



**LOCALITY PLANNING ENERGY
HOLDINGS LIMITED**

ANNUAL REPORT 2017

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301

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Corporate Directory

NON-EXECUTIVE CHAIRMAN

Mr Andrew Pierce

EXECUTIVE DIRECTORS

Mr Damien Glanville

Mr Ben Chester

CHIEF FINANCIAL OFFICER

Ms Melissa Farrell (Appointed 31st May 2017)

Mr Charles Furness (Resigned 31st May 2017)

COMPANY SECRETARY

Mr Bill Lyne (Appointed 31st May 2017)

Mr Charles Furness (Resigned 31st May 2017)

PRINCIPAL & REGISTERED OFFICE

Suite 306, Tower 1

55 Plaza Parade

Maroochydore QLD 4558

Phone: +61 7 5479 2875

AUDITORS

Bentleys

Level 9, 123 Albert Street

Brisbane QLD 4000

Phone: +61 7 3222 9777

LAWYERS

Gadens

Level 11, 111 Eagle Street

Brisbane, QLD, Australia 4000

Phone +61 7 3231 1692

SHARE REGISTRAR

Advanced Share Registry Services

150 Stirling Highway

NEDLANDS WA 6009

Phone: +61 8 9389 8033

STOCK EXCHANGE LISTING

Australian Securities Exchange

Code: LPE

Chairman's Letter

I am pleased to be able to report a successful year, our first full year, for LPE – a year of growth.

On the operational side, LPE provided energy in excess of 107 GWh to over 200 communities, predominately in SE Queensland. This is a wonderful achievement given that we commenced operations from small beginnings in 2016. This is also significant in that it was achieved 14 months ahead of managements forecast.

Management and its team have a strong commitment to driving sales. In addition to communities being billed there are close to 115 communities contracted and in the pipeline to under management which will increase our revenue generating contracts to in excess of 200 GWh when connected in the near future.

On the financial side, revenues have increased substantially to over \$10.26m for the year whilst closely maintaining our gross margins. These margins were slightly affected due to extreme conditions experienced in the energy market during the 2nd and 3rd quarters of FY 2017. These have now normalised.

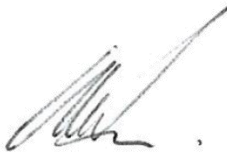
The year also saw the number of staff increase scaling up across all facets of the business to cope with its current and future growth. This included key appointments to leadership roles and senior management to strengthen the execution of the company's Vision, Mission and Values. This investment in people is an essential for our Company and the adaption of our core values in order to present our business to the wider community with integrity, honesty and professionalism.

During February 2017 LPE raised \$5.8m in capital through an institutional share placement which is being used finance the strategic growth in our supply of energy solutions to strata communities. The strong support of these institutions is a welcome addition to our share register.

Our capital structure of your company has seen a significant increase in the number of ordinary shares issued. In addition to the institutional placement it is due to all Performance Shares being converted to ordinary shares following the 3 milestones being reached earlier than anticipated, and options being exercised. There are no further Performance Shares to be converted and no options in the money outstanding.

During the FY 2018 the company expects to finalise its future funding requirements. Fundraising facilities to date have been difficult due to the company's infancy and the unique security being offered. We envisage this will be resolved as the company becomes operationally cash flow positive and profitable. This will be achieved from increased revenues, noted above, and contained costs.

Finally, on behalf of the Board, I would like to thank our shareholders and other stakeholders for their ongoing support. I would also like to thank our staff and management for their hard work and efforts in consistently growing the business for long term value for shareholders.



Andrew Pierce

Non-Executive Chairman

CEO Report

It's has been a busy year for LPE with significant contract growth of 211% achieved over the 2017 financial year. We have been encouraged by the unprecedented number of communities contacting LPE for support and information. If one has to be said for LPE, it has not only operated but grown through the most volatile energy market ever seen, which is a testament to the security of the LPE brand and offering. This volatility and uncertainty prompted both State and Federal Governments to intervene, making such an emotive essential service the most topical current discussion point.

The measurable part of LPE has been a remarkable story but is only a small part of the bigger picture we have planned for the Company. There has been a huge amount of work going on in the background to sustain growth. The direction has consistently been to position the capabilities of the Company for the future to ensure we not only deliver on the expectations set with all stakeholders, but exceed them.

Through the year we grew consistently at a rate that out-stripped our business model reaching key milestones 14 months ahead of schedule. This growth required us to return to the market for additional funding, which has in turn supported the delivery to date as we move into profitability. Capital raised during the last financial year was oversubscribed and enthusiastically supported by institutional investors.

The wholesale price of electricity has placed pressure on the market, however LPE has a very strong purchasing mechanism that for the most part insulated us from the volatility of the energy market. There was also cyclone Debbie which devastated the northern parts of Queensland, thankfully only one of LPE's communities saw direct damage. LPE was effected due to the requirement of Energex to deploy highly skilled personnel to affected regions, resulting in slight delays on the conversion of some LPE sites.

In my role as CEO, it is only when I stop to reflect on the past year, and take stock of the huge accomplishment the Company has achieved, that I realise from such small beginnings how proud of the LPE brand I am. We set the bar high, executed on a robust plan and we did deliver. The record number of new customers that have become part of the LPE community, the support of the shareholders, the internal growth of the staff and experience we have gained has been a true indicator of this. We do believe we have instilled a passion and belief in our work within the management and staff that without, the Company could not possibly achieve what it has. I am extremely grateful to all our staff, who I thank for their dedication and contribution to the growth and capabilities of LPE.

I have included in this annual report some impact indicators of how LPE support its communities by offering the support that our customers and strata communities have been missing. Because of this, LPE have been making a genuine positive impact in the marketplace.



Damien Glanville

CEO

Why we do what we do

As an all-Australian energy retailer, working for locals. We exist for one purpose only — to provide the best energy deal for people living in and managing strata communities. And we do it in a way that is transparent, fair and has them fully protected.

LPE started out as an idea, that quickly turned into an ideal, that quickly turned into something real — a real alternative to the big energy retailers. With LPE, what you see is what you get. This extends to all the people at LPE, we may be small, but that is exactly what keeps us focused, and allows us the capacity and capability to know our market inside-out.

LPE are specialists in finding the right energy fit for strata communities, we reduce network charges for thousands of customers every day. We Recognise that no two communities are alike, we are nimble and our services are always in line with the needs of our customers. It's this kind of attention to detail that communities can rely on, all the things you should expect from an energy retailer.

Because of this, we set our standards high, as we believe in doing the right thing by our customers. For us, being fair is something to be protected and nurtured. At LPE, we are creating a level playing field for everyone — one community at a time.

Electricity has to be one of the most topical discussions in Australia at the moment. LPE has contributed over \$2,500,000 in savings to consumers which is money that is directly re-invested into local communities and contributing to lowering the cost of living and providing support for our customers. These savings and securities are not possible outside of the LPE model and are otherwise unable to be accessed directly by consumers. This is why we do what we do.

The LPE model has also ensured that communities managed by LPE have lower Body Corporate fees and less liability for owners, the value over the past year is close to \$700,000 all the while increasing transparency and protections to these communities.

No matter what powers any community they can trust us. Because the best deal, is always the fairest

Impact of LPE on our communities

When using performance indicators of the Retail Energy Market and comparing these key indicators the significance becomes apparent of what LPE does for our communities and those individuals living in them;

Market Average	LPE
Energy Affordability - Average Annual Electricity Bill	
\$1401	\$952
Debt Levels – Customers repaying debt	
2.5% (\$502 Avg in overdue amounts)	0.002% (\$274 Avg in overdue amounts)
Bills as percentage of income	
4.3% - (Based on low income median)	2.9% (Based on low income median)
Disconnections – for Non-payment	
1.14%	0.005%
Hardship – Customers in Hardship Plans	
0.97% (Avg amount owing \$729)	Zero Customers
Savings over standard Market energy offers	
Average \$185	Average \$471

All reference values from AER performance of the energy market overview (Queensland)

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301

Directors Report

Your Directors present their report on the consolidated entity consisting of Locality Planning Energy Holdings Limited and its controlled entities at the end of, or during the year ended, 30 June 2017.

The Directors

The following persons were directors of the Company during the financial year and up to date of this report:

Mr Andrew Pierce	Non-Executive Chairman and Director
Qualifications	FCA
Experience	<p>Mr Pierce is an accomplished and highly regarded accountant and director, having served on the boards of Variety The Children's Charity (NSW), Guide Dogs NSW/ACT, Royal Guide Dogs Australia and Centre For Eye Health Limited. He is highly skilled in the areas of financial reporting, company regulatory and governance areas. During the past three years, Mr Pierce has not served as a director of any other ASX listed companies.</p> <p>Mr Pierce is a Fellow of Chartered Accountants Australia and New Zealand, having been in private practice as a partner or principal since 1972.</p> <p>Mr Pierce is a member of the Audit and Risk Management Committee.</p> <p>In accordance with the ASX Corporate Governance Council's definition of independence and the materiality thresholds set, the Directors consider Mr Pierce to be independent.</p>
Special responsibilities	Chairman
Interest in Shares and Options	18,960,641 fully paid ordinary shares
Directorships held in other listed entities	Nil
Mr Damien Glanville	Executive Director and Chief Executive Officer
	Appointed 11 December 2015
Qualifications	N/A
Experience	<p>Co-founder and Chief Executive Officer</p> <p>Mr Glanville has fourteen years' experience in senior management, logistics and Executive Director roles, the last seven specifically focused in the renewable energy on-site generation and solar PV industry.</p> <p>Damien is a co-founder and architect of designing the electricity retail model that successfully enabled LPE to obtain their Australian Energy Regulator Authorisation, and is also listed as the Chief Executive Officer for the Management components of the Australian Energy Regulators authorisation to retail electricity</p>
Special responsibilities	Chief Executive Officer
Interest in Shares and Options	436,299,756 fully paid ordinary shares
Directorships held in other listed entities	Nil

The Directors (Cont'd)

Mr Ben Chester	Executive Director and Chief Operating Officer Appointed 11 December 2015
Qualifications	B. Eng
Experience	Co-founder and Chief Operating Officer Mr Chester has eight years' experience in large scale development and deployment of energy assets, along with energy to market strategy. He spent four years with an ASX listed company specialising in renewable projects, as the principal design and projects engineer for several commercial and utility scale deployments. Ben has contributed to several Australian, State and Federal Government advisory panels and with the Thailand Government on generation, deployment strategies and network integration. Ben is a co-founder and architect of designing the electricity retail model that successfully enabled LPE to obtain their Australian Energy Regulator Authorisation, and is listed as the Chief Operating Officer for the functional and compliance components of the Australian Energy Regulators authorisation to retail electricity.
Special responsibilities	Chief Operating Officer
Interest in Shares and Options	436,299,756 fully paid ordinary shares
Directorships held in other listed entities	Nil
Mr Bill Lyne	Company Secretary Appointed 31 May 2017
Qualifications	BCom, CA, FCIS, FGIA, FAICD, FFIN
Experience	Mr Lyne is the principal of Australian Company Secretary Service, providing company secretarial, compliance and governance services to public companies. He is currently secretary of 4 other listed companies and has a wealth of experience in corporate governance principles and practice.
Directorships held in other listed entities	Director of Jumbo Interactive Limited appointed 30 October 2009 ~ continuing
Mrs Melissa Farrell	Chief Financial Officer Appointed 31 May 2017
Qualifications	BBus, CPA, Master Finance
Experience	Melissa has over 15 years experience working in accounting and finance. She has worked in various sectors, including banking and mining, both in Australia and overseas, for public listed companies.
Directorships held in other listed entities	N/A

Principal Activities Of The Consolidated Entity

The principal activity of the consolidated entity is the sale of electricity and utility services to residential, commercial and retail customers throughout the Australian National Electricity Market.

Operating Results

The net result of operations of the consolidated entity for the year ended 30 June 2017 was a loss of \$15,873,697 (2016 – loss of \$8,613,937) which included:

- Electricity sales totalling \$10,261,154 (2016: \$1,761,243),
- the expensing of the issue of options and performance shares to key personnel and convertible note holders totalling \$13,369,577 (2016: \$6,535,990),
- employee costs of \$2,449,914 (2016: \$1,481,186), and
- other expenses of \$1,902,766 (2016: \$1,186,787).

During the year the Company received \$5,683,200 (2016: \$7,510,991) from the issue of shares.

The Company invested \$2,568,733 during the year (2016: \$1,243,071) in the development and/or conversion of strata title sites for the purpose of supplying electricity.

Operating Report

LPE has had a stable operations platform for the best part of 2 years. The pre-established business plan has scaled exactly against modelling. We take great pride in maintaining these levels and ensuring the budget and delivery is met.

We have seen our sales team grow from strength to strength as we grow their understanding of this complex but simple product, our billing and call centre teams have increased with scale to support strong growth of billed communities, overall the staffing level are adequate to take us to through our next 100GWh of billed customers.

The company has systems, software, processes and functional capacity to maintain scaled growth with the mindset to preserve the existing head count and operational delivery standards.

LPE currently have 26 full time employees;

- Sales - 6
- Process and delivery - 3
- Administration and support - 4
- Billing and Finance - 4
- Customer service - 4
- Management - 2
- Executive - 3

Over the past 12 months LPE has engaged consultants for specialist support functions that did not warrant a full time internal role; these are for service such as;

- Marketing
- Energy Strategy
- Human Resources
- Board Support

Dividends

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend since 30 June 2017 and to the date of this report.

Review Of Activities and Business Strategies

At 30 June 2017, 107.138GWh were contracted billable strata communities with annualised volume that will continue to generate revenue, through the extent of our average contract term length of 7.6 years. This represents a contractual base growth of 211% over the year and a direct reflection of \$10.26M in revenue which is 483% improvement in revenue from last year.

The business plan has been well delivered, with the aforementioned figures. The core driver in obtaining this growth has been to continue to do what LPE does well, that is deliver a great value proposition and high service levels to our niche consumer base in embedded electricity networks. The primary strategy has been to build sales channels and operational capacity that will deliver on the targets set by the board to meet shareholder expectations and ensure our customers' expectations are exceeded.

The main strategy for the FY17 did not venture far from the core offering, with learnings of the year that will promote the expansion and growth which is the key outlook moving forward.

Outlook

Throughout FY18 the Company will maintain focus on delivery of the core embedded network supply products, with a higher emphasis to the takeover market which are capital light and where LPEs high service levels and risk reducing core offering delivers improved returns and security to these communities.

Following the FY17 expenditure in deploying electricity infrastructure assets and the softened energy market in comparison to the first half of 2017, the existing secured communities will ensure LPE maintain gross margins in the range of 17% to 19% and deliver on the revenue as per guidance for the FY18.

The company also continues to monitor progress in the parallel market of scheme managed billing and have progressive strategy around acquisition if commercial opportunities arise. The legislative changes continue to inhibit this small segment of the market where these entities operate which makes them key opportunities for LPE to accelerate growth.

Further legislative changes have created a position for LPE to again fill a market gap this time in the operation of embedded networks with the requirement for all embedded networks to have an Embedded Network Manager overseeing the core operation of the network. LPE is poised for this prime opportunity to ensure the existing retail operated networks, other networks and future networks are secure in these requirements. The company has established a subsidiary entity for this purpose, named Locality Embedded Networks Pty Ltd which will function in a ring-fenced capacity from the Authorised Retailer. Revenue from this entity will not come into effect until 1 December 2017, it is anticipated to increase opportunity and the profit position of the company into the future.

The Directors understand that to maintain the companies planned growth rate there will be a requirement for funding which presently is being pursued via a debt product, the directors have confidence that this facility will be secured in the near term.

Significant Changes In The State Of Affairs

The debt facility announced on 22 June LPE had agreed terms for a debt facility with Moneytech, as announced on 21 August 2017 the facility had fallen over due to Moneytech being unable to provide a product that was previously agreed on.

This was disappointing for The Company, yet outside our control, the directors have confidence that this facility will be replaced in the near term.

The establishment of Locality Embedded Networks Pty Ltd for the purposes of providing embedded network management functions for embedded networks through Australia.

Events Subsequent To Balance Date

There are no matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

Likely Developments

Directors expect the Company's strong contracted pipeline and revenue growth to be maintained during the coming year. A structured approach to expansion beyond the Queensland market into NSW, is likely to gain traction as pilot programs that we have run across differing NSW distribution areas are concluded.

Company Health & Safety Policy

It is the responsibility of all employees to act in accordance with occupational health and safety legislation, regulations and policies applicable to their respective organisations and to use security and safety equipment provided.

Specifically all employees are responsible for safety in their work area by:

- following the safety and security directives of management;
- advising management of areas where there is potential problem in safety and reporting suspicious occurrences; and
- minimising risks in the workplace.

Shares Under Option

Options outstanding

The following options are outstanding as at the date of this report.

Number	Exercise price	Expiry
500,000	\$0.25	15/4/2018

Shares issued on the exercise of options

Date	No. of shares	Exercise price
27 June 2017	10,000,000	\$0.025

Directors' Meetings

Director	Meetings of Directors Held *	Meetings of Directors Attended
Andrew Pierce	11	11
Damien Glanville	11	11
Ben Chester	11	11

* at which eligible to attend

Remuneration Report – Audited

Remuneration Practices

The Company did not have a Remuneration Committee during the past financial year as the Board did not consider the Company would benefit from its establishment, and does not currently have one. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter.

The primary purpose of the Board, in carrying out the responsibilities of the Committee, is in fulfilling its responsibilities to shareholders by:

- a) reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- b) ensuring that the executive remuneration policy demonstrates a clear relationship between senior executive performance and remuneration;
- c) reviewing the remuneration of executive Directors;
- d) fairly and responsibly rewarding executives having regard to the performance of the Company, the performance of the executive and the prevailing remuneration expectations in the market;
- e) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- f) reviewing and approving the remuneration of the Chief Executive Officer/Managing Director and, as appropriate other senior executives; and
- g) reviewing and approving any equity based plans and other incentive schemes.

The Board has the right to seek any information it considers necessary to fulfil its duties, which includes the right to obtain appropriate external advice at the Company's expense.

The Company has issued Performance Shares to Key Personnel to strengthen the relationship between senior executive performance, shareholder value and remuneration, the grant date was 11 December 2015.

The Performance shares were converted to fully paid ordinary shares following the early achievement of specified milestones:

- One third of the Performance Shares were converted to Fully Paid Ordinary Shares on 7th November 2016 upon having under management (supply and sell under contract) 50 Giga Watts (GW) of annualised energy contracts.
- A further third of the Performance Shares were converted to Fully Paid Ordinary Shares on 7th February 2017 upon having under management (supply and sell under contract) 75 Giga Watts (GW) of annualised energy contracts.
- The final third of the Performance Shares were converted to Fully Paid Ordinary Shares on 16th May 2017 upon having under management (supply and sell under contract) 100 Giga Watts (GW) of annualised energy contracts.

The milestones were determined after assessing the level of revenue required by the Company to meet its financial goals and what could be achieved in the marketplace.

The Key Management personnel of Locality Planning Energy Holdings Limited and the consolidated entity includes the directors of the Parent Entity.

Remuneration Report – Audited

2017 Remuneration

	Short-term employee benefits	Share Based Remuneration	Post- Employment Benefits	Total	Performance Related %	% consisting of options
	Salary & fees	Conversion of Performance Shares	Super- annuation			
	\$	\$	\$	\$	%	%
Directors						
Andrew Pierce	98,333	-	-	98,333	0%	0%
Damien Glanville	254,086	3,901,243	23,890	4,179,219	93.35%	0%
Ben Chester	254,086	3,901,243	23,890	4,179,219	93.35%	0%
Total	606,505	7,802,486	47,780	8,456,771	92.26%	0%

2016 Remuneration

	Short-term employee benefits	Share based Remuneration	Post- Employment Benefits	Total	Performance Related %	% consisting of options
	Salary & fees		Super- annuation			
	\$	\$	\$	\$	%	%
Directors						
Andrew Pierce	55,609	89,000	-	144,609	0%	61.5%
Damien Glanville*	184,293	1,583,669	16,905	1,784,867	88.73%	0%
Ben Chester*	185,447	1,583,669	16,905	1,786,021	88.67%	0%
John Shepherd**	49,735	89,000	-	138,735	0%	64.2%
Daniel Moore**	13,387	89,000	-	102,387	0%	86.9%
Total	488,471	3,434,338	33,810	3,956,619	80.05%	6.75%

*Appointed 11th December 2015

** Resigned 11th December 2015

Shareholdings of key management personnel

	Balance	Performance Share	Options	Net change	Balance
	1 July	Converted	exercised	other	30 June
Directors					
Andrew Pierce	8,960,641	-	10,000,000	-	18,960,641
Damien Glanville	186,985,610	249,314,146	-		436,299,756
Ben Chester	186,985,610	249,314,146	-		436,299,756

Option holdings of key management personnel

	Balance	Received as	Options	Net change	Balance
	1 July	Remuneration	exercised	other	30 June
Directors					
Andrew Pierce	10,000,000	-	10,000,000	-	-

At the start of the year, the company had 106,100,000 options on issue, of which 105,600,000 expired during the year. Of these, 10,000,000 were exercised, and 95,600,000 lapsed without being exercised. None of the options that lapsed were held by Key Management Personnel.

END OF REMUNERATION REPORT

Non-Audit Services

The auditor was paid for taxation services during the year, amounting to \$5000. The directors are satisfied that this did not compromise the independence of the auditors as it was a minor amount compared to the overall remuneration paid to the auditors.

Environmental

Whilst it is not an environmental issue for the Company, under the Renewable Energy Target, the Company is obliged to purchase and surrender an amount of large-scale generation certificates, and small-scale technology certificates, based on the volume of electricity the company acquires each year. This administrative function is managed through the purchase of electricity.

Indemnification and Insurance of Officers or Auditor

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary. The Company has insured all of the Directors and Officers of Locality Planning Energy Holdings Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

Proceedings on Behalf of Company

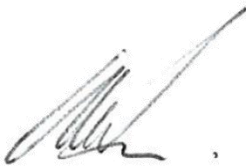
No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any other such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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and forms part of this directors' report and can be found on the following page.

Declaration

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Andrew Pierce', with a long, sweeping flourish extending upwards and to the right.

Andrew Pierce

Non- Executive Director

27 September 2017

LOCALITY PLANNING ENERGY HOLDINGS LIMITED

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Bentleys Brisbane (Audit) Pty Ltd



Stewart Douglas

Director

Brisbane

27 September 2017

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301

Shareholder Information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 18 September 2017, is advised hereunder.

Stock Exchange Quotation

The Company's shares are quoted on the ASX (Home branch: Sydney) under the code "LPE".

Classes of Securities

The Company has the following equity securities on issue:

ASX quoted: 1,005,335,029 ordinary shares, each fully paid, held by 1,222 shareholders

Unquoted: 1,505,201,358 ordinary shares, held by 5 shareholders (included in above total)
500,000 options, exercisable at 25 cents each, expiring 15 January 2018

Voting Rights

The voting rights attaching to ordinary shares are set out in Clause 13.13 of the Company's Constitution and are summarised as follows:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote (even though he or she may represent more than one shareholder); and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each full paid share held by him, or in respect of which he is appointed proxy, attorney or representative, have one vote for the share.

Holders of options have no voting rights until such options are exercised.

Restricted Securities

1,505,201,358 ordinary shares, subject to escrow until 4 January 2018

On-market Buy-backs

There is no current on-market buy-back of any securities.

Distribution of Security Holders

Distribution of shares and the number of holders by size of holding are:

Shareholding Range	Ordinary Shares	
	Number of Holders	Number of Shares
1-1,000	21	2,381
1,001-5,000	10	32,828
5,001-10,000	95	914,729
10,001-100,000	408	21,408,831
100,001 and over	688	2,488,177,618
Totals	1,222	2,510,536,387

There are 163 shareholders holding less than a marketable parcel of ordinary shares based on the closing price of 2.5 cents per share on 18 September 2017.

Twenty Largest Security Holders

The names of the 20 largest shareholders, the number of shares and the percentage of capital each holds, are:

	NAME	NUMBER OF SHARES	% OF CAPITAL
1	BEN JAMES CHESTER <THE CHESTER FAMILY A/C>	436,299,756	17.379
2	DAMIEN IAN GLANVILLE <THE GLANVILLE FAMILY A/C> 4557	436,299,756	17.379
3	PETTETT PTY LTD <PETTETT FAMILY A/C>	435,701,676	17.355
4	JARWILL PTY LTD <JARWILL INVESTMENT A/C>	186,900,170	7.445
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	75,300,788	2.999
6	FERNSHA PTY LIMITED <SIMON'S BROOKLYN A/C>	50,000,000	1.992
7	NATIONAL NOMINEES LIMITED	45,800,000	1.824
8	DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C>	36,461,173	1.452
9	BNP PARIBAS NOMINEES PTY LTD	22,617,666	0.901
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	20,500,100	0.817
11	SORE TOOTH PTY LIMITED <SIMON TILLEY SUPER FUND A/C>	19,400,000	0.773
12	BEDAR HOLDINGS PTY LIMITED <THE ANDREW R PIERCE S/F A/C>	18,960,641	0.755
13	WOODVILLE SUPER PTY LIMITED <WOODVILLE AVE SUPER FUND A/C>	18,330,000	0.73
14	BOND STREET CUSTODIANS LIMITED <WIMPL - V21664 A/C>	16,892,318	0.673
15	EMS ARCADIA PTY LTD <CB FILMS SUPERFUND NO2 A/C>	14,000,010	0.558
16	GINGA PTY LTD <T G KLINGER SUPER FUND A/C>	13,500,000	0.538
17	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	13,429,470	0.535
18	MR JOHN CHARLES VASSALLO & MR SEAN JAMES VASSALLO <VASSALLO FAMILY S/F A/C>	13,018,065	0.519
19	BARK (NSW) PTY LTD <BARK A/C>	13,000,000	0.518
20	MR JOHN HENRY TOLL <TOLL FAMILY DISCRNTARY A/C>	11,500,000	0.458
	Totals: Top 20 holders of LPE ORDINARY FULLY PAID	1,897,911,589	75.6
	TOTAL REMAINING HOLDERS BALANCE	612,624,798	24.4

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

NAME	NUMBER OF SHARES
THE CHESTER FAMILY A/C	436,299,756
THE GLANVILLE FAMILY A/C	436,299,756
THE PETTETT FAMILY A/C	435,701,676
JARWILL PTY LTD	186,900,170

Corporate Government Statement

The Corporate Governance Statement is available on the Company's website at <https://localityenergy.com.au/for-investors/>

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue			
Electricity Sales	5	10,261,154	1,761,243
Less cost of goods sold			
Energy usage charges		-3,596,925	-562,022
Network charges		-4,021,783	-689,791
Other COGS		-881,835	-164,945
Total cost of goods sold		-8,500,543	-1,416,758
Gain/(loss) from trading		1,760,611	344,485
Other Income			
Interest received		44,333	33,216
Other receipts		49,079	105,482
Proceeds on sale of subsidiaries		0	110,109
Gain/(loss) on disposal of assets		-5,463	-734
Subsidiary loans write off		0	-117,700
Other expenses			
Employee costs		-2,449,914	-1,481,186
Professional costs		-503,046	-617,581
Share-based payments	14	-13,369,577	-6,535,990
Depreciation and amortisation		-392,899	-127,732
Borrowing costs		-117,774	-79,495
Bad and doubtful debts		-79,187	0
Other expenses		-809,859	-361,979
Loss from continued operation		-15,873,697	-8,729,105
Loss before income taxes		-15,873,697	-8,729,105
Income tax benefit/(expense)	6	0	115,168
Net loss for the period		-15,873,697	-8,613,937
Other comprehensive income		0	0
Other comprehensive income net of tax		0	0
Total comprehensive loss for the year		-15,873,697	-8,613,937
Basic/diluted earnings/(loss) per share (dollars per share)	16	(0.0089)	(0.0102)

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	21	3,977,705	2,631,507
Trade and other receivables	7	1,872,142	994,141
Other current assets	8	91,862	27,646
Total current assets		5,941,710	3,653,294
Non-current assets			
Plant and equipment	9	528,777	414,896
Leasehold improvements	10	459,050	0
Intangibles	11	3,576,211	1,280,690
Total non-current assets		4,564,038	1,695,586
TOTAL ASSETS		10,505,748	5,348,880
Current liabilities			
Trade and other payables		1,586,117	707,820
Employee entitlements - annual leave		158,649	85,200
Borrowings	12	45,524	55,948
Total current liabilities		1,790,290	848,968
Non-current liabilities			
Borrowings	12	1,258,677	222,213
Total non-current liabilities		1,258,677	222,213
TOTAL LIABILITIES		3,048,967	1,071,181
Net assets		7,456,781	4,277,699
Equity			
Issued capital	13	39,064,880	14,584,862
Reserves	16	125,000	6,535,990
Accumulated losses		-31,733,100	-16,843,153
Total equity		7,456,780	4,277,699

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		10,248,163	1,277,912
Payments to suppliers and employees		-12,235,782	-3,521,937
Interest received		34,675	33,216
Interest paid		-104,237	-65,495
Net cash provided by/(used in) operating activities	21	-2,057,181	-2,276,304
Cash flows from investing activities			
Payment for plant and equipment		-337,491	-419,702
Payment for leasehold improvements		-459,175	0
Payment for intangibles		-2,646,911	-1,239,542
Cash acquired in business combination		0	-843,055
Proceeds from sale of business		0	110,109
Proceeds from sale of assets		60,909	0
Net cash provided by/(used in) investing activities		-3,382,668	-2,392,190
Cash flows from financing activities			
Proceeds from issues of shares		5,683,200	7,510,991
Proceeds from loans		1,150,000	128,590
Repayment of loans		-47,154	-356,424
Net cash provided by/(used in) financing activities		6,786,046	7,283,157
Net increase/(decrease) in cash and cash equivalents		1,346,198	2,614,663
Cash and cash equivalents opening balance		2,631,507	16,844
Cash and cash equivalents closing balance	21	3,977,705	2,631,507

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued capital \$	Options reserve \$	Accumulated losses \$	Totals \$
Balance at 1 July 2015	301,643	0	-747,151	-445,508
Reverse acquisition of SXT	5,527,685	0	-7,482,065	-1,954,380
Profit/(Loss) after income tax	0	0	-8,613,937	-8,613,937
Share based payments	0	6,535,990	0	6,535,990
Other comprehensive income	0	0	0	0
Shares issued during the year	8,755,534	0	0	8,755,534
Balance at 30 June 2016	14,584,862	6,535,990	-16,843,153	4,277,699
Balance at 1 July 2016	14,584,862	6,535,990	-16,843,153	4,277,699
Profit/(Loss) after income tax	0	0	-15,873,697	-15,873,697
Share based payments	0	13,369,577	0	13,369,577
Other comprehensive income	0	0	0	0
Shares issued during the year	5,683,200	0	0	5,683,200
Expired options	0	-983,749	983,749	0
Options converted	18,796,818	-18,796,818	0	0
Balance at 30 June 2017	39,064,880	125,000	-31,733,100	7,456,780

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 REPORTING ENTITY

The financial statements of Locality Planning Energy Holdings Limited (“the Company”) for the year ended 30 June 2017 covers the Consolidated Entity consisting of Locality Planning Energy Holdings Limited and the entities it controlled from time to time throughout the year (“the Group” or “Consolidated Entity”) as required by the Corporations Act 2001. Locality Planning Energy Holdings Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars, which is the functional currency.

The address of the Group’s registered office and principal place of business is Suite 306, Tower One, 55 Plaza Parade, Maroochydore, QLD, 4558.

1 BASIS OF PREPARATION

A. Statement of compliance

The Financial Report has been prepared in accordance with requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This report is to be read in conjunction with any other public announcements made by the Group during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The accounting policies adopted are consistent with those of the previous financial year, unless stated otherwise.

B. Basis of measurement

The financial statements have been prepared on the historical cost basis.

C. Use of estimates and judgements

The preparation of financial statements in conformity with AASB’s requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are outlined below:

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may lead to impairment of other assets and financial assets. This assessment includes the recoverable amount of the intangible assets, which comprise the cost of securing a contract to supply electricity to a strata title property, plus the cost of establishing the metering infrastructure at that site. These costs are amortised over the life of the contract, which is generally 5 or 10 years. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations are performed or market based information is obtained in assessing recoverable amounts that incorporate a number of key estimates.

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

2 BASIS OF PREPARATION (Cont'd)

D. Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Group has incurred a net loss after tax for the year ended 30 June 2017 of \$15,873,697 and a net cash outflow from operations of \$2,057,181. At 30 June 2017, the Group's current assets exceeded its current liabilities by \$4,151,418.

The Company has prepared budgets based on its current growth plans and is examining funding opportunities to fund this growth. This include long term funding.

The consolidated entity has sufficient networking capital to maintain continuity of normal business activity and pay its debts as and when they fall due, without the need for funding.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied by all entities in the Group.

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of Locality Planning Energy Holdings Limited and its subsidiary for the year ended 30 June 2017 ("the Group"). Subsidiaries are entities (including structured entities) over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

B. Income Tax

The charge for current income tax expense is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the profit or loss, except where it relates to items recognised in the other comprehensive income or directly in equity. In this case the tax is recognised in the other comprehensive income or directly in equity respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or tax losses can be utilised. To the extent that any rebates are received from Government taxation authorities, they are recognised in profit or loss as an income tax benefit.

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

All assets are depreciated on either a straight line basis or diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate & Method
Plant and equipment	10-50% per annum straight line or diminishing value
Motor Vehicles	25% per annum, diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

D. Intangible assets

Intangible assets include the cost of securing a contract to supply electricity to a strata title property, plus the cost of establishing the metering infrastructure at that site. These costs are then amortised over the life of the contract, which is generally 5 or 10 years.

E. Leasehold Improvements

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

F. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Impairment of Financial Assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance amount.

H. Impairment of Non-Financial Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

I. Share-based payments

The Consolidated Entity may make share-based payments to directors and employees. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a valuation which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

J. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

K. Revenue

Revenue is measured at the fair value of the consideration received or receivable, less any trade or volume discounts. Interest revenue is recognised using the effective interest rates applicable to the financial assets. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Revenue from rendering of services is measured by reference to the stage of completion of the service provided.

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

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

M. Issued Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from equity.

N. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

O. Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Consolidated Entity are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the profit or loss on a straight line basis over the period of the lease.

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Financial Instruments

Recognition

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

Loans and receivables

These financial assets consist of trade and other receivables, which are measured at cost less any accumulated impairment losses. There is no significant concentration of credit risk.

Financial Assets at fair value through profit or loss

Financial assets are valued at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Held-to-maturity investments

These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity, except where losses are considered to be prolonged and extensive, in which case such losses are recognised in profit or loss.

Financial liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges. At present, the Group does not have any derivative instruments.

Fair Value

Fair value is determined based on current bid prices for all quoted investments.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Long-term employee benefits are only recognised to the extent that it is considered probable that employees will reach the eligible service period.

R. New Accounting Standards issued but not yet applicable

There are a number of new accounting standards and interpretations that have been issued that do not take effect in the current accounting period, but will impact future accounting periods. Management has decided against early adoption of any of these standards.

AASB 16 Leases

This standard removes the distinction between operating and financing leases for lessees as previously defined by AASB 117 Leases. Instead, an entity recognises a 'right-to-use' asset for all leases entered into, along with corresponding lease liabilities for the discounted value of future payments due under the lease, subject to various adjustments.

Management expects this standard to have some impact on the financial statements as it is currently party to a number of operating leases that are not in the Statement of Financial Position.

Had all of the leases in place at 30 June 2017 been accounted for in accordance with AASB 117, management believes there would have been an additional right-to-use asset and corresponding liability of approximately \$680,000 in addition to the existing finance lease liability.

This standard takes effect for reporting periods beginning on or after 1 January 2019.

AASB 15 Revenue from Contracts with Customers

This standard introduces a new 5-step process for recognition of revenue which involves identifying the 'performance obligations' (also known as the 'promises' made to customers) in the contracts with customers, and then determining how and when those 'promises' have been fulfilled.

Management will review contracts with customers and formulate a policy for identifying promises and when they are fulfilled. Management expects to do this in the next 12-18 months, however preliminary expectations are that the fulfilment of promises will likely result in a similar result to the current approach of recognising revenue in accordance with the 'percentage completion' method applied under AASB 118.

This standard takes effect for reporting periods beginning on or after 1 January 2018.

AASB 9 Financial Instruments

This standard makes changes to naming conventions of financial assets and to conditions required to apply hedge accounting. In addition, the standard introduces an 'expected credit losses' model for assessing impairment of financial assets.

Management has not yet conducted a detailed analysis of receivables using the expected credit losses model, however management does not expect the model would result in any substantial changes to the existing provision for impairment of receivables. This standard takes effect for reporting periods beginning on or after 1 January 2018.

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

4 SEGMENT REPORTING

The Group has identified its operating segments as being the energy retail sector in Australia. Management currently identifies the energy retail sector as being the Group's sole operating segment.

There have been no changes in the operating segments during the year. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from the segment are equivalent to the financial statements of the Group as a whole.

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
5 REVENUE AND OTHER INCOME		
Electricity sales	10,261,154	1,761,243
Interest revenue	44,333	33,216
Other receipts	49,079	105,482
Proceeds on sale of subsidiaries	0	110,109
Total revenue and other income	10,354,566	2,010,050

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
6 INCOME TAX		
Components of tax expense/(benefit) comprise:		
Current tax	0	0
Prior year tax	0	-115,168
Deferred tax	0	0
Income Tax Expense/(Benefit)	0	-115,168
 <i>Numerical reconciliation of income tax benefit to prima facie tax payable</i>		
Loss from operations before tax for the year	-15,873,697	-8,729,105
The prima facie income tax benefit on loss before income tax at a tax rate of 27.5% (2016: 30%)	-4,365,267	-2,618,732
 Tax effect amounts which are not (deductible)/taxable in calculating taxable income:		
	3,681,073	1,964,023
R & D tax offset	0	-115,168
Deferred tax asset not brought to account	684,194	654,709
Total income tax benefit	0	115,168
 <i>Net unrecognised deferred tax assets</i>		
Net Deductable temporary differences	76,904	50,440
Unused tax losses	1,575,104	453,270
Net unrecognised deferred tax asset	1,652,008	503,710

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.
The consolidated entity has no franking credits

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
7 TRADE & OTHER RECEIVABLES		
Trade receivables	1,768,273	730,081
R & D rebate receivable	0	115,168
Other receivables	28,109	59,292
GST receivable	75,760	89,600
	1,872,142	994,141

Current trade receivables are interest bearing and are generally receivable within 14 days. A provision for impairment is recognised against sales where there is objective evidence that an individual trade receivable is impaired.

	Gross Amount	Past due and impaired	Past due but not impaired Days (overdue)		
			<30 \$	31-45 \$	>45 \$
2017					
Trade Debtors	1,797,927	50,000	99,910	26,824	161,303
Less provisions for impairment	-29,654				
Other receivables	103,869				
Total	1,872,142	50,000	99,910	26,824	161,303
2016					
Trade Debtors	730,081	0	32,430	4,818	37,404
Less provisions for impairment	0				
Other receivables	264,060				
Total	994,141	0	32,430	4,818	37,404

The entity does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

The >45 day amount is subject to a contractual arrangements

Collateral held as security

No collateral is held as security for any of the trade and other receivable balances.

Collateral pledged

No collateral has been pledged for any of the trade and other receivable balances.

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
8 OTHER CURRENT ASSETS		
Bond paid	2,943	3,896
Deposits paid	10,000	0
Prepayments	78,920	23,750
	<u>91,862</u>	<u>27,646</u>
9 PLANT & EQUIPMENT		
Plant & equipment at cost	448,606	147,000
Accumulated depreciation	-84,840	-34,175
	<u>363,766</u>	<u>112,825</u>
Motor vehicles at cost	228,047	330,091
Accumulated depreciation	-63,036	-28,020
	<u>165,011</u>	<u>302,071</u>
	<u>528,777</u>	<u>414,896</u>

Reconciliation

Reconciliations of the carrying amount of each class of plant and equipment between the beginning and the end of the financial year

Plant and equipment

Balance at the beginning of the year	112,825	50,445
Additions	301,605	89,615
Depreciation	-50,664	-26,951
Write off plant and equipment	0	-284
Balance at the end of the year	<u>363,766</u>	<u>112,825</u>

Motor Vehicles

Balance at the beginning of the year	302,071	0
Additions	60,786	330,091
Disposals	-5,464	0
Depreciation	-54,668	-28,020
Balance at the end of the year	<u>302,725</u>	<u>302,071</u>

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	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
10 LEASEHOLD IMPROVEMENTS		
Leasehold improvements at cost	473,405	0
Accumulated depreciation	-14,354	0
	459,050	0

Reconciliation

Reconciliations of the carrying amount of leasehold improvements between the beginning and the end of the financial year

Leashold improvements

Balance at the beginning of the year	0	0
Additions	473,405	0
Depreciation	-14,354	0
Balance at the end of the year	459,050	0

11 INTANGIBLES

Intangibles at cost - site conversion costs	3,926,791	1,358,059
Accumulated amortisation	-350,580	-77,369
	3,576,211	1,280,690

Reconciliation

Reconciliations of the carrying amount of site conversion costs between the beginning and the end of the financial year

Site Conversion Costs

Balance at the beginning of the year	1,280,690	110,834
Additions	2,568,733	1,243,071
Amortisation	-273,211	-72,761
Write off intangibles	0	-454
Balance at the end of the year	3,576,212	1,280,690

12 BORROWINGS

Current

Site conversion loans	45,524	37,753
Owing to related parties	0	18,195
	45,524	55,948

Non-current

Site conversion loans	108,677	154,506
Owing to related parties	1,150,000	67,707
	1,258,677	222,213

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
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13 ISSUED CAPITAL

(a) Issued and paid up capital

	2017	2016
	Number	Number
Ordinary shares fully paid no par value	2,510,536,385	1,357,135,611

(b) Movement in ordinary shares on issue

	Number	\$
Balance at 30 June 2016	1,357,135,611	14,584,862
Conversion of performance shares to ordinary shares	854,400,774	18,796,818
Institutional placement	289,000,000	5,433,200
Exercise of options	10,000,000	250,000
Balance at 30 June 2017	2,510,536,385	39,064,880

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Share buy-back

There is no current on-market share buy-back.

(c) Share options

At the end of the period, the following options over unissued shares were outstanding:

	Exercise	
Number	\$	Expiry
500,000	0.25	15/04/2018

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In common with many other newly listed companies, the parent raises finance for the consolidated entity's working capital and asset development activities. The consolidated entity's overall strategy remains unchanged from 2016.

The consolidated entity is not subject to externally imposed capital requirements.

14 SHARE-BASED PAYMENTS

During the year ended 30 June 2017, the Company converted previously issued performance shares. Previously issued options were also exercised

Grant date	Number of	Exercise	Expiry date	Fair value
	Instruments	Price		expensed during
		\$		the period
				\$
11/12/2015	854,400,774	n/a	n/a	13,208,577
02/11/2015	10,000,000	0.025	30/06/2017	161,000
				<u>13,369,577</u>

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15 RESERVES

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
Options reserve		
Opening balance	6,535,990	0
Options vested	13,369,577	6,535,990
Expired options	-983,750	0
Options converted to ordinary shares	-18,796,817	0
Closing balance	<u>125,000</u>	<u>6,535,990</u>

The option reserve account is to account for share based payments

16 EARNINGS PER SHARE

	2017 Number	2016 Number
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	1,786,258,101	845,775,323
	\$	\$
Net loss after tax used in calculating basic earnings per share	-15,873,697	-8,613,937
Net loss after tax used in calculating diluted earnings per share	<u>-15,873,697</u>	<u>-8,613,937</u>

17 CONTROLLED ENTITIES

Investment in controlled entities	Country of incorporation	Class of shares	% of ownership 2017	% of ownership 2016
Locality Planning Energy Pty Ltd	Australia	Ord	100%	100%

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
18 LEASE COMMITMENTS		
<i>Total operating lease payments</i>		
Within 1 year	178,708	95,493
1 to 5 years	508,250	523,320
Total	<u>686,958</u>	<u>618,813</u>
<i>Total finance lease payments</i>		
Within 1 year	58,933	58,933
1 to 5 years	127,252	186,300
Total	<u>186,185</u>	<u>245,233</u>
Less Future interest charges	-31,983	-52,974
Total	<u>154,202</u>	<u>192,259</u>
<i>Reconciliation to lease liabilities</i>		
Current - Note 12	45,524	37,942
Non-current - Note 12	108,677	154,317
Total	<u>154,201</u>	<u>192,259</u>

19 CONTINGENT LIABILITIES AND ASSETS

The Directors are not aware of any contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements. (2016:nil)

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
20 RELATED PARTIES		
Key management personnel compensation		
Short term employee benefits	606,505	488,471
Post-employment benefits	47,780	33,810
Share based payments	7,802,485	3,434,338
	<u>8,456,770</u>	<u>3,956,619</u>

Other related party transactions

During the year, two Directors provided loans to the Group totalling \$1,150,000 as disclosed at note 12. Loans are repayable in full, 2 years of being granted, and a commercial rate of interest is charged. Loans are secured by the borrowers' interest in a list of Installation of Works Agreements.

21 CASH FLOW INFORMATION

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
<i>Reconciliation of cash flow from operations with profit / (loss) after tax</i>		
Profit / (loss) after tax	-15,873,697	-8,613,937
Non-cash flows:		
Depreciation and amortisation	392,899	127,732
Loss on disposal of assets	5,463	734
Loss on sale of subsidiaries	0	7,591
Share-based payments	13,369,577	6,535,990
Interest expense settled in shares	0	19,543
	<u>-2,105,758</u>	<u>-1,922,347</u>
Changes in operating assets and liabilities		
Increase in receivables	-878,001	-959,372
Decrease / (increase) in other assets	-64,216	-12,425
(Decrease) / increase in creditors and payables	917,345	558,634
Increase in employee entitlements	73,449	59,206
Net cash used in operating activities	<u>-2,057,181</u>	<u>-2,276,304</u>
Cash and cash equivalents in the Consolidated Statement of Cash Flows include:		
Cash on hand	151	1,517
Cash at bank	2,477,554	174,990
Cash on deposit	1,500,000	2,455,000
	<u>3,977,705</u>	<u>2,631,507</u>

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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22 FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability, and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives

The financial risks of the Consolidated Entity include price risk, interest rate risk, liquidity risk and credit risk. The consolidated entity does not hedge these risk exposures. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Price risk

Price risk is the risk of changes to market prices in the supply of electricity. This risk applies to both the price at which the Company sells electricity to its customers and the price it pays for that electricity. The Company manages this risk by signing up customers and suppliers to long-term contracts where possible.

The Consolidated Entity's activities are also exposed to the financial risks of changes in interest rates on its borrowings and cash and cash equivalents. It is the policy of the Consolidated Entity to manage their risks by continuously monitoring interest rates.

Interest rate risk

Interest rate risks are caused by fluctuations in interest rates which, in turn, are due to market forces.

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Consolidated Entity's profit or loss before taxes through the impact on cash and cash equivalents and held to maturity investments with a decrease or an increase of 0.25% in interest rates.

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
Cash and cash equivalents and other financial assets	3,977,705	2,631,507
Borrowings	-1,304,201	-278,161
	<u>2,673,504</u>	<u>2,353,346</u>
Sensitivity		
Effect on profit or loss before taxes		
Increase 0.25%	6,684	5,883
Decrease 0.25%	-6,684	-5,883

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22 FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk management

Liquidity risks are caused by the inability to raise the money needed to meet payment of liabilities as and when they fall due. The Consolidated Entity manages liquidity risk by maintaining of reserves and by continually monitoring forecast and actual cash flows and cash balances. The Company is actively pursuing financing possibilities to fund its future growth plans.

At 30 June 2017 current assets exceeded current liabilities by \$4,151,418 (2016: current assets exceeded current liabilities by \$2,804,326). Financial liabilities comprised trade payables, accruals and loans. All trade payables and accruals have a contractual maturity of 6 months or less.

Credit risk management

In relation to financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under a contract or arrangements. Credit risk for the Consolidated Entity arises from cash and cash equivalents and outstanding receivables. The Consolidated Entity partially reduces credit risk by the use of direct debit facilities with its customers. In addition, the Company has the right to withhold the supply of electricity to secure payment. All cash & cash equivalents are held with Australian regulated banks. The maximum exposure to credit risk is the carrying amount of the financial assets recognised in the Consolidated Statement of Financial Position.

Fair values

The carrying amounts of all financial assets and liabilities primarily comprising cash and cash equivalents, trade and other receivables, trade and other payables, employee entitlements, and loans are stated at their fair value.

	Consolidated Entity 2017 \$	Consolidated Entity 2016 \$
23 AUDITORS REMUNERATION		
Amounts paid/payable for audit or review of the financial statements	80,000	80,000
Assistance with financial reporting issues in respect of the reverse acquisition		40,000
Amounts paid/payable for tax and other services	5,000	0
	85,000	120,000

24 SUBSEQUENT EVENTS

There have been no other matters or circumstances that have arisen since the end of the year which significantly affected or could significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

LOCALITY PLANNING ENERGY HOLDINGS LIMITED
ABN 90 147 867 301
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

25 PARENT ENTITY DISCLOSURES

	2017	2016
	\$	\$
The following information has been extracted from the books and records of the legal parent entity Locality Planning Energy Holdings Limited.		
Results of parent entity		
Profit/loss for the year	-14,051,627	-6,866,765
Other comprehensive income/(loss) for the year	0	0
Total comprehensive income/(loss) before tax	<u>-14,051,627</u>	<u>-6,866,765</u>
Income tax benefit	0	115,168
Total comprehensive income before tax	<u><u>-14,051,627</u></u>	<u><u>-6,751,597</u></u>
Financial position of parent entity at year end		
Current Assets	12,798,636	6,624,421
Total Assets	12,798,636	6,624,421
Current Liabilities	1,214,546	38,874
Total Liabilities	1,214,546	38,874
Net Assets	<u><u>11,584,090</u></u>	<u><u>6,585,547</u></u>
Total equity of the parent entity comprising:		
Issued capital	39,064,880	14,584,862
Reserves	125,000	6,535,990
Accumulated losses	-27,605,789	-14,535,305
Total equity	<u><u>11,584,091</u></u>	<u><u>6,585,547</u></u>

DIRECTORS DECLARATION

The Directors of the Company declare that:

- 1 The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 30 June 2017 and performance for the year ended on that date of the consolidated entity,
- 2 The financial statements also comply with International Financial Reporting Standards as disclosed in note 2.
- 3 The Remuneration Report as set out in the Directors' Report complies with Section 300A of The Corporations Act 2001.
- 4 The Chief Executive Officer and Chief Financial Officer have declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
 - (c) the financial statements and notes for the financial year give a true and fair view.
- 5 In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors



ANDREW PIERCE

Director

27 September 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED**

Opinion

We have audited the financial report of Locality Planning Energy Holdings Limited ("the Company", and its controlled entities (the "Group")), which comprises the consolidated statement of financial position as at 30 June 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(D) in the financial report, which indicates that the Company incurred a net loss of \$15,873,697 and a net cash outflow from operations of \$2,057,181 during the year ended 30 June 2017. As stated in note 2(D), these events or conditions, along with other matters as set forth in Note 2(D), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

**TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED
(Continued)**

Key Audit Matter	How our audit addressed the key audit matter
<p>Recognition and Recording of Revenue</p> <p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> • The strong growth in sales in recent years resulting in the need for substantially increased human and information technology capabilities and resources to ensure accurate recording. • The significance of sales revenue and projected sales revenue in calculating share-based payments and potentially the value-in-use of certain key assets. • The estimation and complexity required in determining the amount and timing of accrued but unbilled revenue. • The complexity of the billing system used by the organisation. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing key controls within the sales and accounts receivable process to ensure completeness and accuracy of sales invoices recorded in the ledger. • Analytical procedures to identify unusual transactions or trends in sales data that may be indicative of material misstatement. • Cut-off procedures to ensure that only sales related to the 2016-2017 financial year are recorded in these financial statements. • Detailed recalculation of accrued and unbilled revenue. • Challenging managements' assumptions and estimates in relation to key inputs used in the calculation of unbilled revenue accruals and collectability of sales. These estimates are summarised in Note 1 to the financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED
(Continued)**

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED
(Continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED
(Continued)**

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Locality Planning Energy Holdings Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards



Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants



Stewart Douglas
Director

Brisbane, 28 September 2017