LPE

The electricity supplier
supporting communities

LOCALITY PLANNING ENERGY
HOLDINGS LIMITED

# Annual Report
# 2018

# LOCALITY PLANNING ENERGY HOLDINGS LIMITED

ABN 90 147 867 301

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Locality Planning Energy (ASX: LPE) is an electricity and utility supplier specialising in servicing strata communities throughout South-East QLD.

# CORPORATE DIRECTORY

**Non-Executive Chairman**
Mr Andrew Pierce

**Executive Directors**
Mr Damien Glanville
Mr Ben Chester

**Chief Financial Officer**
Ms Melissa Farrell

**Company Secretary**
Mr Bill Lyne

**Principal & Registered Office**
Suite 306, Tower 1, Kon-Tiki Business Centre
55 Plaza Parade, Maroochydore, QLD, 4558
Phone: 1800 040 168

**Auditors**
Bentleys
Level 9, 123 Albert Street
Brisbane, QLD, 4000
Phone: +61 7 3222 9777

**Lawyers**
Gadens
Level 11, 111 Eagle Street
Brisbane, QLD, 4000
Phone: +61 7 3231 1692

**Share Registrar**
Link Market Services Limited
10 Eagle Street
Brisbane City, QLD, 4000
Phone: +61 1300 554 474

**Stock Exchange Listing**
Australian Securities Exchange
Code: LPE

# CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to report your company continues on its growth path and is entering into its next phase, which includes the introduction of new products.

The past year has seen LPE mature beyond a start-up into a growing enterprise. The company strives to support and improve its energy offerings to the communities it services. We do this by providing innovative solutions to the broader problems that strata communities face in regard to their electricity and utility needs, while maintaining a transparent, honest and service-driven outcome. Our commitment to our customers is why LPE has seen a consistent and now increasing uptake of our services.

During the 2018 financial year, your board developed a high growth strategic plan that included product and geographic expansion as well as continuing to mature our existing market. It is encouraging to see these plans able to be implemented by utilising the increased operational capabilities of the company.

The innovative nature of LPE has led to the effective introduction of a direct to market consumer offering. This development provided the platform for the company to introduce a solar product that is dedicated to providing access to sustainable and renewable solar electricity for the vast majority of strata communities. LPE will now navigate this next stage of its growth with the clear purpose of ensuring commitment to leading the electricity industry servicing strata communities. The company will continue to bring innovation and superior service to the industry, while maintaining shareholder value and operating ethically and openly. The past year has seen the electricity market fall from unprecedented highs into consumer uncertainty. LPE has maintained a consistent and forward-looking purchasing strategy that has weathered these events and laid the groundwork for a stable financial future.

Financially, our revenues have increased to over $20 million, an increase of nearly 100%, and our margins have increased markedly whilst our growing operating costs have been restrained. Additionally, despite increased resources being allocated to our new products, the operating loss has reduced to $1.43 million. The board is mindful of the funding requirements necessary for its ongoing operations and announced earlier this year that it had secured certain funding. With the company's new product offerings, your board is looking at more comprehensive funding to satisfy our growing needs, which we expect to resolve in the near future.

Our board is highly skilled and gaining valuable experience as a cohesive group. As the demands on the current board members grow, the introduction of a non-executive member is to be considered over the coming year. There is a robust structure in the leadership group that has a broad understanding of the challenges at hand. This ensures delivery of our products and services at the highest level of customer experience.

Finally, on behalf of the Board, I wish to express our thanks to all shareholders and other stakeholders for their continued support so that we may achieve our long-term goals. In addition, I would like to thank our staff and management for their dedicated service and commitment to the company's vision and ideals, including increased value for our shareholders.

**Andrew Pierce**
**Non-Executive Chairman**

# CEO REPORT

Dear Shareholders,

With another twelve months having passed, we have continued to mature as a business improving operations and maintaining strong customer growth. We continually review our performance internally and externally to ensure that we are achieving the best outcomes for our customers and the successful growth of our business.

We have further cemented our reputation as experts in the supply of electricity and utility services to the strata industry by delivering on our vision and ensuring our communities receive the full benefit of an LPE embedded network. This trust is a true validation of LPE's brand, particularly with the current criticism of the energy market.

We have has positioned ourselves as the electricity supplier supporting strata communities, a vision that guides our operational and customer-facing business decisions. Included in this annual report are some impact indicators that show the quantifiable benefits LPE's communities experience.

While we are immensely proud of our exceptional customer experiences, a significant amount of background work has gone into developing LPE into the maturing enterprise that it is today. At board level, the drive to sustain our substantial growth and exceed the expectations of our stakeholders remains paramount. Building on last year's success and the additional funding acquired, the company has sustained its rapid growth. LPE's strong purchasing mechanism has continued to insulate the company from the volatility of the energy market, while our enthusiastic investors have allowed for expansion.

To continue the growth of LPE and to cement our position as the leading supplier of electricity to strata communities we have successfully launched our direct market electricity offer, supplying electricity to communal areas for communities that are not suited to an embedded network.

Along with this evolution we continually question how we can help our customers reduce the cost of electricity for their communities. With this vision in mind we recently launched a solar solution enabling a whole community to benefit from lower priced renewable energy. This also supports the demands of our customers who are looking for sustainable energy solutions.

As the CEO and co-founder of LPE, I am incredibly proud of the company's progress. Our rapidly increasing customer numbers and the satisfaction of those customers are testimony to LPE's vision and business ethos. We are passionate about what we do and will continue to cement this drive in our company culture and staff. Thank you to all LPE's staff, without whom, the company's success could not have been achieved and we look forward to providing further success in the years to come as we continue to challenge the market and ourselves.

**Damien Glanville**
**CEO**

# WHY WE DO WHAT WE DO

LPE is an all-Australian electricity supplier focused on supporting communities through competitive electricity rates, innovative supply solutions and exceptional, local customer service.

The co-founders and directors of LPE, Ben Chester and Damien Glanville, recognised that the electricity market had become very complicated, particularly for consumers looking for the best deal. With the goal of de-mystifying this space, LPE aims for transparency in all communications. This is reflected in our electricity rates, which are presented as simple, flat rates with no confusing discounts.

There is a general lack of understanding regarding electricity supply, especially in the strata community space. Body Corporates are often under-educated regarding their options and, as a result, are paying more than they should. LPE's focus is on providing innovative supply solutions to these under-serviced communities, simplifying the process and significantly reducing electricity bills.

With our head office based on the Sunshine Coast, QLD, LPE understands the importance of communities and the role local companies play in them. The Company is now providing over 30 local people with employment and continues to invest money in local sporting and community clubs.

As the cost of living continues to rise and more companies choose to outsource work overseas, LPE remains dedicated to supporting local communities with money-saving electricity supply solutions and local jobs.

# THE IMPACT OF LPE ON OUR COMMUNITIES

When the data from all LPE communities over the past 12 months is compiled, the impact of LPE becomes apparent. LPE have delivered over $6,000,000 in savings to our communities, this is money that is directly re-invested into local communities and contributes to income support for our customers.

| Market Average | LPE |
|---|---|
| **Energy Affordability - average annual electricity bill** | |
| $1441 | $950.13 |
| **Debt Levels - customers repaying debt** | |
| 2.3% ($580 Avg in overdue amounts) | 0.002% ($327 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** | |
| 1.97% | 0.005% |
| **Hardship - customers on hardship plans** | |
| 1.02% (Avg amount owing $776) | Zero Customers |
| **Savings Over Standard Market Energy Offers** | |
| Average $171 | Average $463 |

All reference values are from the Australian Energy Regulator 'Performance of the Retail Energy Market Queensland 2016-17'

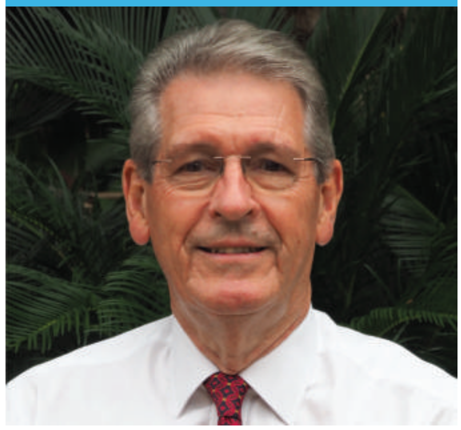
# DIRECTORS' REPORT

**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 2018.**

## The Directors

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

### Mr Andrew Pierce
Non-Executive Chairman and Director



**Qualifications**
FCA

**Appointment Date**
17 March 2014

**Experience**
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 the Centre For Eye Health Limited. He is highly skilled in the areas of financial reporting and company regulatory & governance areas. During the past three years, Mr Pierce has not served as a director of any other ASX listed company.
Mr Pierce is a Fellow of Chartered Accountants Australia and New Zealand, having been in private practice as a partner or principal since 1972.
Mr Pierce is a member of the Audit and Risk Management Committee.
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.

**Special Responsibilities**
Chairman

**Interest in Shares and Options**
20,000,000 fully paid ordinary shares

**Directorships Held in Other Listed Entities**
Nil

### Mr Damien Glanville
Executive Director, Co-founder and Chief Executive Officer

**Appointment Date**
11 December 2015

**Experience**
Mr Glanville has sixteen 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.
Mr Glanville is a co-founder and architect of 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.

**Special Responsibilities**
Chief Executive Officer

**Interest in Shares and Options**
421,299,756 fully paid ordinary shares

**Directorships Held in Other Listed Entities**
Nil

Mr Ben Chester
Executive Director, Co-founder and Chief Operating Officer

**Qualifications**
B. Eng

**Appointment Date**
11 December 2015

**Experience**
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 in an ASX listed company specialising in renewable projects, as the principal design and projects engineer for several commercial and utility scale deployments.

Mr Chester has contributed to several Australian, State and Federal Government advisory panels and with the Government of Thailand on generation, deployment strategies and network integration.

Mr Chester is a co-founder and architect of 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 Regulator's authorisation to retail electricity.

**Special Responsibilities**
Chief Operating Officer

**Interest in Shares and Options**
421,299,756 fully paid ordinary shares

**Directorships Held in Other Listed Entities**
Nil

Mr Bill Lyne
Company Secretary

**Qualifications**
BCom, CA, FCIS, FGIA, FAICD, FFIN

**Appointment Date**
31 May 2017

**Experience**
Mr Lyne is the principal of the Australian Company Secretary Service, providing company secretarial, compliance and governance services to public companies. He is currently secretary of three other listed companies and has a wealth of experience in corporate governance principles and practice.

**Special Responsibilities**
Company Secretary

**Interest in Shares and Options**
N/A

**Directorships Held in Other Listed Entities**
Director of Jumbo Interactive Limited, appointed 30 October 2009

Ms Melissa Farrell
Chief Financial Officer

**Qualifications**
BBus, CPA, Master Finance

**Appointment Date**
31 May 2017

**Experience**
Melissa has eighteen years experience working in accounting and finance. She has worked in various sectors including banking and mining both in Australia and overseas for publicly listed companies.

**Special Responsibilities**
Chief Financial Officer

**Interest in Shares and Options**
N/A

**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 2018 was a loss of $1,431,303 (2017 – loss of $15,873,397) which included:

- Electricity sales totalling $20,153,430 (2017: $10,261,154),
- employee costs of $3,038,296 (2017: $2,449,914),
- other expenses of $3,364,552 (2017: $1,908,229).

The Company invested $1,899,946 during the year (2017: $2,568,733) in the development and/or conversion of strata title sites for the purpose of supplying electricity.

# 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 2018 and to the date of this report.

# Review of Activities and Business Strategies

As of 30 June 2018, LPE had 204.73 GWh of annualised billable electricity sales. This is an increase of 91.7% from the previous year. The overall contract term length had a minor retraction through the year from 7.6 to 7.2 years, this shift is a natural adjustment due to the higher 5 year contracts compared to 10 years.

The monthly contract growth by GWh has remained very consistent with an upturn in the backend of the year increasing the average to 8.53GWh per month which is an increase of 18% over the previous average of 6.97GWh per month.

LPE has been able to maintain a great value proposition and high service levels to our niche consumer base in embedded electricity networks whilst also expanding our direct market offering. Management are continuing to innovate with particular product offerings like our solar electricity product, which is seeing high uptake numbers in the early stages of taking it to market.

LPE maintained a solid focus on our core offering into our niche market sector with the scale of growth giving rise to new products which are significantly broadening the addressable market.

# Outlook

Throughout FY19 the Company will broaden the focus of the past years from just embedded networks to electricity sales into strata communities. Embedded Networks will remain the core product, with the aim to meet the high customer demand for a product suite that is all things electricity. This larger product suite will offer more opportunity and predictably higher sales numbers.

The year saw an increase in the Gross margin to 24% where management believe that Gross margins will make a correction due to market and government influence to the range of 18% to 19% for the FY19.

Legislative changes are likely to influence only a small segment of the market, where larger incumbent retailers will be effected on a broader scale, LPE anticipate that key opportunities will arise and can accelerate growth into potential gaps that may be created.

The Directors understand that to maintain the company's planned growth rate there will be a requirement for expansion of funding which presently is being finalised, the directors have confidence that this facility will be secured in the near term.

# Significant Changes in the State of Affairs

There are no matters or circumstances that would significantly affect the state of affairs of the consolidated entity.

# Events Subsequent to Balance Date

There are no 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.

# Company Health and 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 a potential problem in safety and reporting suspicious occurrences; and
- minimising risks in the workplace.

# Directors' Meetings

| Director | Meetings of Directors Held* | Meetings of Directors Attended |
|---|---|---|
| Andrew Pierce | 12 | 12 |
| Damien Glanville | 12 | 11 |
| Ben Chester | 12 | 12 |

| Director | Audit & Risk Committee Meetings Held* | Audit and Risk Committee Meetings Attended |
|---|---|---|
| Andrew Pierce | 2 | 2 |
| Damien Glanville | 2 | 2 |
| Ben Chester | 2 | 2 |

| Director | Remuneration Committee Meetings Held* | Remuneration Committee Meetings Attended |
|---|---|---|
| Andrew Pierce | 1 | 1 |
| Damien Glanville | 1 | 1 |
| Ben Chester | 1 | 1 |

*of which eligible to attend

# REMUNERATION REPORT - AUDITED

**Remuneration Practices**

The Company has established a Remuneration Committee as a Committee of the Board.

The primary purpose of the Committee is to support and advise the Board 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) recommending to the Board 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 Committee shall have 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 key management personnel of Locality Planning Energy Holdings Limited and the consolidated entity includes the directors of the Parent Entity and the Chief Financial Officer.

## 2018 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 | 115,000 | - | - | 115,000 | 0 | 0 |
| Damien Glanville | 311,185 | - | 20,048 | 331,233 | 0 | 0 |
| Ben Chester | 326,040 | - | 20,048 | 346,094 | 0 | 0 |
| **Executives** | | | | | | |
| Melissa Farrell | 167,192 | - | 15,883 | 183,075 | 0 | 0 |
| Total | 919,417 | - | 55,979 | 975,402 | 0 | 0 |

## 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 |

# Shareholdings of Key Management Personnel

| | Balance<br>1 July 2017 | Shares<br>Acquired | Shares<br>Disposed | Balance<br>30 June 2018 |
|---|---|---|---|---|
| **Directors** | | | | |
| Andrew Pierce | 18,960,641 | 1,039,359 | - | 20,000,000 |
| Damien Glanville | 436,299,756 | - | 15,000,000 | 421,299,756 |
| Ben Chester | 436,299,756 | - | 15,000,000 | 421,299,756 |
| **Executives** | - | - | - | - |
| Melissa Farrell | - | - | - | - |

## Environmental

Whilst it was 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 the 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.

## Non-Audit Services

The Directors are satisfied that the provision of non-audit services is consistent with the independence standard for auditors under the corporations act 2001.

The non-audit services did not substantially impact the subject matter of the audit.

## 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 2018 has been received and forms part of this directors' report and can be found on the following page.

**Andrew Pierce**
**Non-Executive Director**
**Dated: 28 September 2018**

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 2018 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

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Stewart Douglas
Director

Brisbane
28 September 2018

# SHAREHOLDER INFORMATION

## Shareholder Information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 21 September 2018, is advised hereunder.

## Stock Exchange Quotation

The Company's shares are quoted on the ASX under the code "LPE".

## Classes of Securities

The Company has the following equity securities on issue:
ASX quoted: 2,510,536,387 ordinary shares, each fully paid, held by 1,121 shareholders

## 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

800,000,000 ordinary shares, subject to voluntary escrow until 13 February 2019.

## 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:

| | Ordinary Shares | |
|---|---|---|
| Shareholding Range | Number of Holders | Number of Shares |
| 1-1,000 | 29 | 3,198 |
| 1,001-5,000 | 10 | 33,882 |
| 5,001-10,000 | 94 | 902,406 |
| 10,001-100,000 | 366 | 18,716,605 |
| 100,001 and over | 622 | 2,490,880,296 |
| **Totals** | 1,121 | 2,510,536,387 |

There are 231 shareholders holding less than a marketable parcel of ordinary shares based on the closing price of 1.8 cents per share on 21 September 2018.

# Twenty Largest Security Holders

The names of the twenty largest shareholders, the number of shares and the percentage capital each holds, are;

| | NAME | NUMBER OF SHARES | % OF CAPITAL |
|---|---|---|---|
| **1** | LUMBER CO PTY LTD < CHESTER FAMILY A/C> | 421,299,756 | 16.78 |
| **2** | DAMIEN IAN GLANVILLE <GLANVILLE FAMILY A/C> | 421,299,756 | 16.78 |
| **3** | PETTETT PTY LTD <PETTETT FAMILY A/C> | 415,089,426 | 16.53 |
| **4** | JARWILL PTY LTD <JARWILL INVESTMENT A/C> | 186,900,170 | 7.44 |
| **5** | NATIONAL NOMINEES LIMITED | 101,750,000 | 4.05 |
| **6** | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 86,326,309 | 3.44 |
| **7** | DEFENDER EQUITIES PTY LTD <DEFENDER AUS OPPORTUN FD A/C> | 45,200,000 | 1.80 |
| **8** | MR STEPHEN CON KRITICOS | 24,117,519 | 0.96 |
| **9** | WOODVILLE SUPER PTY LIMITED <WOODVILLE AVE SUPER FUND A/C> | 23,500,000 | 0.94 |
| **10** | GINGA PTY LTD <T G KLINGER SUPER FUND A/C> | 22,500,000 | 0.90 |
| **11** | FERNSHA PTY LIMITED <SIMON'S BROOKLYN A/C> | 20,765,228 | 0.83 |
| **12** | J P MORGAN NOMINEES AUSTRALIA LIMITED | 20,500,100 | 0.82 |
| **13** | NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C> | 20,274,047 | 0.81 |
| **14** | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 19,559,772 | 0.78 |
| **15** | SORE TOOTH PTY LIMITED <SIMON TILLEY SUPER FUND A/C> | 19,000,000 | 0.76 |
| **16** | EMS ARCADIA PTY LTD <CB FILMS SUPERFUND NO2 A/C> | 14,000,010 | 0.56 |
| **17** | MR RODNEY PATRICK CALLAHAN | 11,512,665 | 0.46 |
| **18** | THIRTY SIXTH VILMAR PTY LTD | 10,741,100 | 0.43 |
| **19** | BOND STREET CUSTODIANS LIMITED <WIMPL - V21664 A/C> | 10,000,000 | 0.40 |
| **20** | MR JASON PLEHN | 10,000,000 | 0.40 |
| | **Total top 20 holders of LPE ordinary fully paid shares** | **1,904,335,858** | **75.85** |
| | **Total remaining holders** | **606,200,529** | **24.15** |

# Substantial Shareholders

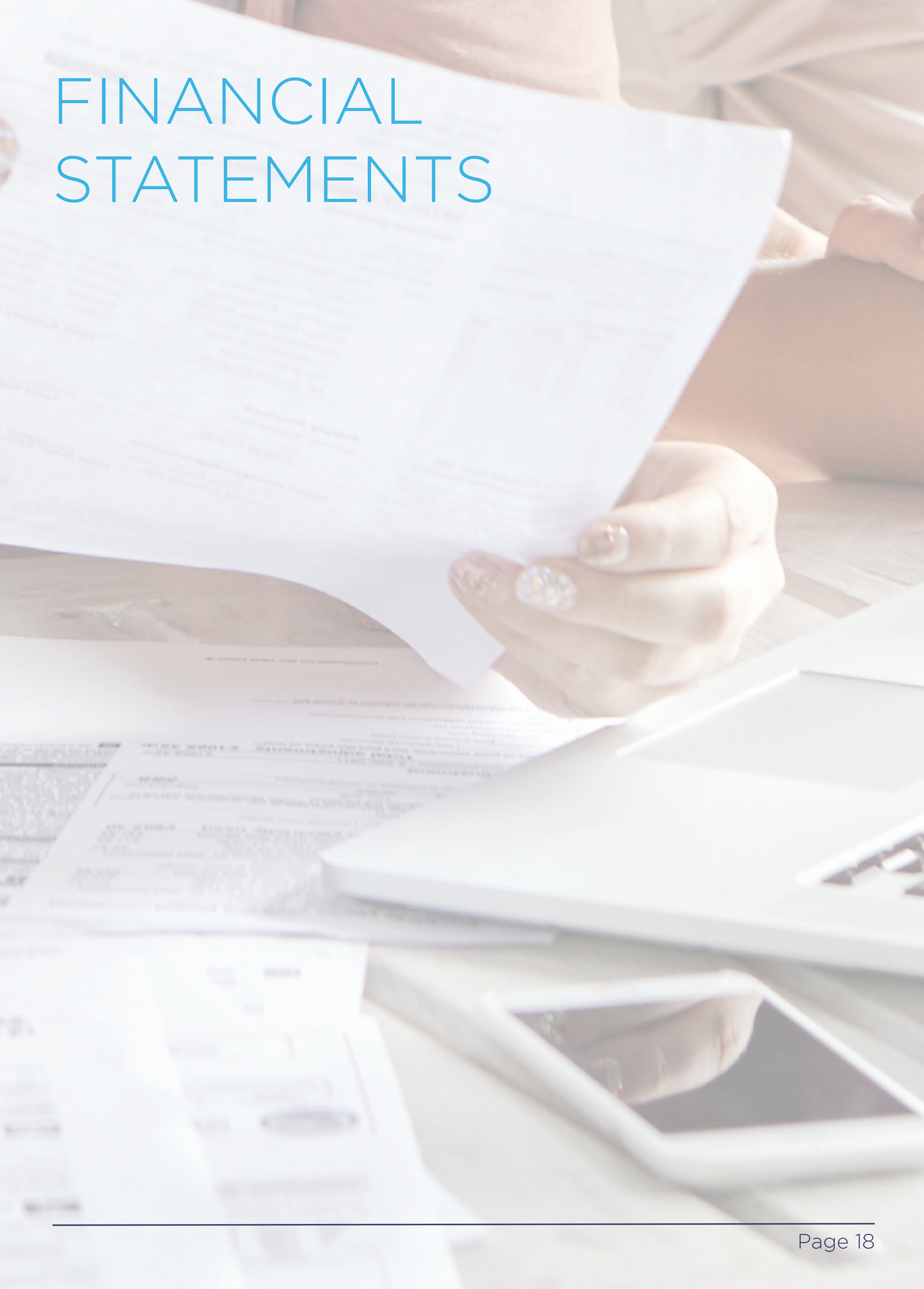
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

| Name | Number of Shares |
|---|---|
| CHESTER FAMILY A/C | 421,299,756 |
| GLANVILLE FAMILY A/C | 421,299,756 |
| PETTETT FAMILY A/C | 415,089,426 |
| JARWILL INVESTMENT A/C | 186,900,170 |

# Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at https://www.localityenergy.com.au/site/company/corporate-governance.

# FINANCIAL STATEMENTS



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

## LOCALITY PLANNING ENERGY HOLDINGS LIMITED

## ABN 90 147 867 301

| | | 2018 | 2017 |
|---|---|---|---|
| | Note | $ | $ |
| **Revenue** | | | |
| Electricity Sales | 5 | **20,153,430** | **10,261,154** |
| | | | |
| **Less cost of goods sold** | | | |
| Energy usage charges | | -7,499,849 | -3,596,925 |
| Network charges | | -5,773,809 | -4,021,783 |
| Other COGS | | -1,935,702 | -881,835 |
| **Total cost of goods sold** | | **-15,209,360** | **-8,500,543** |
| **Gain from trading** | | **4,944,070** | **1,760,611** |
| | | | |
| **Other Income** | | | |
| Interest received | 5 | 8,553 | 44,333 |
| Other receipts | 5 | 18,919 | 49,079 |
| | | | |
| **Other expenses** | | | |
| Bad and doubtful debts | | -121,964 | -79,187 |
| Interest expense | | -156,048 | -117,774 |
| Depreciation and amortisation | | -905,818 | -392,899 |
| Employee costs | | -3,038,296 | -2,449,914 |
| Gain/(loss) on disposal of assets | | -5,768 | -5,463 |
| Other expenses | | -1,366,909 | -809,859 |
| Professional costs | | -808,045 | -503,046 |
| Share-based payments | 14 | 0 | -13,369,577 |
| **Loss from continuted operation** | | **-1,431,303** | **-15,873,697** |
| **Loss before income taxes** | | **-1,431,303** | **-15,873,697** |
| | | | |
| Income tax benefit/(expense) | 6 | 0 | 0 |
| **Net loss for the period** | | **-1,431,303** | **-15,873,697** |
| | | | |
| Other comprehensive income | | 0 | 0 |
| Other comprehensive income net of tax | | 0 | 0 |
| Total comprehensive loss for the year | | **-1,431,303** | **-15,873,697** |
| Basic/diluted earnings/(loss) per share (dollars per share) | 16 | **(0.0006)** | **(0.0089)** |

The Consolidated Statement of Profit and Loss should be read in conjunction with the Notes to the Financial Statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

## LOCALITY PLANNING ENERGY HOLDINGS LIMITED

## ABN 90 147 867 301

| | | 2018 | 2017 |
|---|---|---|---|
| | Note | $ | $ |
| **Current assets** | | | |
| Cash and cash equivalents | 21 | 1,364,363 | 3,977,705 |
| Trade and other receivables | 7 | 2,386,669 | 1,872,142 |
| Other current assets | 8 | 180,390 | 91,862 |
| **Total current assets** | | **3,931,422** | **5,941,709** |
| | | | |
| **Non-current assets** | | | |
| Plant and equipment | 9 | 534,396 | 528,777 |
| Leasehold improvements | 10 | 407,925 | 459,050 |
| Intangibles | 11 | 5,027,448 | 3,576,211 |
| **Total non-current assets** | | **5,969,769** | **4,564,038** |
| | | | |
| **TOTAL ASSETS** | | **9,901,191** | **10,505,747** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 2,317,759 | 1,586,117 |
| GST payable | | 4,247 | 0 |
| Employee entitlements - leave provisions | | 180,862 | 158,649 |
| Borrowings | 12 | 1,283,857 | 45,524 |
| **Total current liabilities** | | **3,786,724** | **1,790,290** |
| | | | |
| **Non-current liabilities** | | | |
| Employee entitlements - leave provisions | | 21,769 | 0 |
| Borrowings | 12 | 67,220 | 1,258,677 |
| **Total non-current liabilities** | | **88,989** | **1,258,677** |
| | | | |
| **TOTAL LIABILITIES** | | **3,875,713** | **3,048,967** |
| | | | |
| **Net assets** | | **6,025,477** | **7,456,780** |
| | | | |
| **Equity** | | | |
| Issued capital | 13 | 39,064,880 | 39,064,880 |
| Reserves | 15 | 0 | 125,000 |
| Accumulated losses | | -33,039,402 | -31,733,100 |
| **Total equity** | | **6,025,477** | **7,456,780** |

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements

# CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018

## LOCALITY PLANNING ENERGY HOLDINGS LIMITED

## ABN 90 147 867 301

| | | 2018 | 2017 |
|---|---|---|---|
| | **Note** | **$** | **$** |
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 19,665,182 | 10,248,163 |
| Payments to suppliers and employees | | -19,859,994 | -12,235,782 |
| Interest received | | 18,211 | 34,675 |
| Interest paid | | -156,048 | -104,237 |
| **Net cash provided by/(used in) operating activities** | 21 | **-332,649** | **-2,057,181** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment for plant and equipment | | -215,871 | -337,491 |
| Payment for leasehold improvements | | -22,533 | -459,175 |
| Payment for intangibles | | -2,095,529 | -2,646,911 |
| Proceeds from sale of assets | | 31,364 | 60,909 |
| **Net cash provided by/(used in) investing activities** | | **-2,302,569** | **-3,382,668** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares | | 0 | 5,683,200 |
| Financing costs paid | | -25,000 | 0 |
| Proceeds from loans | | 98,181 | 1,150,000 |
| Repayment of loans | | -51,305 | -47,154 |
| **Net cash provided by/(used in) financing activities** | | **21,876** | **6,786,046** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | -2,613,341 | 1,346,197 |
| **Cash and cash equivalents opening balance** | | 3,977,704 | 2,631,507 |
| **Cash and cash equivalents closing balance** | 21 | **1,364,363** | **3,977,704** |

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

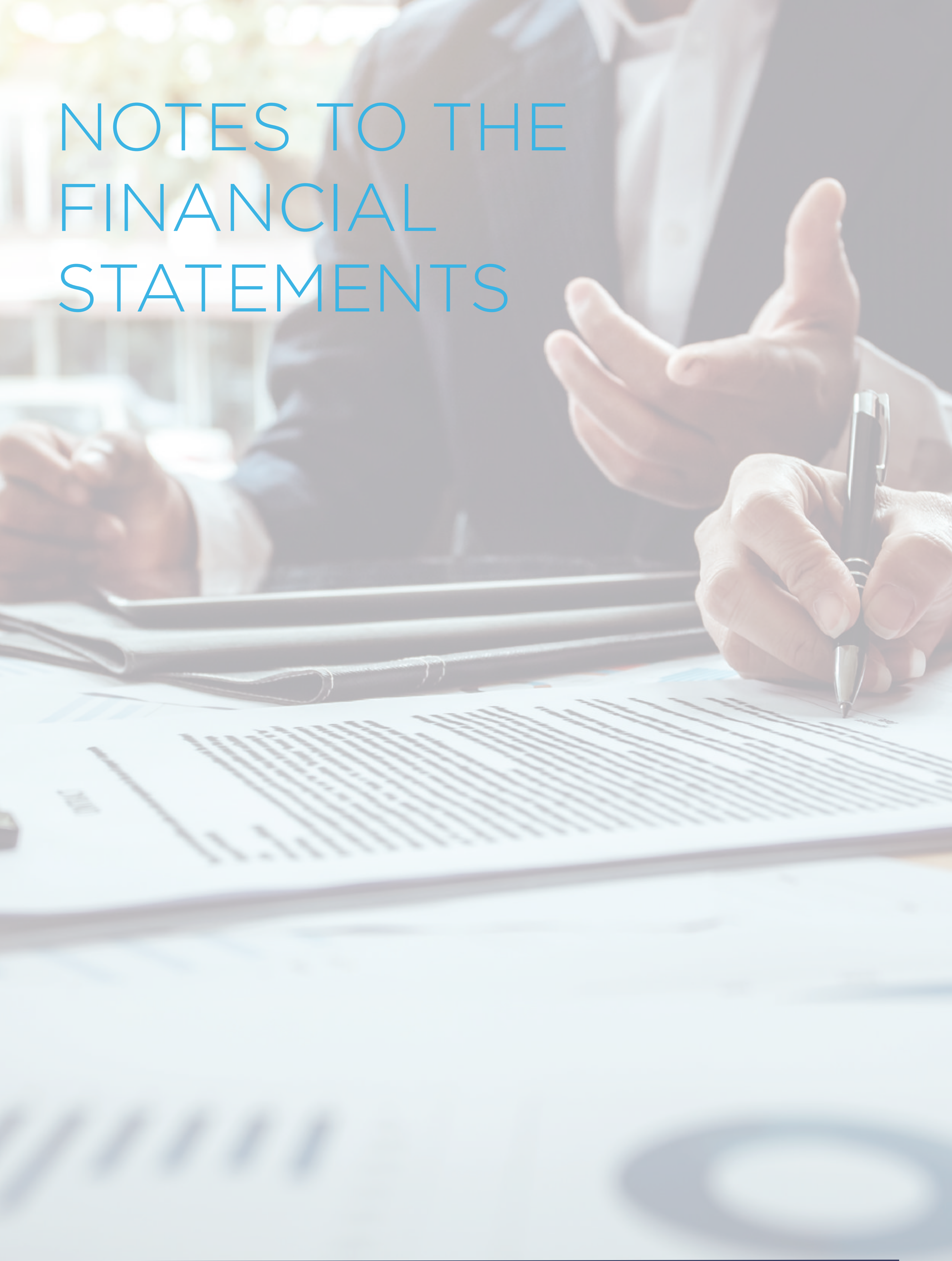
## LOCALITY PLANNING ENERGY HOLDINGS LIMITED

ABN 90 147 867 301

| | Issued capital | Options reserve | Accumulated losses | Totals |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| | | | | |
| **Balance at 1 July 2016** | **14,584,862** | **6,535,990** | **-16,843,152** | **4,277,700** |
| Profit/(Loss) after income tax | 0 | 0 | -15,873,697 | -15,873,697 |
| Share based payments | 0 | 13,369,577 | 0 | 13,369,577 |
| 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** |
| | | | | |
| | | | | |
| **Balance at 1 July 2017** | 39,064,880 | 125,000 | -31,733,100 | 7,456,780 |
| Profit/(Loss) after income tax | 0 | 0 | -1,431,302 | -1,431,302 |
| Expired options | 0 | -125,000 | 125,000 | 0 |
| **Balance at 30 June 2018** | **39,064,880** | **0** | **-33,039,402** | **6,025,478** |

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements

# NOTES TO THE FINANCIAL STATEMENTS



## 1 REPORTING ENTITY

The financial statements of Locality Planning Energy Holdings Limited (“the Company”) for the year ended 30 June 2018 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.

## 2 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 (AASB) 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.

## 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 2018 of $1,431,303 and a net cash outflow from operations of $332,649. At 30 June 2018, the Group's current assets exceeded its current liabilities by $144,698.

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

The consolidated entity has sufficient net working capital to maintain continuity of normal business activity and pay its debts as and when they fall due.

## 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 subsidiaries for the year ended 30 June 2018 ("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.

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## 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 liablities 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.

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## 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 of 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 finanical 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).

## 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. Currently there are no leases 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.

## 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 the statement profit and loss.

## 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.

The major potential impacts of the new standards is expected to be as follows:

**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-of-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 2018 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 $450,000 in addition to the existing finance lease liability.
This standard takes effect for reporting periods beginning on or after 1 January 2019.

**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.
In addition, there are changes to the recognition criteria for hedging relationships. This would not have impacted the financial report as at 30 June 2018, but management is likely to consider hedging arrangements in the future and will be mindful of the new requirements. It is not possible to quantify the impact of such arrangements at this time as the exact timing and extent is unknown.

**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.

## 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 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|
| **5 REVENUE AND OTHER INCOME** | | | | |
| Electricity sales | | | 20,153,430 | 10,261,154 |
| Interest revenue | | | 8,553 | 44,333 |
| Other receipts | | | 18,919 | 49,079 |
| Total revenue and other income | | | 20,180,903 | 10,354,566 |

| | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|
| **6 INCOME TAX** | | |
| Components of tax expense/(benefit) comprise: | | |
| Current tax | 0 | 0 |
| Prior year tax | 0 | 0 |
| Deferred tax | 0 | 0 |
| Income Tax Expense/(Benefit) | 0 | 0 |
| | | |
| | | |
| *Numerical reconciliation of income tax benefit to prima facie tax payable* | | |
| Loss from operations before tax for the year | -1,431,303 | -15,873,697 |
| The prima facie income tax benefit on loss before income tax at a tax rate of 27.5% (2017: 27.5%) | -393,608 | -4,365,267 |
| | | |
| Tax effect amounts which are not (deductable)/taxable in calculating taxable income: | 3,923 | 3,681,073 |
| Deferred tax asset not brought to account | 389,685 | 684,194 |
| Total income tax benefit | -0 | 0 |
| | | |
| | | |
| *Net unrecognised deferred tax assets* | | |
| Net Deductable temporary differences | -16,879 | 76,904 |
| | | |
| Unused tax losses | 2,101,863 | 1,575,104 |
| Net unrecognised deferred tax asset | 2,084,984 | 1,652,008 |

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

| | | | | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|---|
| **7 TRADE & OTHER RECEIVABLES** | | | | | |
| Trade receivables | | | | 2,386,669 | 1,768,273 |
| Other receivables | | | | 0 | 28,109 |
| GST receivable | | | | 0 | 75,760 |
| | | | | 2,386,669 | 1,872,142 |

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 $ |
| **2018** | | | | | |
| Trade Receivables | 2,392,096 | 5,426 | 224,605 | 24,385 | 83,771 |
| Less provisions for impairment | -5,426 | | | | |
| Other receivables | 0 | | | | |
| Total | 2,386,669 | 5,426 | 224,605 | 24,385 | 83,771 |
| | | | | | |
| **2017** | | | | | |
| Trade Receivables | 1,797,927 | 29,654 | 99,910 | 26,824 | 161,303 |
| Less provisions for impairment | -29,654 | | | | |
| Other receivables | 103,869 | | | | |
| Total | 1,872,142 | 29,654 | 99,910 | 26,824 | 161,303 |

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 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.

| | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|
| **8 OTHER CURRENT ASSETS** | | |
| Bond paid | 2,943 | 2,943 |
| Deposits paid | 0 | 10,000 |
| Prepayments | 170,919 | 78,920 |
| Prepaid financing costs | 0 | 0 |
| Employee Loans | 3,190 | 0 |
| Inventory | 3,338 | 0 |
| | **180,390** | **91,862** |
| | | |
| **9 PLANT & EQUIPMENT** | | |
| Plant & equipment at cost | 640,668 | 448,606 |
| Accumulated depreciation | -200,048 | -84,840 |
| | **440,620** | **363,766** |
| | | |
| Motor vehicles at cost | 174,036 | 228,047 |
| Accumulated depreciation | -80,260 | -63,036 |
| | 93,776 | 165,011 |
| | **534,396** | **528,777** |

## 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 | 363,766 | 112,825 |
| Additions | 195,958 | 301,605 |
| Depreciation | -117,032 | -50,664 |
| Write off plant and equipment | -2,071 | 0 |
| Balance at the end of the year | **440,620** | **363,766** |
| | | |
| **Motor Vehicles** | | |
| Balance at the beginning of the year | 165,011 | 164,357 |
| Additions | 0 | 60,786 |
| Disposals | -35,423 | -5,464 |
| Depreciation | -35,812 | -54,668 |
| Balance at the end of the year | **93,776** | **165,011** |

| | | | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|
| **10 LEASEHOLD IMPROVEMENTS** | | | | |
| Leasehold improvements at cost | | | 481,708 | 473,405 |
| Accumulated depreciation | | | -73,783 | -14,354 |
| | | | **407,925** | **459,050** |

**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 | | | 459,050 | 0 |
| Additions | | | 8,303 | 473,405 |
| Depreciation | | | -59,429 | -14,354 |
| Balance at the end of the year | | | 407,925 | 459,050 |

**Reconciliation**

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

| **Site Conversion Costs** | | | | |
|---|---|---|---|---|
| Balance at the beginning of the year | | | 3,576,212 | 1,280,690 |
| Additions | | | 2,164,590 | 2,568,733 |
| Amortisation | | | -693,545 | -273,211 |
| Write off intangibles | | | -19,809 | 0 |
| Balance at the end of the year | | | **5,027,448** | **3,576,212** |

| **12 BORROWINGS** | | | | |
|---|---|---|---|---|
| *Current* | | | | |
| Site conversion loans | | | 45,524 | 45,524 |
| Insurance financing | | | 88,333 | 0 |
| Owing to related parties | | | 1,150,000 | 0 |
| | | | **1,283,857** | **45,524** |
| | | | | |
| *Non-current* | | | | |
| Site conversion loans | | | 67,220 | 108,677 |
| Owing to related parties | | | 0 | 1,150,000 |
| | | | **67,220** | **1,258,677** |

| 13 ISSUED CAPITAL | | | |
|---|---|---|---|
| **(a) Issued and paid up capital** | | | |
| | | **2018** | **2017** |
| | | **Number** | **Number** |
| Ordinary shares fully paid no par value | | **2,510,536,387** | **2,510,536,387** |
| | | | |
| **(b) Movement in ordinary shares on issue** | | | |
| | | **Number** | **$** |
| **Balance at 30 June 2017** | | **2,510,536,387** | **39,064,880** |
| Conversion of performance shares to ordinary shares | | 0 | 0 |
| Institutional placement | | 0 | 0 |
| Exercise of options | | 0 | 0 |
| **Balance at 30 June 2018** | | **2,510,536,387** | **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.

Ordinarily 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, there were NIL options over unissued shares.

### 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 is not subject to externally imposed capital requirements.

## 14 SHARE-BASED PAYMENTS

There were NIL share-based payments during the year.

| 15 RESERVES | | | | |
|---|---|---|---|---|
| | | | Consolidated Entity | Consolidated Entity |
| | | | 2018 | 2017 |
| | | | $ | $ |
| **Options reserve** | | | | |
| Opening balance | | | 125,000 | 6,535,990 |
| Options vested | | | 0 | 13,369,577 |
| Expired options | | | -125,000 | -983,750 |
| Options converted to ordinary shares | | | 0 | -18,796,817 |
| Closing balance | | | **0** | **125,000** |

The option reserve account is to account for outstanding share options issued as a result of share based payments.

| 16 EARNINGS PER SHARE | | | | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| | | | Number | Number |
| Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share | | | **2,510,536,385** | **1,786,258,101** |
| | | | | |
| | | | $ | $ |
| Net loss after tax used in calculating basic earnings per share | | | -1,431,303 | 15,873,697 |
| Net loss after tax used in calculating diluted earnings per share | | | **-1,431,303** | **-15,873,697** |
| Basic/diluted earnings/(loss) per share (dollars per share) | | | -0.0006 | -0.0089 |

| 17 CONTROLLED ENTITIES | | | | |
|---|---|---|---|---|
| | | | | |
| **Investment in controlled entities** | **Country of incorporation** | **Class of shares** | **% of ownership 2018** | **% of ownership 2017** |
| Locality Planning Energy Pty Ltd | Australia | Ord | 100% | 100% |
| Locality Embedded Networks Pty Ltd | Australia | Ord | 100% | N/A |

| | | | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|
| **18 LEASE COMMITMENTS** | | | | |
| *Total operating lease payments* | | | | |
| Within 1 year | | | 200,680 | 178,708 |
| 1 to 5 years | | | 299,902 | 508,250 |
| Total | | | **500,582** | **686,958** |
| | | | | |
| *Total finance lease payments* | | | | |
| Within 1 year | | | 58,930 | 58,933 |
| 1 to 5 years | | | 70,031 | 127,252 |
| Total | | | 128,961 | 186,185 |
| Less Future interest charges | | | -16,218 | -31,983 |
| Total | | | **112,744** | **154,202** |
| | | | | |
| *Reconciliation to lease liabilities* | | | | |
| Current - Note 12 | | | 45,524 | 45,524 |
| Non-current - Note 12 | | | 67,220 | 108,677 |
| Total | | | **112,744** | **154,201** |

## 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. (2017:nil)

| | | | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|
| **20 RELATED PARTIES** | | | | |
| | | | | |
| **Key management personnel compensation** | | | | |
| Short term employee benefits | | | 752,231 | 606,505 |
| Post-employment benefits | | | 40,097 | 47,780 |
| Share based payments | | | 0 | 7,802,485 |
| | | | 792,327 | 8,456,770 |

### Other related party transactions

Directors 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 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|
| *Reconciliation of cash flow from operations with profit / (loss) after tax* | | | | |
| Profit / (loss) after tax | | | -1,431,303 | -15,873,697 |
| **Non-cash flows:** | | | | |
| Depreciation and amortisation | | | 905,818 | 392,899 |
| Loss on disposal of assets | | | 5,768 | 5,463 |
| Non-cash donation | | | 363 | |
| Share-based payments | | | 0 | 13,369,577 |
| | | | -519,354 | -2,105,758 |
| | | | | |
| **Changes in operating assets and liabilities** | | | | |
| Increase in receivables | | | -514,527 | -878,001 |
| Decrease / (increase) in other assets | | | -88,528 | -64,216 |
| (Decrease) / increase in creditors and payables | | | 745,779 | 917,345 |
| Increase in employee entitilements | | | 43,982 | 73,449 |
| **Net cash used in operating activities** | | | **-332,649** | **-2,057,181** |
| | | | | |
| **Reconciation of liabilities arising from financing activities** | | | | |
| Borrowings | | | 1,304,201 | |
| Cashflows | | | 46,876 | |
| Non-cash changes | | | 0 | |
| | | | **1,351,077** | |
| | | | | |
| Cash and cash equivalents in the Consolidated Statement of Cash Flows include: | | | | |
| Cash on hand | | | 0 | 151 |
| Cash at bank | | | 1,344,363 | 2,477,554 |
| Cash on deposit | | | 20,000 | 1,500,000 |
| | | | **1,364,363** | **3,977,705** |

## 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.

### 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.

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.

| | | | Consolidated Entity 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|---|---|
| | | | | |
| Cash and cash equivalents and other financial assets | | | 1,364,363 | 3,977,705 |
| Borrowings | | | -1,351,078 | -1,304,201 |
| | | | **13,285** | **2,673,504** |
| | | | | |
| Sensitvity | | | | |
| Effect on profit or loss before taxes | | | | |
| Increase 0.25% | | | 33 | 6,684 |
| Decrease 0.25% | | | -33 | -6,684 |

## 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 2018 current assets exceeded current liabilities by $344,756 (2017: current assets exceeded current liabilities by $4,151,418). 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 2018 $ | Consolidated Entity 2017 $ |
|---|---|---|
| **23 AUDITORS REMUNERATION** | | |
| Amounts paid/payable for audit or review of the financial statemer | 75,000 | 80,000 |
| Amounts paid/payable for tax and other services | 4,650 | 5,000 |
| | **79,650** | **85,000** |

## 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.

## 25 PARENT ENTITY DISCLOSURES

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| 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 | -697,587 | -14,051,627 |
| Other comprehensive income/(loss) for the year | 0 | 0 |
| **Total comprehensive income/(loss) before tax** | **-697,587** | **-14,051,627** |
| Income tax benefit | 0 | 0 |
| **Total comprehensive income before tax** | **-697,587** | **-14,051,627** |
| | | |
| **Financial position of parent entity at year end** | | |
| Current Assets | 12,093,798 | 12,798,636 |
| Total Assets | 12,093,798 | 12,798,636 |
| | | |
| Current Liabilities | 1,207,295 | 1,214,546 |
| Total Liabitlies | 1,207,295 | 1,214,546 |
| | | |
| **Net Assets** | **10,886,503** | **11,584,090** |
| | | |
| **Total equity of the parent entity comprising:** | | |
| Issued capital | 38,763,236 | 39,064,880 |
| Reserves | 0 | 125,000 |
| Accumulated losses | -27,876,733 | -27,605,789 |
| **Total equity** | **10,886,503** | **11,584,091** |

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

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 2018 and performance for the year ended on that date of the consolidated entity,

The financial statements also comply with International Financial Reporting Standards as disclosed in note 2.

The Remuneration Report as set out in the Directors' Report complies with Section 300A of The Corporations Act 2001.

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.

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
Non-Executive Chairman
28 September 2018

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

## Report on the Audit of the Financial Report

### 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 2018 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 to the financial statements comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the accompanying 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 2018 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

Without modifying our opinion, we draw attention to Note 2(D) in the financial report, which indicates that the Group incurred a net loss of $1,431,303 and a net cash outflow from operating activities of $332,649 during the year ended 30 June 2018. These conditions, along with other matters as set forth in Note 2(D), indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED

### 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.

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **1. Recognition and Recording Revenue** | |
| **We focused on this area as a key audit matter due to:**<br><br>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.<br><br>The significance of sales revenue and projected sales revenue in calculating share-based payments and potentially the value-in-use of certain key assets.<br><br>The estimation and complexity required in determining the amount and timing of accrued but unbilled revenue.<br><br>The complexity of the new billing system used by the organization. | **Our procedures included, amongst others:**<br><br>Testing key controls within the sales and accounts receivable process to ensure completeness and accuracy of sales invoices recorded in the ledger.<br><br>Analytical procedures to identify unusual transactions or trends in sales data that may be indicative of material misstatement.<br><br>Cut-off procedures to ensure that only sales related to the 2017-2018 financial year are recorded in these financial statements.<br><br>Detailed recalculation of accrued and unbilled revenue.<br><br>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 MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED**

**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 2018, 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 MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED**

**Auditor's Responsibilities for the Audit of the Financial Report *(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 MEMBERS 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 2018.

In our opinion, the Remuneration Report of Locality Planning Energy Holdings Limited, for the year ended 30 June 2018, 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

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Stewart Douglas
Director

Brisbane
28 September 2018

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