ENERGY DEVELOPMENTS LIMITED

ABN 84 053 410 263

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2015

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for the year ended 30 June 2015

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DIRECTORS' REPORT

Your directors submit their report for Energy Developments Limited (the "Company") together with the financial statements of Energy Developments Limited and its controlled entities (the "Consolidated Entity" or "EDL") for the year ended 30 June 2015.

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

R I Koczkar BEng (Mech and Manuf) (Hons) (Melb)
Rob is a former Managing Director of Pacific Equity Partners, and has previously held senior positions with investment firm Texas Pacific Group where he was based in their London office and strategy consulting firm Bain & Company variously based in Australia, the United Kingdom and the United States. In addition to Energy Developments, Rob is the current Chief Executive Officer and Director of Social Ventures Australia Limited, and he also currently serves as a director of Spotless Group Holdings Limited and Goodstart Early Learning Limited.

G J Pritchard MAppFin, BCom, FCA
Greg was appointed Managing Director of the Company in December 2007, having previously been the Company's Finance Director. Greg is an experienced corporate executive whose previous positions include Chief Financial Officer of QCT Resources Limited and QNI Limited. He has held various senior posts at KPMG and Wardley James Capel in Australia, the United Kingdom and continental Europe.

A J Duthie BCom (Finance/Marketing) UNSW, MBA (INSEAD)
Tony is a Managing Director of Pacific Equity Partners. Tony has previously worked for Bain & Company.

D C Grayce LLB / BCom (UNSW), MBA (Stanford)
David is a Managing Director of Pacific Equity Partners. David has previously worked for Bain Capital and Bain & Company.

P J Kapp LLB / BProc
Philip is a Consultant (and former Partner) with Corrs Chambers Westgarth Lawyers and is a senior lawyer with over 25 years' experience in law, with considerable expertise in the areas of mergers and acquisitions, corporate restructurings, joint ventures and capital raisings. Philip is also a non-executive director of INT Corporation Ltd (ASX: INT), Modun Resources Limited (ASX: MOU) and JustKapital Litigation Partners Limited (ASX: JKL).

G J W Martin BEc, LLB, FAIM, MAICD
Greg is a Non-Executive Director of a number of listed and unlisted companies including Santos Limited (since October 2009). He is currently the Chairman and Joint Managing Partner of Prostar Capital (since July 2012), Chairman of Iluka Resources Limited (director since January 2013, and Chairman since December 2013), Deputy Chairman of Western Power, non-executive Chairman of Sydney Desalination Plant Pty Ltd, and a member of the CoAG Energy Council Energy Selection Panel. He is also a former chairman and director of Everest Financial Group Limited (2009 – 2011). Formerly he has been the Managing Director of Murchison Metals Limited (director 2011-2012), Managing Director and CEO of AGL, and an Australian Senior Adviser to the Royal Bank of Canada (RBC). Greg has over 30 years' experience in the utilities, energy and energy related infrastructure sectors in Australia, New Zealand and internationally.

Company Secretary
G E Marshall BBus (Acc)/LLB, LLM
Glen has worked for the Company as Legal Counsel since 2003 and was appointed Company Secretary in January 2008. Glen has previously worked at various legal firms in Australia and overseas, covering a broad range of corporate, commercial and project work in various sectors.

Directors' interests
As at the date of this report, the interests of directors in shares and options of the Company were:

	Ordinary shares Number	Options/ordinary shares on conversion Number
R I Koczkar	50,000	-
D C Grayce	-	-
P J Kapp	-	-
A J Duthie	-	-
G J W Martin	10,667	-
G J Pritchard	2,159,606	6,270,000

No director is a party entitled to a benefit under a contract giving a right to call for shares in the Company other than as disclosed in this report.

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

	Board (Regularly Scheduled)	Board (Other)	Audit and Risk Committee	Remuneration Committee	Occupational Health Safety and Environment (OHSE) Committee
Number of Meetings Held	**11**	**1**	**5**	**2**	**1**
Number of meetings attended					
R I Koczkar	(11 of 11)#	(1 of 1)#	^	^	(1 of 1)#
D C Grayce	(11 of 11)	(1 of 1)	(4 of 5)	^	(1 of 1)
P J Kapp	(7 of 11)	(0 of 1)	(4 of 5)	(1 of 2)#	(1 of 1)
A J Duthie	(11 of 11)	(1 of 1)	^	(2 of 2)	(1 of 1)
G J W Martin	(10 of 11)	(0 of 1)	(5 of 5)#	(2 of 2)	(1 of 1)
G J Pritchard	(11 of 11)	(1 of 1)	^	^	(1 of 1)

^ not a member of the relevant committee
# denotes Chairman of the relevant Committee

The Company also has a Conflicts Committee, comprising G J W Martin (Chairman of the Conflicts Committee) and P J Kapp. No meetings were held during the year.

Principal activities
The continuing principal activities of the Consolidated Entity during the year were the development and operation of power generation projects.

Results
The net profit of the Consolidated Entity for the financial year was $57,051,000 (2014: $45,425,000).

Dividends
During the financial year, the directors declared and paid two dividends equating to 48 cents per fully paid share and totaling $82.0 million.

Significant changes in the state of affairs
Other than matters mentioned in this report, there were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Likely developments and expected results
Likely developments in, and expected results of the operations of the Consolidated Entity are discussed generally in the Review of Operations. In the opinion of the directors, it would prejudice the interests of the Consolidated Entity if any further disclosure of information was included.

Share options and Performance Rights (PR)
Details of options and PRs granted to directors or relevant officers as part of their remuneration are set out in the section of this report headed Remuneration Report. Details of shares and interests under options and PR are set out in Note 20 to the financial statements and form part of this report. The Managing Director exercised 750,000 options in which he has a relevant interest, resulting in the issue of 750,000 ordinary shares during the financial year. There have been no other changes to shares and interests under options to the date of this report.

REVIEW OF OPERATIONS

Financial Performance

12 months ended 30 June	2015	2014	Change
Revenue ($m)	448.7	422.8	6%
EBITDA[1] ($m)	**218.2**	**182.2**	**20%**
Profit after tax ($m)	57.0	45.4	26%
EPS (cents per share)	**33.4**	**27.6**	**21%**
Dividend declared for the year (cents per share)[2]	**20**	**28**	**(29%)**
Return on Equity[3] (%)	**15.1%**	**13.5%**	**12%**
Growth capex and investment ($m)	28.3	139.3	(80%)
Stay-in-business capex ($m)	33.4	33.6	(1%)
Total capital expenditure	**61.7**	**172.9**	**(64%)**
Net operating cash flow ($m)	**148.4**	**136.4**	**9%**
Net debt/EBITDA (x)	2.2x	2.6x	(0.4x)
Gearing (%) (net debt to net debt plus equity)	56%	55%	1
Safety (LTIFR)	1.1	nil	-
Installed capacity (MW)	900	883	2%
Generation (GWh)	4,080	3,727	9%

During the year EDL delivered strong growth in EBITDA through contributions from new projects and higher LGC pricing and Queensland wholesale electricity and US electricity pricing. Total installed capacity at 30 June 2015 was 900MW, which represents a net 17MW increase in installed capacity from 30 June 2014.

EDL's generation output increased 9% on the prior year to 4,080GWh. Revenue was $448.7 million for the financial year, up 6% on the prior year. EBITDA was $218.2 million, a 20% increase on the prior year of $182.2 million. These increases were partly attributable to contributions from new assets including:

- Full year contribution from the 53MW McArthur River Mine expansion (commenced in January 2014)
- Full year contribution from the 43MW Envirogen assets acquired in April 2014 (with greater than 50% improvement in operating performance since acquisition)
- 18MW Moranbah North expansion commissioned in July 2014
- 30MW Upstream LNG power assets commenced in July 2014 and a further 21MW Upstream LNG power assets commenced in December 2014

Earnings were further enhanced by:

- Weakened Australian dollar - additional $4.1 million in translated US and European earnings
- Higher Large-scale Generation Certificate (LGC) prices in Australia
- Higher wholesale electricity pricing in Queensland during summer, offset by the reduction of wholesale electricity prices in Australia due to the removal of carbon tax
- Higher contracted electricity pricing in the US

Net profit after tax was $57.0 million, up from $45.4 million in the prior year mainly due to higher EBITDA. Depreciation charges in the current year were 8% higher in line with revenue and generation, while the higher income tax expense reflects the 45% increase in profit before tax and the recognition of US tax losses (tax impact $6.5 million) in the prior year.

1 – Profit before Interest, Tax, Depreciation and Amortisation
2 – No final dividend declared for FY15 due to Scheme of Arrangement as announced on 20 July 2015
3 – Net Profit after Tax/Average Equity

REVIEW OF OPERATIONS (continued)

Regional Operating Performance

EDL's operations are reported under four regional business units: Australian Clean Energy, Australian Remote Energy, Europe Clean Energy and US Clean Energy.

Australian Clean Energy - Operating EBITDA A$94.2 million (2014: A$75.9 million)

EDL is Australia's largest provider of safe, clean, low greenhouse gas emission energy, being the market leader in both landfill gas and waste coal mine gas power (WCMG) projects in Australia. The division earns revenue from the sale of electricity, the sale of LGCs under the RET scheme and the sale of Australian Carbon Credit Units (ACCUs).

The combined installed capacity at 30 June 2015 was 342MW across Queensland, New South Wales, Victoria, the ACT and South Australia.

Generation increased 13% mainly as a result of the full year contribution from the 43MW Envirogen business (acquired in April 2014) and the 18MW expansion at Moranbah North commissioned in July 2014.

Operating EBITDA increased by 24% to $94.2 million. The reduction of electricity prices in Australia due to the removal of carbon tax was offset by higher summer electricity pricing in Queensland. Higher LGC prices compared to the prior year, partly offset by the reduction in Australian Carbon Credit Unit prices due to legislative changes, contributed a net $14.1 million increase in Operating EBITDA from green credits. Costs were up $8.4 million, reflecting the increase in generation.

Australian Remote Energy - Operating EBITDA A$86.6 million (2014: A$72.4 million)

EDL is the leading Australian provider of safe, reliable, remote energy in the sub-100MW segment of the market. Total installed capacity at 30 June 2015 was 381MW, up from 368MW at June 2014. The increase in generation capacity was the result of the acquisition of 21MW of upstream LNG power assets in December 2014.

The remote energy business revenue is based primarily on capacity charges on available installed capacity under long-dated contracts. Therefore revenue is generally unaffected by any decline in customer side demand.

Operating EBITDA increased by 20% to $86.6 million for the financial year. The new assets including the 51MW upstream LNG power assets and a full 12 month contribution from the expanded McArthur River Mine Project contributed $18.5 million. The 51MW are on short term leases that will expire during the 2016 financial year. These assets and associated balance of plant items are to be relocated to projects including those as described in the Key Investment section below. Operating costs and generation were in line with last year. The removal of carbon tax had no impact on EBITDA as carbon costs were fully passed through to end customers.

Contracts totaling 66MW were extended during the year including Sunrise Dam, Darlot, Jundee and Remote Towns.

Europe Clean Energy – Operating EBITDA A$36.2 million (2014: A$38.2 million)

The European business comprises electricity generation projects using LFG. Projects are located in the UK (wholly owned) and Greece (50% joint venture) with total installed capacity of 83MW. Generation decreased 3% compared to the prior year mainly due to gas supply issues at some sites. The Company has an improvement program in place to address these gas supply issues.

Operating EBITDA decreased 5% from the prior year. Green revenue was down $0.7 million on the prior year as ROC Recycle prices, which are set annually, were lower than expected and a negative price adjustment was recorded for the prior period. Lower generation reduced EBITDA by $1.9 million compared to the prior year. Electricity prices and operating costs were marginally higher than the prior year.

The lower AUD relative to GBP and Euro led to a benefit in translated earnings in Australian dollars of $2.1 million.

United States Clean Energy – Operating EBITDA A$19.6 million (2014: A$13.4 million)

The United States business comprises electricity generation projects using LFG with total installed capacity of 94MW. Generation increased 3%, mainly due to improved gas flows to major projects and a full year contribution from the 5MW Sand Valley operation, which commenced in October 2013.

Operating EBITDA increased by 46% from the prior year due to higher contracted prices, higher green credit pricing, improved generation from existing assets, and the additional 3 month contribution from Sand Valley. Costs were in line with last year.

A lower AUD/USD led to a benefit in translated earnings in Australian dollars of $2.0 million.

Key Investments

EDL invested $28.3 million in growth projects during the year. The following key projects were completed during the year or are in progress at the date of this report:

Upstream LNG
There are two Upstream LNG power assets that derived lease revenue in the year. Both projects operate under a 12 month lease with counterparty options to extend. A 30MW project commenced on 1 July 2014 and a 21MW project commenced on 1 December 2014. The assets are to be relocated to other projects including those described below at the end of the leases.

Grosvenor
As announced on 31 July 2015, the Company has entered into a new gas supply agreement with Anglo American, with an initial term to 2038, for the potential development of a future 21MW WCMG power station on Anglo American's new Grosvenor metallurgical coal mine subject to EDL Board and Anglo American approvals and securing necessary permits, approvals and other project agreements.

Sunrise Dam
The Company is expanding the Sunrise Dam power project with a further 6MW of gas generation to cover expected demand increase from the customer. The 6MW expansion is on track to commence operations by January 2016. As announced on 29 July 2015, the Company has also signed two agreements with Anglo Gold Ashanti under which EDL will own and maintain high pressure gas skids under a ten year agreement for Sunrise Dam gold mine and a twelve year agreement for Tropicana gold mine.

Moranbah North Back Up Supply
The Company is constructing a 5MW backup up diesel asset for the Anglo American Moranbah North mine which is due for commissioning in September 2015.

Oaky Creek
As announced on 11 August 2015, the Company has agreed with Glencore an 11 year extension of gas supply to the Company's Oaky Creek WCMG power project to 2036. This agreement provides the Company the opportunity to expand the 21 MW Oaky Creek project by 15MW, subject to obtaining necessary permits and approvals. The expansion project has been declared as a registered project under the Federal Government's Emissions Reduction Fund.

Summary of Financial Position

As at 30 June	2015	2014
Cash ($m)	39.3	45.7
Receivables, Inventory, Green Credits and Prepayments ($m)	106.2	112.1
Property, Plant and Equipment ($m)	802.9	790.4
Intangibles ($m)	38.2	46.2
Deferred tax and other assets ($m)	58.6	49.0
Payables and Provisions ($m)	(87.3)	(92.8)
Borrowings ($m)	(519.1)	(511.1)
Derivative liabilities ($m)	(32.9)	(22.9)
Deferred revenue ($m)	(27.4)	(24.7)
Deferred tax liabilities ($m)	(7.5)	(8.1)
Net assets/equity ($m)	**371.0**	**383.8**

There were no significant changes in the Statement of Financial Position outside the Company's expectation. The weaker AUD against the USD and GBP impacted translated balances from US and UK denominated operations.

Capital Management

Cash conversion

FY15 net operating cash flow of $148.4 million was 9% higher than the prior period, due to higher EBITDA and improved working capital management, offset by the step-up in tax paid in the period.

Liquidity

EDL has available cash and undrawn debt financing facilities of $264.9 million at 30 June 2015, which is available to fund EDL's committed projects and support new investment opportunities.

Borrowings and Gearing

Group gearing (net debt to net debt plus equity) at 30 June 2015 was 56% (30 June 2014: 55%). Capital expenditure incurred on growth and maintenance projects was $28.3 million and $33.4 million respectively (30 June 2014: $139.3 million and $33.6 million respectively), with borrowings increasing from $511.1 million to $519.1 million. Total available facilities at 30 June 2015 was $783.0 million. Cash on hand at 30 June 2015 was $39.3 million (30 June 2014: $45.7 million).

REVIEW OF OPERATIONS (continued)

Strategy

EDL's key areas of strategic focus include:

- Driving operational improvements across the business, including through increased generation in the Clean Energy portfolios and continued drive for cost efficiencies across all operations and maintenance activities
- Extending and increasing access agreements to gas supplies for WCMG and LFG
- Contract extensions and expansions with existing customers
- Acquisitions, winning new contracts and increasing installed generation capacity in the Clean Energy and Remote Energy sectors
- Commissioning committed growth projects on time and within budget

Scheme of Arrangement

On 20 July 2015, the Directors of EDL announced the Company has entered into a Scheme Implementation Deed with a subsidiary of DUET Company Limited (DUET), under which it is proposed that DUET will acquire 100% of the EDL shares on issue by way of a Scheme of Arrangement ("Scheme") for $8.00 cash per share.

The implementation of the Scheme is subject to EDL shareholder approval, Court approval and other customary conditions precedent. The Scheme's Implementation is anticipated to occur in October 2015.

Business Risks

EDL's business faces various risks that could affect the success of the strategies and the outlook for future financial years. The key risks are summarised below as are certain mitigating controls EDL has in place intended to manage these risks. EDL has in place risk management policies and systems intended to manage these risks and has a diversified portfolio of assets to limit individual project related risks to the group. The risks are not listed in any order of importance.

Gas Supply

EDL's production in Clean Energy relies on gas supply from underground coking coal mines and landfills. Gas supply constraints could reduce generation and revenue in the Clean Energy business. EDL actively works with various gas supply sources to reduce supply issues.

Green Credits

Creation and prices of green credits can vary depending on legislation and the potential supply and demand of certificates. EDL mitigates price fluctuations by forward selling a proportion of green credits in Australia and US. The majority of the green credit price in the UK is essentially a fixed price under legislation that increases with CPI.

Electricity Prices

Clean Energy sites in Australia are connected to the National Electricity Market (NEM) and EDL either sells for a contracted price or the spot market price. Currently 7% of total EDL revenue is exposed to spot prices in the NEM. In the US, all sites are contracted with an average contract life of over 7 years. In the UK, usual practice is to sell electricity for pre-agreed prices for terms usually based on a minimum of 12 months with longer contracts in place for certain generation.

Foreign Exchange

Movements in foreign exchange rates (particularly the British pound and US dollar) could adversely affect EDL's financial performance. EDL does not generally hedge its foreign exchange movements in the ordinary course of its business operations other than through the natural hedge of its foreign currency borrowings.

Future Growth

Future growth plans and contract renewals with existing and new customers could be restricted or delayed with market fluctuations in the mining and waste sectors. EDL has an active pipeline of new projects, expansions, acquisitions and contract extensions to deliver growth in its core businesses.

Occupational Health, Safety and the Environment (OHSE)

Failure to implement effective OHSE and public safety procedures could give rise to OHSE and/or public safety risks which in turn may create reputational, regulatory risk and/or future earnings risk. Failure could lead to a loss of EDL's social licence to operate power projects. EDL has an extensive OHSE management system in place to mitigate this risk.

Asset Management

Asset management risk could impact operating costs and increase downtime, reducing revenue. EDL has Asset Management Plans in place for all key sites and equipment which is intended to mitigate this risk.

Legislation

Creation and prices of green credits can vary depending on legislation and the supply and demand of certificates. The Company successfully participated in the Australian Emissions Reduction Fund auction on 15 and 16 April 2015 which has locked in prices for approximately 450,000 ACCUs annually from its Australian LFG business for the next 7 years. A bipartisan agreement on the Renewable Energy Target in Australia was announced in May 2015.

REMUNERATION REPORT (AUDITED)

1. Overview

The Remuneration Report provides an overview of the Company's remuneration policy applicable to the Company's key management personnel (KMP) and how the Company aligns KMP performance with the Company's strategic direction and performance. It also sets out KMP remuneration details for the year ended 30 June 2015. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

2. 2015 Remuneration at a Glance

Total Fixed Remuneration (TFR)	The Managing Director (MD) and Executive KMP TFR increased by an average of 4.3% in the August 2014 annual salary review.
Short-term incentive (STI)	The average STI award was 87.5% of maximum STI award available, compared to 90% in the prior year. The STI assessed and paid in the current year related to the financial year 2014 performance against set targets comprising EBITDA, Safety, Business Development Outcomes, Delivery of Projects, Risk Management, Financing and Staffing.
Long-term incentives (LTI)	<u>2011 LTI Plan</u> In 2011 and later years the MD and Executive KMP were invited to apply for and pay an agreed amount for Options that progressively vest over a 4 to 5 year period, with exercise prices of $4.12, $4.80 and $6.87. No new options were granted during 2015. <u>2015 LTI Plan</u> In 2015, the Company granted the following new incentives: • <u>Fixed Value Performance Rights (FVPRs)</u> – the FVPRs vest if the EDL share price exceeds a pre-determined share price target at the end of the 2 year vesting period, and on vesting entitle the MD and Executive KMPs to receive shares equal in value to a maximum of $5,598,547 and $4,906,006 respectively (total $10,504,553). This is the equivalent of 1,438,980 shares at the 30 June 2015 share price of $7.30. • <u>TSR PRs</u> – 129,737 performance rights (PRs) were issued to Executive KMP (but not the MD), the vesting of which is based on an assessment of the Company's total shareholder returns (TSR) in comparison to the TSR of a Comparator Group over the 3 year performance period • <u>ROE PRs</u> - 129,737 performance rights (PRs) were issued to Executive KMP (but not the MD), the vesting of which is based on an assessment of the Company's Return on Equity (ROE) against target levels over the 3 year performance period The incentives in place are described further in the appropriate sections below.
Changes in KMP	Shane McLaughlin became a KMP in FY15 with added responsibilities. He is the Executive General Manager for Australian Remote Operations. His remuneration disclosed is from the period 1 July 2014.
Non-executive directors	Non-executive directors' remuneration has remained the same since the financial year ended 30 June 2011. The Chairman's remuneration has not changed since 30 June 2007.

3. Actually Realised Remuneration (non-IFRS)

The following table shows remuneration "actually realised" by the MD and the Executive KMP in the year ended 30 June 2015. These comprise the following components:

- TFR – fixed cash remuneration payments including superannuation
- STI – cash awards in respect of 2014 financial year
- LTI – options exercised in the current year valued using the exercise date share price. None of the FVPRs, TSR PRs or ROE PRs have vested or been realised
- Other – comprises interest not charged on interest-free loans that the MD and Executive KMP would otherwise have paid and housing benefit provided to S McLaughlin

These amounts differ from the amounts reported in the Remuneration Report prepared in accordance with the *Corporations Act* and Accounting Standards (refer section 12); since the Accounting Standards requires that the amortisation of grant date fair value over the vesting period be considered remuneration. This is the case even where the value may not be realised, for instance, where the options expire out-of-money, or the FVPRs, TSR PRs or ROE PRs do not vest because performance conditions are not satisfied.

The Company believes that the non-statutory measures presented below are useful to investors. The Productivity Commission, in its Report on Executive Remuneration in Australia, noted that the usefulness of remuneration reports to investors was diminished by complexity and omissions, and in particular, recommended that the report should include reporting of pay "actually realised" by the KMP named in the report.

	Year	TFR	STI	LTI	Other	Total
		$	$	$	$	$
G J Pritchard (MD and CEO)	2015	927,000	444,654	348,671	95,461	1,815,786
	2014	900,000	457,812	-	110,368	1,468,180
G Breadsell (EGM Aust Clean)	2015	384,890	95,064	-	11,015	490,969
	2014	373,680	105,751	-	12,735	492,166
G Dover (CFO)	2015	390,627	100,691	106,117	4,925	602,360
	2014	379,250	104,340	-	5,694	489,284
S McLaughlin (EGM Remote)	2015	380,000	144,770	-	54,713	579,483
	2014	N/A	N/A	N/A	N/A	N/A
S Cowman (P USA)	2015	562,287	111,683	-	5,685	679,655
	2014	515,579	116,688	-	7,061	639,328

4. Remuneration Governance

The Company has a Remuneration Committee which assists the Board by reviewing and making recommendations in relation to the Company's overall human resource policies and strategies. This includes overall remuneration policy guidelines, and the structure and level of the remuneration of the Managing Director, non-executive directors and of other KMP. The members of the Remuneration Committee at the date of this report are Philip Kapp (Chairman), Greg Martin and Tony Duthie. The Committee's charter can be viewed or downloaded from the Company's website: www.energydevelopments.com.au

The Company also has a Securities Trading Policy that forms part of the Company's remuneration governance framework as it prohibits employees with options or similar instruments over the Company's securities from entering into transactions in products (such as warrants) designed or intended to hedge exposure to the Company's securities.

5. Approach to Remuneration

The Company's approach to remuneration is to have market competitive remuneration structures which:

- Attract, motivate and retain highly skilled directors and executives, through market-aligned remuneration
- Motivate executives to focus on the business objectives of short and long term success of the Company, through "at risk" components of remuneration, namely the STI and LTI incentives
- Align remuneration and annual operating performance and longer term shareholder value creation, by use of equity instruments linked to EDL ordinary shares, performance conditions based on TSR, ROE and share price outcomes.

At-Risk Remuneration

STI – the cash STI is considered "at risk" because the amount paid depends on the extent to which pre-agreed targets are met.

LTI – equity-based LTI awards are "at risk" because vesting depends on the extent to which market and non-market based performance conditions are met. The FVPRs are at risk of price hurdles; TSR PRs are at risk of total shareholder returns which depends on price growth and dividend returns measured against a group of listed companies; ROE PRs are at risk of internal pre-agreed return on equity targets.

The current remuneration structure of the MD and Executive KMP is as follows:

		At-risk Cash STI	At-risk Equity LTI	Fixed and Other	Total
MD	2015	23%	20%	57%	100%
	2014	29%	1%	70%	100%
Executive KMP	2015	15%	21%	64%	100%
	2014	19%	1%	80%	100%

Further details on STI and LTI are provided in section 7 below.

6. The Link between Financial Performance and Shareholder Wealth

The components of the KMP remuneration and the achievement against specific financial and non-financial performance measures over short-term and long-term timeframes are designed to create near term and longer term sustained shareholder value. When setting targets and reviewing remuneration changes, particularly fixed remuneration, the Board has regard to a number of factors, including the financial performance data set out in the following table in respect of the current and previous financial years.

	Year ended 30 June 2015	Year ended 30 June 2014
LTIFR	1.1	-
Earnings before interest, tax, depreciation and amortisation ($)	218,228,000	182,170,000
Stay-in-business capex ($)	33,400,000	33,600,000
Earnings per share (cents)	33.4	27.6
Net operating cash flows ($)	148,409,000	136,445,000
Installed capacity (MW)	900	883

Over the last five years to 30 June 2015, the Consolidated Entity has increased earnings per share (before specific items) from 21.0 to 33.4 cents, an increase of 59%. The table below shows the earnings per share (before specific items), dividends paid per share each financial year for the last five years and also details the share price on 30 June in those years:

	Year ended 30 June 2015	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011
Earnings per share (cents)	33.4	27.6	33.1	17.3	21.0
Total dividends per share (cents)	20.0	28.0	11.0	-	-
Share price ($)	7.30	5.19	4.57	2.40	2.52

7. Remuneration Structure

The structure of non-executive director and executive KMP remuneration is separate and distinct.

Managing Director and Executive KMP Remuneration

The pay and reward framework for the Managing Director and Executive KMP (in this section "**Executives**") has three components:

- Total fixed remuneration including base pay and benefits and statutory remuneration benefits such as superannuation / pension;
- short-term cash-based performance incentives (STI); and
- long-term share-based incentives (LTI).

A summary of the various remuneration components and incentive structures to which the MD and Executive KMP participate in are summarised in the following table:

	Fixed remuneration	Cash STI	LTI - 2011 Options	LTI – 2015 FVPRs	LTI – 2015 TSR PRs	LTI – 2015 ROE PRs
MD	✓	✓	✓	✓	X	X
Executive KMP	✓	✓	✓	✓	✓	✓

(i) Total Fixed Remuneration

Total fixed remuneration is structured as a total employment cost package which may be delivered as a mix of cash and limited prescribed non-financial benefits. Total fixed remuneration for Executives is reviewed annually and may also be reviewed on promotion or re-assignment of duties. There are no guaranteed or fixed total remuneration increases. Total fixed remuneration also includes statutory superannuation, pension and similar contributions for the benefit of Executives as required under relevant schemes.

(ii) STI

The objective of the cash bonus STI is to link Executive remuneration to the achievement of the Company's short term safety, financial, operational and strategic targets. The total maximum potential STI available is set at a level which provides meaningful incentive to Executives to achieve set targets at a reasonable cost to the Company.

Each year, the Board considers and sets STI targets relevant to each Executive, including setting the minimum and maximum performance and STI levels – taking account of Remuneration Committee recommendations. Each Executive has tailored STI targets depending on their role, responsibilities and impact on the Company or business unit performance. Business unit performance is evaluated on a range of factors including financial performance and health and safety measures. Notwithstanding the factors noted above, the Board retains an overall discretion on whether to pay all or no STI or to pay a portion of STI, including to adjust STI up or down in line with under or over achievement against the STI targets.

(iii) LTI

The objective of the Company's LTI plan is to reward participating Executives in a manner which aligns this element of remuneration with the longer term creation of shareholder wealth. Accordingly, LTI grants are only made to participating Executives whom the Board considers are able to influence the long term creation of shareholder wealth.

2011 LTI Plan

The Company's 2011 LTI plan was approved by shareholders on 7 June 2011 and comprises options and direct share holdings – each paid for by the participating Executives.

(a) Options

The MD and certain Executive KMP (Participants) were invited to apply and pay an agreed amount for options to acquire ordinary shares in the Company in two series, subject to the 2011 LTI Plan rules:

- Series A – with an option exercise price of $4.12 (1.5x Options) (exercise price of $4.80 for Shane McLaughlin)
- Series B – with an exercise price of $6.87 (2.5x Options)

The Options vest (become exercisable) over time, and were awarded with steep vesting hurdles – to have any value for Participants, the price of EDL shares have to increase by more than 1.5 times the original benchmark price for the Series A options, and the price of EDL shares have to increase by more than 2.5 times the original benchmark price for the Series B options.

For options paid for and granted to KMP, other than for Steve Cowman, Shane McLaughlin and Gerard Dover, 20% of the options vested immediately with the remaining options vesting annually from grant date in equal 20% instalments over the next 4 years. For Steve Cowman, Shane McLaughlin and Gerard Dover, the options vest in equal 20% instalments over a 5 year period.

The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company (as defined in the 2011 Plan), or takeover or scheme of arrangement proposal, or the option holder leaving as a "good leaver". There are a range of defined good leaver criteria, but in the main, a good leaver is an employee who is made redundant, reaches retirement, or has their employment terminated by the Company without cause. The options expire on the 8th anniversary of the grant date. Options may be reconstructed to reflect any split, consolidation or other adjustment to underlying shares (except shares issued under a capital raising), in compliance with the relevant provisions of the ASX Listing Rules including Listing Rule 7.22.

(b) Direct Share Investments

The MD and certain Executive KMP (Participants) were invited to subscribe for the Company's ordinary shares at $2.75 per share (or the average trading price if higher), up to limits approved by the Board. The Company also made available a loan to each Participant for an amount matching the Participant's investment to acquire further ordinary shares, on a limited recourse and interest free basis. The loan is secured by a mortgage over all the shares owned by the Participant.

Shares subscribed to by the Participants are restricted from trading until the earlier of exit by the majority shareholder (as defined in the 2011 LTI Plan rules), cessation of the Participant's employment with the Company, or 10 years from the date of share subscription.

Remuneration Structure (continued)

Managing Director and Executive KMP Remuneration (continued)

(iii) LTI (continued)

2015 LTI Plan

The Company's 2015 LTI plan was approved by shareholders on 14 November 2014 and comprises issuance of Performance Rights (PRs) to incentivise and reward senior employees, aligned with the creation of shareholder wealth. The PRs issued are of three types: Fixed Value Performance Rights (FVPRs), PRs subject to a Total Shareholder Return hurdle (TSR PRs), and PRs subject to Return on Equity hurdle (ROE PRs)

The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company, or takeover or scheme of arrangement proposal, or the PR holder leaving as a "good leaver". There are a range of defined good leaver criteria, but in the main, a good leaver is an employee who is made redundant, reaches retirement, or has their employment terminated by the Company without cause.

(a) FVPRs

The MD and Executive KMP were invited to participate in the FVPR scheme that includes issue of various tranches based on a dollar fixed value assigned to each Participant, with a 2 year vesting period. Contingent on the Company achieving a range of pre-determined share prices (price conditions) at the end of the vesting period, the Participant would be issued shares in the Company to the extent of the dollar fixed value. Each tranche of the FVPRs are designed to have a binary outcome, that is, the tranche will either vest (that triggers issue of shares), or lapse as unvested if the pre-determined share price is not met at the end of the vesting period.

(b) TSR PRs

Executive KMP were invited to participate in the TSR PR scheme that is based on an assessment of the Company's total shareholder returns (TSR) in comparison to the TSR of a Comparator Group over the 3 year performance period. The Comparator Group comprises companies in the S&P/ASX 200 Index excluding companies in the mining, financials, healthcare and information technology sectors. The percentage of TSR PRs which vest is based on the following targets:

Company's TSR relative to the Comparator Group	Percentage of TSR PRs vesting
Less than or equal to 51st percentile	Nil
More than 51st but less than 76th percentile	Pro-rata straight-line between 50% to 100%
76th percentile or more	100%

The MD has not been granted any TSR PRs.

(c) ROE PRs

Executive KMP were invited to participate in the ROE PR scheme that is based on an assessment of the Company's Return on Equity (ROE) against target levels over the 3 year performance period. The percentage of ROE PRs which vest is based on the following targets:

Company's ROE over the performance period	Percentage of ROE PRs vesting
Less than 14%	Nil
14%	50%
More than 14% but less than 17%	Pro-rata straight-line between 50% to 100%
17% or more	100%

The MD has not been granted any ROE PRs.

Non-executive director remuneration

Non-executive directors' fees are determined within the shareholder-approved aggregate directors' feel pool limit. The current limit is $850,000 per annum. This has not been increased since the 2005 Annual General Meeting. Non-executive directors' annual fee bands are set out as follows (inclusive of compulsory superannuation where relevant):

Chairman	$100,000 base; plus $140,000 for Chairman's role TOTAL $240,000
Audit Committee Chairman	$100,000 base; plus $20,000 for Chairman's role TOTAL $120,000
Remuneration Committee Chairman	$100,000 base; plus $15,000 for Chairman's role TOTAL $115,000
Other Non-executive directors	$100,000 base

8. Impact on Share-based Incentives from Subsequent Events

As disclosed in Note 29, on 20 July 2015, the Directors of EDL announced the Company had entered into a Scheme Implementation Deed with DUET Company Limited (DUET), under which it is proposed that DUET will acquire 100% of the EDL shares on issue by way of a Scheme of Arrangement ("Scheme") for $8.00 cash per share.

If successful, upon implementation of the Scheme, the existing share based arrangements for the KMP will be cancelled and settled in cash totaling $30.6 million, with some of the proceeds used to settle the Share and Option Exercise Loans. If the Scheme is not successful, the existing share-based payment arrangements will continue on substantially the same terms as disclosed in this report.

If the Scheme is successful, certain KMP will be subject to a new cash-based LTI scheme. Under this LTI scheme, a maximum of $2.1 million is payable on 29 September 2017 and $1.3 million after 30 June 2018.

Certain KMP are subject to cash retention arrangements, of which the net amount payable by the Company to the KMP totals $0.4 million, being payable 12 months after Scheme implementation, or where the Scheme is unsuccessful, payable on 30 June 2016.

9. Employment agreements

The Company or a relevant subsidiary has entered into employment contracts with each Executive. Each employment contract is for an open duration, subject to rights of termination given to the Executive and the employer entity. A summary of the key provisions of the Executives is set out in the following table:

Executive	Notice required from Executive	Notice required from EDL[1]	Maximum Termination Payment	Other Payments
Greg Pritchard	6 months	12 months	12 months	Yes[2]
Gerard Dover	3 months	6 months	6 months	No
Steve Cowman	3 months	8 months	8 months	No
Greg Breadsell	3 months	3 months	3 months	No
Shane McLaughlin	3 months	3 months	3 months	No

1 Payments may be made in lieu of notice period and shorter periods apply for termination for gross misconduct

2 In addition, Mr Pritchard will be entitled to a pro-rata payment of his then current STI, any unvested option issued as an LTI will vest at the discretion of the Board, and Mr Pritchard is entitled to receive executive outplacement services to the value of $20,000 to be used within three months.

10. Voting and comments made at the Company's 2014 Annual General Meeting

The Company received more than 90% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

11. Key Management Personnel

The KMP of the Consolidated Entity are those responsible for planning, directing and controlling the major activities of the Consolidated Entity throughout the year, and the KMP referred to in this report are:

- **Non-Executive Directors** – there were five Non-Executive Directors during the year as follows:
  - Rob Koczkar
  - David Grayce
  - Philip Kapp
  - Tony Duthie
  - Greg Martin
- **The Managing Director and Senior Executives** – as at 30 June 2015 there were five senior executive KMP including the Managing Director and Chief Executive Officer (CEO), as follows:
  - Greg Pritchard, Managing Director and CEO
  - Greg Breadsell, Executive General Manager – Australian Clean Energy Operations and Compliance
  - Gerard Dover, Chief Financial Officer
  - Steve Cowman, President – United States Operations
  - Shane McLaughlin, Executive General Manager – Australian Remote Energy Operations

12. Use of Remuneration Advisors

The Remuneration Committee seeks external remuneration assistance from time to time to ensure the committee is appropriately informed when making remuneration decisions. Remuneration advisors are engaged by, and reported directly to, the remuneration committee.

The Remuneration Committee approved the engagement of Egan & Associates to provide remuneration related recommendations, advice and information during the year regarding the Company's 2015 LTI plan (including the FVPRs, ROE PRs and TSR PRs) as well as general remuneration benchmarking information relevant to certain senior management including some KMP.

Both Egan & Associates and the Remuneration Committee are satisfied the remuneration related recommendations, advice and information received from Egan & Associates is free from undue influence from any KMP to whom the remuneration recommendations may apply.

The remuneration related recommendations, advice and information were provided to the Remuneration Committee as an input into decision making only. The Remuneration Committee considered the remuneration related recommendations, advice and information, along with other factors, in making its remuneration decisions.

The fees paid to Egan & Associates for the remuneration related recommendations, advice and information amounted to $84,410.

13. Directors' and executives' remuneration

Details of the nature and amount of each element of the remuneration of each director of the Company and each of the executives of the Company and the Consolidated Entity for the financial year are as follows:

	Short term benefits			Post-employment	Long term benefits	Equity	Total			
	Fixed Remuneration $	Bonuses $	Other Benefits[2] $	Pensions/ Super-annuation $	Annual and long service leave[3] $	SBP[1] at Amortised Cost $	Total $	Short term bonuses as % of maximum available %	Share-based payments as % of Remuneration %	Performance Related %
Year ended 30 June 2015										
Directors										
A J Duthie	91,324	-	-	8,676	-	-	100,000	-	-	-
D C Grayce	91,324	-	-	8,676	-	-	100,000	-	-	-
G J W Martin	109,589	-	-	10,411	-	-	120,000	-	-	-
P J Kapp	105,023	-	-	9,977	-	-	115,000	-	-	-
R I Koczkar	221,217	-	-	18,783	-	-	240,000	-	-	-
G J Pritchard	892,000	444,654	95,461	35,000	103,458	394,997	1,965,570	82	20	43
Total	1,510,477	444,654	95,461	91,523	103,458	394,997	2,640,570			
Executives										
G Breadsell	354,890	95,064	11,015	30,000	39,608	121,284	651,861	85	19	33
G Dover	360,627	100,691	4,925	30,000	4,443	197,453	698,139	89	28	43
S McLaughlin	345,032	144,770	54,713	34,968	38,730	126,946	745,159	151	17	36
S Cowman	543,350	111,683	5,685	18,937	-	162,701	842,356	83	19	33
Total	1,603,899	452,208	76,338	113,905	82,781	608,384	2,937,515			

13. Directors' and executives' remuneration (continued)

	Short term benefits			Post-employment	Long term benefits	Equity	Total			
	Fixed Remuneration $	Bonuses $	Other Benefits[2] $	Pensions/ Super-annuation $	Annual and long service leave[3] $	SBP[1] at Amortised Cost $	Total $	Short term bonuses as % of maximum available %	Share-based payments as % of Remuneration %	Performance Related %
Year ended 30 June 2014										
Directors										
A J Duthie	91,533	-	-	8,467	-	-	100,000	-	-	-
D C Grayce	91,533	-	-	8,467	-	-	100,000	-	-	-
G J W Martin	109,840	-	-	10,160	-	-	120,000	-	-	-
P J Kapp	105,263	-	-	9,737	-	-	115,000	-	-	-
R I Koczkar	222,225	-	-	17,775	-	-	240,000	-	-	-
G J Pritchard	875,000	457,812	110,368	25,000	100,445	23,719	1,592,344	89	1	30
Total	1,495,394	457,812	110,368	79,606	100,445	23,719	2,267,344			
Executives										
G Breadsell	348,680	105,751	12,735	25,000	38,914	3,163	534,243	94	1	20
G Dover	354,250	104,340	5,694	25,000	3,346	7,269	499,899	94	1	22
S Cowman	495,186	116,688	7,061	20,393	-	7,750	647,078	79	1	19
Total	1,198,116	326,779	25,490	70,393	42,260	18,182	1,681,220			

1 – Share-based payments (SBP) comprises Options and Performance Rights granted as part of senior management remuneration have been valued using a Binomial pricing model, which takes into account factors such as the Company's dividend yield, the current level and volatility of the underlying share price, the time to maturity and the market based performance conditions for vesting. The value amortised represents the pro-rata apportionment of the theoretical option value to the reporting period and takes account of the period to vesting. For more details of the valuation of options including assumptions used, refer to Note 20 to the financial statements.
2 – Other benefits includes deemed interest on the interest free loans to KMP, and housing benefit provided to Shane McLaughlin only for $47,972.
3 – Annual and long service leave included as remuneration in this report is the portion that is considered long term and is measured under AASB 119 *Employee Benefits*. These amounts were not paid to the KMP during the year.

14. Share-based compensation for key management personnel and directors

(i) Options

(a) The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Value per option at grant date	% Vested
13 Oct 2011	13 Oct 2019	*	$4.12	$0.025	80%
13 Oct 2011	13 Oct 2019	*	$6.87	$0.011	80%
13 Oct 2011	13 Oct 2019	*	$4.12	$0.025	60%
13 Oct 2011	13 Oct 2019	*	$6.87	$0.011	60%
30 Aug 2012	30 Aug 2020	*	$4.12	$0.018	40%
30 Aug 2012	30 Aug 2020	*	$6.87	$0.010	40%
22 Mar 2013	22 Mar 2021	*	$4.80	$0.065	40%
22 Mar 2013	22 Mar 2021	*	$6.87	$0.036	40%

* These options vest in equal 20% instalments annually. The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company (as defined in the New Plan), or takeover or scheme of arrangement proposal, or the option holder leaving as a good leaver.

Options granted under the plan carry no dividend or voting rights.

(b) Options granted, vested, exercised and forfeited during the year

		Series A				Series B		
Name	Grant date	Vested during the year Number	Exercised during the year Number	Balance at 30 June 2015 Number	Vested %	Vested during the year Number	Balance at 30 June 2015 Number	Vested %
Director								
G J Pritchard	13 Oct 2011	324,000	(750,000)	870,000	63	1,080,000	5,400,000	80
Executives								
G Breadsell	13 Oct 2011	43,200	-	216,000	80	144,000	720,000	80
S Cowman	13 Oct 2011	108,000	-	540,000	60	360,000	1,800,000	60
G Dover	30 Aug 2012	108,000	(216,000)	324,000	-	360,000	1,800,000	40
S McLaughlin	22 Mar 2013	43,200	-	216,000	40	144,000	720,000	40

No options were granted or forfeited during the year. The value of options exercised, calculated at the date of the exercise was $348,671 for G J Pritchard and $106,117 for G Dover, based on an exercise date fair value of $0.46 and $0.49 per option respectively.

(ii) FVPRs

(a) The terms and conditions of each grant of FVPRs affecting remuneration in the current or a future reporting period are as follows:

Tranche	Grant date	Performance period	Price condition	Value per FVPR at grant date
Tranche 1 Series A	31 Dec 2014	2 Dec 2014 to 1 Dec 2016	$4.01	$0.088
Tranche 1 Series B	31 Dec 2014	2 Dec 2014 to 1 Dec 2016	$6.76	$0.027
Tranche 2 Series A	31 Dec 2014	2 Dec 2014 to 1 Dec 2016	$3.73	$0.225
Tranche 2 Series B	31 Dec 2014	2 Dec 2014 to 1 Dec 2016	$6.48	$0.070
Tranche 3 Series A	13 Apr 2015	13 Apr 2015 to 12 Apr 2017	$3.53	$0.186
Tranche 3 Series B	13 Apr 2015	13 Apr 2015 to 12 Apr 2017	$6.28	$0.107

14. Share-based compensation for key management personnel and directors (continued)

(ii) FVPRs (continued)

(b) FVPRs granted, vested and forfeited during the year

		Series A			Series B		
Name	Grant date	Granted during the year Number	Balance at 30 June 2015 Number	Fixed Value $	Granted during the year Number	Balance at 30 June 2015 Number	Fixed Value $
Tranche 1							
Director							
G J Pritchard	31 Dec 2014	2,398,235	2,398,235	263,806	7,994,118	7,994,118	879,353
Executives							
G Breadsell	31 Dec 2014	319,765	319,765	35,174	1,065,882	1,065,882	117,247
S Cowman	31 Dec 2014	540,000	540,000	59,400	1,800,000	1,800,000	198,000
G Dover	31 Dec 2014	799,412	799,412	87,935	2,664,706	2,664,706	293,118
S McLaughlin	31 Dec 2014	319,765	319,765	35,174	1,065,882	1,065,882	117,247
Tranche 2							
Director							
G J Pritchard	31 Dec 2014	1,287,941	1,287,941	360,623	7,994,118	7,994,118	2,238,353
Executives							
G Breadsell	31 Dec 2014	319,765	319,765	89,534	1,065,882	1,065,882	298,447
S Cowman	31 Dec 2014	540,000	540,000	151,200	1,800,000	1,800,000	504,000
G Dover	31 Dec 2014	479,647	479,647	134,301	2,664,706	2,664,706	746,118
S McLaughlin	31 Dec 2014	319,765	319,765	89,534	1,065,882	1,065,882	298,447
Tranche 3							
Director							
G J Pritchard	13 Apr 2015	1,287,941	1,287,941	257,588	7,994,118	7,994,118	1,598,824
Executives							
G Breadsell	13 Apr 2015	319,765	319,765	63,953	1,065,882	1,065,882	213,176
S Cowman	13 Apr 2015	540,000	540,000	108,000	1,800,000	1,800,000	360,000
G Dover	13 Apr 2015	479,647	479,647	95,929	2,664,706	2,664,706	532,941
S McLaughlin	13 Apr 2015	319,765	319,765	63,953	1,065,882	1,065,882	213,176

No FVPRs were forfeited during the year. None of the FVPRs on issue at 30 June 2015 have vested.

The number of FVPRs on issue does not equate to an equal number of potential ordinary shares. Upon vesting, the Fixed Value ($) disclosed above will be converted to an equivalent number of shares based on share price existing at that time. Total fixed value for all tranches disclosed in the table above $10,504,551 is the equivalent of 1,438,980 shares at 30 June 2015.

(iii) TSR and ROE PRs

(a) The terms and conditions of each grant of TSR PRs and ROE PRs affecting remuneration in the current or a future reporting period are as follows:

PR	Grant date	Performance period	Value per PR at grant date
TSR PR	31 Dec 2014	1 Jul 2014 to 30 Jun 2017	$3.11
ROE PR	31 Dec 2014	1 Jul 2014 to 30 Jun 2017	$4.74

(b) TSR PRs and ROE PRs granted, vested and forfeited during the year

		TSR PRs		ROE PRs	
Name	Grant date	Granted during the year Number	Balance at 30 June 2015 Number	Granted during the year Number	Balance at 30 June 2015 Number
Executives					
G Breadsell	31 Dec 2014	33,063	33,063	33,063	33,063
S Cowman	31 Dec 2014	30,475	30,475	30,475	30,475
G Dover	31 Dec 2014	33,556	33,556	33,556	33,556
S McLaughlin	31 Dec 2014	32,643	32,643	32,643	32,643

No TSR PRs or ROE PRs vested or forfeited during the year. None of the TSR PRs or ROE PRs on issue at 30 June 2015 have vested.

No other share-based compensation is in place for key management personnel and directors. No share options were issued to non-executive directors.

15. Equity instruments held by key management personnel and directors

The following tables show the number of options over ordinary shares in the Company, and shares in the Company that were held during the financial year by key management personnel and directors, including their close family members and entities related to them. Holdings of FVPRs, TSR PRs and ROE PRs are disclosed on the previous pages of this Remuneration Report. Directors and key management personnel excluded from the following tables had nil share or option holdings during the year ended 30 June 2015.

*(a) Options holding**

		Series A					Series B			
Name	Grant date	Balance at 30 June 2014 Number	Exercised during the year Number#	Balance at 30 June 2015 Number	Vested and exerci-seable	Unvested	Balance at 30 June 2014 Number	Balance at 30 June 2015 Number	Vested and exercisable	Unvested
Director										
G J Pritchard	13 Oct 2011	1,620,000	(750,000)	870,000	546,000	324,000	5,400,000	5,400,000	4,320,000	1,080,000
Executives										
G Breadsell	13 Oct 2011	216,000	-	216,000	172,800	43,200	720,000	720,000	576,000	144,000
S Cowman	13 Oct 2011	540,000	-	540,000	324,000	216,000	1,800,000	1,800,000	1,080,000	720,000
G Dover	30 Aug 2012	540,000	(216,000)	324,000	-	324,000	1,800,000	1,800,000	720,000	1,080,000
S McLaughlin	22 Mar 2013	216,000	-	216,000	86,400	129,600	720,000	720,000	288,000	432,000

* Includes options held directly, indirectly and beneficially by KMP or their associates
# Exercised at $4.12 per option that resulted in an equal number of shares issued as disclosed in (b) below

*(b) Share holdings**

Year ended 30 June 2015	Balance at 1 July 2014 Number	Shares acquired Number	Balance at 30 June 2015 Number
Directors			
G J W Martin	10,667	-	10,667
R I Koczkar	-	50,000	50,000
G J Pritchard	1,409,606	750,000	2,159,606
Executives			
G Breadsell	162,650	-	162,650
S Cowman	93,211	-	93,211
G Dover	72,727	216,000	288,727
S McLaughlin	80,740	-	80,740
Total	1,829,601	1,016,000	2,845,601

* Includes shares held directly, indirectly and beneficially by KMP or their associates

16. Loans to key management personnel and directors

Share Loan	Balance at 1 July 2014	Deemed interest for the year	Interest not charged	Repayments	Balance at 30 June 2015
Year ended 30 June 2015					
Directors					
G J Pritchard	1,843,166	95,461	(95,461)	(477,554)	1,365,612
Executives					
G Breadsell	212,678	11,015	(11,015)	(55,104)	157,574
S Cowman	117,913	5,685	(5,685)	(44,741)	73,172
G Dover	95,096	4,925	(4,925)	(24,639)	70,457
S McLaughlin	126,969	6,741	(6,741)	(27,354)	99,615
Total	2,395,822	123,827	(123,827)	(629,392)	1,766,430

During the previous financial years, eligible key management personnel and the Managing Director subscribed to ordinary shares in the Company and were issued a matching dollar for dollar interest-free Share Loan to purchase further shares.

The Share Loan has a 10 year term but is repayable early in certain circumstances, principally if an executive ceases to be an EDL Group employee (repayable within 1 month if a “bad leaver”, 6 months if a good leaver, although a good leaver can elect to keep the Share Loan remaining on foot), or if there is a defined Greenspark exit. The Share Loan is secured by a mortgage over the executives’ EDL shares, and Share Loan recourse is limited to the executives’ EDL shares.

Options Exercise Loan	Balance at 1 July 2014	Drawdown	Interest charged for the year	Repayments	Balance at 30 June 2015
Year ended 30 June 2015					
Directors					
G J Pritchard	-	3,090,000	132,192	(627,302)	2,594,890
Executives					
G Dover	-	889,920	-	(889,920)	-
Total	-	3,979,920	132,192	(1,517,222)	2,594,890

During the current financial year, eligible key management personnel and the Managing Director were issued an Options Exercise Loan. The Option Exercise Loan has a maximum 14 months term and is secured by a mortgage over the executives’ EDL shares, with recourse limited to the shares issued on exercise of the options. The loan to the Managing Director attracts a current interest rate of 5.65% per annum.
No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

Indemnification of officers
During the financial year, a related body corporate paid an insurance premium in respect of a contract insuring the Company's directors against liabilities arising as a result of work performed in their capacity as directors. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract. The Company Constitution also contains an indemnity provision in favour of each director, Company Secretary and executive officers against liability incurred in this capacity, to the extent permitted by law. The Company has also entered into or committed to enter into indemnity deeds with directors of the Company containing similar indemnity provisions.

Indemnification of auditors
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Environmental regulation and performance
The Consolidated Entity's operations in Australia, Europe and the United States are subject to environmental laws in these jurisdictions. The Company operates a rigorous environmental compliance program, and reports to the appropriate authorities against relevant compliance standards. During the year, no member of the Consolidated Entity was prosecuted nor was any fine imposed on it for breach of environmental laws in any jurisdiction.

Auditor's independence declaration
Refer to the following page for the auditor's independence declaration.

Non audit services
In addition to the audit fees, the Consolidated Entity paid $272,027 to the auditors, Ernst & Young for non-audit work performed in relation to other transaction related services. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001*. The nature and scope of these services means that auditor independence was not compromised.

Significant matters since year end
On 20 July 2015, the Directors of EDL announced the Company has entered into a Scheme Implementation Deed with DUET Company Limited (DUET), under which it is proposed that DUET will acquire 100% of the EDL shares on issue by way of a Scheme of Arrangement ("Scheme") for $8.00 cash per share.

The implementation of the Scheme is subject to EDL shareholder approval, Court approval and other customary conditions precedent.

If successful, upon implementation of the Scheme, existing share based arrangements will be cancelled and settled in cash totaling $46.3 million, with some of the proceeds used to settle the Share and Option Exercise Loans. If the Scheme is not successful, the existing share-based payment arrangements will continue on substantially the current terms.

If the Scheme is successful, certain executives and senior management will be subject to a new cash-based LTI scheme. Under this LTI scheme, a maximum of $5.2 million is payable on 29 September 2017 and $3.2 million after 30 June 2018.

In addition, certain executives and senior management are subject to cash retention arrangements totaling $3.1 million which are payable 12 months after Scheme implementation, or where the Scheme is unsuccessful, payable on 30 June 2016.

If the Scheme is successful EDL is committed to payment of an advisory fee of $15.0 million to an advisor. If the Scheme is not successful, under certain conditions the Company must pay a break fee of $13.7 million.

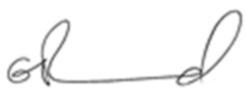
The Company also notes that its corporate loan documentation and certain contracts with counterparties and suppliers contain Change of Control provisions which are triggered under the Scheme. The Company is currently working with the syndicate of banks, counterparties and suppliers to seek consent to the change of control provisions.

Scheme Implementation is anticipated in October 2015.

There are no other material subsequent events.

Rounding
The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Consolidated Entity under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:



G J Pritchard
Director

Brisbane, 17 August 2015

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

In relation to our audit of the financial report of Energy Developments Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
17 August 2015

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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2015

	Note	CONSOLIDATED 2015 $'000	2014 $'000
Sales revenue	2	440,291	412,656
Cost of sales excluding depreciation and amortisation of operating assets	2	(212,081)	(222,940)
Gross profit		228,210	189,716
Other income		6,199	7,746
Corporate and general expenses		(9,707)	(10,251)
Share-based-payments expense		(1,736)	(108)
Business acquisition and strategy costs		(1,629)	(2,530)
Development expenses		(5,340)	(4,786)
Share of net results of joint venture accounted for using the equity method	2, 22	2,231	2,383
Profit from continuing operations before depreciation, amortisation, borrowing costs and income tax		218,228	182,170
Depreciation and amortisation	2	(91,689)	(84,891)
Interest income	2	782	783
Borrowing costs	2	(41,054)	(41,162)
Other finance costs	2	(3,948)	-
Profit from continuing operations before income tax		82,319	56,900
Income tax expense	3	(25,268)	(11,475)
Profit attributable to members of the Company		57,051	45,425
Other comprehensive income			
Items that may be classified subsequently to profit or loss			
Foreign currency translation differences for foreign operations, net of tax (refer note 3 (c))		11,356	329
Net gains/(losses) on cash flow hedges, net of tax (refer note 3 (c))		(9,158)	4,190
Transfer of cash flow hedge reserve to profit or loss, net of tax (refer note 3(c))		2,353	-
Total comprehensive income for the year		61,602	49,944
Basic earnings per share (cents)	4	33.4	27.6
Diluted earnings per share (cents)	4	32.8	27.5

The accompanying notes form an integral part of this Statement of Comprehensive Income.

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

		CONSOLIDATED	
	Note	2015 $'000	2014 $'000
Current assets			
Cash assets	17(a)	39,285	45,739
Receivables	5	54,658	60,642
Inventories	6	18,819	16,812
Green credits held for sale		23,751	21,730
Financial instruments - derivatives	10	1,592	2,957
Other	7	5,892	8,090
Total current assets		143,997	155,970
Non-current assets			
Receivables	5	3,021	4,283
Investments accounted for using the equity method	22	19,301	18,776
Property, plant and equipment	8	802,916	790,401
Deferred tax assets	14(a)	37,696	25,910
Intangible assets	9	38,162	46,243
Financial instruments - derivatives	10	-	1,258
Other assets	7	144	519
Total non-current assets		901,240	887,390
Total assets		1,045,237	1,043,360
Current liabilities			
Payables	11	50,281	55,165
Borrowings	13	16,568	2,560
Financial instruments – derivatives	10	10,618	10,149
Provisions	12	8,792	6,511
Current tax payable		9,999	15,179
Deferred income		1,275	164
Unearned grant income		1,807	1,617
Total current liabilities		99,340	91,345
Non-current liabilities			
Payables		16,360	14,027
Borrowings	13	502,562	508,513
Deferred tax liabilities	14(b)	7,471	8,082
Provisions	12	1,871	1,909
Unearned grant income		24,349	22,928
Financial instruments – derivatives	10	22,271	12,730
Total non-current liabilities		574,884	568,189
Total liabilities		674,224	659,534
Net assets		371,013	383,826
Equity			
Contributed equity	15	495,422	489,613
Reserves		(26,402)	(32,689)
Retained profits/(accumulated losses)		(98,007)	(73,098)
Total equity		371,013	383,826

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Note	Issued capital $'000	Foreign currency translation reserve $'000	Capital profits reserve $'000	Employee share benefits reserve $'000	Deferred gain/(loss) on financial instruments reserve $'000	Total reserves $'000	Retained profits/(accumulated losses) $'000	Total equity $'000
At 1 July 2013		455,079	(30,679)	6,720	3,984	(17,341)	(37,316)	(100,652)	317,111
Other comprehensive income		-	329	-	-	4,190	4,519	-	4,519
Profit for the period		-	-	-	-	-	-	45,425	45,425
Total comprehensive income		-	329	-	-	4,190	4,519	45,425	49,944
Transactions with owners in their capacity as owners:									
Contribution of equity from share issue, net of transaction costs and tax	15	47,717	-	-	-	-	-	-	47,717
Share buyback		(13,183)	-	-	-	-	-	-	(13,183)
Cost of share-based payments		-	-	-	108	-	108	-	108
Dividends	16	-	-	-	-	-	-	(17,871)	(17,871)
At 30 June 2014		489,613	(30,350)	6,720	4,092	(13,151)	(32,689)	(73,098)	383,826
Other comprehensive income		-	11,356	-	-	(6,805)	4,551	-	4,551
Profit for the period		-	-	-	-	-	-	57,051	57,051
Total comprehensive income		-	11,356	-	-	(6,805)	4,551	57,051	61,602
Transactions with owners in their capacity as owners:									
Share issue on exercise of employee options	15	5,953	-	-	-	-	-	-	5,953
Share buyback for performance rights exercised		(48)	-	-	-	-	-	-	(48)
Tax adjustment on prior year share issue	15	(96)	-	-	-	-	-	-	(96)
Cost of share-based payments	20(e)	-	-	-	1,736	-	1,736	-	1,736
Dividends	16	-	-	-	-	-	-	(81,960)	(81,960)
At 30 June 2015		495,422	(18,994)	6,720	5,828	(19,956)	(26,402)	(98,007)	371,013

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Capital profit reserve
The capital profit reserve is used to record the difference between issue and buy-back prices of preference shares.

Employee share benefits reserve
The employee share benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Deferred gain/(loss) on financial instruments reserve
The deferred gain/(loss) on financial instruments reserve records the portion of the movements in the fair value of cash flow hedges under AASB 139 *Financial Instruments: Recognition and Measurement* requirements.

CASH FLOW STATEMENT

for the year ended 30 June 2015

	Note	CONSOLIDATED 2015 $'000	2014 $'000
		Inflows/(outflows)	
Cash flows from operating activities			
Receipts from customers		492,374	447,375
Payments to suppliers and employees		(274,536)	(267,901)
Grant received		-	2,006
Interest received		782	807
Interest and other finance costs paid		(35,146)	(35,642)
Income tax paid		(35,065)	(10,200)
Net operating cash flows	17(b)	148,409	136,445
Cash flows from investing activities			
Payments for property, plant, equipment		(60,283)	(159,274)
Proceeds from sale of plant and equipment		-	3,005
Payment for acquisition of subsidiary		-	(25,000)
Loan advanced to external party		(843)	(2,941)
Repayment of loan from external party		1,225	613
Joint venture distributions		1,810	245
Net investing cash flows		(58,091)	(183,352)
Cash flows from financing activities			
Proceeds from issue of shares		1,478	46,818
Proceeds from borrowings		147,285	139,053
Repayment of borrowings		(162,409)	(101,009)
Proceeds from repayment of employee loans		2,657	156
Payments for establishment of debt facility		(5,923)	(2,623)
Share buyback		-	(14,477)
Dividend paid		(81,960)	(17,871)
Settlement of performance rights		(48)	-
Net financing cash flows		(98,920)	50,047
Net increase/(decrease) in cash held		(8,602)	3,140
Cash at the beginning of the financial year		45,739	42,347
Effects of exchange rate changes on cash		2,148	252
Cash at the end of the financial year	17(a)	39,285	45,739

The accompanying notes form an integral part of this Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on an historical cost basis, except for derivative financial instruments, which has been measured at fair value. The financial report of Energy Developments Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Board of directors on 17 August 2015.

(b) Statement of compliance
The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Adoption of new accounting standards

The Consolidated Entity has applied the following standards and amendments for the first time that are mandatory for the current financial year beginning 1 July 2014:

- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- *AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*
- *AASB 1031 Materiality*
- *AAASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle*
- *AASB 2014-1 Part A – Annual Improvements 2011-2013 Cycle*

The Consolidated Entity early adopted *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.*

The adoption of these standards had no material financial impact on the current or prior financial years and is not likely to affect future periods.

Certain other new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Consolidated Entity will apply the new standards from their effective dates unless the Consolidated Entity decides to early adopt the relevant standard where permitted.

The Consolidated Entity's assessment of the impact of the relevant new standards and interpretations is set out below. Standards and interpretations not disclosed below are not applicable to the Consolidated Entity or would not have a significant impact on adoption.

- *AASB 9 Financial Instruments (effective from 1 January 2018)* - addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. The Consolidated Entity is yet to assess its full impact and has not yet decided when to adopt AASB 9.

- *AASB15 Revenue from Contracts with Customers (effective from 1 January 2017)*- establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2017 but is available for early adoption. The Consolidated Entity is yet to assess its full impact and has not yet decided when to adopt AASB 15.

(d) Summary of significant accounting policies

This section contains the Consolidated Entity's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included with that note. Accounting policies relating to non-material items are not included in these financial statements.

(i) Basis of consolidation
The consolidated financial statements include the financial statements of Energy Developments Limited and its controlled entities, referred to collectively throughout these financial statements as the Consolidated Entity. The Consolidated Entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. An entity is fully consolidated from the date on which control is transferred to the Consolidated Entity, and deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Comprehensive Income and Statement of Financial Position respectively.

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The acquisition method of accounting is used to account for business combinations by the group (refer to note 24). Financial statements of foreign controlled entities and joint venture partnership presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with Consolidated Entity policy and Australian Accounting Standards.

(ii) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Electricity revenue is recognised or accrued at the time of supply.
- Green credit revenue is recognised at initial generation (refer v below) and adjusted for changes in market value when sold.
- Interest revenue is brought to account when entitlement to interest occurs using the effective interest method.
- Construction and consulting revenue is recognised under the terms of the contract using the percentage of completion method.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(iii) Government grants
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the Statement of Comprehensive Income over the expected useful life of the relevant asset.

(iv) Borrowing costs
Borrowing costs are expensed as incurred except where they relate to the financing of projects under development, in which case they are capitalised up to the date of commissioning or sale.

(v) Green credits held for sale
Green credits held for sale are recognised at the point of generation at the lower of spot and net realisable value (NRV) where an active market exists without thin trading. Where the market is inactive or thin trades are noted, management uses best estimates based on expert advice to recognise revenue at the point of generation. Green credits that are not expected to be realised within 12 months of the reporting date are recognised as a Non-Current Asset. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(vi) Income tax
Current tax liabilities are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date in the jurisdictions where the Consolidated Entity operates and generates taxable income.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are recognised for all deductible temporary differences, and carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.
Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(vii) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the 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 taxation authority is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(viii) Foreign currency translation
Both the functional and presentation currency of Energy Developments Limited and its Australian subsidiaries is Australian dollars (A$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences on foreign currency transactions in the consolidated financial report are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currencies of the overseas subsidiaries (EDL Holdings (UK) Limited and EDL Holdings (US), Inc and their subsidiaries) are Great British pounds (£) and United States dollars (US$) respectively.

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Energy Developments Limited at the rate of exchange ruling at the reporting date and the Statement of Comprehensive Income are translated at the weighted average exchange rates for the period. The exchange differences arising on the translation of overseas subsidiaries are recognised in other comprehensive income and accumulated in reserves in equity. On disposal of a foreign entity or settlement of long term intercompany debts with overseas subsidiaries, the deferred foreign currency translation amount recognised in equity relating to that particular foreign operation is recognised in profit or loss in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(ix) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised as an expense in the Statement of Comprehensive Income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

Leases in which the Consolidated Entity does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating lease income is reported as revenue in the Statement of Comprehensive Income on a straight line basis over the lease term.

(x) Development expenditure
Development expenditure is capitalised when it is incurred for a specific project and when it is probable that future economic benefits attributable to the project will flow to the Consolidated Entity. The costs incurred for specific projects are amortised from the commencement of commercial production on a straight line basis over the period of expected benefit.

(xi) Impairment of financial assets
If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the financial asset would be reduced either directly or through use of an allowance account. The amount of the loss would be recognised in profit or loss.

(xii) Payables
Liabilities for trade creditors and accruals are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. Trade creditors are non-interest bearing and normally settled within 30 days.

(xiii) Derecognition of financial instruments
The derecognition of a financial instrument takes place when the Consolidated Entity no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(xiv) Significant accounting judgments, estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted or modified. The fair value is determined using the assumptions detailed in Note 20. The Consolidated Entity measures the cost of cash-settled share based payments at fair value at the reporting date using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 20.

Recognition of US Tax Losses
The Consolidated Entity recognised tax losses carried forward by the US subsidiary which are in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of this deferred tax asset is supported by forecast modelling of taxable profits based on revised long-term power purchase agreements, green credits where applicable, and other project arrangements.

Impairment testing of non-financial assets
The recoverable amounts of cash-generating units have been determined based on value-in-use calculations using a discounted cash flow model (refer Note 8). These calculations require the use of assumptions. The Consolidated Entity tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 9. Refer to note 9 for details of these assumptions and the potential impact of changes to the assumptions.

Useful economic lives of plant and equipment and intangibles
Management uses best available information to estimate the useful lives of plant and equipment and finite life intangibles. Best available information includes contractual information, original equipment manufacturer specification and internal and external expert advice.

Green credits held for sale
As disclosed in note 1 (v), management uses best estimates to recognise green credits revenue where an inactive or thinly traded market exists.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Summary of significant accounting policies (continued)

(xv) Fair value measurement
The Consolidated Entity measures derivative financial instruments at fair value at each balance sheet date. Fair values of other financial instruments measured at amortised cost are also considered for disclosure. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Consolidated Entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Consolidated Entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Consolidated Entity determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Consolidated Entity has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(xvi) Rounding of amounts
The Consolidated Entity is a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases to the nearest dollar.

(xvii) Comparatives
Comparative information has been reclassified where necessary to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: PROFIT AND LOSS ITEMS

	Note	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
Profit from continuing operations is after crediting/charging the following revenues/expenses:			
Sales revenue			
Electricity sales		343,699	343,496
Operating lease revenue		12,300	-
Green credit revenue*		84,292	69,160
		440,291	412,656
Share of net results of joint venture accounted for using the equity method			
Share of net results of joint venture	22	2,231	2,383
		2,231	2,383
Cost of sales			
Royalties, fuel and transport costs		86,778	85,389
Carbon cost		-	27,713
Operations and maintenance costs		125,303	109,838
		212,081	222,940
Interest income			
Interest received or receivable from:			
- other unrelated corporations		782	783
		782	783
Borrowing costs			
Interest and finance charges paid or payable :			
- unrelated corporations		37,037	40,186
- borrowing costs capitalised		-	(3,578)
Amortisation of borrowing costs		4,017	4,554
		41,054	41,162
Other finance costs			
Capitalised facility fees written off		586	-
Transfer of cash flow hedge reserve to profit or loss#		3,362	-
		3,948	-
Other expense items			
Employee benefits:			
- wages and salaries		55,625	51,168
- workers' compensation costs		255	268
- long service leave provision		576	962
- other employee benefits		1,749	1,627
- share based payment expense		1,736	108
		59,941	54,133
Operating lease rentals		4,406	4,090
Depreciation and amortisation			
Depreciation of property, plant and equipment		83,160	80,594
Amortisation of intangibles		8,529	4,297
		91,689	84,891

* Green credit revenue for current year includes ACCUs and LGC revenue in Australia, ROC revenue in the UK and REC revenue in the USA.
# In accordance with AASB 139, the Consolidated Entity is required to reclassify its cash flow hedge reserve to profit and loss on a terminated cash flow hedge, over the original forecast period to 30 June 2016.

Changes to Australian Emissions Reduction Policy
During the financial year ending 30 June 2015, the Federal Government's $2.55 billion Emissions Reduction Fund (ERF) was legislated and on 15 and 16 April 2015 the first ERF auction for the purchase of Australian Carbon Credit Units (ACCUs) was held. The Consolidated Entity creates Australian Carbon Credit Units (ACCUs) from eligible landfill gas abatement projects accredited under the ERF, an abatement scheme established by the Carbon Credits (Carbon Farming Initiative) Act and Regulations 2011 (CFI Act). ACCUs generated are classified as Green credits held for sale in the Statement of Financial Position and recognised as Green credit revenue in profit and loss. The carrying amount of ACCUs at 30 June 2015 is considered recoverable as the ACCUs have been forward sold.

Expansions of existing and new waste coal mine gas power projects will also be eligible under the ERF to create ACCUs and participate in future ERF auctions.

NOTE 3: INCOME TAX

	Note	CONSOLIDATED 2015 $'000	2014 $'000
(a) Income tax expense			
Current tax		28,002	21,272
Deferred tax		(2,600)	(11,815)
Under/(over) provided in prior years – current tax		1,943	(18)
Under/(over) provided in prior years – deferred tax		(2,077)	2,036
		25,268	11,475
Income tax expense is attributable to:			
Profit from continuing operations		25,268	11,475
Aggregate income tax expense		25,268	11,475
Deferred income tax expense/(revenue) included in income tax expense comprises:			
Decrease/(increase) in deferred tax assets	14	921	(1,653)
Increase/(decrease) in deferred tax liabilities	14	(5,598)	(8,126)
		(4,677)	(9,779)
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax		82,319	56,900
Tax at the Australian tax rate of 30% (2014: 30%)		24,696	17,070
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
- non assessable income		(219)	(272)
- non-deductible expenses		579	684
- depreciation and amortisation		125	349
- share of net results of joint venture		(669)	(715)
- share based payments		521	35
- recognition of priors years tax losses *		-	(4,753)
- foreign exchange translation adjustments ^		2,580	(516)
- US deferred interest adjustment		-	1,689
- foreign tax rate differential and future tax rate changes		(2,211)	(2,425)
		25,402	11,146
Under/(over) provision in prior years		(134)	329
Income tax expense attributable to profit from continuing operations		25,268	11,475
(c) Amounts recognised in equity			
Foreign currency translation difference for foreign operations		(2,992)	1,582
Net gains on cash flow hedges		(3,991)	1,905
Transfer of cash flow hedge reserve to profit or loss		1,009	-
Amounts recognised in other comprehensive income		(5,974)	3,487
Share capital issue costs		96	(899)
		(5,878)	2,588

(d) Deferred tax asset not taken into account

The potential deferred tax asset in a controlled foreign entity, which is a company, arising from tax losses and temporary differences has not been recognised as a net asset because recovery of the tax losses and temporary differences is not probable at 30 June 2015:

	2015 $'000	2014 $'000
Tax losses carried forward#	12,349	10,263
	12,349	10,263

* A further deferred tax asset of $Nil (2014: $4,753,000) has been recognised in the current period which is attributable to tax losses carried forward by a controlled entity (refer Note 14).
^ Includes foreign exchange gain/(loss) recorded in reserves on consolidation but brought to account for tax in the foreign jurisdiction.
# Unrecognised tax losses carry forward have an expiration between 30 June 2027 and 30 June 2034.

(e) Tax consolidation

Energy Developments Limited and its 100% wholly owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Energy Developments Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities based on individual tax obligations should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. The head entity, Energy Developments Limited, and the members of the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity is a modified separate taxpayer within the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: EARNINGS PER SHARE

Accounting policy
Basic earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax-effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

		CONSOLIDATED	
		2015	**2014**
Basic earnings per share	Cents	33.4	27.6
Diluted earnings per share	Cents	32.8	27.5
Weighted average number of shares on issue used in the calculation of basic earnings per share*	Number	170,608,109	164,395,993
Weighted average number of shares on issue used in the calculation of diluted earnings per share#	Number	173,771,818	165,363,999
Earnings used in calculating basic and diluted earnings per share	$'000	57,051	45,425

* The increase in the weighted average number of shares is due to movements in ordinary shares as disclosed in Note 15.

16,056,000 Series B options issued in prior years (2014: 16,056,000) and the following Performance Rights (PRs) issued in the current year were not considered dilutive at 30 June 2015 (2014: Nil): (i) 327,328 TSR PRs; and (ii) 327,328 ROE PRs. Refer Note 20 for a description of the new PRs issued during the year.

NOTE 5: RECEIVABLES (CURRENT AND NON-CURRENT)

Accounting policy
Trade receivables are non-interest bearing, which generally have 21-30 day terms, are recognised and carried at original invoice amount.

	CONSOLIDATED	
	2015 $'000	**2014 $'000**
Current		
Trade debtors	48,416	54,723
Employee loans (non-trade)	2,595	-
Loan receivable from unrelated parties	1,076	1,225
Other	2,571	4,694
	54,658	60,642
Non-current		
Employee loans (non-trade)	2,152	2,847
Loan receivable from unrelated parties	869	1,103
Other	-	333
	3,021	4,283

Refer note 21(b) for terms and conditions of the employee loans.

At balance date, the ageing analysis of trade and other receivables is as follows:

	CONSOLIDATED	
	2015 $'000	**2014 $'000**
Total outstanding	57,679	64,925
Unimpaired:		
within terms	56,707	63,881
past due 1 – 30 days	400	713
past due 31 – 60 days	369	122
past due 60+ days	203	209

Receivables past due but not considered impaired are: $972,000 (2014: $1,044,000); Payment terms on these debts have not been renegotiated; however, discussions with the counterparties and/or receipts subsequent to reporting date have satisfied management that payment will be received in full.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: INVENTORIES (CURRENT)

Accounting policy
Inventories are valued at the lower of cost and net realisable value. Cost comprises the purchase price and is assigned on a first-in-first-out basis.

	CONSOLIDATED	
	2015 $'000	**2014 $'000**
Fuel and store items at cost	18,819	16,812
	18,819	16,812

NOTE 7: OTHER ASSETS (CURRENT AND NON-CURRENT)

Current		
Prepaid expenses	5,402	7,974
Other	490	116
	5,892	8,090
Non-current		
Prepaid expenses	115	519
Other	29	-
	144	519

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Accounting policy
Property, plant and equipment are measured at cost and depreciated or amortised over their useful economic lives as follows:

	Life	**Method**
Owned plant and equipment:		
- power plants and associated facilities	20-40 years	straight line
- other	2-9 years	straight line
Leased plant and equipment	3-5 years	straight line

Depreciation or amortisation is charged from the commencement of the following month after the property, plant and equipment is placed in service.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Major items of plant and equipment, comprising a number of components that have different useful lives, are accounted for as separate assets. The components may be replaced during the useful life of the complex asset and are then depreciated over their estimated useful lives.

Review of useful lives
During the year, the Consolidated Entity revised its estimate of the useful lives of certain plant and equipment. This resulted in an increase in depreciation expense of $3,982,000 for the year ended 30 June 2015. These assets were fully depreciated in the current financial year and will not impact on depreciation in future years. The Consolidated Entity also revised its estimate of the useful lives of certain other plant and equipment that resulted in a net reduction in depreciation expense of $1,729,000 for the year ended 30 June 2015 and are expected to reduce depreciation in future financial years by $1,729,000 until the assets are fully depreciated.

Impairment
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount and included as an impairment expense in the Statement of Comprehensive Income.

Property, plant and equipment that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.
The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED	
	2015 **$'000**	**2014** **$'000**
Freehold land at cost	448	448
Plant and equipment		
Cost		
Opening balance	1,317,067	1,142,319
Additions	281	4,471
Acquisition of subsidiary	-	25,000
Transfer from plant and equipment under construction	110,633	157,115
Rehabilitation provision recognised	2,000	-
Disposals	(8,999)	(17,376)
Currency translation differences	53,251	5,538
Closing balance	1,474,233	1,317,067
Accumulated depreciation and amortisation		
Opening balance	602,350	534,097
Depreciation and amortisation	83,160	80,594
Disposals	(8,942)	(15,688)
Currency translation differences	22,380	3,347
Closing balance	698,948	602,350
Net book value	775,285	714,717
Plant and equipment under construction		
Cost		
Opening balance	75,236	89,326
Additions	61,385	143,477
Transfers to plant and equipment	(110,633)	(157,115)
Sales to external parties	(20)	(932)
Currency translation differences	1,215	480
Closing balance	27,183	75,236
Plant and equipment under lease		
Cost		
Opening balance	88	81
Currency translation differences	12	7
Closing balance	100	88
Accumulated amortisation		
Opening balance	88	81
Currency translation differences	12	7
Closing balance	100	88
Net book value	-	-
Total property, plant and equipment at cost	1,501,964	1,392,839
Total property, plant and equipment net	802,916	790,401

Plant and equipment includes $19,713,000 (2014: $21,352,000) of net capitalised interest after current year amortisation. These costs are capitalised to the asset up to the date the plant and equipment are commissioned as operational. Borrowing costs capitalised during the year to plant and equipment was $Nil (2014: $3,578,000). The rate used to determine the amount of borrowing costs eligible for capitalisation in 2014 was 8.4% which was the effective interest rate of the specific borrowing.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill is measured as described in note 24. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Software

Software acquired as part of a business combination are recognised separately from goodwill. Software acquired in a business combination is carried at its fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight−line basis over 10 years.

Customer Contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 20 years.

Land Tenure

Land tenure comprises land tenure and access rights that are capitalised at the fair value of consideration paid and recorded at cost less accumulated amortisation and impairment. The intangible is amortised over 14 years commencing upon the date the asset is commissioned for use.

Energy Usage Rights

Energy Usage Rights comprise gas rights at landfill gas projects that are capitalised at the fair value of consideration paid and recorded at cost less accumulated amortisation and impairment. The intangible is amortised over 17 years commencing upon the date the asset is commissioned for use.

Impairment and Amortisation

Intangible assets with finite lives are amortised over the economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method is reviewed at least at the end of each reporting period and any change is treated as changes in accounting estimates.

Review of useful lives

At the beginning of the year, the Consolidated Entity revised its estimate of the useful lives of a customer contract that resulted in an increase in amortisation expense of $6,001,000 for the year ended 30 June 2015. The assets were fully amortised in the current financial year.

	CONSOLIDATED	
	2015	2014
	$'000	$'000
Goodwill[i]		
Cost		
Opening balance	11,948	11,948
Closing balance	11,948	11,948
Land Tenure		
Cost		
Opening balance	8,181	8,181
Closing balance	8,181	8,181
Accumulated amortisation		
Opening balance	1,460	876
Amortisation	584	584
Closing balance	2,044	1,460
Net book value	6,137	6,721
Energy Usage Rights		
Cost		
Opening balance	3,494	3,217
Currency translation differences	455	277
Closing balance	3,949	3,494
Accumulated amortisation		
Opening balance	-	-
Amortisation	114	-
Closing balance	114	-
Net book value	3,835	3,494
Customer Contracts		
Cost		
Opening balance	27,300	29,500
Disposals	(4,400)	(2,200)
Closing balance	22,900	27,300
Accumulated amortisation		
Opening balance	4,653	3,340
Disposals	(4,393)	(2,200)
Amortisation	7,631	3,513
Closing balance	7,891	4,653
Net book value	15,009	22,647

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: INTANGIBLE ASSETS (CONTINUED)

	CONSOLIDATED 2015 $'000	2014 $'000
Software		
Cost		
Opening balance	2,000	2,000
Closing balance	2,000	2,000
Accumulated amortisation		
Opening balance	567	367
Amortisation	200	200
Closing balance	767	567
Net book value	1,233	1,433
Total intangibles at cost	48,978	52,923
Total intangibles net	38,162	46,243

i - Impairment tests for goodwill
Goodwill was recognised on acquisition through business combination when the Consolidated Entity acquired a remote area business. Accordingly, the carrying value of goodwill $11,948,000 (2014: $11,948,000) is allocated to and monitored by management at a subgroup level of the Australia Remote operating segment. The recoverable amount of this subgroup is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the future contracted and expected renewal periods.

Key assumptions for the Australia Remote sub-group to which goodwill has been allocated are budgeted EBITDA margins, growth rates and post-tax discount rates. Budgeted EBITDA margins are based on average values achieved in the period since acquisition in August 2011. Budgeted growth/(decline) rates were estimated to be (2%) for the current and preceding financial year, reflecting the passage of time for fixed-term contracts. In performing the value-in-use calculations for each cash generating unit, the group has applied post-tax discount rate of 7.7% (2014: 7.7%) to discount the forecast future attributable post-tax cash flows.

No impairment charge was recorded against goodwill in the current year (2014: nil). For all reasonably possible changes in the key assumptions on which management has based its determination of the recoverable amount, no impairment charge would result.

NOTE 10: FINANCIAL INSTRUMENTS - DERIVATIVES

Accounting policy
The Consolidated Entity uses financial instruments such as interest rate swaps and fixed price electricity contracts to hedge its risk associated with interest rate and electricity price fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of fixed price electricity contracts is measured by reference to forward electricity prices. For the purposes of accounting, these are classified as cash flow hedges where they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss of the ineffective portion is recognised in profit or loss.

At the inception of a hedge relationship, the Consolidated Entity formally designates and documents the hedge relationship to which the Consolidated Entity wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to profit or loss in the same year in which the hedged firm commitment affects the net profit or loss (e.g. when a forecast purchase actually occurs). For financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss in the Statement of Comprehensive Income. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: FINANCIAL INSTRUMENTS – DERIVATIVES (CONTINUED)

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
(a) Current Assets		
Electricity derivatives	1,592	2,957
(b) Non-current Assets		
Electricity derivatives	-	1,258
(c) Current Liabilities		
Electricity derivatives	1,029	627
Interest rate swaps	9,589	9,522
	10,618	10,149
(d) Non-current Liabilities		
Electricity derivatives	3,455	-
Interest rate swaps	18,816	12,730
	22,271	12,730

NOTE 11: PAYABLES (CURRENT)

	2015	2014
Trade creditors and accruals	50,281	45,382
Carbon liability (see Note 1(e))	-	9,783
	50,281	55,165

NOTE 12: PROVISIONS (CURRENT AND NON-CURRENT)

Accounting policy

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for annual leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date using corporate bond rates with terms to maturity and currencies that match, as closely as possible, the future cash outflows. Regardless of when the actual settlement is expected to occur, annual leave is recognised as current liabilities in the balance sheet as the Consolidated Entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Long service leave

The liability for long service expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with other employee benefits above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date using corporate bond rates with terms to maturity and currencies that match, as closely as possible, the future cash outflows.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Cash settled Long Term Incentives

The liability for cash settled Long Term Incentives expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits. The liability is recognised as employees render services and is measured at the amounts expected to be paid when the liability is settled. When determining the value of the liability consideration is given to the expectation of employee departures.

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
Current		
Employee benefits	6,792	6,511
Contract completion	2,000	-
	8,792	6,511
Non-current		
Employee benefits	1,871	1,909
	1,871	1,909

Change in accounting estimate

During the year, the Consolidated Entity revised the discount rate used to measure long-term employee benefits, from using government bond rates as published by the Reserve Bank of Australia to using corporate bond rates as published by Milliman Australia. The impact to profit and loss was $86,759.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: BORROWINGS (CURRENT AND NON-CURRENT)

Accounting policy
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any establishment costs for facilities, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss in the Statement of Comprehensive Income when the liabilities are derecognised and as well as through the amortisation process.

	CONSOLIDATED	
	2015 $'000	2014 $'000
Current		
Secured bank loans (i)	4,471	2,560
Other secured loans (ii)	4,140	-
Other loans - unsecured (iii)	7,957	-
	16,568	2,560
Non-current		
Secured bank loans (iv)	436,932	441,282
Other secured loans (ii)	65,630	62,884
Other loans – unsecured (iii)	-	4,347
	502,562	508,513

(i) The current portion of the borrowings relates to specific projects that were generally debt financed on a limited recourse basis post construction, with lender recourse limited primarily to the relevant operating controlled entities and their assets.

(ii) The other secured loans comprises cumulative drawdowns of $46,539,000 (2014: $13,520,000) from a $A75,000,000 (2014: $A75,000,000) facility with the Clean Energy Finance Corporation; and $A24,882,000 (2014: $A42,925,000) from another facility; less debt acquisition costs. All loans are secured by fixed and floating charges over certain assets of the Consolidated Entity.

(iii) Unsecured loans comprise a €3 million loan from BioGas Energy Ano Liossia SA (Beal EPE), a joint venture, that provided a 5-year unsecured facility under commercial terms and conditions; and an insurance funding loan with a balance of $A3,588,000.

(iv) The bank loans at 30 June 2015 are secured by fixed and floating charges over the majority of the assets of the Consolidated Entity.

Finance facilities
At 30 June 2015, the Consolidated Entity had access to total financing facilities of $782,982,000 (2014: $780,057,000), of which $225,568,000 was unused at balance date (2014: $235,805,000). Details of these facilities in Australian dollars include:

		AS AT 30 JUNE 2015			AS AT 30 JUNE 2014			
	Denominated currency	Facility available A$'000	Facility utilised A$'000	Facility unutilised A$'000	Facility available A$'000	Facility utilised A$'000	Facility unutilised A$'000	Expiry date
Bank loan	A$	220,000	55,000	165,000	222,800	115,000	107,800	Oct 2019
Bank loan	A$	125,000	125,000	-	125,000	125,000	-	Oct 2019
Bank loan	A$	122,685	107,237	15,448	129,914	114,466	15,448	Feb 2018
Bank loan	£	102,354	102,354	-	63,348	63,348	-	Oct 2022
Bank loan	US$	32,552	32,552	-	37,159	37,159	-	Oct 2019
Bank loan	US$	32,552	32,552	-	-	-	-	Oct 2022
Other loan	A$	75,000	46,539	28,461	75,000	13,520	61,480	Oct 2019
Other loan	A$	3,588	3,588	-	-	-	-	Mar 2016
Other loan	US$	-	-	-	53,084	22,077	31,007	
Other loan	$A	24,882	24,882		29,405	29,405	-	Sep 2020
Other loan	Euro	4,369	4,369	-	4,347	4,347	-	Jun 2016
		742,982	534,073	208,909	740,057	524,322	215,735	
Letters of credit	A$	40,000	23,341	16,659	40,000	19,930	20,070	Oct 2019
Total facilities		782,982	557,414	225,568	780,057	544,252	235,805	

Financial guarantees
The Consolidated Entity has provided guarantees to external parties which commit the Consolidated Entity to make payments should a Consolidated Entity default under a relevant contract. The fair value of these guarantees is considered to be immaterial, and the likelihood of defaulting under or not completing the relevant contracts is minimal.

Extension of debt facilities
On 21 October 2014 the company extended its multi-currency corporate banking facilities. The total size of the facilities is $552 million and extends the terms of the tranches over 5 and 8 years.

NOTE 14: DEFERRED TAX ASSETS/LIABILITIES (NON-CURRENT)

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
(a) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Accrued expenses	226	102
Provision for employee benefits	2,562	2,477
Deferred revenue	3,103	2,883
Depreciation	131	-
Project expenditure	-	64
Deferred interest	3,508	4,567
Tax losses*	37,482	30,388
Other	1,371	1,026
	48,383	41,507
Amounts recognised in equity		
Share capital	803	899
Derivatives	9,791	6,617
	58,977	49,023
Set-off of deferred tax liabilities	(21,281)	(23,113)
Deferred tax assets - closing balance at 30 June	37,696	25,910
Movements		
Deferred tax assets - opening balance at 1 July	49,023	47,411
Charged to profit or loss	921	1,653
Charged to other comprehensive income	2,217	(1,200)
Charged to share capital	(96)	899
Charged to foreign currency translation reserve	6,912	(783)
Reclassifications	-	1,043
Deferred tax assets - closing balance at 30 June	58,977	49,023
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Inventories	3,334	3,485
Depreciation	15,829	17,444
Accrued revenue	6,873	6,863
Borrowing costs	605	849
Other	1,650	1,289
	28,291	29,930
Amounts recognised directly in equity		
Derivatives	461	1,265
	28,752	31,195
Set-off of deferred tax assets	(21,281)	(23,113)
Deferred tax liabilities - closing balance at 30 June	7,471	8,082
Movements		
Deferred tax liabilities - opening balance at 1 July	31,195	36,790
Charged to profit or loss	(5,598)	(8,126)
Charged to other comprehensive income	(765)	705
Charged to foreign currency translation reserve	3,920	783
Reclassifications	-	1,043
Deferred tax liabilities - closing balance at 30 June	28,752	31,195

* A deferred tax asset of $37,482,000 (2014: $30,388,000) has been recognised which is attributable to tax losses carried forward by a controlled foreign entity which is in excess of the profits arising from the reversal of existing taxable temporary differences. The recognition of this deferred tax asset is supported by forecast modelling of taxable profits based on revised long-term power purchase agreements and other project arrangements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: CONTRIBUTED EQUITY

Accounting policy
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.

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
Issued share capital		
Attributable to members of the Company:		
Ordinary shares(i)	482,367	482,462
Employee shares(ii)	13,055	7,151
Total contributed equity attributable to members of the Company	495,422	489,613

	2015 Number	2014 Number
Movements in contributed equity for the year		
Ordinary shares		
Opening balance	169,664,295	163,174,419
Issue of shares(i)	-	9,009,010
Issued under employee share scheme(ii)	1,444,800	-
Share buyback(iii)	-	(2,519,134)
Closing balance	171,109,095	169,664,295

(i) The Company issued 9,009,010 ordinary shares during the financial year ended 30 June 2014 at an issue price of $5.55 per share; and incurred related incremental transaction costs of $2,283,000, net of tax. During the year ended 30 June 2015, tax was trued up by $96,000.

(ii) During the financial year ended 30 June 2015, the Company issued 1,444,800 ordinary shares at an issue price of $4.12 per share on exercise of vested Series A options by certain employees.

(iii) During the year ended 30 June 2014, the Company bought-back 2,519,134 shares at a weighted average buyback price of $5.23 per share.

Employee options over ordinary shares in the Company
Information relating to the Company employee share option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 20.

(i) Terms and conditions
Ordinary shares are fully paid and have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Ordinary shares issued to eligible executives as part of the management incentive plan have the same rights and obligations as other ordinary shares.

Capital management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that enables a low cost of capital.

The capital structure of the Consolidated Entity consists of debt, which includes the borrowings disclosed in Note 13, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in this Note 15 and the statement of changes in equity. The Consolidated Entity operates internationally, primarily through subsidiary companies established in the markets in which the Consolidated Entity trades. None of the consolidated entities is subject to externally imposed capital requirements. Throughout the reporting period, the Consolidated Entity has complied with all the financial covenants under the terms of the major borrowing facilities. Operating cash flows are used to maintain and expand the Consolidated Entity's electricity generating assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Consolidated Entity coordinates borrowing centrally, using borrowing facilities and/or Australian market equity issues to meet anticipated funding requirements, as required. Management periodically reviews the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may, subject to Board approval, as appropriate, change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt or for other purposes. The Company paid $82.0 million dividends during the financial year (2014: $17.9 million).

Gearing ratio
The Consolidated Entity's Corporate Finance Group reviews the capital structure on a regular basis. As a part of this review, the Company considers the cost of capital and the risks associated with each class of capital. The Consolidated Entity has a target gearing ratio of 50%-70% that is determined as the proportion of net debt to net debt plus equity. The Consolidated Entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The gearing ratios based on continuing operations at 30 June 2015 and 2014 were as follows:

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
Total borrowings (note 13)	519,130	511,073
Less cash assets	(39,285)	(45,739)
Net debt	479,845	465,334
Total equity	371,013	383,826
Total capital	850,858	849,160
Gearing ratio	56%	55%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: DIVIDENDS PAID AND PROPOSED

Accounting policy
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Consolidated Entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

	CONSOLIDATED	
	2015 $'000	2014 $'000
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid:		
Interim dividend for the year ended 30 June 2015 – 20.0 cents per share	34,150	-
Final dividend for the year ended 30 June 2014 – 28.0 cents per share	47,810	-
Final dividend for the year ended 30 June 2013 – 11.0 cents per share	-	17,871
	81,960	17,871

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014: 30%) is $2,106,237 at 30 June 2015 (2014: $3,279,000). Further to this, franking that will arise from the payment of income tax as at the end of the period is $7,694,113 (2014: $12,509,608).

NOTE 17: NOTES TO THE CASH FLOW STATEMENT

Accounting policy
Cash includes cash on hand and in banks and deposits at call, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

	CONSOLIDATED	
	2015 $'000	2014 $'000
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:		
Current deposits with banks	39,285	45,739

Call deposits with banks are paying interest at current bank deposit rates; details of the average rates are disclosed in Note 26. Under certain project borrowing facilities, there are restrictions imposed on the timing of cash movements. These restrictions relate to a requirement to maintain funds to meet minimum debt servicing requirements and security for project borrowings. This amount was $5.0 million at 30 June 2015 (2014: $5.0 million).

(b) Reconciliation of net profit to net operating cash flows

	2015 $'000	2014 $'000
Net profit	57,051	45,425
Adjustments		
Depreciation and amortisation	91,689	84,891
Share of net results of joint venture partnership	(2,231)	(2,383)
Share based payments expense	1,736	108
Amortisation of borrowing costs	4,017	4,554
Other finance costs (non-cash)	3,948	-
Other	146	1,046
Changes in assets and liabilities		
Receivables decrease/(increase)	8,763	(4,661)
Green credits on hand (increase)/ decrease	(2,021)	2,636
Other assets decrease	2,546	3,001
Inventories (increase)	(2,007)	(3,291)
Payables (decrease)/increase	(5,546)	3,901
Interest payable increase	1,230	26
Deferred income increase/(decrease)	3,120	(318)
Current tax liability (decrease)/increase	(5,180)	11,123
Net deferred income tax asset (increase)	(9,095)	(9,778)
Provisions increase	243	165
Net operating cash flows	148,409	136,445

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: COMMITMENTS

	CONSOLIDATED	
	2015 $'000	2014 $'000
(a) As Lessee: Operating lease expenditures (non-cancellable) are payable as follows:		
Not later than one year	3,266	3,351
Later than one year but not later than five years	6,803	6,467
Later than five years	1,289	2,040
	11,358	11,858

Operating leases have an average lease term of three to five years. Assets that are the subject of operating leases include vehicles, offices and office equipment with varying renewal rights.

	2015 $'000	2014 $'000
(b) Capital expenditure commitments are payable as follows:		
Plant and equipment	7,435	9,582
	7,435	9,582

Capital expenditure commitments represent expenditure to be incurred on major energy projects.

	2015 $'000	2014 $'000
(c) As Lessor: Operating lease revenue (non-cancellable) are receivable as follows:		
Not later than one year	4,350	-
	4,350	-

Upstream LNG lease agreements expire within 12 months and will not be renewed.

NOTE 19: SEGMENT INFORMATION

Accounting policy
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes startup operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar location of assets and operations. The Consolidated Entity has one principal activity, being development and operation of power generation projects.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the location and nature of the assets and operations. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis. The Consolidated Entity has one principal activity, being the development and operation of power generation projects.

The accounting policies used by the Consolidated Entity in reporting segments internally are the same as those contained in note 1 to the financial statements and in the prior period. The following items (or a portion thereof) of income and expenditure are not allocated to operating segments as they are not part of the core operations of any segment:

- Interest income
- Borrowing costs; and
- Income tax

Concentration
More than 10% of the consolidated entity's revenue is derived from a public company (included in the S&P/ASX 100 as at 30 June 2015), and a state based energy retailer in the periods presented. The table below details the percentage of consolidated revenue derived from each of these customers and the segments that these revenues are reported, as a percentage of the consolidated entity's revenue.

	AUSTRALIA	
	2015 $'000	2014 $'000
Public company (S&P/ASX 100)* (Clean and Remote)	9%	12%
State based energy retailer (Remote)	15%	17%

* Customer included in S&P/ASX 100 as at 30 June 2015

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19: SEGMENT INFORMATION (CONTINUED)

	AUSTRALIA CLEAN		AUSTRALIA REMOTE		AUSTRALIA TOTAL		EUROPE		UNITED STATES		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue												
- Electricity sales	96,026	98,548	170,985	178,361	267,011	276,909	44,324	41,112	32,364	25,475	343,699	343,496
- Green credit revenue	51,574	37,498	-	-	51,574	37,498	25,738	26,350	6,980	5,312	84,292	69,160
- Operating lease revenue	-	-	12,300	-	12,300	-	-	-	-	-	12,300	-
- Other income	2,611	3,430	2,143	2,220	4,754	5,650	494	734	951	1,362	6,199	7,746
- Share of joint venture net profit	-	-	-	-	-	-	2,231	2,383	-	-	2,231	2,383
Total segment income	150,211	139,476	185,428	180,581	335,639	320,057	72,787	70,579	40,295	32,149	448,721	422,785
Segment result (before interest, depreciation, amortisation and tax)	94,192	75,906	86,628	72,391	180,820	148,297	36,234	38,197	19,586	13,351	236,640	199,845
Corporate expenses					(9,707)	(10,251)	-	-	-	-	(9,707)	(10,251)
Business acquisition and strategy costs					(1,629)	(2,530)	-	-	-	-	(1,629)	(2,530)
Share-based payments expense					(1,736)	(108)	-	-	-	-	(1,736)	(108)
Development expenses					(4,212)	(3,953)	-	-	(1,128)	(833)	(5,340)	(4,786)
Profit from continuing operations before depreciation, amortisation, borrowing costs and tax					163,536	131,455	36,234	38,197	18,458	12,518	218,228	182,170
Depreciation and amortisation	(28,376)	(25,723)	(45,566)	(39,984)	(73,942)	(65,707)	(8,391)	(9,866)	(9,356)	(9,318)	(91,689)	(84,891)
Net borrowing costs											(44,220)	(40,379)
Consolidated entity profit from ordinary activities before income tax expense											82,319	56,900
Income tax expense											(25,268)	(11,475)
Net profit											57,051	45,425
Cash					27,303	28,945	7,187	11,332	4,795	5,462	39,285	45,739
Carrying amount of investments in joint venture					-	-	19,301	18,776	-	-	19,301	18,776
Segment other assets					707,350	746,037	112,175	100,896	129,430	106,002	948,955	952,935
Tax assets											37,696	25,910
Total assets											1,045,237	1,043,360
Segment liabilities – Financing					381,381	432,267	101,362	63,448	64,792	37,610	547,535	533,325
Segment liabilities – Operating					57,873	55,717	13,657	14,035	37,689	33,196	109,219	102,948
Tax liabilities											17,470	23,261
Total liabilities											674,224	659,534
Purchase of segment assets	20,024	34,175	27,932	95,746	47,956	129,921	6,577	11,886	7,133	6,141	61,666	147,948

NOTE 20: SHARE BASED PAYMENTS

Accounting policy
The Consolidated Entity provides benefits to employees (including key management personnel) of the Consolidated Entity in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions), or are otherwise selectively invited to subscribe for shares and options.

Equity and cash-settled transactions
The cost of equity and cash-settled transactions with employees is measured by reference to the accounting fair value of the equity instruments at the date at which they are granted or modified. The accounting fair value of PR and options is determined using the Binomial option pricing model and Black Scholes model respectively. These models take into account factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the options and PR. In determining the fair value of PR, the Binomial model also takes into account market based performance conditions for vesting of these rights.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Energy Developments Limited (market based performance conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market based performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date or date of modification. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for equity-settled transactions that do not ultimately vest, except for such transactions where vesting is only conditional upon a market based performance condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options or PR is reflected in the computation of earnings per share.

The fair value of cash-settled transactions is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including settlement date with changes in fair value recognised as expense in the Statement of Comprehensive Income.

(a) Employee share-based payment incentive plans

During the reporting periods, employees participated in and held the following options and performance rights (PRs):

(i) Options - Series A and B share options approved by shareholders at an Extraordinary General Meeting (EGM) held on 7 June 2011 (2011 Plan). The 2011 Plan provides a simplified system of share option based long term incentives which are designed to more effectively align the economic interests of the Company's executives with the interests of Shareholders

(ii) Performance Rights (PRs) comprising:

- PRs issued under the 1999 employee share options plan (Old Employee Plan);
- TSR PRs issued during the year ended 30 June 2015 that are subject to total shareholder returns (TSR) hurdle in comparison to the TSR of a Comparator Group; and
- ROE PRs - issued during the year ended 30 June 2015 that are subject to target return on equity (ROE) hurdle

(iii) FVPRs - Fixed Value Performance Rights issued in three tranches during the year ended 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: SHARE BASED PAYMENTS (CONTINUED)

(b) Options

Grant date	Expiry date	Vesting date	Weighted Average exercise price	Balance at 1 July Number	Exercised during the financial year Number**	Balance at 30 June Number
Year ended 30 June 2015						
13 Oct 2011	13 Oct 2019	*	$4.12	3,520,800	(1,228,800)	2,290,000
13 Oct 2011	13 Oct 2019	*	$6.87	11,736,000	-	11,736,000
30 Aug 2012	30 Aug 2020	*	$4.12	540,000	(216,000)	324,000
30 Aug 2012	30 Aug 2020	*	$6.87	1,800,000	-	1,800,000
22 Mar 2013	22 Mar 2021	*	$4.80	756,000	-	756,000
22 Mar 2013	22 Mar 2021	*	$6.87	2,520,000	-	2,520,000
				20,872,800	(1,444,800)	19,428,000
Weighted average exercise price				$6.26	-	$6.42
Year ended 30 June 2014						
13 Oct 2011	13 Oct 2019	*	$4.12	3,520,800	-	3,520,800
13 Oct 2011	13 Oct 2019	*	$6.87	11,736,000	-	11,736,000
30 Aug 2012	30 Aug 2020	*	$4.12	540,000	-	540,000
30 Aug 2012	30 Aug 2020	*	$6.87	1,800,000	-	1,800,000
22 Mar 2013	22 Mar 2021	*	$4.80	756,000	-	756,000
22 Mar 2013	22 Mar 2021	*	$6.87	2,520,000	-	2,520,000
				20,872,800	-	20,872,800
Weighted average exercise price				$6.26	-	$6.26

* These options have a graded vesting pattern with either 20% of options granted vesting on grant date and the remainder vesting in equal 20% instalments annually; or the options vesting in equal 20% instalments annually. The Board has discretion to accelerate vesting in the event of the majority shareholder exiting the Company (as defined in the 2011 Plan), or takeover or scheme of arrangement proposal, or the option holder leaving as a good leaver.

** The options were exercised at $4.12 per share. The weighted average share price for the dates of exercise was $5.69 per share.

No options expired, were granted or forfeited during the current or prior year.

The weighted average remaining contractual life of share options outstanding was 4.6 years (2014: 5.6 years).

Fair value of options granted

The fair value of equity-settled share options is estimated at date of grant using the Black Scholes model taking into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option. The expected price volatility reflects the assumption that the historical volatility is indicative of future trends which may not necessarily be the actual outcome.

No options were issued during the current financial year. The following table lists the inputs into the model used for grants of options in the prior years:

	August 2012 Options A	August 2012 Options B	March 2013 Options A	March 2013 Options B	October 2011 Options A	October 2011 Options B
Grant date fair value	$0.018	$0.010	$0.065	$0.036	$0.025	$0.011
Dividend yield (per annum)	-	-	-	-	-	-
Expected volatility	17%	17%	17%	17%	17%	17%
Exercise price	$4.12	$6.87	$4.80	$6.87	$4.12	$6.87
Share price at grant date	$2.35	$2.35	$3.23	$3.23	$2.42	$2.42
Interest rate	3.8%	3.8%	2.9%	2.9%	3.8%	3.8%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: SHARE BASED PAYMENTS (CONTINUED)

(c) Performance Rights

Grant date	Expiry date	Vesting date	Weighted average exercise price	Balance at 1 July Number	Granted during the year Number	Cancelled and settled during the year Number	Balance at 30 June Number
Year ended 30 June 2015							
2 Feb 2005	2 Feb 2015	*	$0.01	6,628	-	(6,628)	-
28 Nov 2006	28 Nov 2016	*	-	5,000	-	-	5,000
17 Jan 2008	17 Jan 2018	*	-	37,500	-	-	37,500
31 Dec 2014	30 Jun 2017	30 Jun 2017**	-	-	327,328	-	327,328
31 Dec 2014	30 Jun 2017	30 Jun 2017#	-	-	327,328	-	327,328
Year ended 30 June 2014							
2 Feb 2005	2 Feb 2015	*	$0.01	6,628	-	-	6,628
28 Nov 2006	28 Nov 2016	*	-	5,000	-	-	5,000
17 Jan 2008	17 Jan 2018	*	-	37,500	-	-	37,500

* These PRs had fully vested in prior years as the conditions of the Old Employee Plan were satisfied.

*** TSR PRs*
Eligible Participants were invited to participate in the TSR PR scheme that is based on an assessment of the Company's total shareholder returns (TSR) in comparison to the TSR of a Comparator Group over the 3 year performance period. The Comparator Group comprises companies in the S&P/ASX 200 Index excluding companies in the mining, financials, healthcare and information technology sectors. The percentage of TSR PRs which vest is based on the following targets:

Company's TSR relative to the Comparator Group	Percentage of TSR PRs vesting
Less than or equal to 51st percentile	Nil
More than 51st but less than 76th percentile	Pro-rata straight-line between 50% to 100%
76th percentile or more	100%

 # ROE PRs
Eligible Participants were invited to participate in the ROE PR scheme that is based on an assessment of the Company's Return on Equity (ROE) against target levels over the 3 year performance period. The percentage of ROE PRs which vest is based on the following targets:

Company's ROE over the performance period	Percentage of ROE PRs vesting
Less than 14%	Nil
14%	50%
More than 14% but less than 17%	Pro-rata straight-line between 50% to 100%
17% or more	100%

The weighted average remaining contractual life of PRs outstanding was 2.0 years (2014: 3.0 years).

Fair value of PRs granted

The fair value of PRs is estimated at date of grant using Monte-Carlo simulation model based on the assumptions underlying the Black Scholes methodology. The expected price volatility reflects the assumption that the historical volatility is indicative of future trends which may not necessarily be the actual outcome. The following table lists the grant date fair value and the inputs used:

	Dec 2014 TSR PRs	Dec 2014 ROE PRs
Grant date fair value	$3.11	$4.74
Dividend yield (per annum)	5.2%	5.2%
Expected volatility	23%	23%
Initial TSR	11.4%	-
Share price at grant date	$5.40	$5.40
Interest rate	2.2%	2.2%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: SHARE BASED PAYMENTS (CONTINUED)

(iii) FVPRs

Grant date	Tranche (T) and Series	Vesting and Expiry date	Vesting price condition	Balance at 1 July Number	Granted during the year Number	Balance at 30 June Number	Total Fixed Value ($'000)
Year ended 30 June 2015							
31 Dec 2014	T1 Series A	1 Dec 2016	$4.01	-	6,295,766	6,295,766	693
31 Dec 2014	T1 Series B	1 Dec 2016	$6.76	-	20,985,882	20,985,882	2,308
31 Dec 2014	T2 Series A	1 Dec 2016	$3.73	-	4,386,060	4,386,060	1,228
31 Dec 2014	T2 Series B	1 Dec 2016	$6.48	-	20,985,882	20,985,882	5,876
13 Apr 2015	T2a Series A	1 Dec 2016	$3.73	-	302,000	302,000	85
13 Apr 2015	T3 Series A	12 Apr 2017	$3.53	-	4,688,060	4,688,060	938
13 Apr 2015	T3 Series B	12 Apr 2017	$6.28	-	20,985,882	20,985,882	4,197

No FVPRs were issued in the year ended 30 June 2014. No FVPRs were forfeited during the year. None of the FVPRs on issue at 30 June 2015 have vested.

The number of FVPRs on issue does not equate to an equal number of potential ordinary shares. Upon vesting, the Fixed Value ($) disclosed above will be converted to an equivalent number of shares based on share price existing at that time. Total fixed value for all tranches disclosed in the table above $15,325,000 is the equivalent of 2,099,315 shares at 30 June 2015.

Fair value of FVPRs granted

The fair value of FVPRs is estimated at date of grant using multi-step binomial tree model. The expected price volatility reflects the assumption that the historical volatility is indicative of future trends which may not necessarily be the actual outcome. The following table lists the grant date fair value and the inputs used:

	Tranche 1 Series A	Tranche 1 Series B	Tranche 2 Series A	Tranche 2 Series B	Tranche 2a Series A	Tranche 3 Series A	Tranche 3 Series B
Grant date fair value	$0.088	$0.027	$0.225	$0.070	$0.260	$0.186	$0.107
Expected volatility	23%	23%	23%	23%	24.6%	24.6%	24.6%
Share price at grant date	5.40	5.40	5.40	5.40	7.10	7.10	7.10
Interest rate	2.16%	2.16%	2.16%	2.16%	1.76%	1.76%	1.76%

(e) 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:

	CONSOLIDATED	
	2015 $'000	2014 $'000
Share based payment expenses	1,736	108

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: RELATED PARTY DISCLOSURES

(a) Key management personnel compensation

	CONSOLIDATED 2015 $	CONSOLIDATED 2014 $
Short-term employee benefits	4,183,037	3,613,959
Post-employment benefits	205,428	149,999
Long-term benefits	186,239	142,705
Share based payment expense	1,003,381	41,901
Total	**5,578,085**	**3,948,564**

Detailed remuneration disclosures are provided in the Remuneration Report in the Directors' Report.

(b) Loans to key management personnel and directors

(i) Share Loan

	CONSOLIDATED 2015 $	CONSOLIDATED 2014 $
Balance at 1 July	2,268,853	2,390,019
Inclusion of KMP during the year	126,969	-
Deemed interest for the year	123,827	135,858
Interest not charged	(123,827)	(135,858)
Repayments	(629,392)	(121,166)
Balance at 30 June	1,766,430	2,268,853

The Share Loan has a 10 year term but is repayable early in certain circumstances, principally if an executive ceases to be an EDL Group employee (repayable within 1 month if a "bad leaver", 6 months if a good leaver, although a good leaver can elect to keep the Share Loan remaining on foot), or if there is a defined Greenspark exit. The Share Loan is secured by a mortgage over the executives' EDL shares, and Share Loan recourse is limited to the executives' EDL shares.

(ii) Option Exercise Loan

	CONSOLIDATED 2015 $	CONSOLIDATED 2014 $
Balance at 1 July	-	-
Loans advanced	3,979,920	-
Interest for the year	132,192	-
Repayments	(1,517,222)	-
Balance at 30 June	2,594,890	-

During the current financial year, eligible key management personnel and the Managing Director were issued an Options Exercise Loan. The Option Exercise Loan has a maximum 1 year term and is secured by a mortgage over the executives' EDL shares, with recourse limited to the shares issued on exercise of the options. The loan to the Managing Director attracts an interest rate of 5.65% per annum.

(c) Interests held by key management personnel and directors

(i) Options

Grant date	Expiry date	Exercise price	2015 Number	2014 Number
13 Oct 2011	13 Oct 2019	$4.12	1,626,000	2,376,000
13 Oct 2011	13 Oct 2019	$6.87	7,920,000	7,920,000
30 Aug 2012	30 Aug 2020	$4.12	324,000	540,000
30 Aug 2012	30 Aug 2020	$6.87	1,800,000	1,800,000
22 Mar 2013	22 Mar 2021	$4.80	216,000	-
22 Mar 2013	22 Mar 2013	$6.87	720,000	-
			12,606,000	12,636,000

Refer to note 20 for further details on the Options.

(ii) Shares

	2015 Number	2014 Number
Balance at 1 July	1,748,861	1,748,861
Inclusion of KMP during the year	80,740	-
Issue of shares	1,016,000	-
Balance at 30 June	2,845,601	1,748,861

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: RELATED PARTY DISCLOSURES (CONTINUED)

(c) Interests held by key management personnel and directors (continued)

(iii) TSR and ROE PRs

Grant date	Expiry date	PR Type	2015 Number	2014 Number
31 Dec 2014	30 Jun 2017	TSR	129,737	-
31 Dec 2014	30 Jun 2017	ROE	129,737	-
			259,474	-

Refer to note 20 for further details on the TSR and ROE PRs.

(iv) FVPRs

Grant date	Expiry date	Series	Vesting price	2015 Number	2014 Number
31 Dec 2014	1 Dec 2016	A	$4.01	4,377,177	-
31 Dec 2014	1 Dec 2016	B	$6.76	14,590,588	-
31 Dec 2014	1 Dec 2016	A	$3.73	2,947,118	-
31 Dec 2014	1 Dec 2016	B	$6.48	14,590,588	-
13 Apr 2015	12 Apr 2017	A	$3.53	2,947,118	-
13 Apr 2015	12 Apr 2017	B	$6.28	14,590,588	-
				54,043,177	-

Refer to note 20 for further details on the FVPRs.

(d) Other transactions with key management personnel and directors

Current directors D C Grayce and A J Duthie were associated with Pacific Equity Partners (PEP) during the current financial year, and current director R I Koczkar was previously associated with PEP during the previous financial year. PEP is an adviser to Greenspark Power Holdings Ltd. During the financial year, the Consolidated Entity reimbursed PEP for out of pocket expenses of $65,612 (2014: $65,865) pursuant to a service arrangement between the Consolidated Entity and PEP. The Consolidated Entity did not pay PEP any fees pursuant to this service arrangement during the financial year (2014: $375,000 agreed specific transaction support fee in connection with the February 2014 equity placement and associated matters, and 2014: $50,000 monthly management fees). These amounts are included in note 21 (e) as Purchases and Share issue costs.

Current director P J Kapp is a current consultant and former partner of the legal firm Corrs Chambers Westgarth for the current financial year. Corrs Chambers Westgarth has provided legal services to the Consolidated Entity during the current financial year at a cost of $26,884 (2014: $30,716). Transactions are conducted on commercial terms and conditions.

Current director G J W Martin is a director of Santos Limited. A subsidiary of Santos Limited supplies gas to the EDL Group under a long term arm's length arrangement which was entered into prior to Mr Martin being a director of either EDL or Santos. Purchases of gas from Santos totalled $2,926,619 during the current financial year (2014: $3,026,195).

(e) Transactions with other related parties

Related parties	Sales to related parties $'000	Purchases $'000	Share issue costs $'000	Interest expense $'000	Amounts owed to related parties $'000
2015					
Consolidated					
Joint venture (Beal EPE)	503	-	-	254	4,944
Parent and its related entities	-	66	-	-	-
2014					
Consolidated					
Joint venture (Beal EPE)	475	-	-	177	4,740
Parent and its related entities	-	666	375	-	50

Terms and conditions of transactions with related parties

All transactions with other related parties are conducted on commercial terms and conditions.

Loans to related parties are unsecured. No allowances for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Ultimate controlling entity

The ultimate controlling entity of the Consolidated Entity is Energy Developments Limited, incorporated in Australia.

The directors' are aware that Energy Developments Limited is majority owned by Greenspark Power Holdings Ltd, incorporated in Jersey.

NOTE 22: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Accounting policy

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Interests in joint venture partnership are included in non-current investments and brought to account using the equity method. Under this method, investments are initially recorded at cost of acquisition and the carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the joint venture partnership. The investments in joint venture partnership are decreased by the amount of dividends received or receivable. Investments in joint venture partnership are carried at the lower of the equity accounted amount and recoverable amount of the Consolidated Entity's share of the investee company. The Consolidated Entity does not have any joint operations.

Details of interests in the joint venture partnership is as follows:

		OWNERSHIP INTEREST		CARRYING AMOUNT	
		2015	2014	2015	2014
Name and principal activities	**Place of incorporation**	**%**	**%**	**$'000**	**$'000**
Greece *	Greece	50	50	19,301	18,776
- Beal EPE					
- Tomi ED1 Operations EPE					
				19,301	18,776

* The joint venture partnership has the same reporting date as the Consolidated Entity. Principal activity is the development and operation of landfill gas power projects.

	CONSOLIDATED	
	2015	**2014**
	$'000	**$'000**
Joint venture's results		
Revenues	23,040	23,072
Finance income	598	470
Cost of sales	(14,215)	(14,431)
Depreciation	(3,558)	(3,162)
Profit before tax	5,865	5,949
Income tax expense	(1,403)	(1,183)
Profit for the year (continuing operations)	4,462	4,766
Consolidated Entity's ownership interest	50%	50%
Share of net results of joint venture	2,231	2,383
Joint venture's assets and liabilities		
Current assets (i)	30,948	39,491
Non-current assets	29,591	28,492
Current liabilities	(15,351)	(20,490)
Non-current liabilities	(9,549)	(10,607)
Net assets	35,639	36,886
Consolidated Entity's ownership interest	50%	50%
Share of net assets	17,820	18,443
Currency translation differences	1,481	333
Carrying amount	19,301	18,776
(i) includes share of cash and cash equivalents	4,146	9,261

NOTE 23: REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2015	**2014**
	$	**$**
Amounts received or due and receivable by the auditor for audit or review of the financial report		
Ernst & Young (Australia)	578,548	558,055
Ernst & Young affiliates:		
- Ernst & Young (United Kingdom)	34,702	43,802
- Ernst & Young (Greece)	12,213	12,315
	625,463	614,172
Amounts received or due and receivable by the auditor for other services *		
Ernst & Young (Australia)	272,027	327,619
	272,027	327,619

* Other services primarily represents work performed on due diligence associated with debt and equity raising, and Scheme of Arrangement (refer note 29).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24: BUSINESS COMBINATION

Accounting policy

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

No business acquisitions were made during the year. During the previous financial year, the Consolidated Entity acquired a business, the details of which are as follows:

(a) Summary of acquisition

On 22 April 2014 the consolidated entity acquired 100% of the issued capital of Envirogen Pty Limited (Envirogen). Envirogen specialises in electricity generation through its waste coal mine gas (WCMG) power projects. The acquisition provides significant competitive advantage and synergies to the group by providing scale to the group's existing WCMG business.

Details of the purchase consideration and the net assets acquired are as follows:

	CONSOLIDATED 2014 $'000
Purchase consideration	
Cash paid	25,000
Receivable from vendor	(1,975)
Total consideration	23,025

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

Trade and other receivables	1,776
Inventories	44
Prepayments and deposits	7
Property, plant and equipment	25,000
Trade and other payables	(1,445)
Carbon tax payable	(2,357)
Net identifiable assets acquired	23,025

(i) Acquired receivables

The fair value of acquired trade and other receivables was $1,776,000. The gross contractual amount for trade receivables due was $1,776,000, all of which were subsequently collected.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $4,093,000 and net profit of $1,403,000 to the group for the period from 23 April 2014 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, revenue and profit for the year ended 30 June 2014 would have been $18,151,000 and $3,783,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2013, together with the consequential tax effects.

(iii) Provisional accounting for the business combination and finalisation

During the year, the Consolidated Entity finalised accounting for the business combination and noted no adjustments. The amount due from the vendor at 30 June 2014 ($1,975,000) was received in full during the period.

(iv) Acquisition-related costs

Acquisition-related costs of $1,966,000 are included in 'Business acquisition and strategy costs' in the Statement of Comprehensive Income in the comparative period.

(v) Purchase consideration – cash outflow

The acquisition resulted in a net cash outflow of $25,000,000 during the financial year ended 30 June 2014, representing the purchase price paid.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: CONTROLLED ENTITIES

(a) The consolidated financial statements include the following controlled entities:

Name of controlled entity	Place of incorporation/formation	% of shares/ interests held 2015	2014
EDL CNG (NT) Pty Ltd*	Australia	100	100
EDL CSM (NSW) Pty Ltd*	Australia	100	100
EDL CSM (QLD) Pty Ltd*	Australia	100	100
EDL Holdings (Australia) Pty Ltd*	Australia	100	100
Energy Generation Pty Limited*	Australia	100	100
Statewest Power Pty Limited	Australia	100	100
EDL (TT) Pty Ltd (formerly Envirogen Pty Limited)*	Australia	100	100
EDL (OCI) Pty Ltd (formerly Envirogen (Oaky) Pty Limited)*	Australia	100	100
EDL Developments (Australia) Pty Ltd	Australia	100	100
Brightstar Environmental Holdings Pty Limited	Australia	100	100
EDL Retail Pty Limited*	Australia	100	100
Cosmo Power Pty Ltd*	Australia	100	100
EDL Group Operations Pty Ltd*	Australia	100	100
EDL International Holdings Pty Limited*	Australia	100	100
EDL LFG (ACT) Pty Ltd*	Australia	100	100
EDL Operations (Belrose) Pty Ltd	Australia	100	100
EDL Operations (Berwick) Pty Ltd	Australia	100	100
EDL Operations (Broadmeadows) Pty Ltd	Australia	100	100
EDL Contracting Pty Ltd (formerly EDL Operations (Brooklyn) Pty Ltd)*	Australia	100	100
EDL LFG (Qld) Pty Ltd*	Australia	100	100
EDL LFG (Vic) Pty Ltd*	Australia	100	100
EDL Operations (Corio) Pty Ltd	Australia	100	100
EDL Operations (Eastern Creek) Pty Ltd*	Australia	100	100
EDL NGD (WA) Pty Ltd	Australia	100	100
EDL Operations (Highbury) Pty Ltd	Australia	100	100
EDL LFG (NSW) Pty Ltd*	Australia	100	100
EDL Operations (Lucas Heights) Pty Ltd	Australia	100	100
EDL Operations (Lyndhurst) Pty Ltd	Australia	100	100
EDL Operations (Pedler Creek) Pty Ltd*	Australia	100	100
EDL Operations (Tea Tree Gully) Pty Ltd	Australia	100	100
EDL LFG (SA) Pty Ltd*	Australia	100	100
EDL Operations Pty Limited	Australia	100	100
EDL Operations (Australia) Pty Ltd	Australia	100	100
EDL Properties Pty Ltd	Australia	100	100
EDL Technologies Pty Ltd	Australia	100	100
Energy Corridors (Holdings) Pty Ltd	Australia	100	100
Energy Developments International Pty Ltd	Australia	100	100
EDL Pilbara Pty Ltd	Australia	100	100
EDL Projects (Australia) Pty Ltd*	Australia	100	100
EDL NGD (NT) Pty Ltd*	Australia	100	100
EDL LNG (WA) Pty Ltd	Australia	100	100
EDL NGD (Qld) Pty Ltd*	Australia	100	100
Tower Energy Pty Limited	Australia	100	100
Whytes Gully Environmental Pty Ltd	Australia	100	100
Pine Creek Power Pty Ltd	Australia	100	100
EDL Doublet (CP-AU) Pty Ltd	Australia	100	-
EDL Triplet (CP-UK) Pty Ltd	Australia	100	-
Bio Energy (UK) Limited	United Kingdom	100	100
Brightstar Environmental Investments Limited^	United Kingdom	-	100
EDL Holdings (UK) Limited	United Kingdom	100	100
EDL Franklin UK Limited	United Kingdom	100	100
EDL Operations (Barling) Limited^	United Kingdom	-	100
EDL Operations (Bellhouse) Limited^	United Kingdom	-	100
EDL Generation Ltd^	United Kingdom	-	100
EDL Operations (LFG 1) Limited^	United Kingdom	-	100
EDL Operations (Mucking) Limited^	United Kingdom	-	100
EDL Operations (Packington) Limited^	United Kingdom	-	100
EDL Operations (Pitsea) Limited^	United Kingdom	-	100
Ryton Energy Limited^	United Kingdom	-	100
EDL Operations (Rainham) Limited^	United Kingdom	-	100
EDL (UK) LFG Generation Ltd	United Kingdom	100	100
Energy Developments (UK) Limited	United Kingdom	100	100
EDL Hellas Monoprosopi EPE	Greece	100	100

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: CONTROLLED ENTITIES (CONTINUED)

Name of controlled entity	Place of incorporation/formation	% of shares/ interests held 2015	2014
Bio Energy (I), LLC	United States of America	100	100
Bio Energy (II), LLC	United States of America	100	100
Bio Energy (III), LLC	United States of America	100	100
Bio Energy (Austin), LLC	United States of America	100	100
Bio Energy (Austin II), LLC	United States of America	100	100
Bio Energy (Alabama), LLC	United States of America	100	100
Bio Energy (California), LLC	United States of America	100	100
Bio Energy (Georgia), LLC	United States of America	100	100
Bio Energy (Illinois), LLC	United States of America	100	100
Bio Energy (Ohio), LLC	United States of America	100	100
Bio Energy (Ohio II), LLC	United States of America	100	100
Bio Energy (Tennessee), LLC	United States of America	100	100
Bio Energy (Texas), LLC	United States of America	100	100
Bio Energy (US), LLC	United States of America	100	100
EDL Holdings (US), Inc	United States of America	100	100
Energy Developments, Inc	United States of America	100	100
Energy Developments (Operations), Inc	United States of America	100	100

The financial year of all controlled entities is the same as that of the Consolidated Entity, unless otherwise noted.

* These companies have entered into a deed of cross guarantee dated 23 July 2007 with Energy Developments Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. As a result of a Class Order issued by the Australian Securities and Investments Commission, these companies are relieved from the requirement to prepare financial statements.

^ These dormant companies were deregistered during the year by application to the UK Companies House.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position of all entities included in the class order "closed group" are set out in note 25 (b).

(b) Financial information for class order Closed Group:

Statement of Comprehensive Income of the Closed Group

	2015 $'000	2014 $'000
Sales revenue	283,790	265,096
Cost of sales excluding depreciation and amortisation of operating assets	(127,917)	(144,063)
Gross profit	155,873	121,033
Other income	28,295	14,822
Corporate and general expenses	(9,668)	(10,133)
Business acquisition and strategy costs	(1,629)	(2,530)
Share-based payments expense	(1,736)	(108)
Development expenses	(4,212)	(3,953)
Impairment expenses	(4,100)	(4,008)
Profit from continuing operations before depreciation, amortisation, borrowing costs and income tax	162,823	115,123
Depreciation and amortisation	(62,089)	(53,265)
Interest income	8,629	11,202
Unrealised foreign exchange gain/(loss)	(3,911)	457
Borrowing costs	(20,392)	(27,946)
Other finance costs	(3,948)	-
Profit from continuing operations before income tax	81,112	45,571
Income tax expense	(27,961)	(10,707)
Profit after tax	53,151	34,864
Other comprehensive income		
Net gains/(losses) on cash flow hedges, net of tax	(12,918)	4,454
Transfer of cash flow hedge reserve to profit or loss, net of tax	2,353	-
Total comprehensive income for the year	42,586	39,318

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: CONTROLLED ENTITIES (CONTINUED)

(b) Financial information for class order Closed Group (continued):

Statement of Financial Position of the Closed Group

	2015 $'000	2014 $'000
Current assets		
Cash assets	17,455	16,288
Receivables	24,672	35,956
Inventories	12,583	11,618
Green credits held for sale	21,664	20,126
Financial instruments – derivatives	1,592	2,957
Other	4,386	6,832
Total current assets	82,352	93,777
Non-current assets		
Receivables	86,430	166,560
Investments at cost	202,191	202,191
Financial instruments – derivatives	-	1,258
Property, plant and equipment	455,189	440,636
Intangible assets	34,336	42,758
Other assets	115	493
Total non-current assets	778,261	853,896
Total assets	860,613	947,673
Current liabilities		
Payables	31,792	35,033
Borrowings	5,770	-
Financial instruments – derivatives	5,183	5,415
Provisions	8,316	6,044
Unearned grant income	776	776
Deferred income	1,673	164
Current tax liability	7,694	12,509
Total current liabilities	61,204	59,941
Non-current liabilities		
Borrowings	239,307	296,142
Deferred tax liabilities	15,921	25,720
Provisions	1,871	1,909
Financial instruments – derivatives	15,421	4,356
Unearned grant income	7,797	8,671
Other	-	20
Total non-current liabilities	280,317	336,818
Total liabilities	341,521	396,759
Net assets	519,092	550,914
Equity		
Contributed equity	495,422	489,613
Reserves	1,352	10,174
Retained profits	22,318	51,127
Total equity	519,092	550,914

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash, held by the Consolidated Entity:

		30 JUNE 2015		30 JUNE 2014	
Consolidated	**Note**	**Loans and receivables $'000**	**FVTOCI* $'000**	**Loans and receivables $'000**	**FVTOCI* $'000**
Financial assets – current:					
Loan receivable from external parties	5	1,076	-	1,225	-
Employee loans (non-trade)	5	2,595	-	-	-
Trade and other receivables	5	50,987	-	59,417	-
Derivatives	10	-	1,592	-	2,957
		54,658	1,592	60,642	2,957
Financial assets – non-current:					
Loan receivable from external parties	5	869	-	1,103	-
Employee loans (non-trade)	5	2,152	-	2,847	-
Derivatives	10	-	-	-	1,258
		3,021	-	3,950	1,258
Total		57,679	1,592	64,592	4,215
Financial liabilities – current:					
Trade and other payables	11	50,281	-	55,165	-
Borrowings	13	16,568	-	2,560	-
Derivatives	10	-	10,618	-	10,149
		66,849	10,618	57,725	10,149
Financial liabilities – non-current:					
Trade and other payables		15,962	-	14,027	-
Borrowings	13	502,562	-	508,513	-
Derivatives	10	-	22,271	-	12,730
		518,524	22,271	522,540	12,730
Total		585,373	32,889	580,265	22,879

* Instruments allocated to FVTOCI column (Fair value through other comprehensive income) are derivative financial instruments designated in cash flow hedges.

Other financial instruments that are not recognised at fair value have carrying amounts that are not materially different to fair value, since the interest applicable on those financial instruments is close to current market rates, or the financial instruments are of a short-term nature.

Financial risk management objectives and policies
The main financial risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage these risks to which it is exposed. These include entering into derivative transactions, including interest rate swaps and forward currency contracts to manage its exposure to interest rate and currency risks arising from the Consolidated Entity's operations and its sources of finance. Reports are reviewed on a monthly basis detailing the Consolidated Entity's exposure to these key financial risks (excluding credit risk). This includes reviews of the levels of hedging for each finance facility, any foreign exchange exposure above a set limit and foreign currency contracts entered into to manage this risk as well as comparisons of cash flow forecasts projecting available cash and credit against specified minimum liquidity levels. It is, and has been throughout the period under review, the Consolidated Entity's policy that no speculative trading in financial instruments shall be undertaken. Ageing analysis is also undertaken to manage credit risk.

The policies for managing each of the financial risks identified above are outlined below. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

(a) Interest rate risk
The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated Entity's long and short-term debt obligations with a floating interest rate. The level of debt at respective balance dates is disclosed in Note 13.

The Consolidated Entity's policy is to manage a portion of its interest cost using interest rate swap agreements. These swap agreements are used to convert floating interest rate exposures on certain non-recourse debt to fixed rates. These swaps also entitle the Consolidated Entity to receive, or oblige it to pay, the amounts if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts. The Consolidated Entity's general policy is to hedge a minimum of at least 50% of its non-recourse term borrowings at fixed rates of interest. The table below details the actual hedging cover as at 30 June 2015 for facilities drawn at that date in each of its geographic regions.

	2015		2014	
	Hedging cover	**Effective rate pa**	**Hedging cover**	**Effective rate pa**
Interest bearing borrowings				
Australia	76%	6.36%	67%	7.08%
UK	70%	4.28%	100%	4.95%
US	70%	3.88%	100%	5.11%
Total	74%	5.66%	73%	6.69%

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk (continued)

Cash flow hedge - interest rate swaps

At 30 June 2015, the Consolidated Entity had interest rate swap agreements in place with a notional amount of $395,393,028 (2014: $383,474,961) whereby it pays a fixed rate of interest and receives a variable rate equal to the BBSY, LIBOR UK or LIBOR US as applicable on the notional amount. The secured loans and interest rate swaps have the same critical terms. As at 30 June 2015, after taking into account the effect of interest rate swaps, approximately 74% (2014: 73%) of the Consolidated Entity's borrowings are at a fixed rate of interest. The Consolidated Entity regularly analyses its interest rate exposure taking into consideration potential renewals of existing positions, alternative financing and alternative hedging positions.

During the year ended 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the Consolidated Entity's post-tax profit and equity (excluding the effect of net profit) would have been affected as follows:

	PROFIT AFTER TAX HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
Interest rate risk	**2015 $'000**	**2014 $'000**	**2015 $'000**	**2014 $'000**
Judgements of reasonably possible movements				
Consolidated				
+1% pa (100 basis points)	(630)	(418)	11,653	6,637
-1% pa (100 basis points)	630	418	(11,653)	(6,637)

(b) Foreign currency risk

The Consolidated Entity has transactional currency exposures arising from project commitments and sales and purchases denominated in currencies other than the Consolidated Entity's functional currency (A$). The Consolidated Entity requires the use of forward exchange contracts to reduce currency exposures on such project commitments where the unhedged commitments exceed US $5 million at any one time and the timing of the commitments is firmly established. It is the Consolidated Entity's policy not to enter forward contracts until a firm commitment is in place. At 30 June 2015 and 2014, no unhedged project commitments exceeding US$5 million were in place. At 30 June 2015 and 2014, the Consolidated Entity held no forward exchange contracts designated as hedges of contracted future project commitments. Other commitments not relating to project commitments have been structured in a manner that they are effectively hedged. The denomination of the commitment differs from the Consolidated Entity's functional currency, however this commitment is serviced by the cash flows of subsidiaries with the same functional currency as the commitment.

The Consolidated Entity has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Consolidated Entity's foreign operations is managed primarily through matching with borrowings denominated in the relevant foreign currencies. The Consolidated Entity has no significant transactional exposure to foreign currency risk.

The table below indicates the currencies to which the Consolidated Entity has significant exposures at balance date. Had the exchange rate in relation to each of the currencies increased or decreased by 5% from rates as at the end of the 2015 and 2014 financial year, with all other variables remaining constant, the impact on the profit after tax (for transactional exposures) and equity (for translation exposures) of the Consolidated Entity would have been as follows:

		+5% HIGHER/(LOWER)		-5% HIGHER/(LOWER)	
Foreign exchange rate risk	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Year ended 30 June 2015					
Financial assets					
US dollar	9,785	-	(471)	-	509
Great British Pounds	26,800	-	(1,284)	-	1,419
Euro	3,162	(20)	(104)	22	115
		(20)	(1,859)	22	2,043
Financial liabilities					
US dollar	85,239	-	4,059	-	(4,486)
Great British Pounds	116,612	-	5,553	-	(6,137)
Euro	5,685	189	1	(209)	(1)
		189	9,613	(209)	(10,624)
Net exposure		169	7,754	(187)	(8,581)
Year ended 30 June 2014					
Financial assets					
US dollar	8,946	-	(428)	-	468
Great British Pounds	28,059	-	(1,349)	-	1,491
Euro	1,250	(21)	2	23	(3)
		(21)	(1,775)	23	1,956
Financial liabilities					
US dollar	77,515	-	2,640	-	(2,918)
Great British Pounds	77,843	-	3,707	-	(4,097)
Euro	5,840	194	1	(214)	(1)
		194	6,348	(214)	(7,016)
Net exposure		173	4,573	(191)	(5,060)

The above movements that would be recognised in equity represent the Consolidated Entity's foreign currency exposure to investment on foreign operations. These movements in exchange differences would be recognised in the foreign currency translation reserve in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk exposures

Credit exposure represents the extent of credit related losses that the Consolidated Entity may be subject to on amounts to be exchanged under the derivatives or to be received from trade receivables. The notional amounts of derivatives are not a measure of this exposure. The Consolidated Entity minimises concentration of credit risk by undertaking transactions with a large number of customers from across the range of segments in which the Consolidated Entity operates. The Consolidated Entity, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect any counterparties to fail to meet their obligations given their high credit quality. Note 5 details further information on receivables by payment due status as at 30 June 2015 and 30 June 2014.

(d) Price risk

(i) Green credits

As at 30 June 2015, the entity held $23,751,000 green credits for sale (2014: $21,730,000). The Consolidated Entity has a policy of entering into forward sales contracts for a proportion of green credits to manage its exposure to price risk on its green credit holdings.

(ii) Electricity prices

The Consolidated Entity entered into fixed price electricity contracts to reduce the volatility attributable to price fluctuations of electricity. These contracts are for 100% of the electricity generated at certain sites for periods ranging from 1 to 3 years. Hedging the price volatility of electricity is in accordance with the Consolidated Entity's risk management strategy.

As at 30 June 2015, the fair value of these full effective hedges amounted to an asset of $1,592,000 (2014: $4,215,000) and liability of $4,484,000 (2014: $627,000). The change in fair value was recognised in other comprehensive income.

At 30 June 2015, if electricity prices had moved, as illustrated in the table below, with all other variables held constant, the Consolidated Entity's post-tax profit and equity (excluding the effect of net profit) would have been affected as follows:

		+10% HIGHER/(LOWER)		-10% HIGHER/(LOWER)	
Electricity price risk	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Year ended 30 June 2015					
Financial assets					
Electricity derivative	1,592	-	(210)	-	210
Financial liabilities					
Electricity derivative	4,484	-	(6,279)	-	6,279
Year ended 30 June 2014					
Financial assets					
Electricity derivative	4,215	-	(818)	-	818
Financial liabilities					
Electricity derivative	627	-	(647)	-	647

(e) Net fair value of derivative financial assets and liabilities

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 – valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 – valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the Consolidated Entity determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Net fair value of derivative financial assets and liabilities (continued)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

	Year ended 30 June 2015				Year ended 30 June 2014			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets								
Electricity derivatives – current	-	1,592	-	1,592	-	2,957	-	2,957
Electricity derivatives – non current	-	-	-	-	-	1,258	-	1,258
	-	1,592	-	1,592	-	4,215	-	4,215
Financial liabilities								
Interest rate swaps – current	-	9,589	-	9,589	-	9,522	-	9,522
Interest rate swaps – non current	-	18,816	-	18,816	-	12,730	-	12,730
Electricity derivatives – current	-	1,029	-	1,029	-	627	-	627
Electricity derivatives – non current	-	3,455		3,455	-	-	-	-
	-	32,889	-	32,889	-	22,879	-	22,879

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, forward interest yield curves and the current creditworthiness of the swap counterparties for derivative assets and the Consolidated Entity's own credit risk for derivative liabilities. The fair value of electricity derivatives is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the end of the reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into our out of Level 3 fair value measurements in any of the financial years presented.

(f) Liquidity risk

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and working capital lines. At 30 June 2015, available cash and undrawn borrowing facilities amounted to $259,853,000 (2014: $276,544,000). This comprises finance facilities available as disclosed in note 13 and unrestricted cash as disclosed in note 17(a).

The following is an analysis of the contractual undiscounted cash flows payable under financial assets and liabilities as at the reporting date:

	Less than 6 months $'000	Over 6 months to 12 months $'000	Over 1 year to 2 years $'000	Over 2 years to 5 years $'000	More Than 5 years $'000	Total $'000
30 June 2015						
Financial assets						
Cash assets	39,285	-	-	-	-	39,285
Receivables	51,557	529	2,852	231	-	55,169
Electricity derivatives (net-settled)	1,573	19	-	-	-	1,592
	92,415	548	2,852	231	-	96,046
Financial liabilities						
Trade and other payables	50,924	1,039	2,286	8,258	7,542	70,049
Borrowings	20,690	18,032	39,287	406,248	151,567	635,824
Interest rate swaps (net-settled)	4,724	4,608	7,129	12,857	8,676	37,994
Electricity derivatives (net-settled)	511	505	1,477	2,141	-	4,634
	76,849	24,184	50,179	429,504	167,785	748,501
30 June 2014						
Financial assets						
Cash assets	45,739	-	-	-	-	45,739
Receivables	55,458	490	4,085	343	-	60,376
Electricity derivatives (net-settled)	807	2,054	1,431	-	-	4,292
	102,004	2,544	5,516	343	-	110,407
Financial liabilities						
Trade and other payables	45,952	10,494	1,922	5,072	9,420	72,860
Borrowings	19,409	19,223	38,878	499,314	46,288	623,112
Interest rate swaps (net-settled)	4,927	4,796	9,538	7,392	-	26,653
Electricity derivatives (net-settled)	635	-	-	-	-	635
	70,923	34,513	50,338	511,778	55,708	723,260

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27: PARENT ENTITY INFORMATION

	2015 $'000	2014 $'000
Information relating to Energy Developments Limited		
Current assets	3	4
Total assets	872,549	962,062
Current liabilities	7,746	14,890
Total liabilities	236,287	259,775
Issued capital	495,422	489,613
Retained earnings	128,292	201,862
Capital profits reserve	6,720	6,720
Employee share benefits reserve	5,828	4,092
Total shareholders equity	636,262	702,287
Profit of the parent entity	8,356	19,300
Total comprehensive income of the parent entity	8,356	19,300

Energy Developments Limited and certain of the wholly owned entities listed in note 25 are parties to a deed of cross guarantee as described in note 25. The nature of the deed of cross guarantee is such that each company which is a party to the deed, guarantees, to each creditor, payment in full of any debt on a winding up in accordance with the deed of cross guarantee. No deficiency of net assets existed for the group as at 30 June 2015 and the controlled entities have an adequate net current asset position at year end. No liability was recognised by Energy Developments Limited in relation to these guarantees, as the fair value of the guarantees is immaterial.

The Company has no contingent liabilities at 30 June 2015 or any contractual commitments for the acquisition of material property, plant or equipment.

NOTE 28: CONTINGENT LIABILITIES

The Consolidated Entity has a number of commercial disputes ongoing in the ordinary course of business, none of which is material.

The Consolidated Entity has given indemnities of $23,341,000 in the form of bank guarantees and letters of credit in the ordinary course of business.

NOTE 29: SUBSEQUENT EVENTS

On 20 July 2015, the Directors of EDL announced the Company has entered into a Scheme Implementation Deed with DUET Company Limited (DUET), under which it is proposed that DUET will acquire 100% of the EDL shares on issue by way of a Scheme of Arrangement ("Scheme") for $8.00 cash per share.

The implementation of the Scheme is subject to EDL shareholder approval, Court approval and other customary conditions precedent.

If successful, upon implementation of the Scheme, existing share based arrangements will be cancelled and settled in cash totaling $46.3 million, with some of the proceeds used to settle the Share and Option Exercise Loans. If the Scheme is not successful, the existing share-based payment arrangements will continue on substantially the same terms as disclosed in Note 20.

If the Scheme is successful, certain executives and senior management will be subject to a new cash-based LTI scheme. Under this LTI scheme, a maximum of $5.2 million is payable on 29 September 2017 and $3.2 million after 30 June 2018.

In addition, certain executives and senior management are subject to cash retention arrangements totaling $3.1 million which are payable 12 months after Scheme implementation, or where the Scheme is unsuccessful, payable on 30 June 2016.

If the Scheme is successful EDL is committed to payment of an advisory fee of $15.0 million to an advisor. If the Scheme is not successful, under certain conditions the Company must pay a break fee of $13.7 million.

The Company also notes that its corporate loan documentation and certain contracts with counterparties and suppliers contain Change of Control provisions which are triggered under the Scheme. The Company is currently working with the syndicate of banks, counterparties and suppliers to seek consent to the change of control provisions.

Scheme Implementation is anticipated in October 2015.

There are no other material subsequent events.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30: OTHER NON-FINANCIAL INFORMATION

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Auditor
Ernst & Young
111 Eagle Street
Brisbane Queensland 4000

Share Register
Link Market Services Limited
Level 15
324 Queen Street
Brisbane Queensland 4000
Phone 1300 554 474

Stock Exchange Listing
ENE

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Energy Developments Limited, we state that in the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

> (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
>
> (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1 (b);

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2015.

(e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board:

GJ Pritchard
Director

Brisbane, 17 August 2015

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Independent auditor's report to the members of Energy Developments Limited

Report on the financial report

We have audited the accompanying financial report of Energy Developments Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial 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 controls. 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.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Liability limited by a scheme approved under Professional Standards Legislation

Opinion

In our opinion:

a. the financial report of Energy Developments Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Energy Developments Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
17 August 2015