

APPENDIX 4D – HALF YEAR REPORT

HALF YEAR ENDED 31 DECEMBER 2019

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

1. Results for announcement to the market

	% change	6 months to 31 Dec 2019	6 months to 31 Dec 2018
Revenue from ordinary activities	(23%)	\$10,418,670	\$13,545,008
Statutory Profit / (Loss) after tax attributable to members	97%	(\$289,509)	(\$9,930,600)
Operating Profit / (Loss) after tax attributable to members	(117%)	(\$148,214)	\$885,171

Refer to section 3 for an explanation of Statutory vs Operating Profit

Basic earnings / (loss) per share (Statutory)	97%	(1.12c)	(38.3c)
Diluted earnings/ (loss) per share (Statutory)	97%	(1.12c)	(38.3c)

Basic earnings per share (Operating)	(117%)	(0.57c)	3.4c
Diluted earnings per share (Operating)	(117%)	(0.57c)	3.4c

2. Dividends

	Cents per share	Franked amount cents per share	Payment date	Record date
2020 interim dividend	NIL	NIL	-	-
2019 final dividend	NIL	NIL	-	-

3. Brief Explanation of Statutory and Operating Profit per share

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

Statutory Profit after tax for the half year was (\$289,509) compared to (\$9,930,600) in FY19. FY20 included a loss after tax of \$141,295 treated as Significant Items (refer also to the Directors Report), resulting in an FY20 Operating loss of (\$148,214). FY20 Operating Profit was down 117% from the previous corresponding period. There were Significant Items of \$10,815,771 in the prior corresponding period ending 31 December 2018.

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

4. Net tangible assets

	31 December 2019	30 June 2019
Net tangible assets per share [^]	\$0.042	\$0.094

[^]Excluded goodwill, customer relationship and internally generated software. Net tangible assets totalling \$1.10 million as at 31 December 2019 (\$2.43 million as at 30 June 2019).

5. Status of audit

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

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

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

ENERGY ACTION LIMITED

ABN 90 137 363 636

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2019

Financial Report for the Half Year Ended 31 December 2019

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Corporate Information

ACN: 137 363 636

Directors

Murray Bleach – Non-Executive Chairman

Nitin Singhi – Independent Non-Executive Director

Paul Meehan – Non-Executive Director

Mark de Kock – Independent Non-Executive Director

Company Secretary

Anna Sandham (resigned 27/11/2019)

Juan Rodriguez (appointed 27/11/2019)

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

RSM Australia Partners

Level 13, 60 Castlereagh Street

Sydney, NSW 2001

Directors Report

Your directors present their report, together with the financial statements for Energy Action Limited (the “Company”) and its consolidated entities (the “Group”), for the half-year ended 31 December 2019.

Directors

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

Murray Bleach – Non-Executive Chairman

Nitin Singhi – Independent Non-Executive Director

Paul Meehan – Non-Executive Director

Mark de Kock – Independent Non-Executive Director

Dividends

Dividends recommended: <i>Ordinary shares</i>	Cents per share	\$
Final 2019 dividend	NIL	NIL
Interim 2019 dividend	NIL	NIL

Operating and Financial Review

The Board presents the FY20 first half year *Operating and Financial Review*, which has been designed to provide shareholders with a clear and concise overview of Energy Action’s operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during the period. The review complements the financial report and has been prepared in accordance with ASIC’s Regulatory Guide 247: Effective Disclosure in an Operating and Financial Review.

Our business model

Energy Action’s core business strategy and purpose is:

“To help our clients understand, and take control of, their energy needs”

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 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.

Operational Performance

The company has progressed from last years “Back to Basics” strategic priorities to building “Foundation for Growth”. The core strategy remains growth by focus on delivering its strong market position in core energy procurement and monitoring services and streamline the delivery of its Advisory solutions. This is coupled with unlocking efficiencies to ensure a fit for purpose business with commensurate operating cost levels.

The success of these key priorities include:

	“Foundations for Growth”	Progress
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.	“Net Sales Order Aggregate Value” for the core products of Auctions and Metrics are 39% up over PCP. Whilst Auctions volumes have declined by 10%, the opportunity for contract renewal in 1H FY20 was significantly down 36% on the pcp and large growth in acquisition was unable to offset the decline in volume in retention. Retention rates have seen sizable improvement and continues to be a key strategic focus. Strongest Sales of Metrics for 2 years, coupled with low cancellations, has resulted in high net sales growth over PCP Significant growth of 613% in Progressive Purchasing sales over pcp and remains a key growth opportunity. Strong Channel partner revenue growth from Solar referrals Continued growth of Embedded Networks revenue. Secured Sydney Trains as the provider of embedded network operator, management and metering system renewal services across its extensive infrastructure asset base, for a period of 3 years and 303 sites. These sites will be onboarded in 2H FY20.
Capability	Continue to develop the scalable platform to capture additional efficiencies and eliminate remaining legacy systems.	During the period, significant effort was focused on the final stages of delivery and testing of the Business Transformation Project (BTP), which was implemented successfully in January 2020. At this stage the system is performing satisfactorily and is in hypercare, and the system is expected to stabilize by April.
	Continued improvements in Metrics platform for customers to meet existing and emerging customer demand and develop energy insights underpinned by data management and analysis.	During the first half primary focus has been on delivery of BTP. However there has been positive customer feedback and value created from the refresh of the Energy Metrics portal and addition of small market capability, which was delivered in 2H FY19.
	Enhanced capability to assist small customers.	More efficient quoting for SME customers achieved.

	“Foundations for Growth”	Progress
Service	Improve customer interactions and delivery to achieve improved retention and net promoter outcomes.	Milestone reports have all been achieved on time this year. Best net promoter scores achieved for Energy Action over 5 years. This has resulted in improved retentions, winning back customers, and also reduced cancellations and disputes.
Profit	Maintain disciplined performance management and cost control, lift the value of forward revenue, leverage and efficiencies of the newly built core systems and ensure Advisory business achieves commercial outcomes.	With the delivery of BTP, the organisation is looking to achieve reduced cost through further automation, leveraging efficiencies and selective offshoring. Cost was reduced during the period whilst continuing to focus on investing in growth with sales, service delivery and capability for customers. With revenue declining the focus continues to be the acceleration of Sales of our core business products – Auctions and Metrics, in addition to stabilisation and growth in the Corporate segment. The Advisory business has moved from loss making to a neutral contribution. Continued focus on Operating Cash Flow with \$1.3M of operating cashflow generated in the half year period ending 31 Dec 2019 and the conversion of Operating EBITDA to Operating Cash Flow a healthy 246%.
Engagement	Building and maintaining a high performance culture.	Best employee engagement scores for Energy Action recorded over 5 years and associated with lower staff turnover.

Operational Key Performance Indicators

Six months ended	31 Dec 2019	31 Dec 2018	% change
Procurement		Restated ³	
No. of successful AEX auctions	389	433	(10%)
Average AEX contract duration (months)	28.3	28.5	-0.2 months
TWhs sold via Auction (annualised equivalent)	0.47	0.47	-
Average annualised MWhs per successful AEX	1,200	1,083	11%
Average \$/MWh	\$82.19	\$80.67	2%
Total Auction bid value ¹	\$90.5m	\$89.8m	0.8%
No. of electricity tender events	14	22	(36%)
No. of gas tender events	18	25	(28%)
Contract Management & Energy Reporting (CMER)	31 Dec 2019	30 Jun 2019	
Sites under current contract ²			No.
Energy Metrics	4,127	4,699	-572
Bureau Services	1,479	1,909	-430
Data only contracts (MP / MDA)	1,378	1,615	-237
Total Metrics sites under contract	6,984	8,223	-1,239
Average Energy Metrics contract duration (months)	42.0	43.0	-1 months
Embedded Network tenancies under management	2,103	2,377	-274
Total sites	9,087	10,600	-1,513
Total Company future contracted revenue	\$20.8m	\$25.1m	(17%)

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

3) Prior period has been restated to align competitive auction volume with revenue recognised period rather than period Auction occurred. Non-revenue generating contracts were previously included in Auction counts and have now been removed.

Financial performance

The Group generated a statutory net loss after tax (NPAT) of (\$289,509) for the half year ended 31 December 2019 compared to a statutory net loss after tax of (\$9,930,600) for prior corresponding period (pcp). The FY20 half year results included significant Items of \$141,295 (FY19: \$10,815,771) resulting in operating net loss after tax for the half year ended 31 December 2019 of (\$148,214) compared to \$885,171 for the pcp, a decrease of 117%.

Revenues declined by 23% versus the previous period, with 17% decrease in Procurement, 15% decrease in Contract Management and Environmental Reporting and 56% decrease in Advisory. Further details are included in the Revenue section below.

Operating overheads totalled \$9.5 million for the period, compared to \$10.5 million in the pcp, a reduction of \$1 million, reflecting a continued focus on cost management.

The effective tax rate of 25.5% as at 31 Dec 2019 as compared to the company tax rate of 27.5%, mainly due to other permanent differences movement.

The Group incurred significant items totaling \$141,295. These significant items net of tax effect were:

- Cost relates to strategic review retention bonus of \$32,831
- Costs associated with an organisational restructure of \$108,464

Further details are included later in the Director's report.

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

\$	NPAT			EBITDA		
	31 Dec 2019	31 Dec 2018	Variance	31 Dec 2019	31 Dec 2018	Variance
Statutory net profit after tax	(289,509)	(9,930,600)	97%	350,388	(8,557,578)	104%
Add back Significant Items after tax:						
Tax rate change	-	(169,010)	(100%)	-	-	-
Strategic Review	32,831	116,268	72%	45,284	160,370	72%
Restructuring Costs*	108,464	151,267	28%	149,606	208,644	28%
Accelerated D&A **	-	772,450	100%	-	-	-
Impairment of Goodwill	-	9,944,796	100%	-	9,944,796	100%
Operating net profit after tax	(148,214)	885,171	(117%)	545,278	1,756,232	(69%)

* Costs associated with restructuring and closure of rental premises.

** Accelerated Depreciation & Amortisation on and specific items of Software and Customer Relationships.

Key Financial Metrics – six months ended 31 December 2019

Six months ended	31 Dec 2019	31 Dec 2018	Variance
Revenue	\$10.42m	\$13.55m	(23%)
Operating EBITDA	\$0.55m	\$1.76m	(69%)
Operating EBITDA margin	5.23%	12.97%	(7.74pts)
Operating NPAT	(\$0.15m)	\$0.89m	(117%)
Operating Cash Flow ¹	\$1.34m	\$1.94m	(31%)
Statutory NPAT	(\$0.29m)	(\$9.93m)	97%
Earnings per share (Operating)	(0.57c)	3.4c	(117%)
Earnings per share (Statutory)	(1.12c)	(38.3c)	97%

¹Operating Cash Flow before Interest, Tax and Significant Items

Revenue

<i>Six months ended</i>	31 Dec 2019	31 Dec 2018	vs HY19	vs HY19 %
Procurement	3,132,026	3,755,656	(623,630)	(17%)
CMER	6,217,313	7,356,122	(1,138,809)	(16%)
Advisory	1,069,335	2,433,106	(1,363,771)	(56%)
Other revenue	(4)	124	(128)	(103%)
Total Revenue	10,418,670	13,545,008	(3,126,338)	(23%)

Revenue and other income for the year decreased by \$3.13 million (23%) from \$13.54 million to \$10.41 million mainly as a result of the following:

- Procurement revenues declined 17%, predominately driven by a decrease in the number of Auctions performed to 389 (down from 433 in the pcg) offset by larger average annualised consumption sold, up 11%. The average \$/MWh slightly increased by 2% to \$82.19 and contract duration remained stable at 28.3 months largely in line with the pcg. Tenders revenue declined primarily as a result of lower volume. Progressive Purchasing declined with the end of contract for 1 key client in Dec 18, however Sales Orders have grown 613% compared to pcg and remains a key strategic initiative.
- Contract Management and Environmental Reporting (CMER) revenue declined by 16% with a decline in sites under management by 1,513 to 9,087. 30%-40% of Metrics and Data only contracts, relates to multiple small customers <10 sites, contracted over a 5 year period and now ending. Bureau services reduced significantly from 1 key customer not renewed in Dec 18, offset by increases in CS Energy billing services. Work is continuing to improve the customer value of the CMER service, and improve the attachment rate of Metrics to procurement to arrest this decline. Embedded Networks annuity revenue continues to grow, increasing 192%, primarily with CS Energy onboarding in 2H FY19.
- Advisory revenues decreased 56% vs the pcg across the full range of services. Decrease in the revenue is predominantly driven by restructure of Advisory business and cessation of unprofitable projects. The decline in revenue was offset by savings in cost of sales and overhead cost with reduced project delivery. Solar Channel Partner revenue grew 181% and continues to be a growth strategy for the Company.

Operating expenditure

Operating overheads (net of significant items) totalled \$9.5 million for the period, compared to \$10.5 million in the pcg, a decrease of 10%, reflecting a continued focus on cost management, in particular:

- Employment costs were \$0.5 million lower than pcg primarily as a result of:
 - A reduction in FTE due to the flattening of the management structure, the Advisory repositioning and further redundancy of 3 FTE in in H1 FY20
 - Increased capitalisation of resources in building the Core Customer and Contract Management Platform
 - The continued expansion of offshore resources in many operational process and support roles.
 - Investment in recruiting additional operational staff, often with relevant industry experience, to underpin service delivery improvements and ensure improved customer service outcomes.
- Reduction of Directors fees by 40% effective 1 February 2019 and the number of directors was reduced from 5 to 4 effective from 30 June 2019
- Reduction of rental occupancy costs with :
 - Consolidation in December 2018 of office locations into Sydney and Melbourne and relocation into flexible serviced office in Perth office.
 - Canberra onerous lease in June 2019, following the repositioning of the Advisory business.
 - Adoption of AASB16 Leases for premises in Parramatta and Brisbane, reducing rent expense and increasing amortisation of Right of Use Asset.
- Ongoing strict cost control across all discretionary spend areas
- A decline in operating D&A with :
 - accelerated depreciation and amortization of computer IP and a portion of computer equipment in prior periods
 - Impairment of software in 2H FY19 reducing amortisation
 - Offset by increase in lease depreciation with the adoption of AASB 16 Leases option

Significant Items

The company recorded Significant Items for the half year ended 31 December 2019 in relation to the following categories:

- Retention Bonus – the Company has incurred costs of \$32,831 in relation to BTP project and Strategic Review
- Redundancy costs – the Company has incurred costs of \$108,464 in relation to redundancy payment

Financial position and cashflows

Net assets decreased from \$5.69 million at 30 June 2019 to \$5.38 million at 31 December 2019 as a result of the Statutory Loss of \$0.290 million.

Operating cash flows before interest, tax and significant items of \$1.34 million were generated during the half year, with the conversion of Operating EBITDA to Operating Cash Flow a positive 246%.

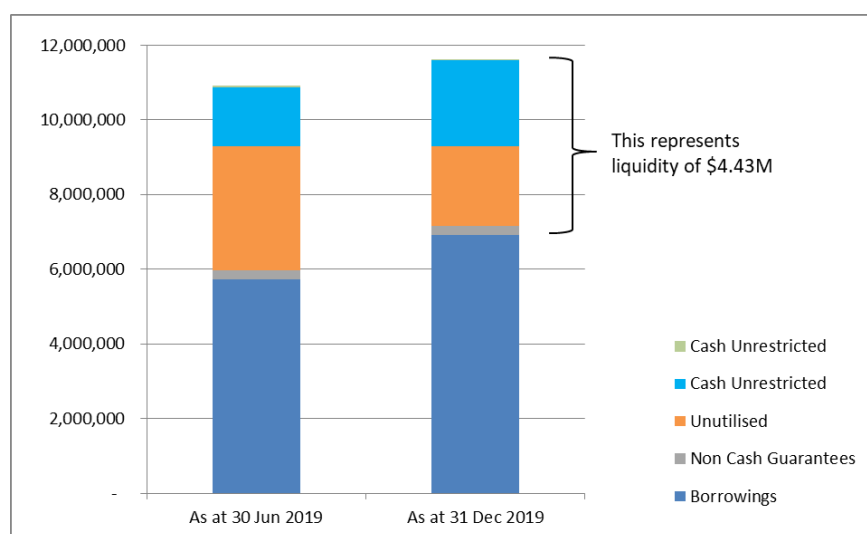
The Group incurred capital expenditure of \$1.3 million in the period, of which \$1.28 was on IT projects, predominately progressing the renewal and enhancement of the Group's core Customer and Contract Management platforms.

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

Six months ended	31 Dec 2019	31 Dec 2018
Operating Cash flow	836,539	1,326,853
Add back:		
Taxes paid / (received)	(29,689)	148,341
Net Interest paid / (received)	174,828	190,553
Cash flows related to significant items	360,413	276,365
Operating cash flow before interest, tax and significant items	1,342,091	1,942,112

The Company has signed a two year, \$9.55 million market rate loan agreement, expiring September 2021. 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 company has requested a reduction of facility limit by \$2 million in December 2019 and this request is currently in progress.

As at 30 Dec 2019, the Company had utilised \$7.16 million of the facility comprising a loan of \$6.92 million and bank guarantees principally in relation to rental properties and guarantee provided on project works of \$0.24 million. The Group had \$2.29 million of unrestricted cash at bank at 30 December 2019, and total undrawn facilities and cash of approximately \$4.43 million. Net debt increased to \$4.87 million as at 31 December 2019, an increase of \$479,252 over pc.



Forward revenue

Forward revenue for the half year ending 31 Dec 2019 has declined to \$20.85 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.

Events after the Reporting Period

The Company formally requested a waiver of the bank's rights under the "event of default" due to breach in the gearing ratio. The Bank has agreed to waive the Event of Default under the facility agreement resulting from the breach of the gearing ratio on the calculation date 31 December 2019 and waives its right arising from such breach.

The Business Transformation Project (BTP) was implemented successfully in January 2020. The system is performing satisfactorily and is in hypercare, and the system is expected to stabilise by April.

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2019 has been received and can be found on the following page of the financial report.

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



Murray Bleach

Chairman

Dated: 26 February 2020



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www.irs.gov

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Energy Action Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

Cameron Hume
Partner

Sydney, NSW
Dated: 26 February 2020

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THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840.

Labeled by a scheme approved by Accredited Standards Agency (ASA)



Financial Statements

Condensed Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2019

| | Note | Consolidated Group
1H FY20
6 Months
to Dec 19
\$ | 1H FY19
6 Months
to Dec 18
\$ |
|---|----------|--|--|
| Revenue from Contracts with Customers | | 10,418,674 | 13,544,884 |
| Other income | | (4) | 124 |
| Total Revenue | 3 | 10,418,670 | 13,545,008 |
| Cost of goods and services sold | | (905,654) | (1,812,374) |
| Employee benefits expense | 4.1 | (6,290,236) | (6,820,321) |
| Rental expense | | (400,983) | (732,265) |
| Travel expenses | | (163,311) | (212,776) |
| Administration expenses | 4.2 | (2,113,208) | (2,211,040) |
| Impairment of Goodwill | | - | (9,944,796) |
| Restructuring Costs | | (194,890) | (208,644) |
| Strategic review costs | | - | (160,370) |
| EBITDA | | (350,388) | (8,557,578) |
| Depreciation and amortisation | 4.3 | (544,583) | (519,898) |
| One-off Accelerated Depreciation and amortisation expense | 4.4 | - | (844,104) |
| EBIT | | (194,195) | (9,921,580) |
| Financing costs | 13 | (194,429) | (228,376) |
| Profit / (Loss) before income tax | | (388,624) | (10,149,956) |
| Income tax expense | 5 | 99,115 | 219,356 |
| Profit / (Loss) for the year attributable to members of the parent entity | | (289,509) | (9,930,600) |
| 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 | | (39,424) | 39,810 |
| Interest Swap Reserve | | 9,610 | 4,747 |
| Total comprehensive income for the year attributable to members of the parent entity | | (319,323) | (9,886,043) |
| Earnings per share: | | | |
| | | Cents | Cents |
| Basic earnings per share for the year attributable to ordinary equity holders of the parent | 16 | (1.12) | (38.3) |
| Diluted earnings per share for the year attributable to ordinary equity holders of the parent | 16 | (1.12) | (38.3) |
| The accompanying notes form part of these financial statements | | | |

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

| | Note | Consolidated Group | |
|--------------------------------------|------|--------------------|-------------------|
| | | 31 Dec 2020 | 30 Jun 2019 |
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 2,323,599 | 1,608,515 |
| Trade and other receivables | 7 | 2,729,974 | 3,495,883 |
| Current tax asset | 15 | - | 74,638 |
| Other assets | 10 | 3,773,509 | 4,463,137 |
| TOTAL CURRENT ASSETS | | 8,827,082 | 9,642,173 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 7 | 86,043 | 86,043 |
| Other assets | 10 | 3,617,305 | 2,935,228 |
| Property, plant and equipment | 8 | 199,817 | 257,283 |
| Software Development | 9 | 4,274,685 | 3,264,423 |
| TOTAL NON-CURRENT ASSETS | | 8,177,850 | 6,542,977 |
| TOTAL ASSETS | | 17,004,932 | 16,185,150 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 2,006,093 | 2,531,845 |
| Short Term provisions | 12 | 1,328,102 | 1,168,528 |
| Loans and Borrowings | 14 | 6,894,749 | - |
| Current tax liability | 15 | 31,734 | - |
| TOTAL CURRENT LIABILITIES | | 10,260,678 | 3,700,373 |
| NON-CURRENT LIABILITIES | | | |
| Other long term provisions | 12 | 675,158 | 234,402 |
| Loans and Borrowings | 14 | - | 5,688,471 |
| Deferred tax liabilities | 15 | 692,347 | 868,145 |
| TOTAL NON-CURRENT LIABILITIES | | 1,367,505 | 6,791,018 |
| TOTAL LIABILITIES | | 11,628,183 | 10,491,391 |
| NET ASSETS | | 5,376,749 | 5,693,759 |
| EQUITY | | | |
| Issued capital | 18 | 6,537,906 | 6,537,906 |
| Share based payments reserve | 19 | 173,146 | 170,833 |
| Retained earnings | | (1,335,950) | (1,006,800) |
| Interest Swap Reserve | | - | (9,610) |
| Foreign currency translation reserve | | 1,647 | 1,430 |
| TOTAL EQUITY | | 5,376,749 | 5,693,759 |

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

| Consolidated Group | Note | Share
Capital
Ordinary | Share Based
Payment
Reserve | Retained
Earnings | Foreign
currency
translation
reserve | Interest
swap
reserve | Total |
|---|------|------------------------------|-----------------------------------|----------------------|---|-----------------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 30 June 2018 | | 6,537,906 | 318,226 | 8,055,889 | (39,810) | (7,567) | 14,864,644 |
| AASB 15 Adjustment | | - | - | 4,068,361 | - | - | 4,068,361 |
| Balance at 30 June 2018 (Restated) | | 6,537,906 | 318,226 | 12,124,250 | (39,810) | (7,567) | 18,933,005 |
| Profit / (Loss) for the period | | - | - | (9,930,600) | - | - | (9,930,600) |
| Foreign currency translation reserve | | - | - | - | 39,810 | - | 39,810 |
| Interest Swap Reserve | | - | - | - | - | 4,747 | 4,747 |
| Total comprehensive income | | - | - | (9,930,600) | 39,810 | 4,747 | (9,886,043) |
| Share based payment | | - | (128,201) | - | - | - | (128,201) |
| Dividends paid or provided for | 17 | - | - | (1,038,165) | - | - | (1,038,165) |
| Balance at 31 December 2018 | | 6,537,906 | 190,025 | 1,155,485 | - | (2,820) | 7,880,596 |
| Balance at 30 June 2019 | | 6,537,906 | 170,833 | (1,006,800) | 1,430 | (9,610) | 5,693,759 |
| Profit / (Loss) for the period | | - | - | (289,509) | - | - | (289,509) |
| Foreign currency translation reserve | | - | - | (39,641) | 217 | - | (39,424) |
| Interest Swap Reserve | | - | - | - | - | 9,610 | 9,610 |
| Total comprehensive income | | - | - | (329,150) | 217 | 9,610 | (319,323) |
| Share based payment | | - | 2,313 | - | - | - | 2,313 |
| Dividends paid or provided for | 17 | - | - | - | - | - | - |
| Balance at 31 December 2019 | | 6,537,906 | 173,146 | (1,335,950) | 1,647 | - | 5,376,749 |

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Cash Flow

For the half year ended 31 December 2019

| | Note | Consolidated Group | |
|--|------|--------------------|------------------|
| | | 1H FY20 | 1H FY19 |
| | | 6 Months | 6 Months |
| | | to Dec19 | to Dec18 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 12,628,005 | 14,889,496 |
| Payments to suppliers and employees (inclusive of GST) | | (11,285,914) | (12,893,750) |
| Payment for restructuring and strategic review costs | | (360,413) | (276,365) |
| Interest received | | 774 | 2,287 |
| Share based payments share purchase | | - | (53,634) |
| Interest paid | | (175,602) | (192,839) |
| Income tax paid | | 29,689 | (148,342) |
| Net cash provided by/(used in) operating activities | | 836,539 | 1,326,853 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (22,674) | (89,968) |
| Software development costs | | (1,298,782) | (843,077) |
| Net cash used in investing activities | | (1,321,456) | (933,045) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid by parent entity | 17 | - | (1,038,165) |
| Bank loan | 14 | 1,200,000 | 500,000 |
| Net cash generated/(used) from financing activities | | 1,200,000 | (538,165) |
| Net increase/(decrease) in cash held | | 715,083 | (144,357) |
| Cash at beginning of Statement Period | | 1,608,515 | 1,171,290 |
| Cash at end of Statement Period | | 2,323,598 | 1,026,933 |

The accompanying notes form part of these financial statements

Note 1: Corporate Information

The interim consolidated financial statements and notes represent those of Energy Action Limited and its Controlled Entities (the “consolidated group” or “group” or “EAX”) for the half-year ended 31 December 2019. The financial statements were authorised for issue in accordance with a resolution of the directors on 26 February 2020.

Energy Action Limited (“the Parent”) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group is a for profit entity.

The nature of the operation and principal activities of the Group are described in the directors’ report.

Note 2: Basis of Preparation and Changes in Accounting Policies**2.1 Basis of Preparation**

The interim unaudited condensed consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting*. The disclosures required in these interim unaudited condensed consolidated financial statements are less extensive than the disclosure requirements for annual financial statements. The interim unaudited condensed consolidated financial statements should be read in conjunction with the annual financial report of the Group for the year ended 30 June 2019.

The interim unaudited condensed consolidated financial statements comprise the condensed statements of comprehensive income, financial position, changes in equity and cash flows as well as the relevant notes to the interim unaudited condensed consolidated financial statements.

The financial statements have been prepared under the historical cost convention and on a going concern basis.

2.2 New Accounting Standards and interpretations**(i) Changes in Accounting Policy**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following Australian Accounting Standards, AASB Interpretations and change in the Company accounting policy as of 1 July 2019:

- AASB 16 Leases

AASB16 Leases

The accounting for operating lease will result in the recognition of a right-of-use (RoU) asset and an associated lease liability on the consolidated statement of financial position. The lease liability represents the present value of future lease payment, with the exception of short-term and low value leases. An interest expense will be recognised on the lease liabilities and a depreciation charge will be recognised for the RoU assets.

Energy Action has adopted AASB 16 on the 1 July 2019 and this has resulted in an initial increase in assets and liabilities of \$992K. During the period, the right-of-use asset was reduced by lease depreciation of \$176K leaving a balance of \$816K as at 31 December 2019. Lease liability was reduced by rent expense of \$185K offset by increase in lease interest of \$28K leaving a balance of \$835K as at 31 December 2019

Lower rental expense \$185K offset by an increase in lease depreciation \$176K and lease interest expense \$28K.

As at 31 December 2019, the adoption of AASB 16 has the following impact on both the balance sheet and the financial result of the Group:

- EBITDA improved by \$185K due to lower rental expense
- EBIT improved by \$9K due to lease depreciation of \$176K
- Profit before tax has a negative impact of \$19K due to lease interest expense
- Net asset reduced by \$19K (right-of-use asset lower than lease liability)

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the half year reporting period ending 31 December 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 |
|--|--|---|
| IFRIC 23 Uncertainty 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 | | |

Note 3: 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 progressive purchasing;
- 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; Advisory Services.

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) 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.

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 annual accounts.

Revenue by Customer

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

| 1H FY20 (Jul 19 – Dec 19) | Procurement
\$ | Monitoring
\$ | Advisory Services
\$ | Total
\$ |
|---------------------------------------|-------------------|------------------|-------------------------|-------------------|
| Revenue from contracts with Customers | 3,132,026 | 6,217,313 | 1,069,335 | 10,418,674 |
| Other Income | (4) | - | - | (4) |
| | 3,132,022 | 6,217,313 | 1,069,335 | 10,418,670 |

| 1H FY19 (Jul 18 – Dec 18) | Procurement
\$ | Monitoring
\$ | Advisory Services
\$ | Total
\$ |
|---------------------------------------|-------------------|------------------|-------------------------|-------------------|
| Revenue from contracts with Customers | 3,755,656 | 7,356,122 | 2,433,106 | 13,544,884 |
| Other Income | 124 | - | - | 124 |
| | 3,755,780 | 7,356,122 | 2,433,106 | 13,545,008 |

| Timing of Revenue Recognition | H1 FY20
\$ | H1 FY19
\$ |
|--|-------------------|-------------------|
| Services transferred at a point in time | 2,583,294 | 2,981,081 |
| Services transferred over time | 7,835,376 | 10,563,927 |
| Total Revenue from contracts with customers | 10,418,670 | 13,545,008 |

All material revenues are generated in Australia.

Note 4: Other Expense

| | H1 FY20 | H1 FY19 |
|--|------------------|------------------|
| | \$ | \$ |
| 4.1 | | |
| Employee benefits | | |
| Salaries | 5,166,719 | 5,657,417 |
| Commissions | 145,229 | 106,500 |
| Superannuation | 517,624 | 602,303 |
| Share based payment expense | 2,313 | (74,567) |
| Other | 458,351 | 528,668 |
| Total Employment benefits | 6,290,236 | 6,820,321 |
| 4.2 | | |
| Administrative costs | | |
| Accounting, audit and tax fees | 83,990 | 60,980 |
| Advertising | 207,748 | 132,075 |
| Legal and professional fees | 42,229 | 57,122 |
| Telephone and internet | 47,772 | 50,810 |
| Computer maintenance costs | 1,004,150 | 1,052,055 |
| Bad debt expense * | - | (36,302) |
| Recruitment costs | 49,755 | 65,173 |
| Other expenses | 677,564 | 829,127 |
| Total Administrative costs | 2,113,208 | 2,211,040 |
| 4.3 | | |
| Depreciation and amortisation | | |
| Depreciation | 80,140 | 154,103 |
| Amortisation - Software | 288,520 | 365,795 |
| Amortisation - Lease | 175,923 | - |
| Total Depreciation & amortisation | 544,583 | 519,898 |
| 4.4 | | |
| One-off Accelerated Depreciation and Amortisation | | |
| Accelerated Amortisation – Customer relationship | - | 583,545 |
| Accelerated Amortisation – Software | - | 260,559 |
| Total One-off Accelerated Depreciation and Amortisation | - | 844,104 |

Note 5: Income Tax Expense

| | 31 Dec 2019 | 30 Jun 2019 |
|--|-----------------|--------------------|
| | \$ | \$ |
| The components of tax expense comprise: | | |
| Current tax | 58,485 | 115,183 |
| Current tax – under/(over) prior year | 18,198 | (7,224) |
| Tax rate changes | - | (169,010) |
| Deferred tax | 15 (175,798) | (990,967) |
| | (99,115) | (1,052,018) |
| 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% (2019: 27.5%) | (106,872) | (3,614,849) |
| Add Tax effect of : | | |
| Permanent Differences | | |
| — Share based payments/trust | 721 | (12,128) |
| — Goodwill impairment | - | 2,734,819 |
| — Other permanent differences | 7,231 | 16,374 |
| — Tax rate changes impact | - | (169,010) |
| — Prior year adjustments | (195) | (7,224) |
| Less Tax effect of : | | |
| Deductible Expense | | |
| — Unbooked tax losses | - | - |
| Income tax attributable to entity | (99,115) | (1,052,018) |
| The applicable weighted average effective tax rates are as follows: | 25.50% | 8.00% |

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 6: Cash and Cash Equivalents

| | 31 Dec 2019 | 30 Jun 2019 |
|-------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank* | 2,290,340 | 1,579,429 |
| Restricted cash** | 33,259 | 29,086 |
| Total Cash | 2,323,599 | 1,608,515 |

*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 7: Trade and Other Receivables

| | 31 Dec 2019 | 30 Jun 2019 |
|------------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Trade receivables | 2,993,184 | 3,767,945 |
| Provision for expected credit loss | (263,210) | (272,062) |
| Total current trade receivables | 2,729,974 | 3,495,883 |
| NON-CURRENT | | |
| Bonds and security deposits | 86,043 | 86,043 |

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

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 7.

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 below.

| | Past due but not impaired (days overdue) | | | | | |
|--------------------------------|--|--------------------|----------------|----------------|----------------|----------------|
| | Total | Within Trade Terms | < 30 | 31–60 | 61–90 | 91+ |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 31 Dec 2019 | | | | | | |
| Trade and term receivables | 2,993,184 | 2,035,955 | 412,107 | 374,193 | 45,301 | 125,628 |
| Expected credit loss allowance | 263,210 | - | 12,953 | 125,713 | 21,229 | 103,315 |
| | 2,729,974 | 2,035,955 | 399,154 | 248,480 | 24,072 | 22,313 |
| 30 Jun 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 | - | 4,370 | 11,199 | 9,395 | 247,098 |
| | 3,495,883 | 2,385,864 | 670,734 | 134,468 | 184,281 | 120,536 |

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 10.

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 8: Property Plant and Equipment

| | 31 Dec 2019 | 30 Jun 2019 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| Computer equipment: | | |
| At cost | 2,048,815 | 2,026,141 |
| Accumulated depreciation | (1,929,110) | (1,879,857) |
| | 119,705 | 146,284 |
| Furniture and fittings: | | |
| At cost | 1,422,999 | 1,422,999 |
| Accumulated depreciation | (1,342,887) | (1,312,000) |
| | 80,112 | 110,999 |
| Total Plant and Equipment | 199,817 | 257,283 |

a. Movements in Carrying Amounts

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

| | Computer Equipment | Furniture and Fittings | Total |
|-------------------------------|--------------------|------------------------|----------------|
| | \$ | \$ | \$ |
| Consolidated Group: | | | |
| Balance at 1 Jul 2018 | 217,302 | 312,588 | 529,890 |
| Additions | 65,272 | 57,488 | 122,760 |
| Assets disposed | - | (93,330) | (93,330) |
| Depreciation expense | (136,290) | (102,119) | (238,409) |
| Accelerated Depreciation | - | (63,628) | (63,628) |
| Balance at 30 Jun 2019 | 146,284 | 110,999 | 257,283 |
| Additions | 22,674 | - | 22,673 |
| Depreciation expense | (49,253) | (30,887) | (80,140) |
| Balance at 31 Dec 2019 | 119,705 | 80,112 | 199,817 |

Note 9: Intangible Assets

| | 31 Dec 2019
\$ | 30 Jun 2019
\$ |
|--|-------------------|-------------------|
| Goodwill | 9,944,796 | 9,944,796 |
| Accumulated amortisation - goodwill | (9,944,796) | (9,944,796) |
| Net carrying value – goodwill | - | - |
| Customer relationships | 2,438,000 | 2,438,000 |
| Accumulated amortisation – customer relationship | (2,438,000) | (2,438,000) |
| Net carrying value – customer relationships | - | - |
| Software development costs | 10,889,844 | 10,841,063 |
| Impairment of software | - | (1,250,000) |
| Accumulated amortisation | (6,615,160) | (6,326,640) |
| Net carrying value – software development costs | 4,274,685 | 3,264,423 |
| Total intangibles | 4,274,685 | 3,264,423 |

| | Goodwill
\$ | Customer
relationships
\$ | Software
Development
costs
\$ | Total
Intangibles
\$ |
|-------------------------------------|----------------|---------------------------------|--|----------------------------|
| Consolidated Group: | | | | |
| Year ended 30 Jun 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 |
| Impairment | (9,944,796) | - | (1,250,000) | (11,194,796) |
| Amortisation charge | - | - | (676,232) | (676,232) |
| One-off Accelerated Amortisation | - | (1,167,090) | (496,671) | (1,663,761) |
| Closing value at 30 Jun 2019 | - | - | 3,264,423 | 3,264,423 |
| Balance at the beginning of year | - | - | 3,264,423 | 3,264,423 |
| Internal development | - | - | 1,298,782 | 1,298,782 |
| Impairment | - | - | - | - |
| Amortisation charge | - | - | (288,520) | (288,520) |
| One-off Accelerated Amortisation | - | - | - | - |
| Closing value at 31 Dec 2019 | - | - | 4,274,685 | 4,274,685 |

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.

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 cashflow projections have been based on a forecast for the next two calendar years. This has then been extrapolated for a further 3 years.

The discount rate applied to cash flow projections is a 16.2% post tax, 22.3% pre-tax (FY19: 17.6% post tax, 24.3% pre-tax) and the cash flows beyond the next two calendar year forecasts are extrapolated using 0% growth rate (FY19: 0%) and terminal growth rate of nil.

The decrease in the discount rate is due to lower debt costs as a result of decrease in interest rate.

Note 10: Other Assets

| | 31 Dec 2019 | 30 Jun 2019 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Prepayments | 365,490 | 271,199 |
| Work in progress* | 334,921 | 948,836 |
| Revenue not invoiced* | 3,073,098 | 3,243,102 |
| | 3,773,509 | 4,463,137 |
| NON CURRENT | | |
| Revenue not invoiced* | 2,800,863 | 2,935,228 |
| Right of use of assets** | 816,442 | - |
| | 3,617,305 | 2,935,228 |

* These represents conditional contract asset as on 31 December 2019.

** Adoption of AASB 16 Leases standard

Note 11: Trade and Other Payables

| | 31 Dec 2019 | 30 Jun 2019 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Trade payables | 435,076 | 695,339 |
| Other payables and accrued expenses | 1,571,017 | 1,836,506 |
| | 2,006,093 | 2,531,845 |

Note 12: Provisions and Other Liabilities

| | 31 Dec 2019 | 30 Jun 2019 |
|-------------------------|------------------|------------------|
| | \$ | \$ |
| Current | | |
| Restructuring Provision | 172,181 | 382,705 |
| Annual leave | 549,718 | 588,085 |
| Long service leave | 269,363 | 197,738 |
| Lease Liability* | 336,840 | - |
| | 1,328,102 | 1,168,528 |
| Non-current | | |
| Long service leave | 176,492 | 234,402 |
| Lease Liability* | 498,666 | - |
| | 675,158 | 234,402 |

* Adoption of AASB 16 Leases standard

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.

Note 13: Financing Income / (Cost)

| | 1H FY20
6 Months
to Dec 19
\$ | 1H FY19
6 Months
to Dec 18
\$ |
|-------------------------|--|--|
| Interest Income | 774 | 2,286 |
| Interest expense | (167,381) | (230,662) |
| Lease interest expenses | (27,822) | - |
| | (194,429) | (228,376) |

Note 14: Loans and Borrowings

| | 31 Dec 2019
\$ | 30 Jun 2019
\$ |
|--|-------------------|-------------------|
| Market Rate Loan Facility | 6,923,721 | 5,723,721 |
| Less capitalised debt establishment fees | (28,972) | (35,250) |
| | 6,894,749 | 5,688,471 |

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 \$9.0 million, bank guarantee facility of \$0.3 million and corporate card facility of \$0.25 million. The company submitted a request to further reduce the facility limit by \$2 million in Dec 19 and this request is currently in progress.

As at 31 December 2019, Energy Action had utilised \$6.92 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.

Energy Action confirm that there was a breach of the Gearing Ratio covenant under the Company's bank facility which was required to be tested as at 31 December 2019.

As a result of the breach of Debt covenant, the Loans and Borrowings are reported as a current liability as at 31 December 2019. Energy Action has formally requested a "waiver" of the banks rights under the "Event of Default" due to the breach in the Gearing Ratio.

During February 2020, the Bank has agreed to waive the Event of Default under the Facility Agreement resulting from the breach of the Gearing Ratio and waives its rights arising from such breach. As a result, the bank loan has moved back to non-current liabilities.

Financing facilities

| | 31 Dec 2019
\$ | 30 Jun 2019
\$ |
|---|-------------------|-------------------|
| Loan facilities (excluding corporate card facility) | 9,300,000 | 9,300,000 |
| Amounts utilised | | |
| Borrowings | 6,923,721 | 5,723,721 |
| Bank guarantees – non cash | 237,667 | 237,667 |
| Total amounts utilised | 7,161,388 | 5,961,388 |
| Total amounts unutilised | 2,138,612 | 3,338,612 |

Note 15: Tax

| | | | | | 31 Dec 2019 | 30 Jun 2019 |
|------------------------------|-----------------|--------------------------|-----------------|-----------------------|-------------------|-----------------|
| | | | | | \$ | \$ |
| Current | | | | | | |
| Income tax asset/(liability) | | | | | (31,734) | 74,638 |
| Non-Current | | | | | | |
| | Opening Balance | Adjusted Opening Balance | Tax rate change | True-up to Tax Return | Charged to Income | Closing Balance |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Consolidated Group | | | | | | |
| Deferred Tax Dec 19 | | | | | | |
| Provisions | 493,986 | 493,986 | - | - | (562) | 493,424 |
| Accruals | 282,623 | 282,623 | - | - | 201,038 | 483,661 |
| Fixed assets | 379,244 | 379,244 | - | - | (13,336) | 365,908 |
| Prepaid commissions | (18,379) | (18,379) | - | - | 12,744 | (5,635) |
| Work in progress | (234,187) | (234,187) | - | - | 131,853 | (102,334) |
| Share Based Payments | 948 | 948 | - | - | (948) | - |
| Sundry | 48,399 | 48,399 | - | - | (16,190) | 32,209 |
| Revenue not Invoiced | (1,821,778) | (1,821,778) | - | - | 85,720 | (1,735,058) |
| Right of use assets | - | - | - | - | (224,521) | (224,521) |
| | (868,145) | (868,145) | - | - | 175,798 | (692,347) |
| Deferred Tax Jun 19 | | | | | | |
| 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) |

Note 16: Earning 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:

| | 1H FY20
6 Months
to Dec 19
\$ | 1H FY19
6 Months
to Dec 18
\$ |
|--|--|--|
| Statutory Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings | (289,509) | (9,930,600) |
| Statutory Net Profit / (loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilutions | (289,509) | (9,930,600) |
| | Dec 2019
No. | Dec 2018
No. |
| Weighted average number of ordinary shares for basic earnings per share | 25,954,117 | 25,954,117 |
| Effect of dilution: | | |
| Potential issue of shares – performance rights | - | - |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 25,954,117 | 25,954,117 |
| Basic earnings / (loss) per share (Statutory) | (1.12) | (38.3) |
| Diluted earnings/ (loss) per share (Statutory) | (1.12) | (38.3) |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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

Note 17: Dividends

| | 1H FY20
6 Months
to Dec 19
\$ | 1H FY19
6 Months
to Dec 18
\$ |
|---|--|--|
| Dividends paid: | | |
| Final FY19 franked dividend of NIL cents per share | - | - |
| Final FY18 franked dividend of 4.00 cents per share | - | 1,038,165 |
| | - | 1,038,165 |

Tax rates

The tax rate at which paid dividends have been franked is 27.5% (FY19: 27.5%). Dividends proposed will be franked at the rate of 27.5% (FY19: 27.5%).

Note 18: Issued Capital and Reserves

| | Dec 2019
\$ | Dec 2018
\$ |
|----------------------------|------------------|------------------|
| Fully paid ordinary shares | 6,537,906 | 6,537,906 |
| | 6,537,906 | 6,537,906 |

| | 1H FY20
6 Months
to Dec 19
No. | 1H FY19
6 Months
to Dec 18
No. |
|---|---|---|
| a. Ordinary Shares (number) | | |
| At the beginning of the reporting period: | 25,954,117 | 25,954,117 |
| At the end of the reporting period | 25,954,117 | 25,954,117 |

| | Dec 2019
\$ | Dec 2018
\$ |
|---|------------------|------------------|
| b. Ordinary Shares (\$) | | |
| At the beginning of the reporting period: | 6,537,906 | 6,537,906 |
| At the end of the reporting period | 6,537,906 | 6,537,906 |

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 19: Share-based Payment Transactions

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

For the six months ended 31 December 2019, the Group has processed \$2,313 of share-based payment transactions expense in the statement of comprehensive income (1H FY19: (\$74,567)).

Note 20: Financial Instrument**Fair Values***Fair value estimation*

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

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

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

Financial liabilities are classified into Levels:

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

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

Level 3 those with unobservable inputs

| Fair Values | 31 Dec 2019 | | | 30 Jun 2019 | | |
|-----------------------|-------------|-----------|---------|-------------|-----------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial Liabilities | | | | | | |
| Bank loans | - | 6,894,749 | - | - | 5,688,471 | - |

Note 21: Related Party Disclosure

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel exercise significant influence.

The Group procures management services from Horizon Private Capital Partners. Nitin Singhi is director of Horizon Private Capital Partners. \$39,600 was paid in FY20 1H (FY19 1H \$33,000). Horizon Services Trust provided consulting services in relation to the bank facility, the Advisory repositioning, and introduction of new partners.

Note 22: Events After the Reporting Period

The Company formally requested a waiver of the bank's rights under the "event of default" due to breach in the gearing ratio. The Bank has agreed to waive the Event of Default under the facility agreement resulting from the breach of the gearing ratio on the calculation date 31 December 2019 and waives its right arising from such breach.

The Business Transformation Project (BTP) was implemented successfully in January 2020. The system is performing satisfactorily and is in hypercare, and the system is expected to stabilise by April.

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

Directors Declaration

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

1. In the opinion of the Directors:
 - a. The financial statements and notes of Energy Action Limited for the half - year ended 31 December 2019 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of its financial position as at 31 December 2019 and performance
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Regulations 2001
 - b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1
 - c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the half - year ended 31 December 2019.

On behalf of the board.



Murray Bleach
Chairman

26 February 2020

10/24/2015 1:55 PM

Quality
ISO 9001:2015

**Independence**

In conducting our review, we have complied with the Independence requirements of the *Corporations Act 2001*. We confirm that the Independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Energy Action Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Energy Action Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'Cameron Hume'.

Cameron Hume
Partner

Sydney, NSW

Dated: 26 February 2020