACH & MRS NORMA LEIGH EDWARDS	2,427,545	9.35
3	MICROEQUITIES ASSET MANAGEMENT PTY LTD	2,326,873	8.97
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,320,000	8.94
5	HOLYOAKE INVESTMENTS PTY LTD	1,774,127	6.84
6	TOVEELEN PTY LTD	1,696,209	6.54
7	ACRES HOLDINGS PTY LTD	1,200,000	4.62
8	MILLAR & MACFARLANE PTY LTD	968,361	3.73
9	J & C ALLEN SUPERANNUATION FUND PTY LTD	875,833	3.37
10	MR BRUCE DUNCAN MACFARLANE & MS LINDA ANN MILLAR	803,082	3.09
11	MR EDWARD JAMES HANNA	611,387	2.36
12	EQUITAS NOMINEES PTY LIMITED	592,582	2.28
13	JASPER SUPERANNUATION FUND PTY LTD	552,553	2.13
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	479,380	1.85
15	MR BARRY DENTON	370,131	1.43
16	MR IVAN ROMAN SLAVICH & MRS ANNA SLAVICH	329,214	1.27
17	BOND STREET CUSTODIANS LIMITED	251,000	0.97
18	DR GEOFFREY PHILLIP BENT & MRS GABRIELLE MARY BENT	246,299	0.95
19	EMERALD SHARES PTY LIMITED	225,000	0.87
20	AMARINA SYSTEMS PTY LIMITED	220,331	0.85
	Total	**21,170,605**	**81.57**
	Balance of register	**4,783,512**	**18.43**
	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”.

EnergyAction