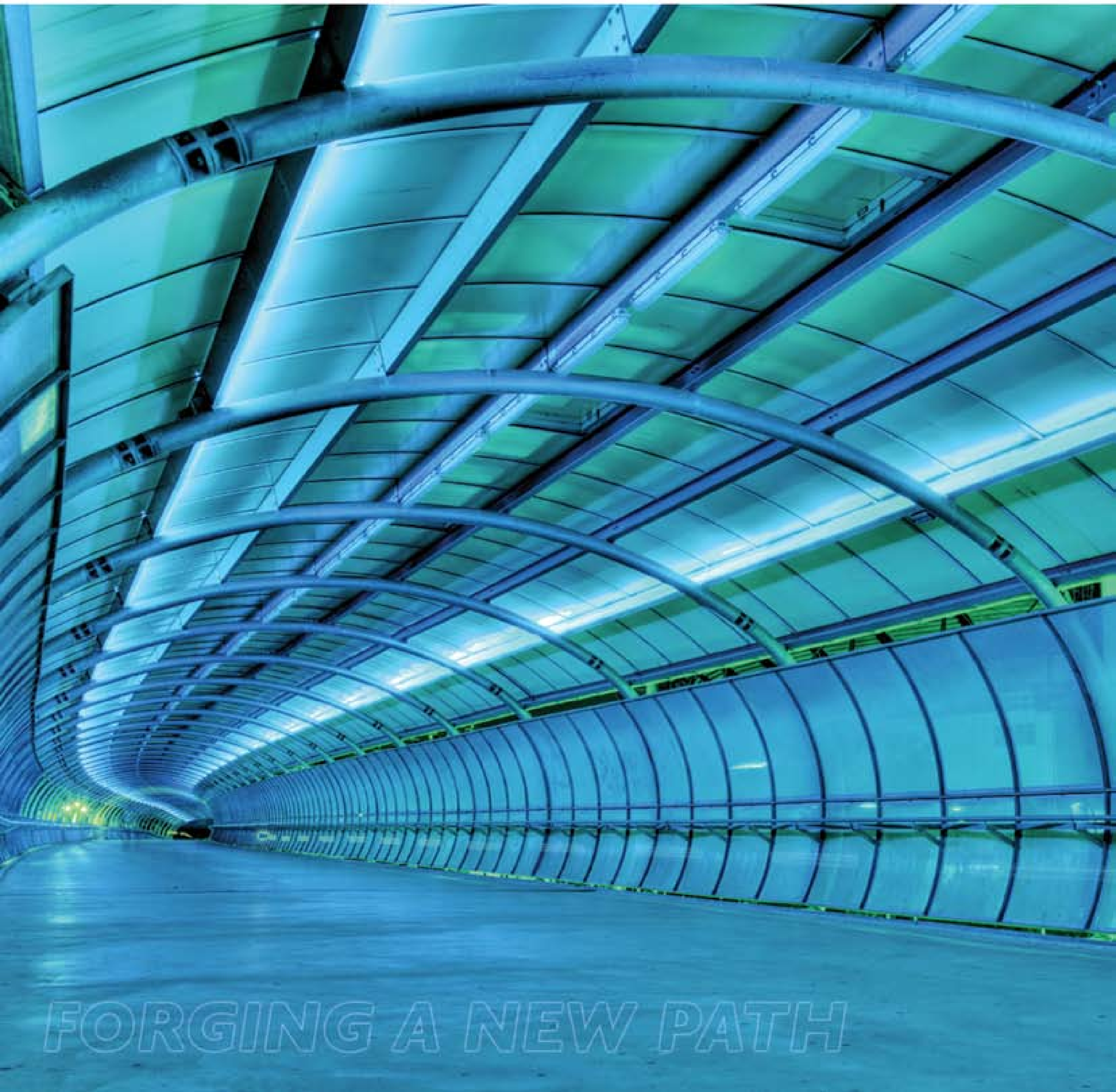
EnergyOne
Turning Australia On

Energy One Limited

ABN 37 076 583 018

Annual Report

for the Financial Year ended 30 June 2007



CORPORATE DIRECTORY

Energy One Limited
ABN 37 076 583 018

Board of Directors

Ian Ferrier - Chairman

Vaughan Busby - Managing Director

Andrew Bonwick - Independent Director

Ottmar Weiss - Independent Director

Secretary

Joshua Rudd

Registered Office

Level 15
309 Kent Street
Sydney NSW 2000

Principle Office

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Sydney NSW 2000
Tel: 02 8252 9898
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Investor Information

Energy One Limited Shares are listed on the Australian Stock Exchange (ASX).
ASX Code: EOL
ACN: 076 583 018

Website Address

www.energyone.com.au

Share registry

Registries Limited
Level 2
28 Margaret Street
Sydney NSW 2000

Solicitors

Johnson Winter & Slattery
Level 30
Australia Square
264 George Street
Sydney NSW 2000

Auditors

WHK Horwath
Level 15
309 Kent Street
Sydney NSW 2000

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CHAIRMAN'S REPORT

The 2007 financial year, Energy One's first as a listed entity, featured extraordinary energy market volatility. This degree of volatility was unexpected by all market participants, regulators and governments across Australia.

As a niche electricity retailer, we were but one small participant in what could only be described as a fast tracked learning experience for every market participant. Each and every participant was forced to respond to the market in a manner that befitted their business model and was in the best interest of their shareholders. Your Directors made our own tough decisions, decisions that we believe to be a considered and appropriate commercial response to the changed conditions.

This included our decision on the 22nd of June 2007, to request the National Electricity Market Management Company (NEMMCO) suspend Energy One from the National Electricity Market. This decision ensured your Directors were able to preserve the company's reputation and ensure the business was able to continue trading. It is the Company's desire to retain its electricity retailing licenses.

The immediate effect of the suspension was that Energy One's customers were transferred to other retailers according to market regulations.

As you would expect, the decision by Directors and Management of Energy One to suspend the retailing portion of the business was made after a rigorous and detailed review. The dramatically increased wholesale prices for electricity, both immediate and long term, and their commensurate impact the on-going profitability of the business, meant that suspending the retail portion of the business was the only prudent course of action in order to preserve shareholder value.

New South Wales spot market prices for electricity in June 2007 were 732% higher for base load electricity and over 1000% higher for peak load electricity when compared to June 2006 prices. Similar price increases were also witnessed in Queensland.

Whilst Energy One had hedging in place, the extremely high wholesale prices had a significant impact on Energy One's cash flow. As an illustration of this impact, total revenue in the 2007 financial year was $31M, yet during the last two weeks of June, Energy One made payments of $5.2M to NEMMCO for its wholesale electricity.

The Australian Energy Regulator performed an investigation into the high prices and it concluded the main reasons for the high prices were:

- The highest ever electricity demand
- Constrained electricity supply due to the drought
- The re-bidding practices of a NSW generator

The sudden spike in the wholesale electricity prices and the resulting cashflow constraints led to Energy One seeking access to further working capital to allow it to work through the volatility. Energy One's financier declined to provide access to further working capital. The appropriate and resultant response was for Energy One to suspend its retailing activity enabling it to sell its hedge positions to be able to meet its weekly NEMMCO payments and to ensure that other obligations such as payments to network providers and regulatory bodies were able to be made on time.

I have no doubt given the cash flow constraints that were placed on the business, Energy One's Directors and Management acted responsibly by requesting suspension from the National Electricity Market, ensuring its customers were protected under the legislative provisions of the Retailer of Last Resort and ensuring the continued efficient operation of the National Electricity Market.

The guiding policy of the board was to ensure that shareholders interests were protected. As mentioned, this decision preserved the company's reputation in the market and with the regulators and government and given our close working relationships with these bodies, should lead to our ultimately retaining our electricity retailing licenses. Trading is now continuing in the other parts of the company.

At an appropriate point in the future, Energy One would like to resume retailing electricity to consumers along the eastern seaboard. This will only be considered when it becomes economically viable.

In closing I would like to thank the management and directors of Energy One who worked under extremely difficult circumstances, the likes of which I have not witnessed before. Under the circumstances making the difficult call to suspend electricity retailing, and being able to make the call early, is testament to the extremely high caliber of the board and management. I have every confidence management will start rebuilding the company in earnest with the new business opportunities open to us.

Ian Ferrier

MANAGING DIRECTOR'S REPORT

Key financial indicators

Sales revenue for the year was impacted not only by the slowing of the customer acquisitions due to the increased wholesale energy prices, but also from losing eight days revenue as a result of suspending retailing activities (~$1.0M at the time of suspension). EBITDA and NPAT were adversely affected as a result of suspending retailing.

	2007	2006
Sales Revenue	$31.3M	$20.7M
EBITDA	($ 1.1M)	$ 0.7M
NPAT	($ 1.3M)	$ 0.4M

The year in review

The last year has certainly seen extremely difficult trading conditions, which is disappointing given the progress the business had been making. The turbulent electricity market affected all retailers and highlighted a number of structural issues within the national electricity market, particularly in NSW that need to be addressed in order to have a rational and competitive market place.

Energy One has been a successful electricity retailer for over ten years, being one of the first independent retailers to obtain a license in 1996. Over this time the company has built a solid reputation as a conservatively managed niche retailer of electricity to Small and Medium Businesses, committed to conducting business in an ethical and commercial manner in a tough and competitive market place.

NSW is widely recognised as being the toughest, lowest margin market in Australia. Given the majority of Energy One's business has been located in New South Wales, it meant there was little capacity to continue sustaining the increasing gap between the regulated retail tariff and the high cost of wholesale electricity.

Compounding the operating conditions, regulated price caps also meant Energy One was unable to pass on the increased prices to its customers. With insufficient margin to enable the business to continue operating, we were consequently unable to perform our obligations in the envisaged manner as per our customer contracts.

Energy One had traded commercially, and hedged effectively, for over ten years in the national electricity market so it was very disappointing for all involved to have to suspend retailing. Over the last ten years the company has generated hundreds of thousands of dollars in savings for its customers and offered customers products and services not offered by other retailers. The company has also been environmentally minded being one of the only retailers installing energy management devices and power factoring units that not only reduced overall energy consumption and network demand, but also considerably reduced green house gas emissions.

Energy One is still the only retailer with the ability to provide complete solutions for customers with embedded networks. In addition over the last four years the business has developed a fully integrated software solution specifically designed for the Australian electricity market.

Restructuring

Restructuring has, by and large, now been completed. This involved reducing staff numbers to reflect the smaller business and reducing overhead costs.

As part of the restructuring Energy One has ended the banking relationship with its financier including the repayment of the overdraft facility, release of the cash held as collateral for the NEMMCO bank guarantees and a full discharge of the fixed and floating charge over the business.

The financial results for the year were affected by one off asset write-downs amounting to $1.9M as a result of suspending the retail business. Further write-downs may be required however it is anticipated these will not be more $0.1M.

The cash position as at 30 June 2007 was $9.1M. Since this date an additional $3.0M was paid to NEMMCO for remaining wholesale energy purchases and $1.5M was used to repay the overdraft facility.

After restructuring, the company is debt free and has met the majority of its outstanding obligations. Energy One has also retained the key personnel necessary for the development of the new businesses.

The future

The challenge now for the management team is to turn this unique knowledge of the Australian electricity industry into a profitable new business. This is not going to be an easy task but one that I believe the management team is capable of achieving.

Energy One has a very strong domain knowledge in developing software for the Australian utilities market and has a detailed understanding of operating embedded networks. It is these two businesses that the company is now more aggressively developing.

MANAGING DIRECTOR'S REPORT

Energy One is engaged in meaningful discussions with several Australian utility companies regarding the provision of software services and we envisage signing our first contract before the end of the calendar year.

In addition, the company is continuing to develop meter aggregation software partnering with an offshore development house. Once the software is complete in November the company will apply to become a registered Meter Provider and a registered Meter Data Agent. We anticipate obtaining registration in December 2007.

I would like to thank shareholders for their on-going support and I would like to acknowledge the Energy One team for their hard work through what has been a tough year, especially the last few months, which have been particularly challenging.

Over the next year the management team and myself are committed the challenge of developing the new businesses and restoring shareholder value.

Vaughan Busby

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007

ENERGY ONE CORPORATE GOVERNANCE POLICY

Energy One Limited (the "Company") and its board of Directors (the "Board") are committed to achieving and demonstrating the highest standards of corporate governance.

Set out below is the Company's Corporate Governance Policy, the underlying principles of which are:

1 Lay solid foundations for management and oversight
2 Structure the board to add value
3 Promote ethical and responsible decision-making
4 Safeguard integrity in financial reporting
5 Make timely and balanced disclosure
6 Respect the rights of shareholders
7 Recognise and manage risk
8 Encourage enhanced performance
9 Remunerate fairly and responsibly
10 Recognise the legitimate interests of stakeholders

Each of these principles are dealt with in detail below.

PRINCIPLE 1:
Lay solid foundations for management and oversight

The Board acknowledges that it is responsible for guiding and monitoring the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. To this end the Board is responsible for creating and safeguarding shareholder value.

The Board delegates responsibility for the operation and administration of the Company, including the day-to-day management of Energy One's affairs and the implementation of corporate strategy and policy initiatives, to the Chief Executive Officer (the "CEO") and the Senior Executives.

The Board is responsible for ensuring that management's objectives and activities are aligned with those of the shareholders and the Board. The Board's functions include:

- Protecting and advancing the interests of the shareholders.
- Providing strategic guidance for the Company.
- Providing effective oversight of management.
- Ensuring that the Company operates ethically and responsibly and in compliance with internal codes of conduct, legal and regulatory requirements.
- Ensuring that any significant risks are identified, assessed, appropriately managed and monitored.
- Overseeing and review the performance of the Senior Executives.
- Ensuring the integrity of financial reporting.
- Ensuring a high standard of corporate governance.
- Enhancing and protect the reputation of Energy One.
- Ensuring the Board structure and its composition is effective.
- Overseeing shareholder communication.
- Evaluating performance of senior executives.
- Putting in place induction procedures and appropriate education programs.

PRINCIPLE 2:
Structure the board to add value

Board composition
Any director appointed to fill a casual vacancy must stand for election by shareholders at the next Annual General Meeting. In addition, one-third of the Non-Executive Directors, and any other director who has held office for three years or more since last being elected, must retire from office and, if eligible, stand for re-election.

The CEO is exempt from retirement by rotation and is not counted in determining the number of directors to retire by rotation.

The following principles shall apply in respect of the Board:

- The majority of the Board will ideally be composed of independent directors.
- The Chairman and Chief Executive Officer must be separate persons.
- A director is deemed to be "independent" if they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.
- All directors, whether independent or not, should bring independent judgment to bear on board decisions. A procedure will be agreed whereby, in appropriate circumstances, directors can have access to independent professional advice at the Company's expense.
- Non-executive directors are encouraged to confer regularly without management present, including at scheduled sessions.
- Specifically, an independent director is a Non-Executive Director who:
  - is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
  - within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
  - within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group

member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company
- is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Where the independence status of a director changes, the Company will provide immediate notification of such change to the market. The Board will regularly assess whether each non-executive director is independent.

Given the small size of the Energy One Board, the Nomination Committee will comprise the full Board. The Board will regularly review its composition to ensure that the Board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

The Directors believe the skill base of the current Directors is appropriate and adequate for the Company given its present size and stage of development. The Board will continue to monitor the need for additional skills on the Board and make further appointments as appropriate. The Chairman is elected by the full Board.

The Board holds at least eight meetings each year. Additional meetings may be held as deemed necessary to address significant matters as they arise.

The Chairman and the CEO meet regularly to discuss key issues and performance trends of Energy One. Other directors maintain contact with relevant senior executives through dealings on Committees. On regular occasions the Directors receive a detailed operating review from the CEO regardless of whether or not a Board meeting is being held.

The Non-Executive Directors meet at least once a year, in scheduled sessions without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring directors are properly briefed for meetings. The CEO is responsible for implementing Energy One's strategies and policies.

Potential conflicts of interest by directors will be reported to the Board and, if necessary, directors will be excluded from discussion of the relevant matter and will not vote on that matter.

To assist in the effective discharge of their duties, directors may, in consultation with the Chairman, seek independent legal or financial advice on their duties and responsibilities at the expense of the Company and, in due course, make all Board members aware of both instructions to advisers and the advice obtained.

All directors have the right of access to all relevant Company information and to seek information from the Company secretary and senior executives. They also have a right to other records of the Company subject to these not being sought for personal purposes.

Prior to each Board meeting, the Board is provided with management reports and information in a form, timeframe and quality that enables them to discharge their duties. If they consider this information to be insufficient to support informed decision making, then they are entitled to request additional information prior to or at Board meetings. Executive management will regularly attend Board meetings to report on specific matters.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

The Board has three formally constituted Committees:

- the Audit Committee – refer Principle 4;
- the Risk Committee – refer Principle 7; and
- the Remuneration Committee – refer Principle 9.

PRINCIPLE 3:

Promote ethical and responsible decision-making

The Board, in recognition of the importance of ethical and responsible decision-making has adopted a Code of Conduct for all employees and Directors, which outlines the standards of ethical behaviour and is essential to maintain the trust of all stakeholders and the wider community.

The Code requires high standards of personal integrity, objectivity and honesty in all dealings. The Code also requires a respect for the privacy of customers and others and compliance with the law and Energy One policies.

This Code is provided to all directors and employees as part of their induction process. The Code is subject to ongoing review and assessment to ensure it continues to be relevant to contemporary conditions and is available on the Company's website. All directors, executive officers and employees are responsible for taking appropriate action in proven cases of illegal behaviour outside the spirit of this Code in the workplace.

Gifts and benefits

Employees shall not seek or accept gifts, payments, fees, services, privileges, vacations or pleasure trips without a business purpose, loans (other than conventional loans from lending institutions), or other favours from any person or business organisations that does or seeks to do business with, or is a competitor of Energy One. No employee shall accept anything of value in exchange for referral of third parties to any such person or business organisation. This does not prohibit an employee from accepting a gift of nominal value made in the course of a normal business relationship.

Confidentiality

Information concerning Energy One and its clients is confidential and must not be released without authorisation from a manager. Information gained through dealings with clients should only be used in the course of employment.

Privacy Act obligations

Employees must comply with the Privacy Act. Employees have an obligation and personal responsibility to respect clients', and all individuals' rights to privacy. This means doing everything the security of any personal information handled in the course of employment.

Protecting confidential information

Commercially sensitive documents, records and files should be stored securely and not left where visible.

Confidential information should not be left on computer screens and computer access passwords must not be shared with others.

E-mail and internet

Computer systems should be secured and used for business purposes only. This ensures the long-term integrity of the systems and confidentiality of business, customer and employee data. Employees must not misuse email or Internet systems and should refer to Energy One's Email and Internet Usage policy, which they are required to sign at the time of employment.

Confidentiality after ceasing employment

When signed, Energy One's Code of Conduct legally obliges staff to keep any information acquired during employment confidential, even after employment ceases. Staff cannot pass on information about Energy One's business, customers, suppliers or staff.

Drugs and alcohol

The use of drugs and alcohol may impair an employee's capacity to perform their job safely, efficiently and with respect for work colleagues and clients. No employees are to work whilst under the influence of alcohol or drugs. Employees found to be under the influence of drugs or alcohol, or in possession of illegal drugs whilst at work will be subject to disciplinary action and in some cases, their employment may be terminated. Employees who from time to time require prescription medication that affects or has the potential to affect their ability to carry out their duties in a safe manner are required to report the taking of any such medication to their manager.

Share trading policy

The Company's share trading policy is designed to minimise the risk that Energy One, its directors and its employees will breach the insider trading provisions of the Corporations Act or compromise confidence in Energy One's practices in relation to securities trading. The policy prohibits directors and employees from trading in Energy One securities when they are in possession of information not generally available to the investment community, and otherwise confining the opportunity for directors and employees to trade in Energy One securities to certain limited periods.

This policy applies to the following ("Senior Executives"):

- Directors;
- Chief Executive Officer;
- Chief Financial Officer;
- Financial Controller;
- Chief Operating Officer;
- Company Secretary;
- National Sales Manager;
- Operations Managers;
- all financial management employees. and
- any other employee who has access to Non-Public Price Sensitive Information (see below).

This policy also applies to related parties of Senior Executives such as spouses (including de-factos), children under 18, family companies of which the Senior Executive is a director and family trusts in which the Senior Executive has a beneficial interest or makes the investment decisions.

Background

Generally, the insider trading provisions of the Corporations Act prohibit a person who possesses Non-Public Price Sensitive Information from applying for, acquiring, or disposing of, securities, or procuring another person to do the same ("Deal" or "Dealing"). "Non-Public Price Sensitive Information" means information that is not generally available, but if it were generally available, a reasonable person would expect it to have a material effect on the price or value of a company's securities. A person who breaches the insider trading provisions may face severe penalties, including imprisonment.

Share trading policy

Employees must not, at any time, Deal in Energy One securities if in possession of Non-Public Price Sensitive Information. Employees who are personally satisfied that they are not in possession of Non-Public Price Sensitive

Information may Deal in Energy One securities during designated "Senior Executive Trading Periods".

Unless notified otherwise, the "Senior Executive Trading Periods" are:

- 30 days following the day after the release of Energy One's interim results;
- 30 days following the day after the release of Energy One's final results; and
- 30 days following the day after Energy One's Annual General Meeting.

Outside of the Trading Periods, Senior Executives may only Deal in Energy One securities with the prior consent of the Chief Executive Officer and in the case of the Chief Executive Officer consent from the Chairman.

Directors and Senior Executives will not be permitted to undertake any short-term trading in the Company's securities.

Any Director must obtain prior approval from the Chairman before buying or selling securities in the Company in addition to the requirements of the ASX or Corporations Act. Under the ASX Listing Rules, Directors must notify the ASX within 5 days of any Dealing in the Company's securities. Further, under the Corporations Act, directors themselves must notify the ASX within 14 days. Notice given by Energy One satisfies the director's personal obligations under the Corporations Act.

Following a Deal by a Senior Executive, details of that Deal must be provided to the Company Secretary within 5 days and also in accordance with the Corporations Act.

It is inappropriate for Senior Executives to procure others to trade in Energy One securities when they are precluded from trading.

Exceptions to the policy

The Chairman has the discretion to grant an exemption to Dealing by a related party where it can be demonstrated the related party Deals independently in shares or securities on a bona fide basis.

In exceptional cases of financial hardship, the Chairman has discretion to approve Dealing in Energy One securities that would otherwise be prohibited by the share trading policy. However, the Chairman has no discretion to approve Dealing by Senior Executives who possess Non-Public Price Sensitive Information.

PRINCIPLE 4:

Safeguard integrity in financial reporting

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) are to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Audit Committee

The Audit Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

The main responsibilities of the Audit Committee are to:

- Recommending the external auditor's appointment/removal, reviewing the auditors performance and audit scope.
- Consider the independence and competence of the external auditor on an ongoing basis.
- To help the Board oversee the risk management framework.
- Reviewing the Company's published financial results.
- Reporting to the Board on matters relevant to the committee's role and responsibilities.
- Review and monitor Energy One's compliance with law and ASX Listing Rules.
- Review and monitor related party transactions and assess their propriety.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The Chairman of the Audit Committee should be a Non-Executive Director who is not chairperson of the Board.

The policy of Energy One and the Audit Committee is to appoint an external auditor, which clearly demonstrates quality and independence. The performance of the external auditor is reviewed and assessed annually.

Should a change in auditor be considered necessary a formal tendering process will be undertaken. The Audit Committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

PRINCIPLE 5:

Make timely and balanced disclosure

The continuous disclosure requirements of the ASX are contained in Chapter 3 of the ASX Listing Rules and have been adopted by the Company.

The Company will establish policies and procedures on information disclosure to ensure all investors have equal and timely access to material information concerning the Company and to enable a normal investor to make an informed assessment of the Company's activities and trading results.

The Company Secretary is responsible for:

- Making sure that the Company complies with the continuous disclosure requirements under the ASX Listing Rules;
- Overseeing and coordinating disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public; and
- Educating directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Market sensitive and material information will be publicly released through the ASX before disclosing it to analysts or others outside the Company.

Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice. The Board monitors the implementation and effectiveness of the continuous disclosure procedures and promotes the understanding of compliance.

PRINCIPLE 6:

Respect the rights of shareholders

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Board encourages the full participation of shareholders at its annual general meetings and welcomes questions from shareholders on relevant issues.

Energy One will request the External Auditor to attend the annual general meeting to be able to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors report.

As per the continuous disclosure requirements in the ASX listing rules, Energy One Limited will immediately disclose any information that a reasonable person would expect to have a material effect on the value of our securities.

Any information communicated to the ASX will also be published on the Company's website.

PRINCIPLE 7:

Recognise and manage risk

Risk Committee

The Risk Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The main responsibilities of the Risk Committee are:

- to establish a sound system of risk oversight and management and internal control under which Energy One can identify, assess, monitor and manage risk;
- to inform the Board of material changes to the risk profile of Energy One and maintain appropriate risk management practices and systems throughout the operations of Energy One;
  These functions include but are not limited to:
  - Monitoring Energy One's hedging profile.
  - Ensuring Energy One's senior executives adhere to any monitoring program set down by the Risk Committee.
  - Identifying the range of hedging instruments utilized are correctly recorded in the Company's register of hedges.
  - Identifying any over-hedging that may occur and the rationale for such a position.
  - Identifying any un-hedged exposure and the rationale for such a position.
  - Ensuring appropriate risk limits are set and adhered to.
  - Setting and reviewing on a regular basis the hedging policy.
  - Ensuring the hedging policy does not expose the Company to any undue risk.
  - Ensuring that the appropriate Accounting standards are applied when accounting for any derivative instruments.
  - Ensuring the conditions of the Company's Australian Financial Services license are being adhered to.

The Risk Committee members are all required to possess sufficient technical expertise and industry knowledge to fulfill the functions of the Committee.

PRINCIPLE 8:

Encourage enhanced performance

The Board evaluates its collective performance, at which time various issues are considered including the quality of the Board's relationship with management, Board succession, complementary skill sets and the Board's role, contribution and effectiveness.

The Board regularly evaluates management's performance against various criteria and requires senior executives to formally address the Board on execution of strategy and associated issues.

The Chief Executive Officer performs evaluations of senior executives and the results reviewed annually by the Remuneration Committee with specific focus on performance against key performance indicators. Also at this time key performance indicators for the ensuing year are established. The Remuneration Committee also reviews remuneration recommendations proposed by the Chief Executive Officer for making recommendations to the Board. The Remuneration Committee evaluates the performance of the Chief Executive Officer against key performance indicators and reports to the Board its recommendations on performance appraisal and remuneration.

PRINCIPLE 9:

Remunerate fairly and responsibly

Energy One's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Remuneration Committee reviews and makes recommendations to the Board on director and senior executive remuneration and overall staff remuneration and incentive policies.

When making recommendations, the Committee aims to design policies that attract and retain the executives needed to run the Company successfully and to motivate executives to pursue appropriate growth strategies while aligning shareholder return with remuneration.

Remuneration for senior executives typically comprises a package of fixed and performance based components. The Committee may, from time to time, seek advice from special remuneration consulting groups so as to ensure that the Board remains informed of market trends and practices.

Executive remuneration and the terms of employment are reviewed annually having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

PRINCIPLE 10:

Recognise the legitimate interests of stakeholders

Energy One's Code of Conduct is endorsed by the Board and applies to all Directors and employees.

The Board and management of Energy One Limited are committed to the Code of Conduct which is based on the Company's core values of acting with integrity, fairness and honesty along with legal and fiduciary obligations to all legitimate stakeholders including shareholders, customers, employees and the broader community.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the year are:

Andrew Bonwick (appointed 27th October 2006)
Vaughan Busby
Ian Ferrier
Ottmar Weiss (appointed 23rd April 2007)
Joseph Mulcahy (retired 23rd October 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Joshua Rudd - Appointed company secretary on 25th February 2005.

Principal Activities

The principal activity of the Company during the financial year was:

- Electricity Retailing

The following significant changes in the nature of the principal activities occurred during the financial year:

- Energy One suspended its electricity retailing activities.

There were no other significant changes in the nature of the Company's principal activities during the financial year.

Operating Results

The loss of the Company after providing for income tax amounted to $1,334,865 (2006: $400,473 Net Profit After Tax).

Dividends Paid or Recommended

There were no dividends paid or declared for payment during the year.

Review of Operations and Financial Position

The Company generated sales revenue of $31,265,172 during the year to 30 June 2007. This represents an increase of over 50% for the same period the previous year. On the 22nd of June 2007 Energy One Limited requested that the National Electricity Market Management Company (NEMMCO) suspend Energy One from the National Electricity Market. The decision by Directors and Management of Energy One to suspend the retailing portion of the business was made after a rigorous and detailed review. As a result of increased wholesale prices for electricity, and their commensurate impact the on-going profitability of the business, suspending the retail portion of the business was considered the prudent course of action in order to preserve shareholder value.

The effect of this suspension was that Energy One's customers were transferred to other retailers according to market regulations.

The Australian Energy Regulator performed an investigation into the high prices and it concluded the main reasons for the high prices were:

- The highest ever electricity demand
- Constrained electricity supply due to the drought
- The re-bidding practices of a NSW generator

The net loss of $1,334,865 was affected by a number of one off expenses relating to the suspension of its retailing activities. These expenses include writing off goodwill, fully expensing prepaid sales expenses and commissions, redundancies, and providing for bad debt. These expenses amounted to more than $1.9M.

Additional one off restructuring costs post 30 June 2007 will likely be incurred. These are likely to be no more than $100K.

Significant Changes in State of Affairs

The Company changed from a proprietary company (Energy One Pty Ltd) to a public company (Energy One Ltd) on 25 of November 2006.

The company listed on the Australian Stock Exchange (ASX) on 15 January 2007.

The Company suspended electricity retailing on 22 June 2007.

After Balance Date Events

Energy One has ended the banking relationship with its financier. As a result post 30 June 2007 the Company has repaid the overdraft facility and the guarantee facility has been discharged. The fixed and floating charge associated with these banking facilities has also been discharged.

Following the suspension of the retail business the Company sold the majority of its hedge book to enable it to meet outstanding obligations. The sale of those hedge products occurred prior to the 30th of June 2007. One remaining hedge contract was sold post 30 June 2007 incurring a $61,425 loss.

Future Developments, Prospects and Business Strategies

The Company is currently looking at expanding its integrated software and services business. In addition the Company is currently preparing to licence software it has developed and provide associated services to other utility providers.

The Company is also developing software in preparation for applying to become a registered Meter Provider (MP) and a Meter Data Agent (MDA).

Other information in relation to future developments of the Company is not included as the directors are of the opinion that disclosure of this information would prejudice the Company's future interests.

Environmental Issues

The Company's operations are regulated by the Renewable Energy (Electricity) Act 2000 (Cth.); the NSW Greenhouse Gas Abatement Scheme; and the QLD 13% Gas Scheme. The legislation sets out greenhouse emission targets and in the case of the QLD 13% Gas Scheme the percentage of electricity which must be sourced from gas-fired generation. The Company is compliant with aforementioned legislation and regulations.

INFORMATION ON DIRECTORS

Mr. Andrew Bonwick
Independent Director

Qualifications
B App.Sc.; M Comm

Experience
Mr. Bonwick was the Managing Director of ASX listed Australian Energy Limited (now called Power Direct) and prior to that was the Marketing Director of Yallourn Energy for 6 years. His career has included roles in senior management, institutional equity research and management consulting.

Interest in Shares and Options
NIL Ordinary Shares in Energy One Limited and options to acquire a further 300,000 ordinary shares

Directorships held in other listed entities
N/A

Mr. Vaughan Busby
Managing Director

Non-independent Executive Director

Qualifications
B.Pharm; MBA

Experience
Mr. Busby is the CEO and Managing Director. Previously a Director of Ferrier Hodgson, he has considerable experience in turnaround and restructuring of businesses.

Interest in Shares and Options
2,659,234 Ordinary Shares in Energy One Limited and options to acquire a further 2,400,000 ordinary shares

Directorships held in other listed entities
N/A

Mr. Ian Ferrier
Chairman

Non-independent Executive Director

Qualifications
CA

Experience
Mr. Ferrier co-founded Ferrier Hodgson. He has 42 years experience in corporate recovery and turnaround practice. Mr. Ferrier is also a director of a number of private and public companies. He is also a fellow of The Institute of Chartered Accountants in Australia.

Interest in Shares and Options
5,958,365 Ordinary Shares in Energy One Limited.

Directorships held in other listed entities
Mr. Ferrier is currently Chairman of InvoCare Limited, Australian Oil Company Limited, and a director of McGuigan Simeon Wines Limited, Goodman Group Limited and Reckon Limited.

Mr. Ottmar Weiss
Independent Director

Qualifications
BA (accounting); CPA

Experience
Mr. Weiss retired from Macquarie Bank in early 2006, but remains a director on a number of Macquarie Group company Boards.

Mr. Weiss retired after 20 years of service to Macquarie, where he held the position of Global Head of the Equity Markets Group and was an Executive Director since 1994, and was also a member of Macquarie Bank's Executive Committee since 2001.

Interest in Shares and Options
200,000 Ordinary Shares in Energy One Limited and options to acquire a further 600,000 ordinary shares

Directorships held in other listed entities
N/A

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Energy One Limited, and for the executives receiving the highest remuneration.

Remuneration policy

Energy One's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Remuneration Committee reviews and makes recommendations to the Board on director and senior executive remuneration and overall staff remuneration and incentive policies.

When making recommendations, the Committee aims to design policies that attract and retain the executives needed to run the Company successfully and to motivate executives to pursue appropriate growth strategies while aligning shareholder return with remuneration.

Remuneration for senior executives typically comprises a package of fixed and performance based components. The Committee may, from time to time, seek advice from special remuneration consulting groups so as to ensure that the Board remains informed of market trends and practices, and did so in this financial year.

Executive remuneration and the terms of employment are reviewed annually having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is measured at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Key Management Personnel Remuneration Policy

The remuneration structure for key management personnel is based on a number of factors, including the particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Any options not exercised before or on the date of termination lapse.

The employment contract stipulates a range of between one and three months' resignation. The Company may terminate an employment contract without cause by providing one month to three months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment as per legislation. The employment conditions of the Managing Director, Mr Busby and other key management personnel are formalised in contracts of employment. All key management personnel are permanent employees of Energy One Limited. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel. Refer below.

Directors and Management Remuneration - 2007

Key Management Person	Short-term Benefits		Post Employment	Equity	Total
	Cash, salary and commissions	**Non-Cash Benefits**	**Superannuation**	**Options**	
	$	**$**	**$**	**$**	**$**
Mr. Ian Ferrier	13,459	-	17,447	-	30,906
Mr. Vaughan Busby	223,040	-	19,827	2,453	245,320
Mr. Andrew Bonwick *	25,517	-	2,297	5,520	33,334
Mr. Ottmar Weiss**	8,985	-	809	11,040	20,834
Mr. Richard Brys	126,682	-	11,401	6,782	144,865
Mr. Paul Gramenz	97,255	-	8,753	-	106,008
Mr. Joshua Rudd	80,190	-	7,217	1,696	89,103
Mr. Travis Waycott ***	104,154	7,929	9,374	-	121,457
	679,282	7,929	77,125	27,491	791,827

* Effective start date 1 November 2006
** Effective start date 1 February 2007
***Commenced 21 August 2006

Directors and Management Remuneration - 2006

Key Management Person	Short-term Benefits		Post Employment	Equity	Total
	Cash, salary and commissions	**Non-Cash Benefits**	**Superannuation**	**Options**	
	$	**$**	**$**	**$**	**$**
Mr. Ian Ferrier	28,922	-	2,603	-	31,525
Mr. Vaughan Busby	233,922	-	13,233	-	247,155
Mr. Richard Brys	104,131	-	9,372	6,218	119,721
Mr. Paul Gramenz	120,870	-	10,878	-	131,748
Mr. Joshua Rudd	64,615	-	5,815	1,554	71,984
	552,460	-	41,901	7,772	602,133

There were no other key management personnel in office other than those listed above.

Options issued as part of remuneration for the year ended 30 June 2007

Options are issued to directors as part of their remuneration in order to align Directors interests with those of shareholders. The options only being able to be exercised once specific increases in total shareholder return are achieved.

Options Granted as Remuneration

					Terms & Conditions for Each Grant		
Directors	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date $	Exercise Price $	First Exercise Date	Last Exercise Date
Andrew Bonwick	-	300,000	30.04.07	0.018	1.15	05.04.08	05.04.12
Vaughan Busby	-	2,400,000	30.04.07	0.018	1.15	05.04.08	05.04.12
Ottmar Weiss	-	600,000	30.04.07	0.018	1.15	05.04.08	05.04.12
	-	3,300,000					

Shares Issued on Exercise of Compensation Options

Options exercised during the year that were granted as compensation in prior periods

Management Personnel	No. of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Richard Brys	20,000	-	-
Joshua Rudd	5,000	-	-
	25,000	-	-

Directors	Options Granted as Part of Remuneration $	Total Remuneration Represented by Options %	Options Exercised $	Options Lapsed ($)	Total $
Andrew Bonwick	5,520	17	-	-	5,520
Vaughan Busby	44,147	18	-	-	44,147
Ottmar Weiss	11,040	53	-	-	11,040
	60,707		-	-	60,707

No Options other than those listed above have been granted to directors or employees.

Meetings of Directors

During the financial year, 25 meetings of directors (including committees of directors) were held.
Attendances by each director during the year were as follows:

	Directors' Meetings		Committee Meetings: Audit Committee		Committee Meetings: Remuneration Committee		Committee Meetings: Risk Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Andrew Bonwick	21	19	1	1	1	1	N/A	N/A
Vaughan Busby	25	25	1	1	1	1	-	-
Ian Ferrier	25	23	N/A	N/A	1	1	N/A	N/A
Ottmar Weiss	16	16	N/A	N/A	N/A	N/A	-	-
Joseph Mulcahy	4	-	N/A	N/A	N/A	N/A	N/A	N/A

Due to the issues faced by the Company during the financial year, specifically those associated with electricity hedging risk, the Board decided that specific meetings to review risk should be constituted as meetings of the whole Board, and not just of the Risk Committee. These meetings were held frequently in the second half of the financial year as can be observed from the above data on Board meetings.

Indemnifying Officers or Auditor

The Company has paid premiums to insure all of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of 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. The amount of the premium which covers a one year period was $16,720.

Options

At the date of this report, the unissued ordinary shares of Energy One Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
30 April 2007	5 April 2012	$1.15	3,300,000
			3,300,000

During the year ended 30 June 2007, the following ordinary shares of Energy One Limited were issued on the exercise of options granted prior to the company listing on Australian Stock Exchange. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
15 November 2006	$0.65	25,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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 proceedings during the year.

Non-audit Services

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

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

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

	$
Taxation services	24,000
Due diligence investigations	54,202
	78,202

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found after the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Ian Ferrier, Chairman

Vaughan Busby, Managing Director

Dated 30 August 2007

AUDITOR INDEPENDENCE DECLARATION

WHK Horwath

Energy One Limited

ABN 37 076 583 018

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF ENERGY ONE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

WHK Horwath

WHK HORWATH

DAVID SINCLAIR

Principal

Dated 30 August 2007

Total Financial Solutions

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A WHK Group Firm

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007

	Note	2007 $	2006 $
Revenue	2	31,265,172	20,653,410
Other income	2	247,003	37,305
Raw materials and consumables used		(26,866,615)	(17,650,329)
Employee benefits expense		(2,972,038)	(1,346,577)
Depreciation and amortisation expense	3	(349,450)	(108,989)
Other expenses		(2,589,725)	(984,489)
Finance costs	3	(69,212)	(29,599)
(Loss) / profit before income tax	3	(1,334,865)	570,732
Income tax benefit / (expense)	4	-	(170,259)
(Loss) / profit attributable to members of the parent entity		(1,334,865)	400,473
Overall Operations			
Basic earnings per share (cents per share)	7	(0.061)	0.171
Diluted earnings per share (cents per share)	7	(0.053)	0.171

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 $	2006 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	9,059,554	52,989
Trade and other receivables	9	8,550,305	4,005,649
Financial assets	11	1,726,272	363,129
Other current assets	10	25,428	529,608
TOTAL CURRENT ASSETS		19,361,559	4,951,375
NON-CURRENT ASSETS			
Plant and equipment	12	416,629	207,894
Intangible assets	13	459,360	561,714
TOTAL NON-CURRENT ASSETS		875,989	769,608
TOTAL ASSETS		20,237,548	5,720,983
CURRENT LIABILITIES			
Trade and other payables	14	12,019,584	4,669,726
Financial liabilities	15	1,500,000	22,657
Short-term provisions	16	71,833	48,308
TOTAL CURRENT LIABILITIES		13,591,417	4,740,691
NON-CURRENT LIABILITIES			
Financial liabilities	15	38,125	-
Other long-term provisions	16	5,000	-
TOTAL NON-CURRENT LIABILITIES		43,125	-
TOTAL LIABILITIES		13,634,542	4,740,691
NET ASSETS		6,603,006	980,292
EQUITY			
Issued capital	18	8,769,929	1,823,591
Reserves	19	19,013	7,772
Accumulated losses		(2,185,936)	(851,071)
TOTAL EQUITY		6,603,006	980,292

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2007

	Notes	Share Capital Ordinary $	Share Based Payments Reserve $	Retained Earnings $	Total $
Balance at 1 July 2005		1,823,591	-	(1,251,544)	572,047
Profit attributable to members of the Company		-	-	400,473	400,473
Option issued during the year		-	7,772	-	7,772
Balance at 30 June 2006		1,823,591	7,772	(851,071)	980,292
Shares issued during the year		10,023,001	-	-	10,023,001
Profit attributable to members of the Company		-	-	(1,334,865)	(1,334,865)
Options issued during the year		-	27,491	-	27,491
Options exercised during the year		16,250	(16,250)	-	-
Capital raising costs		(792,913)	-	-	(792,913)
Equity Instruments bought back during the year	18(b)	(2,300,000)	-	-	(2,300,000)
Balance at 30 June 2007		8,769,929	19,013	(2,185,936)	6,603,006

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 2007

	Note	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		31,021,562	20,816,394
Payments to suppliers and employees		(30,110,856)	(20,966,626)
Interest received		198,346	37,305
Finance costs		(69,212)	(29,599)
Net cash provided by (used in) operating activities	23	1,039,840	(142,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(244,705)	(62,258)
Purchase of other non-current assets		(211,126)	(238,103)
Net cash (used in) investing activities		(455,831)	(300,361)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,000,001	-
Proceeds from borrowings		38,125	-
Other – Cost of ASX listing		(792,913)	-
– Option buy-back	18(b)	(2,300,000)	
Net cash provided by financing activities		6,945,213	-
Net increase/(decrease) in cash held		7,529,222	(442,887)
Cash at beginning of financial year	8	30,332	473,219
Cash at end of financial year	8	7,559,554	30,332

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 1: Statement of Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001. Energy One Limited is a listed public company and is incorporated and domiciled in Australia.

Compliance with AIFRS

The financial report of Energy One Limited complies with all International Financial Reporting Standards (IFRS) in their entirety.

Historical cost convention

These financial statements have been prepared on an accruals basis under the historical cost convention, as modified by the revaluation to fair value of financial assets and liabilities (including derivative instruments).

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed at note 1(q).

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Company operates in a single business segment, being electricity supply and in a single geographic segment, being Australia.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of allowances, duties and taxes paid.

Revenue is recognised on delivery of the goods and services to the customer. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The

Note 1 (continued)

relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Any bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(h) Plant and equipment

Plant and equipment is carried at historical cost less depreciation or impairment losses where applied. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Company and the cost of the item can be measured reliably. All other repairs, maintenance and minor renewals are charged to the income statement during the financial period in which they are incurred.

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. 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.

Note 1 (continued)

Depreciation of assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, at the following rates:

Plant and equipment 25%-40%

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Company, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. Gains and losses are included in the income statement.

(i) Intangible assets

Goodwill

Goodwill represents the excess of the cost of the acquisition of the net assets of an acquired company over the fair value of the Company's share of its net identifiable assets at the date of acquisition. Goodwill is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Goodwill has been tested and as at 30 June 2007, has been written off.

Software

Costs incurred in the development of software are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be reliably measured. Development costs have a finite estimated life of five years and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Licences and Trademarks

Licences and trademarks represent the cost of registering trademarks and licence fees.

(j) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which had not been settled at balance date. The amounts are unsecured and are usually paid within 60 days of recognition.

(k) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value(mark to market) are taken to the income statement unless they are designated as cash flow hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is

Note 1 (continued)

considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(l) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, including appropriate on-costs. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long Service Leave

A provision for long service leave is taken up for all employees.

Equity-settled compensation

The Company operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

Employee Option Plan

The establishment of the Energy One Employee Option Plan (EOP) was approved by shareholders at the extraordinary general meeting held on 2 April 2007. The EOP was designed to provide long term incentives for directors to deliver long term shareholder returns.

The fair value of options granted under the EOP is recognised as an employee benefit expense with corresponding increase in equity. The fair value is measured at grant date. The fair value at grant date is measured using a Black-Scholes option pricing model that takes into consideration the exercise price, the term of the option, the impact of dilution, and the share price at grant date.

The fair value of options granted after 7 November 2002 and vesting after 1 January 2005 is recognised as an employee benefit expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Upon the exercise of options, the exercise proceeds received are allocated to share capital and the balance of the share-based payments reserve relating to those options is transferred to share capital.

Employee Share Plans

The establishment of the Energy One Exempt Employee Share Plan (EESP) was approved by shareholders at the extraordinary general meeting held on 2 April 2007. The EESP was designed to encourage employees to own shares in the Company. All employees with more than 12 months service may enter the plan where by each year they can purchase $500 worth of shares in the Company and the Company will purchase $500 worth of shares on their behalf. Employees may elect not to participate in the scheme.

The establishment of the Energy One Deferred Employee Share Plan (DESP) was approved by shareholders at the extraordinary general meeting held on 2 April 2007. The DESP was designed to encourage employees to own shares in the Company. Invited employees may acquire shares in the Company via salary sacrifice. Employees may elect not to participate in the scheme.

(m) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Note 1 (continued)

If the Company reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the Cash Flow Statement 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 Australian Taxation Office, are classified as operating cash flows.

(o) Earnings per Share

Basic earnings per share:

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax attributable to members of the Company by the number of ordinary shares outstanding at the end of the financial year.

Diluted earning per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any change in earnings per share that may arise from the conversion of options or convertible notes or other quasi equity instruments on issue at financial year end, into shares in the Company at a subsequent date.

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Key Estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgments — Provision for Impairment of Receivables

The directors have made a provision for impairment of receivables of $874,809 as at 30 June 2007.

(r) Going Concern

The Company has incurred an operating loss after income tax of $1,334,865 and has accumulated losses at 30 June 2007 of $2,185,936. At 30 June 2007 the Company had suspended its electricity retailing activities. This included the transfer of all customers as per the "retailer of last resort" provisions of the relevant legislation. Additionally, the Company severed its arrangement with its contracted sales force and has since made a number of employees redundant.

Notwithstanding these circumstances, the Company has taken a number of steps to preserve and enhance shareholder value. These activities include preservation of its registration and licensing in retailing electricity in anticipation of a future return of value in this business. The Company is also expanding its ancillary billing services and services to operators of embedded networks. In addition it is developing the software and metering businesses.

Note 1 (continued)

As a results of these activities and the available cash reserves, the Directors believe the company to be a going concern. The ongoing activities are expected to include:

Billing Services
The Directors believe that the current revenue being generated through the provision of billing services and EMS contracts will now increase as the Company focuses on winning new customers.

Software
The company has been developing an integrated suite of utility software that the directors expect will derive revenues from the sale / licensing of individual modules or the entire suite of software to Australian utility companies. It is anticipated that the company will enter its first agreement before the end of the calendar year 2007.

Retail trading in the electricity market
The company is still registered as a market participant with NEMMCO and the company will look to recommence electricity retailing activities when it becomes economically viable to do so.

Metering Provision
The company has begun developing software in conjunction with an off-shore provider that will enable it to become a registered Meter Provider and or Meter Data Agent. It is anticipated that registration will occur before the end of the calendar year.

Reserves
The Company has adequate reserves to allow the measured development of the above activities.

The financial report was authorised for issue on 30 August 2007 by the Board of Directors.

Note 2: Revenue

	2007	2006
	$	$
Sales revenue		
- sale of goods & related services	31,265,172	20,653,410
- interest received	198,346	14,982
- other revenue	48,657	22,323
Total Revenue	31,512,175	20,690,715
- Interest revenue from other persons	198,346	14,982
Total interest revenue	198,346	14,982

Note 3: Profit For The Year

(a) Expenses		
Cost of sales*	26,866,615	17,650,329
Depreciation and amortisation		
- Plant & equipment	35,970	40,608
- Software development costs	114,180	68,381
- Impairment of goodwill	199,300	-
Total	349,450	108,989
Finance costs:		
- external	69,212	29,599
Bad and doubtful debts:		
- trade receivables	1,230,727	84,104
Rental expense on operating leases		
- minimum lease payments	63,591	90,694
Write-off prepaid commissions	1,057,791	-

*The cost of sales includes the net proceeds on the sale of derivative instruments.

Note 4: Income Tax Expense

	Note	2007	2006
		$	$
(a) The components of tax expense comprise:			
Current tax		-	97,109
Deferred tax	17	-	170,259
Recoupment of prior year tax losses		-	(97,109)
		-	170,259
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)		(400,460)	171,219
Add:			
Tax effect of:			
other non-allowable items		-	1,322
		-	172,541
Less:			
Tax effect of:			
Recoupment of prior year tax losses not previously brought to account		-	(2,282)
Benefit of tax loss not bought to account		400,460	-
Income tax attributable to entity		-	170,259
The applicable weighted average effective tax rates are as follows:		-%	30%

Note 5: Key Management Personnel Compensation

The names and positions held by key management personnel in office at any time during the financial year are:

a. Key Management Person	Position
Ian Douglas Ferrier	Director and Chairman
Vaughan Busby	Director and Chief Executive Officer
Andrew Bonwick	Director
Ottmar Weiss	Director
Joseph Gerard Mulcahy	Director (retired 23/10/06)
Richard Brys	Chief Operating Officer
Paul Gramenz	General Manager, Compliance
Joshua Rudd	Financial Controller and Company Secretary
Travis Waycott	National Sales manager

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report

b. Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.2006	Granted as Compensation	Options Exercised	Net Change Other*
Andrew Bonwick	NIL	300,000	-	-
Vaughan Busby	NIL	2,400,000	-	-
Ottmar Weiss	NIL	600,000	-	-
Total	NIL	3,300,000	-	-

*The Net Change reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

Note 5 (continued)

Number of Options Held by Key Management Personnel

	Balance 30.6.2007	Total Vested 30.6.2007	Total Exercisable 30.6.2007	Total Unexercisable 30.6.2007
Andrew Bonwick	300,000	-	-	300,000
Vaughan Busby	2,400,000	-	-	2,400,000
Ottmar Weiss	600,000	-	-	600,000
Total	3,300,000	-	-	3,300,000

(c) Interest in Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.2006	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2007
Mr. Andrew Bonwick	-	-	-	-	-
Mr. Richard Brys	-	-	20,000	78,005	98,005
Mr. Vaughan Busby	618,670	-	-	2,040,564	2,659,234
Mr. Ian Ferrier	1,435,671	-	-	4,522,694	5,958,365
Mr. Joshua Rudd	-	-	5,000	25,751	30,751
Mr. Ottmar Weiss	-	-	-	200,000	200,000
Total	2,054,341	-	25,000	6,867,014	8,946,355

* Net Change Other refers to shares purchased or sold or received during a general issue during the financial year. It also includes a pro rata issue of shares prior to the Company listing on the ASX.

(d) Loans to key management personnel
There were no loans to directors of the company or to key management personnel.

Note 6: Auditors' Remuneration

	2007 $	2006 $
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	64,918	39,500
Due diligence investigations	54,202	-
Taxation services	24,000	14,215

Note 7: Earnings Per Share

	2007	2006
	$	$
Basic EPS	(0.061)	0.171
Diluted EPS	(0.053)	0.171
(a) Earnings used in calculating basic and diluted earnings per share	(1,334,865)	400,473
(b) Weighted average number of ordinary shares used in calculating basic earnings per share	22,023,000	2,341,134
(c) Weighted average number of options outstanding	3,300,000	-
(d) Weighted average number of ordinary shares used in calculating diluted earnings per share	25,323,000	2,341,134

The 2006 figures are prior to the Company's listing on the ASX. Following the ASX listing the number of shares on issue increased to 22,000,000. A further 23,000 shares were issued after listing as part of the employee share/option plans.

Note 8: Cash And Cash Equivalents

	2007	2006
Cash at bank and in hand	5,219,344	21,328
Short-term bank deposits	3,840,210	31,661
	9,059,554	52,989

The effective interest rate on short-term bank deposits was 6.38% (2006: 3.15%), these deposits have an average maturity of 120 days.

Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2007	2006
Cash and cash equivalents	9,059,554	52,989
Bank overdrafts	(1,500,000)	(22,657)
	7,559,554	30,332

Note 9: Trade And Other Receivables

	2007	2006
	$	$
Current		
Trade receivables	3,663,787	1,510,766
Provision for impairment of receivables	(874,809)	-
Accrued income	1,671,648	2,458,746
Other receivables	4,089,679	36,137
	8,550,305	4,005,649

Note 10: Financial Assets

Current		
Option / Futures contracts	-	136,796
Cash deposits	1,726,272	226,333
	1,726,272	363,129

Gains and losses arising from changes in fair value of futures and options contracts are recognised in the income statement in the period in which they arise.

The Company was party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in electricity prices in accordance with the Company's financial risk management policies.

Following the suspension of the retail business the Company sold the majority of its hedge book to enable it to meet outstanding obligations. The sale of those hedge products occurred prior to the 30th of June 2007. One remaining hedge contract was sold post 30 June 2007 incurring a $61,425 loss.

Note 11: Other Assets

Current		
Prepayments	25,428	529,608

Note 12: Plant And Equipment

	2007	2006
	$	$
At cost	803,065	558,361
Accumulated depreciation	(386,436)	(350,467)
	416,629	207,894

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year are reconciled as follows:

	Plant and Equipment	Total
	$	$
Balance as at 1 July 2005	186,245	186,245
Additions	62,257	62,257
Depreciation expense	(40,608)	(40,608)
Balance as at 30 June 2006	207,894	207,894
Additions	244,705	244,705
Depreciation expense	(35,970)	(35,970)
Balance as at 30 June 2007	416,629	416,629

Note 13: Intangible Assets

	2007	2006
	$	$
Goodwill at cost	-	199,300
Software development costs	712,758	556,668
Accumulated amortisation	(265,072)	(202,562)
	447,686	354,106
Trademarks and licences at cost	11,674	8,308
	459,360	561,714

Note 13 (continued)

	Goodwill	Software	Trade Marks & Licences	Total
	$	$	$	$
Movements in intangible assets during the year				
Net carrying value at 1 July 2005	199,300	191,972	720	391,992
Additions	-	230,515	7,588	238,103
Accumulated amortisation	-	(68,381)	-	(68,381)
Net carrying value at 1 July 2006	199,300	354,106	8,308	561,714
Additions	-	207,760	3,366	211,126
Accumulated amortisation	-	(114,180)	-	(114,180)
Impairment losses	(199,300)	-	-	(199,300)
Net carrying value at 30 June 2007	-	447,686	11,674	459,360

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.

Impairment Disclosure

Impairment test for goodwill
Management have performed an impairment test of the goodwill at balance sheet date and have concluded that an impairment write-down is required. The recoverable amount of goodwill is determined based on value-in-use calculations. Management have based value-in-use calculations on cashflow budgets for the specific customer contracts relating to the goodwill. Due to the suspension of electricity retailing activities, the goodwill has been written off.

Impairment test for software
Management have performed an impairment test of the software at balance sheet date and have concluded that no impairment write-down is required.

Note 14: Trade And Other Payables

	2007	2006
	$	$
Current		
Unsecured liabilities		
Trade payables	10,152,876	3,500,465
Sundry payables and accrued expenses	1,866,708	1,169,261
	12,019,584	4,669,726

Trade and other creditors are unsecured, non-interest bearing and are normally settled within 60 day terms.

Note 15: Financial Liabilities

	2007	2006
	$	$
Current		
Unsecured Liabilities		
Bank overdraft	-	22,657
Secured Liabilities		
Bank overdraft	1,500,000	-
	1,500,000	22,657
Non Current		
Secured Liabilities		
Bank Loan	38,125	-
	38,125	-

The Company had an overdraft facility with Investec Bank of $1.5m and a guarantee facility with Investec Bank of $3.7M in relation to its obligations required by NEMMCO as a participant in the national electricity market.

The security for the overdraft facilities is a fixed and floating charge over all present and future assets, undertakings and unpaid, uncalled capital of the Company. The security for the guarantee facility is a $3.7M cash deposit.

Post 30 June 2007 the Company has repaid the overdraft facility and the Guarantee facility has been fully discharged. In addition the fixed and floating charge relating to these facilities has also been fully discharged.

The Company has an equipment loan with the NAB for a motor vehicle located in QLD. The loan is on a 36 month term which commenced in September 2006.

Finance Facilities Available

Unrestricted access was available at balance date to the following lines of credit:

	2007	2006
Total facilities		
- secured overdraft facility	1,500,000	1,500,000
- secured guarantee facility	3,700,000	3,425,000
	5,200,000	4,925,000
Unused at balance date		
- secured overdraft facility	-	1,500,000
- secured guarantee facility	3,700,000	3,425,000
	3,700,000	4,925,000

Note 16: Provisions

	2007 $	2006 $
Current		
Employee benefits	71,833	48,308
Non Current		
Employee benefits	5,000	-

Note 17: Tax

(a) Deferred Tax Assets

	2007	2006
Deferred tax assets comprise temporary differences attributable to:		
Provisions	-	-
Borrowing costs	-	-
Tax losses	-	-
Total	-	-

(b) Movements in Deferred Tax Balances

	2007	2006
The overall movement in the deferred tax account is as follows:		
Opening balance	-	170,259
Charge/(credit) to income statement	-	(170,259)
Closing balance	-	-

The movements in deferred tax assets for each temporary difference during the year is as follows:

	2007	2006
Provisions		
Opening balance	-	79,731
Charge/(credit) to income statement	-	(79,731)
Closing balance	-	-
Borrowing costs		
Opening balance	-	46,016
Charge/(credit) to income statement	-	(46,016)
Closing balance	-	-
Tax losses recognised		
Opening balance	-	44,512
Charge/(credit) to income statement	-	(44,512)
Closing balance	-	-

(c) Correction of Error

A deferred tax asset originally reported in the 30 June 2006 financials was deemed by the board as overstated by $240,935. This asset has therefore been retrospectively adjusted in the restated balances for the year ended 30 June 2006. The effect of the adjustment of $240,935 resulted in a reduction to the 30 June 2006 net assets and net profit previously reported.

Note 18: Issued Capital

22,023,000 fully paid ordinary shares (2006: 2,341,134 fully paid ordinary shares)	8,769,929	1,823,591

Ordinary Shares	**No.**	**No.**
Balance at the beginning of the financial year	2,341,134	2,106,953
Shares issued in the year	19,681,866	234,181
Balance at the end of the financial year	22,023,000	2,341,134

Movements on ordinary share capital

Date	**Details**	**Number of Shares**
1 July 2006	Opening Balance	2,341,134
15 November 2006	Options Exercised	25,000
20 November 2006	Pro rata issue at 4.15 times for IPO	7,453,866
3 January 2007	Options Exercised by Investec Bank	2,180,000
3 January 2007	Initial Public Offering	10,000,000
15 January 2007	Employee Share Plan	23,000
30 June 2007	**Balance**	**22,023,000**

On 15 January 2007 the Company listed on the Australian Stock Exchange (ASX). Shares held prior to listing were grossed up by approximately 4.15 times in preparation for the Initial Public Offering (IPO). Two employees also exercised options prior to the IPO.

At the time of IPO ten million shares were issued at one dollar each. Post the IPO the Company issued a further twenty three thousand shares at one dollar each pursuant to the Company's employee share schemes as approved by shareholders.

(a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Option Buy-Back

The Company entered into a facility agreement with Investec Bank (Australia) on 13 December 2004. The Investec facility comprised a Guarantee facility and a Loan facility. Pursuant to the Investec facility, Investec had an option to acquire, for $1.00, a 35% holding in Energy One.

On 20 November 2006 the Company entered into an option buy-back deed whereby the 35% option was split into a 25.09% option and a 9.91% option. The 25.09% option was bought back for $2.3 Million. The amount of $2.3 Million has been offset against issued capital. The 9.91% option was exercised prior to the Company listing on the ASX.

Note 19: Reserves

Share based payment reserve
The share based payment reserve is used to recognise the fair value of options issued to employees and directors but not exercised.

On 1 August 2005, 25,000 share options were granted to certain employees. The exercise price of these options was $nil. The options were exercised on 20 November 2006. On 30 April 2007 3,300,000 options were granted to directors.

Expenses arising from share based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2007	**2006**
	$	**$**
Options issued to employees	8,478	7,772
Options issued to directors	19,013	-
	27,491	7,772

Note 20: Capital and Leasing Commitments

(a) Operating Lease Commitments
Non-cancellable operating leases contracted for at the reporting date but not capitalised in the financial statements:

Payable - minimum lease payments		
- not later than 12 months	26,621	116,905
- between 12 months and 5 years	14,309	40,930
	40,930	157,835

(b) Capital Expenditure Commitments
There are no capital expenditure commitments contracted for at the reporting date but not recognised as liabilities payable

Note 21: Contingent Liabilities And Contingent Assets

The Company had no contingent liabilities or contingent assets as at 30 June 2007.

Note 22: Segment Reporting

Energy One Limited operates in one industry, being the electricity retail industry, and in one geographical segment, being Australia.

Note 23: Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

	2007 $	2006 $
Profit / (loss) from ordinary activities after income tax	(1,334,865)	400,473
Non-cash flows in profit from ordinary activities		
Depreciation and amortisation	349,450	108,989
Share options expense	27,491	7,772
Provisions	1,230,727	84,104
Employee Share Expense	23,000	-
Write-off prepaid commissions	1,057,791	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other debtors	(5,775,383)	(1,824,318)
(Increase)/decrease in other assets	(1,916,754)	(713,323)
(Increase)/decrease in deferred tax assets	-	170,259
Increase/(decrease) in payables	7,349,858	1,607,841
Increase/(decrease) in provisions	28,525	15,677
Net cash provided by/(used) in operating activities	1,039,840	(142,526)

Note 24: Events After The Balance Sheet Date

Post 30 June the Company has repaid the overdraft facility and the guarantee facility has been discharged. The fixed and floating charge pertaining to these banking facilities has also been discharged.

Following the suspension of the retail business the Company sold the majority of its hedge book to enable it to meet outstanding obligations. The sale of those hedge products occurred prior to the 30th of June 2007. One remaining hedge contract was sold post 30 June 2007 incurring a $61,425 loss .

This financial report was authorised for issue by the directors on 30 August 2007. The Company has the power to amend and reissue this report.

Note 25: Related Party Transactions

	2007 $	2006 $
(a) Directors and key management personnel		
Disclosures relating to directors and key management personnel are set out in note 5.	-	-

(b) 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.

	2007 $	2006 $
Consultancy services associated with ASX listing	12,000	-
Related party transactions, being the sale of electricity to another entity having a common director		
Sales	208,501	184,575
Trade receivable balance	-	5,686
Sales to directors	2,927	100

Note 26: Financial Instruments

(a) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank borrowings, and derivatives.

The main purpose of non-derivative financial instruments is to raise funds for the Company's operations.

Derivatives are used by the Company for hedging purposes. Such instruments include electricity purchase options and futures. The Company does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

Senior management of the company meet regularly to analyse futures and options exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Interest rate risk

The Company's borrowings bear interest at variable rates. Interest rate risk is managed with a mixture of fixed and floating rate debt.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Company does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the Company.

Note 26 (continued)

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure is the net fair value of these contracts.

Price Risk
The Company is exposed to commodity price risk being the cost of electricity. This risk is minimised through the purchase of futures and options. The Company policy is to hedge 90%-120% of expected electricity usage.

(b) Financial Instruments
(i) Derivative Financial Instruments
Derivative financial instruments were used by the Company to hedge exposure to price increases associated with the purchase of electricity. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Futures and options contracts
The Company entered into futures and options contracts to enable the Company to buy a specified quantity of electricity at a fixed price. The objective in entering these contracts is to protect the Company against increases in electricity prices.

The accounting policy in regard to futures and options contracts is detailed in Note 1(k).

The futures and options contracts in place during the year had a range of starting dates and prices. Each contract is for a specific quantity of electricity to be purchased at either peak or off peak times.

ii. Interest rate risk
The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

(ii) Financial Instruments – Interest Rate Risk

	Weighted Average Effective Interest rate		**Floating Interest Rate**		**Non-Interest Bearing**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	%	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets								
Cash and cash equivalents	4.0	3.15	9,059,554	52,989	-	-	9,059,554	52,989
Receivables	-	-	-	-	8,550,305	4,005,649	8,550,305	4,005,649
Total Financial Assets			9,059,554	52,989	8,550,305	4,005,649	17,609,859	4,058,638
Financial liabilities								
Bank loans and overdrafts	9.0	3.45	1,538,125	22,657	-	-	1,538,125	22,657
Payables	-	-	-	-	12,019,584	4,669,726	12,019,584	4,669,726
Total Financial liabilities			1,538,125	22,657	12,019,584	4,669,726	13,557,709	4,692,383

Note 26 (continued)

(iii) Net Fair Values
The net fair values of assets and liabilities approximate their carrying value. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Note 27: Share-based payments

The following share-based payment arrangements existed at 30 June 2007:

On 30 April 2007, 3,300,000 share options were granted to Directors under the Energy One Employee Option Plan to take up ordinary shares at an exercise price of $1.15 each. The options were approved by shareholders at the extraordinary general meeting held on 2 April 2007. One third of these options are exercisable on 5 April 2008; One third of these options are exercisable on 5 April 2009; and the final third on 5 April 2010. The last exercise date for all of these options is 5 April 2012. The options hold no voting or dividend rights and are not transferable. When a director ceases employment the options are deemed to have lapsed once three months have passed. Since balance date, no director has ceased their employment. At balance date, no share option has been exercised.

On 1 August 2005, 25,000 share options were granted to certain employees. This was prior to the Company listing on the ASX. The exercise price of these options was $nil. At balance date, 25,000 share options had been exercised and issued on 15 November 2007.

The Company established the Energy One Deferred Employee Share Plan on 10th January 2007. Invited employees are entitled to participate in the Plan. Employees are entitled to acquire vested ordinary shares at market price. When issued, the shares carry full dividend and voting rights. On 15 January 2007, 12,000 vested ordinary shares were issued under this plan. This plan was approved by shareholders at the extraordinary general meeting held on 2 April 2007.

	2007 $		2006 $	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the Beginning of the year	25,000	-	25,000	-
Granted	3,300,000	$1.15	-	-
Exercised	(25,000)	-	-	-
Outstanding at year-end	3,300,000		25,000	
Exercisable at year-end	-		-	
Outstanding at year-end	3,300,000		25,000	

Note 28: Change in Accounting Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
2005–10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 4: Insurance Contracts AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per Share AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

Note 29: Company Details

Energy One Limited is a company limited by shares, incorporated and domiciled in Australia.

The registered office of the Company is:
C/O WHK Horwath Pty Limited
Level 15, 309 Kent Street
Sydney NSW 2000

The principal place of business is:
Level 2, 122 Pitt Street
Sydney NSW 2000

DIRECTORS' DECLARATION

2007 ANNUAL REPORT

Energy One Limited Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 21 to 47 are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.

Ian Ferrier, Chairman

Vaughan Busby, Managing Director

Dated 30 August 2007

INDEPENDENT AUDIT REPORT

WHK Horwath

Energy One Limited

ABN 37 076 583 018

Independent Audit Report to the Directors of Energy One Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Energy One Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 20 to 22 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Total Financial Solutions

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A WHK Group Firm

Energy One Limited

ABN 37 076 583 018

Independent Audit Report to the Directors of Energy One Limited

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

Independence

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

Auditor's opinion on the financial report

In our opinion, the financial report of Energy One Limited is in accordance with the *Corporations Act 2001*, including

(a) giving a true and fair view of the company's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

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

As stated at Note 1(a) to the financial statements, the financial report of the Company complies with International Financial Reporting Standards.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in pages 20 to 22 of the directors' report comply with Accounting Standard AASB 124.

Emphasis of matter regarding continuation as a going concern

Without qualification to the opinion expressed above attention is drawn to the following matter. As indicated in note 1(r) whilst the Company has suspended its energy retailing business it is in the process of expanding its ancillary billing services and embedded network operations in addition to further developing the software business and metering businesses. The Company has managed to retain key employees for the continuation of its existing business in addition to those who are required for developing the new businesses the business. The directors therefore consider that the Company is a going concern.

WHK Horwath

WHK HORWATH

DAVID SINCLAIR

Principal

Dated 30 August 2007

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ADDITIONAL INFORMATION

ENERGY ONE LIMITED
ABN 37 076 583 018

ADDITIONAL STOCK EXCHANGE INFORMATION
AS AT 31 JULY 2007

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. **Shareholding**

a. Distribution of Shareholders

	Number	
Category (size of holding)	**Ordinary**	**Redeemable**
1 – 1,000	39	29,139
1,001 – 5,000	155	530,831
5,001 – 10,000	66	583,507
10,001 – 100,000	79	2,400,110
100,001 – and over	14	18,479,413
	353	22,023,000

b. The number of shareholdings held in less than marketable parcels is 97 representing 138,927 ordinary shares.

c. The names of the substantial shareholders listed in the holding Company's register as at 31 July 2007 are:

	Number	
Shareholder	**Ordinary**	**Percentage**
Polding Pty Ltd	5,958,365	27.1%
Infratil Australia Limited	4,233,455	19.22%
Vaughan Busby	2,659,234	12.07%
Investec Bank Australia	2,180,000	9.91%
Acorn Capital Limited	2,005,434	9.11%

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares
Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ADDITIONAL INFORMATION

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 31 JULY 2007

e. 20 Largest Shareholders as at 31 July 2007

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	POLDING PTY LTD	5,419,831	24.610
2.	ANZ NOMINEES LIMITED	4,295,155	19.503
3.	MR VAUGHAN BUSBY	2,659,234	12.075
4.	INVESTEC BANK (AUSTRALIA) LTD	2,180,000	9.899
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,060,105	4.814
6.	NATIONAL NOMINEES LIMITED	945,329	4.292
7.	UBS NOMINEES PTY LTD	599,175	2.721
8.	MR IAN DOUGLAS FERRIER	404,834	1.838
9.	MS LEANNE MULCAHY	275,712	1.252
10.	ABBYSAH PTY LIMITED	200,000	0.908
11.	AUSTOCK NOMINEES PTY LTD	150,000	0.681
12.	SONPINE PTY LTD	133,700	0.607
13.	MR SEUK LIONG CHEAH & MRS CHER SUEY CHEAH	125,000	0.568
14.	PHILIP GEORGE INVESTMENTS PTY LTD	107,949	0.490
15.	MR RICHARD JOSEPH BRYS	98,005	0.445
16.	MR VICTOR JOHN PLUMMER	84,000	0.381
17.	JAALEW INVESTMENTS PTY LTD	75,000	0.341
18.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	75,000	0.341
19.	MR DALE RUSSELL SCHOEMAN	74,000	0.336
20.	MR SIMON DAVID MAHER	73,000	0.331
		19,035,029	86.433

2. **Company Secretary:**

   Joshua Rudd

3. **Address of Registered Office:**

   C/O WHK Horwath Pty Limited
   Level 15
   309 Kent Street
   Sydney NSW 2000

4. **Share Registry:**

   Registries Limited
   Level 2
   28 Margaret Street
   Sydney NSW 2000

5. **Stock Exchange Listing**

   Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

6. **Unquoted Securities**

   Options over Unissued Shares
   A total of 3,300,000 options are on issue. The 3,300,000 options are on issue to 3 directors under the Energy One Employee Option Plan.

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EnergyOne
Turning Australia On

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