

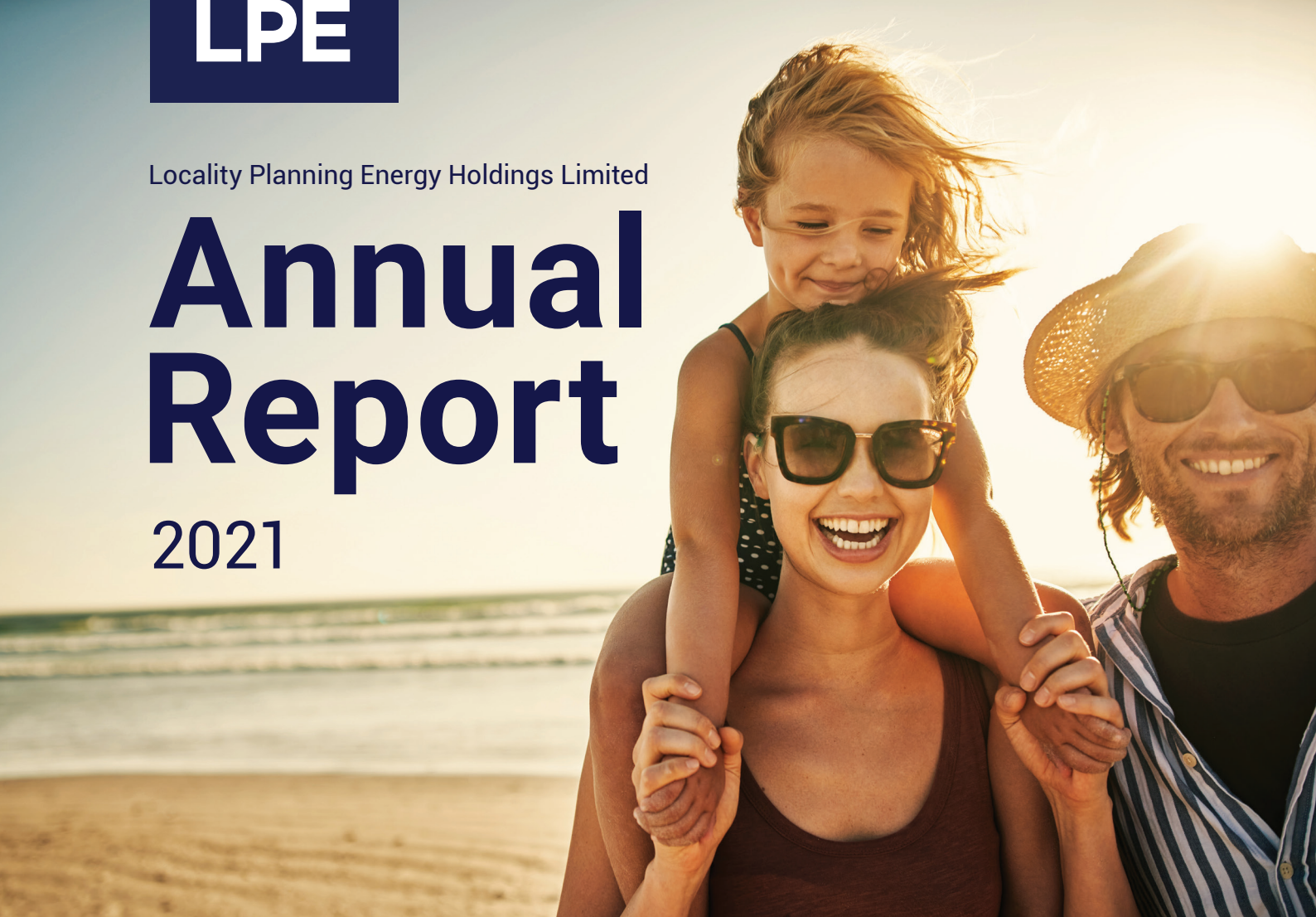


LPE[®]

Locality Planning Energy Holdings Limited

Annual Report

2021



Smarter, Friendlier, Better electricity provider



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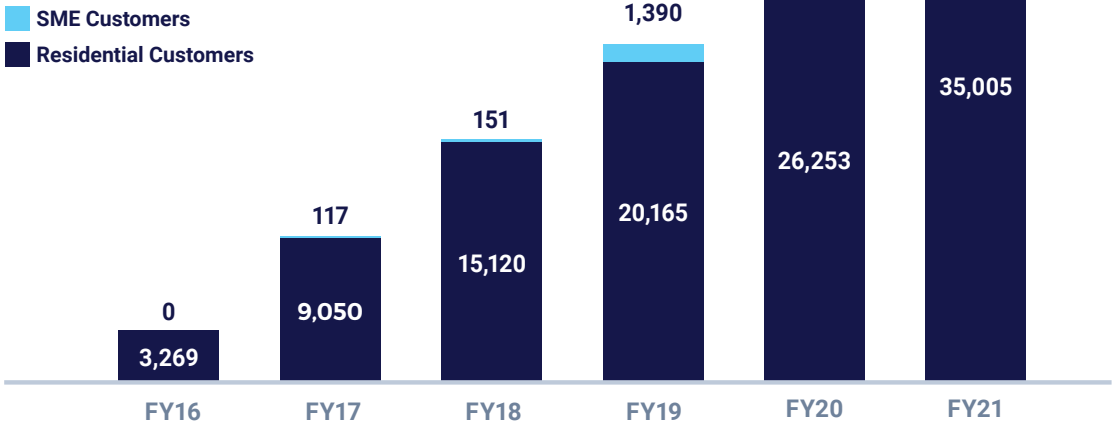
LPE is the smarter, friendlier, better electricity provider. We supply innovative electricity solutions and our Queensland-based customer care team is always here to help.

Smarter, Friendlier, Better electricity provider

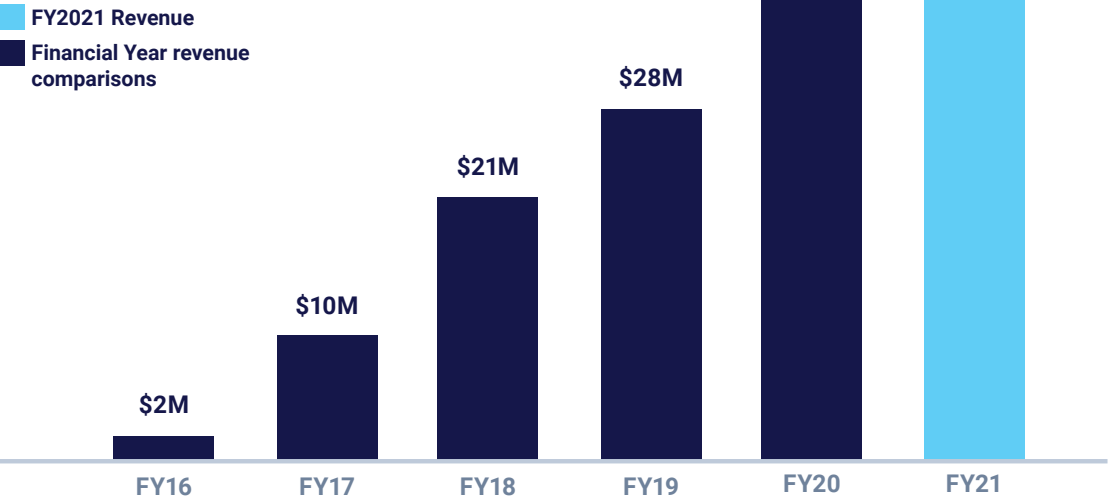
LPE Performance Highlights

Key Operating Metrics

Strong Customer Growth



Track Record of Growth





What We Do

Locality Planning Energy (ASX: LPE) became an authorised electricity retailer in 2014 and listed on the ASX in January 2016.

LPE is a fast-growing electricity provider challenging the way customers receive their electricity; going beyond being just a traditional supplier, we are leaders in innovation supporting strata communities to think of tomorrow.

With first to market technology, LPE has delivered shared solar for apartment living and carbon neutral centralised hot water systems, creating shareholder value through long term supply agreements that provide strong recurring revenue.

LPE services Queensland and New South Wales, selling electricity, hot water, solar and battery systems to homes, business and strata communities.



Our Products



Embedded Networks

LPE is recognised as one of the largest residential embedded network operators in South East Queensland. Embedded networks enable communities to reduce energy costs via connecting multiple premises to the National Electricity Market with a single meter, saving residents money on costly network charges.

"Hartley's have been enjoying a close working relationship with LPE for more than 5 years since their early days of inception. LPE are the electricity and hot water providers to many of our existing portfolio and we have always found them to be focused on delivering the best outcomes for our communities. The team are professional, readily available for assistance or to provide solutions as needed. We have found them to be the experts within the energy industry when it comes to managing electricity within the strata communities."

Simon Barnard, Hartley's Body Corporate Management





Retail Electricity

We supply thousands of residential and business customers with their day-to-day electricity needs. With a 100% Queensland based customer care centre, we pride ourselves on exceptional friendly service. We offer easy to understand pricing and educational tips that aim to help our customers save every dollar.

"More people need to know about LPE. So great in these times to be able to be support a true local company. Even better to be so pleasantly surprised by the first significant decreased electricity bill and every bill since. Very simple and hassle-free changeover process."

Paul Paskins



Solar and Shared Solar

LPE work with homes, businesses, and strata communities to provide the perfect solar solution for any situation.

We are leading the way on sustainability in strata energy solutions, through delivering innovative shared solar electricity infrastructure to residential customers in apartment living. Our shared solar product enables residents to benefit from onsite solar generation and batteries. LPE installs and owns the infrastructure, and enters a long-term supply agreement with the community whereby body corporates and their underlying residents benefit from the installation and maintenance of the asset at zero upfront cost.

"With LPE, it was a win-win situation because there were no capital costs involved for the owners. And everybody is now going to get a reduction on their power bill. It's just a no brainer - going green, and we're helping the environment."

Christine Pullin,
Noosa Keys Onsite Manager



Corporate Directory

Non-Executive Chairman

Mr Justin Pettett

Non-Executive Director

Mr Barnaby Egerton-Warburton

Executive Directors

Mr Damien Glanville

Ms Melissa Farrell

Company Secretary

Ms Elissa Hansen

Principal & Registered Office

Level 8

8 Market Lane

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 QLD 4000

Phone: + 61 1300 554 474

Stock Exchange Listing

Australian Securities Exchange

Code: LPE

Chairman's Letter



Dear fellow Shareholders,

It is with immense pride that I present to you LPE's Annual Report for the fiscal year ended 30 June 2021 (FY21).

FY21 undoubtedly marks a milestone year for the Company. Since listing on the ASX in January 2016, LPE has achieved consistent rates of rapid growth. At the same time, organisational capability has scaled quickly to uphold LPE's steadfast commitment to our loyal customers and corporate values. At LPE, putting customer needs at the centre of everything we do is what drives and motivates our team. Delivering high levels of service while saving customers money on their utility bills is the backbone of our competitive advantage, and the new customer growth rates we have achieved during the year reflect the fact that this competitive edge is stronger than ever.

Following a transformational year in FY20 where the company undertook a strategic reset in preparation for the next phase of accelerated market share gains, the business has both evolved and matured in FY21. To observe first-hand the realisation of this step-change in the growth journey of LPE has been both satisfying and immensely rewarding. The entire team have worked diligently to support both new and existing customers in equal measure. We have continued to invest in scalable internal systems while diligently advancing efficiency and productivity measures to carefully manage and contain costs. As a result, **significant operating leverage began to emerge during the year**, as gross profit substantially outpaced growth in corporate overheads. It is with this in mind that the Board believes the next phase of growth for LPE will be very different to the last, supported by funding flexibility and an array of strategic options which have the potential to bolster and accelerate our 5-year strategic growth plan.

Looking ahead to FY22, the Board anticipates another year of consistent growth and investment to support and plan for longer-term expansion. Continued investments in core operational systems such as billing software and other flexible and scalable technology will be prioritised, the benefits of which will be evident over time. Our financial results will continue to improve; however the Board foresees an immense market opportunity for growth and shareholder value creation over the medium and long-term, and as major shareholders ourselves, we believe the optimal course of action is to unashamedly pursue growth which is currently generating very strong incremental returns.



Ms Melissa Farrell, Executive Director & Chief Financial Officer
Mr Justin Pettett, Non-Executive Director, Co-founder & Chairman
Mr Damien Glanville, Director, Co-founder & Chief Executive Officer

At LPE we are proudly local. 100% of our employees are located in Australia, and the vast majority of them work in our expanded corporate office in the new Maroochydore Central Business District. The Sunshine Coast is one of Australia's best performing regional economies and LPE remains deeply committed to providing a vibrant and dynamic workplace to support personal and professional growth for our passionate local staff. It is this commitment that has built a corporate culture which exhibited immense tenacity and grit to overcome the numerous operational challenges presented by the onset of COVID. It is this commitment which underpins our superior customer service offering. It is also this commitment that paves the way for an extended future runway of growth for LPE as Australian's increasingly appreciate and understand that when they support local businesses, they help create jobs in local communities.

In closing, LPE's achievements in FY21 have been outstanding and I would like to personally thank every member of our team for their dedication and commitment to continued growth and success of the organisation during the year. Our business model is intrinsically durable, yet our vision for the future potential of our company indicates that we are only just getting started. Our positive momentum sets the business in a strong position for the year ahead, and I look forward to continued delivery as we accelerate forwards.

A handwritten signature in black ink, appearing to be 'JP', written in a cursive style.

Justin Pettett
Chairman

Message from the Managing Director & CEO



Dear Shareholders,

As Australia continues to grapple with prolonged disruption brought about by COVID-19 more than 18 months after we first learned what it meant to be in "lockdown", FY21 will go down as another year of tackling intense uncertainty head-on. At LPE we have continued to grow, learn and evolve, while doing our utmost to remain nimble and promptly adapt to challenges as they have arisen. LPE's overarching focus through this period as an essential service provider, has been to ensure our customers and local communities felt supported. Our service team took great pride in the many thousands of customer interactions over the year, knowing that many were working from home for the first time and wrestling with their own changing circumstances. For people isolated during this time, we firmly understood that a friendly local voice providing capable advice and assistance was just as important as the supply of essential and affordable energy.

The Company successfully built on our track record of strong year-on-year growth in FY21, adding a further 10,000 customers to the prior year's total of just over 31,000. Revenue increased by 27% to \$55 million in a particularly subdued wholesale energy market. Against the backdrop of this rapid business expansion, LPE maintained a disciplined focus on expenditure resulting in only a modest increase in operating expenses of \$0.8 million. This is an outstanding achievement which underscores a vital element of our success this year: focused delivery of the things we can control.

I am particularly proud of the relentless effort exerted by our dedicated sales professionals, and the unwavering commitment they have displayed to delivery of our long-term corporate growth strategy. The confidence and determination they have shown in articulating LPE's value proposition at every turn has been resolute, in what can be a thankless and sometimes confronting position.

During the year, the sales team expanded to launch our own internal phone sales capability. We also ventured out of Southeast Queensland into regional Queensland to provide those customers with a competitive service-focused alternative to the state-run electricity provider. This has been extremely successful as our regionally based Queensland field sales team set about providing the old-fashioned service and knowledge that has been evidently lacking, to win over thousands of new regional customers.

The success of any sales team is only made possible by the dedication, support and hard work of the broader team that sits behind the scenes to keep the organisation running smoothly. From the many seasonal deadlines handled capably by the finance team, to the skilled precision of the trading desk, and the critical customer care team who continually go above and beyond to make every service experience a memorable one, everyone at LPE has contributed to the growth and success that has been delivered this year. I'd like to take this opportunity to thank the entire team at LPE for what has been another fantastic year.

Challenges

Business challenges provide us all with the opportunity to grow. Without fearlessly making mistakes or diligently uncovering problems we often become complacent and stop asking "why?". I believe a clear signal of the success of our current leadership team is evidenced in our ability to identify and address challenges big or small. This demonstrates the fundamental drive within our organisation from the top down, to constantly improve who we are, as well as optimise and finesse the service that we provide.

With COVID-19 still affecting our everyday lives, a significant challenge has been attracting new team members as we have found fewer people looking to transition into new employment opportunities. In uncertain times people seek stability above all else, which has manifested in a subdued willingness to

embrace new opportunities and change employers. We believe this will continue to create headwinds for rapidly growing businesses, including LPE, well into the next financial year. However, we are also continuing to work hard to tailor recruitment strategies in order to emphasise our position as an employer of choice. At LPE, talented and dedicated staff are rewarded with an exciting and fast paced career pathway, within a Company that truly believes in its people and embraces a future built on sustainable energy.

Continuing from the previous year's success, we are relentlessly looking for further efficiency and cost reduction opportunities, while maintaining our very high standard of customer service. During the year we began to outgrow our legacy billing systems and commenced investigations for an upgraded solution to facilitate growth to our medium-term target of 100,000 customers and beyond. We expect the ongoing implementation of new and highly scalable internal systems across critical business functions will underpin significant future productivity and cost reduction opportunities, as well as enhance service standards and complement our internal culture of continuous improvement.

The wholesale energy market in the first three quarters of FY21 was subdued due to the combination of changing usage patterns resulting from COVID-19 behavioural changes, the impact of renewable energy being exported to the grid and the La Niña weather pattern bringing a milder summer and a lack of days above 35°C. The combination of these factors led to a suppressed wholesale energy market over this period. However, this suppression was flipped on its head in May 2021 when a significant explosion at the Callide Power Plant, combined with several baseload generation units undergoing planned and unplanned maintenance, resulting in generation shortages relative to market demand. This produced extreme volatility in the wholesale energy market during the June quarter, with the average wholesale energy price settling three times above that of the March quarter, which is traditionally the highest priced period of the year.

Creating sustainable communities of the future

During the year, LPE entered into a two-year exclusivity agreement with Allume Energy to roll-out Solshare in QLD and NSW markets. Our shared solar infrastructure solution is unique in Australia, and well suited for apartment living, retail strip shops and commercial buildings, giving us first mover advantage in the push for the adoption of renewable energy in strata complexes. Entering into the exclusivity agreement with Allume aligns with the Company's goal of being recognised as the leading electricity provider to strata communities, embracing innovation as we drive the business towards being a leading enabler of creating sustainable communities of the future.

The coming year ahead

In FY22 our customers will benefit from enhanced service technology, underpinned by a brand new customer website portal coming early in Q3. This will be supplemented by a new look bill, as well as a brand refresh, as we continue to optimise and invest in tools to enhance customer experience. The deployment of our shared solar product is further improving the Company's position as a leading electricity provider and innovation leader to strata communities. The growth of our retail customer base is continuing to gain momentum as our brand in Southeast Queensland becomes more established. As our customer base grows, we are also focused on opportunities to cross-sell solar and battery solutions to residential homes and businesses, expanding the potential gross revenue opportunity per customer.

The Company has invested heavily in our people to create a strong culture supported by the right technology and systems to create the foundations for growth to 100,000 customers and beyond. As a result, LPE is truly poised at an inflection point of becoming the industry leader we have long been ambitiously targeting, as well as delivering our shareholders the returns they have so patiently waited for.

We look forward to another strong year of revenue and customer growth while navigating the continual challenges our community faces in the COVID-19 era.



Damien Glanville
Managing Director & CEO

Operating and Financial Review



Operating Results

For the year ended 30 June 2021, LPE achieved strong growth in net new customers, sales and gross profit. In parallel the business continued to invest in internal capability, including systems and technology, in order to prepare for and facilitate effective execution of the strategic growth plan. The business realised excellent cost containment and efficiency gains during the year, despite the backdrop of rapid business expansion.

Highlights for the year ended 30 June 2021 include:

- **+27.2% growth in sales** to \$55.6 million (2020: \$43.7 million), with growth realised across all customer segments;
- **Gain on fair value of derivatives** \$5.6 million
- **Gross margin 16%** of sales (excluding unrealised gain on derivatives) (2020: 17%)
- Excellent **productivity gains** with employee costs **declining** by 6.2% to \$6.1 million (2020: \$6.5 million)
- Strong **cost discipline** with other expenses up modestly to \$5.7 million (2020: \$4.6 million)
- Modest **underlying EBIT loss** of -\$3.2 million (2020: -\$3.9 million) excluding unrealised gains on derivatives of \$5.6 million (2020: loss \$2.3 million)
- Financing expenses \$2.2 million (2020: \$1.8 million)
- **Maiden net profit** of \$0.9 million (2020: loss of \$7.2 million).

LPE's financial performance during FY21 was driven by an increase in customers to over 41,000 as at 30-June-2021, representing a growth rate during the year of 32%. Notwithstanding difficult and unforeseen conditions for sales execution through certain periods of the year related to COVID's impact on face-to-face contact, the Company was able to successfully deliver market guidance for new customer acquisition (set at 10,000 new customers).

The rapid growth achieved over the year generated a gross profit of \$14.3 million. Electricity margins (excluding unrealised gains on derivatives) were maintained at 16% (2020: 17%), with only a slight dilution from the prior period, due to change in product mix (an increase in direct market residential and SME customers.)

The Company achieved an underlying EBITDA loss for the year of \$2.6 million, driven by ongoing investment in sales capacity, as well as internal systems and technology to prepare the Company to scale to accommodate future business expansion plans.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

	2021 \$ million	2020 \$ million
Statutory EBIT	2.5	(6.1)
Government Grants	(0.1)	(0.1)
Loss/(gain) on fair value of financial instruments	(5.6)	2.3
Underlying EBIT	(3.2)	(3.9)
Depreciation and Amortisation	0.6	(0.6)
Underlying EBITDA	(2.6)	(4.6)

Underlying EBIT is the primary alternative performance measures used by the Directors for the purpose of assessing the performance of the Group. Underlying EBIT is a non-statutory (non-IFRS) measure. The objective of measuring and reporting underlying EBIT is to provide a more meaningful and consistent

representation of financial performance by removing items that distort performance or are non-recurring in nature. Changes in the fair value of financial instruments are excluded from underlying EBIT to remove the significant volatility caused by timing mismatches in valuing financial instruments and the related underlying transactions. The valuation changes are subsequently recognised in underlying earnings when the underlying transaction are settled.

The Company closed the year with \$5.7 million in cash and cash equivalents, of which \$1 million was provided from hedging counterparties, held as credit support for favourable futures contracts. An additional \$2 million in credit support has been provided to the Company, from hedging counterparties, in the form of bank guarantees. This combined \$3 million credit support represents security for \$3.3 million of financial assets taken up on the Company's balance sheet as at 30 June 2021, with respect to the valuation of derivative contracts used to hedge the underlying cost of electricity for its customers. In addition to its cash balance of \$5.7 million, the Company has \$1.6 million of cash in term deposits used as security for bank guarantees provided to various third parties, including AEMO.

The Company received \$3.5 million in COVID-19 electricity relief payments from the Queensland Government (on behalf of customers) in FY20 that would have otherwise been received during the normal course of business in FY21. After normalising the timing of these receipts, the Company's net cash outflows from operating activities would have been \$-2.3 million, a considerable improvement on prior year (\$-4.1 million), even after pre-purchasing \$0.6 million of environmental certificates not obliged to surrender until FY22.

Adjusted Operating Cashflow

	2021 \$ million	2020 \$ million
Receipts from customers	49.9	36.5
Adjustment for timing of COVID-19 electricity relief receipts*	3.5	(3.5)
Receipts from government utility relief scheme	0.0	6.7
Receipts from government grants	0.1	0.1
Payments to suppliers and employees	(54.9)	(43.3)
Interest received	0.6	0.7
Interest paid	(1.6)	(1.1)
Adjusted cash flows from operating activities	(2.3)	(4.1)

Outlook

LPE remains a small and nimble player in a vast domestic market for electricity supply. The Board firmly believes that the long-term growth opportunity that lies ahead of the Company is both material, highly attractive and value accretive, predicated on LPE's clear competitive edge in attracting and retaining high-value customers and building a recurring and durable business with increasing benefits of scale.

The Board considers FY22 to be another year of significant growth and in August 2021, the Company raised \$6 million in equity via a share placement to support this growth. Continued traction in existing customer verticals bolstered by the addition of the new solar-in-strata product, are the key assumptions underpinning the plan for the year ahead.

While operating leverage has become increasingly evident in the Company's financial performance, the Board anticipates that FY22 will be another year of investment in preparedness for longer-term growth objectives. The Board expects up to \$1.5 million of investment during the year to upgrade internal systems and capability and as such the Company is anticipating FY22 to incur a modest loss on an underlying basis.

The Company has also commenced the process of refinancing and restructuring its existing debt, to include the provision of credit support to AEMO and hedging counterparties as well as margin calls for spot settlements and its OTC and exchange traded futures contracts.

Looking further ahead the Board remains steadfastly focused on ensuring the long-term vision for growth is realised given the scale of the perceived opportunity. With the Chairman and CEO both maintaining significant shareholdings, LPE's leadership are deeply aligned with all shareholders and maintain a strategy of delivering sensible growth over time as well as strong shareholder value creation.

Directors' Report

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



Mr Justin Pettett

Non-Executive Director, Co-founder and Chairman

Appointment Date

21 January 2020

Experience

Mr Pettett has over 20 years' of ASX company experience having founded and helped built businesses and taken companies from start-up to the take-over/acquisition/public-listing stages, working closely with key stakeholders, investors and industry partners. He has been involved in the energy business, namely the oil and gas industry for over 20 years and is currently an Executive Director and the Chief Operating Officer of Conrad Petroleum Ltd, a Singapore based, South-East Asian oil and natural gas company overseeing contractual arrangements, partner negotiations and operational oversight.

He has a solid, proven track record in identifying and maximising business opportunities, particularly in the energy sector with strengths including capital raising, negotiation, investment analysis and leading teams to deliver successful results. Mr Pettett is a co-founder of LPE and as such has operational and strategic insight into the electricity retailing industry.

Special Responsibilities

Mr Pettett is Chairman of the Nomination Committee. He is also a member of the Remuneration Committee and the Audit and Risk Management Committee.

Interest in Shares and Options

7,509,102 fully paid ordinary shares

Directorships Held in Other Listed Entities

Nil



Mr Barnaby Egerton-Warburton

Non-Executive Director

Qualifications

BEcon, GAICD

Appointment Date

13 March 2020

Experience

Mr Egerton-Warburton has over 20 years' investment banking experience with JPMorgan (New York, Sydney, Hong Kong), Prudential Bache (Perth, New York) and Banque National de Paris (New York).

In accordance with the ASX Corporate Governance Council's definition of independence and the materiality thresholds set, the directors consider Mr Egerton-Warburton to be independent.

Special Responsibilities

Mr Barnaby Egerton-Warburton is Chairman of the Remuneration Committee. He is also a member of the Audit and Risk Committee.

Interest in Shares and Options

60,000

Directorships Held in Other Listed Entities

Chairman of Hawkstone Mining Limited, Non-Executive Director of Invictus Energy Limited (ASX:IVZ), Non-Executive Director of iSignthis Limited (ASX:ISX) and Pantera Minerals Limited ASX PFE.



Mr Damien Glanville

Director, Co-founder and Chief Executive Officer

Appointment Date

11 December 2015

Experience

Mr Glanville has eighteen years' experience in senior management, logistics and Executive Director roles, the last eight specifically focused in 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 its Chief Executive Officer for the management components of the Australian Energy Regulators authorisation to retail electricity.

Special Responsibilities

Mr Glanville is a member of the Audit and Risk Management Committee, the Remuneration Committee, and the Nomination Committee.

Interest in Shares and Options

8,400,955 fully paid ordinary shares

Directorships Held in Other Listed Entities

Nil



Ms Melissa Farrell

Executive Director and Chief Financial Officer

Qualifications

BBus, CPA, MAppFin, MAICD

CFO Appointment Date

31 May 2017

Executive Director Appointment Date

21 January 2020

Experience

Ms Farrell has over 20 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 including the Commonwealth Bank and Wesfarmers Resources.

Special Responsibilities

Ms Farrell is Chairperson of the Audit and Risk Management Committee. She is also a member of the Remuneration Committee, and the Nomination Committee.

Interest in Shares and Options

Nil

Directorships Held in Other Listed Entities

Nil



Ms Elissa Hansen

Company Secretary

Qualifications: BComm, Grad Dip Applied CorpGov, GAICD, FGIA

Appointment Date: 1 June 2021

Experience: Elissa has over 20 years' experience advising boards and management on corporate governance, compliance, investor relations and other corporate related issues. She has worked with boards and management of a range of ASX listed companies including assisting companies through the IPO process. Elissa is a Chartered Secretary who brings best practice governance advice, ensuring compliance with the Listing Rules, Corporations Act and other relevant legislation.

Directors' Meetings



Director	Meetings of Directors Held*	Meetings of Directors Attended
Justin Pettett	11	11
Barnaby Egerton-Warburton	11	11
Damien Glanville	11	11
Melissa Farrell	11	11

Director	Audit & Risk Committee Meetings Held*	Audit & Risk Committee Meetings Attended
Justin Pettett	2	2
Barnaby Egerton-Warburton	2	2
Damien Glanville	2	2
Melissa Farrell	2	2

Director	Remuneration & Nomination Committee Meetings Held*!	Remuneration & Nomination Committee Meetings Attended
Justin Pettett	0	0
Barnaby Egerton-Warburton	0	0
Damien Glanville	0	0
Melissa Farrell	0	0

* of which eligible to attend

While no formal Committee meetings were held during the period, the Committee members talked on an informal basis and passed the required resolutions via written resolution.

Remuneration Report – Audited



Remuneration Practices

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

With regards to remuneration, 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 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 (KMP) of Locality Planning Energy Holdings Limited and the consolidated entity includes the directors of the Parent Entity.

Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for KMP of the Consolidated Group is based on the following:

- The remuneration policy is to be developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants.
- All KMP receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Remuneration Committee reviews KMP packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The Board's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration & Nomination Committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

2021 Remuneration

	Short Term Employee Benefits	Short Term Employee Benefits	Post Employment Benefits	Long Term Employment Benefits		
	Salary & Fees	Annual Leave	Super-		Termination	Total
	\$	Payout \$	annuation \$	\$	\$	\$
Directors						
Justin Pettett	139,100					139,100
Damien Glanville	352,268		25,000	3,803		381,072
Melissa Farrell	258,992		24,795	2,053		285,840
Barnaby Egerton- Warburton	60,000		5,700			65,700
Executives						
Paul Wilson	208,385		19,797	810		228,992
Total	1,018,745		75,292	6,667		1,100,703

2020 Remuneration

	Short Term Employee Benefits	Short Term Employee Benefits	Post Employment Benefits	Long Term Employment Benefits		
	Salary & Fees	Annual Leave	Super-		Termination	Total
	\$	Payout \$	annuation \$	\$	\$	\$
Directors						
Justin Pettett	58,500					58,500
Damien Glanville	350,000	26,538	21,003	5,676		403,217
Melissa Farrell	213,946		18,858	8,808		241,612
Barnaby Egerton- Warburton	20,000		1,900			21,900
Andrew Pierce *	78,750					78,750
Ben Chester **	228,846		15,544		326,229	570,618
Neale O'Connell *	33,261		3,160			36,421
Executives						
Paul Wilson	184,161		17,495	1,477		203,133
Total	1,167,464	26,538	77,960	15,960	326,229	1,614,151

*Resigned 21 January 2020

**Resigned 13 February 2020

Shareholdings of Key Management Personnel

	Balance 30 June 2020	Shares Acquired	Shares Disposed	Balance 30 June 2021
Directors				
Justin Pettett	7,349,102	160,000	0	7,509,102
Damien Glanville	8,400,995	0	0	8,400,995
Melissa Farrell	0	0	0	0
Barnaby Egerton-Warburton	0	60,000	0	60,000
Executives				
Paul Wilson	0	0	0	0

Other required disclosures for the year ended 30 June 2021

Principal Activities of the Consolidated Entity

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

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 2021 and to the date of this report.

Review of Activities and Business Strategies

An operating and financial review of the Company during the financial year is contained on pages 12 to 13 of this report and forms part of the Director's Report. It includes a review of operations during the year, as well as the financial results and business strategies of the Company.

Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year.

Proceedings on Behalf of the Company

No person has applied under Section 237 of the Corporations Act for leave of the 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.

Non-Audit Services

Non-audit services have been provided during the year by the external auditor, Bentleys. Disclosure of the details of these services can be found in Note 24 of the Financial Statements.

Auditor's Independence Declaration

A copy of the external auditor's declaration under Section 370C of the Corporates Act in relation to the audit for the financial year is attached to the Company's Financial Statements.

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.

Events Subsequent to Balance Date

The Company raised an additional \$3,144,000 capital via the issue of 15,720,000 fully paid ordinary shares in August 2021. A further 14,280,000 shares to raise an additional \$2,856,000 is subject to shareholder approval. There are 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 result of those operations or the state of affairs of the Consolidated Entity in future financial years.

Non-IFRS Financial Information

The Operating & Financial Review attached to and forming part of this Directors' Report includes non-International Financial Standards (IFRS) financial measures. The Company's management uses these non-IFRS financial measures to assess the performance of the business.

- Principal among these non-IFRS financial measures is Underlying EBIT. This measure is adjusted for significant items (which are material items of revenue or expenses that are unrelated to the underlying performance of the business); and
- Changes in the fair value of financial instruments recognised in the statement of profit or loss (to remove the volatility caused by mismatches in valuing financial instruments and the underlying asset differently).

The Company believes that Underlying EBIT provides a better understanding of its financial performance than Statutory EBIT and allows for a more relevant comparison of financial performance between financial periods.

Underlying EBIT is presented with reference to ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information', issued in December 2011. The Company's policy for reporting Underlying EBIT is consistent with this guidance. The Directors have had the consistency of the application of the policy reviewed by the external auditor of the Company.

Corporate Governance

A copy of Locality Planning Energy Holdings Limited's Corporate Governance Statement can be found on the Company's website at <https://localityenergy.com.au/investor-resources-pdf/corporate-governance>

Business Risks

The Company has identified the following risks as having the potential to materially affect LPE's ability to meet its business objectives:

Regulatory policy

LPE is exposed to regulatory policy change and government interventions. Changes in energy market design and climate change policies for example, have the potential to impact the financial outcomes of the Company. LPE contributes to policy process by actively participating in public policy debate, proactively engaging with policy makers and participating in public forums, industry associations and research.

Competition

LPE operates in a highly competitive industry which can put pressure on margins. Our strategy to mitigate this risk is to effectively build customer loyalty and trust by delivering an exceptional customer service experience based on openness and transparency, and by offering innovative energy solutions that come with longer length supply terms.

Changes in demand for energy

A decrease in demand for energy could possibly reduce LPE's revenues and adversely affect the Company's future financial performance. LPE cannot control the habits or consumption patterns of our customers, however LPE works to mitigate the impact of this risk by utilising data analytics to better predict customer demand.

Technological developments/disruption

Technology is allowing consumers to understand and manage their electricity usage through smart appliances, having the potential to disrupt the Company's existing relationship with consumers. Advances in technology have the potential to create new business models and introduce new competitors. LPE actively monitors and participates in technological developments and is exploring investments in new innovative products to enhance customer experience and reduce cost to serve.

Cyber security

A cyber security incident could lead to disruption of critical business operations. It could also lead to a breach of privacy, and loss of and/or corruption of commercially sensitive data which could adversely

affect customers. LPE regularly assesses its cyber security profile. All Employees undertake cyber awareness training, including how to identify scam emails and how to keep data safe.

Climate change

The ongoing decarbonisation of energy markets and the decreasing demand for fossil fuels provides both risks and opportunities for LPE. The Company is focused and committed to growth and innovation of its Solar products.

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.

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.

Approval of Directors' Report

This Director's Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board this 26th day of August 2021.



Justin Pettett
Chairman



Financial Statements



Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Electricity revenue	5A	54,880,379	42,926,175
Electricity cost of goods sold	5B	(46,265,094)	(35,782,849)
Unrealised gain/(losses) on derivatives		5,638,187	(2,254,517)
Gain from trading		14,253,472	4,888,809
Other income	5C	711,322	793,412
Total operating income		14,964,794	5,682,221
Impairment losses	5D	(598,039)	(505,289)
Financing expenses	5E	(2,217,719)	(1,841,979)
Other expenses	5F	(11,230,789)	(10,566,220)
Loss before income taxes		918,247	(7,231,267)
Income tax benefit/(expense)	6	-	-
Net loss for the period		918,247	(7,231,267)
Other comprehensive income		-	-
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year		918,247	(7,231,267)
Basic earnings/(loss) per share (dollars per share)	17	0.0180	(0.1440)
Diluted earnings/(loss) per share (dollars per share)	17	0.0171	(0.1440)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

**Consolidated statement of financial position
for the year ended 30 June 2021**

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	21	5,745,250	8,251,616
Trade and other receivables	7	10,045,765	4,862,976
GST receivable		179,918	-
Site conversion receivables current	7	944,180	1,360,871
Financial assets – derivatives	8	3,403,475	126,027
Other current assets	9	1,327,000	461,274
Total current assets		21,645,588	15,062,764
Non-current assets			
Site conversion receivables	7	3,703,181	3,968,347
Financial assets - non current	10	1,612,312	2,250,000
Plant and equipment	11	479,578	395,446
Leasehold improvements	12	426,609	177,090
Intangibles	13	210,058	478,002
Right of use assets	14	823,408	117,360
Total non-current assets		7,255,146	7,386,245
TOTAL ASSETS		28,900,734	22,449,009
Current liabilities			
Trade and other payables		11,872,243	8,911,718
GST payable		-	30,580
Employee entitlements - leave provisions		323,673	216,169
Lease Liabilities		222,364	107,923
Provisions		32,805	46,049
Financial liabilities - derivatives		-	2,205,301
Borrowings	15	173,612	143,365
Total current liabilities		12,624,697	11,661,105
Non-current liabilities			
Employee entitlements - leave provisions		74,143	62,567
Lease Liabilities		1,011,331	3,427
Borrowings	15	14,088,430	13,521,697
Total non-current liabilities		15,173,904	13,587,691
TOTAL LIABILITIES		27,798,601	25,248,796
Net assets / (deficiency)		1,102,133	(2,799,787)
Equity			
Issued capital	16	41,775,446	39,064,880
Share option reserve		273,107	-
Accumulated losses		(40,946,420)	(41,864,667)
Total equity		1,102,133	(2,799,787)

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

**Consolidated statement of cash flows
for the year ended 30 June 2021**

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		49,940,376	36,474,440
Receipts from government utility relief scheme		-	6,653,700
Receipts from government grants		119,248	58,899
Payments to suppliers and employees		(54,892,817)	(43,274,840)
Interest received		645,621	679,900
Interest paid		(1,566,314)	(1,143,332)
Net cash provided by/(used in) operating activities	22	(5,753,886)	(551,233)
Cash flows from investing activities			
Payment for financial assets		1,707,915	(2,376,027)
Payment for plant and equipment		(244,092)	(114,645)
Payment for leasehold improvements		(10,294)	(10,917)
Payment for intangibles		(109,089)	(456,535)
Net cash provided by/(used in) investing activities		(1,344,440)	(2,958,124)
Cash flows from financing activities			
Proceeds from issues of shares		3,168,500	-
Share issue costs		(184,827)	-
Financing costs paid	22	(950,804)	(395,259)
Proceeds from loans	22	225,251	11,383,110
Repayment of leases	22	(184,579)	(135,683)
Repayment of loans	22	(170,461)	(2,397,267)
Net cash provided by/(used in) financing activities		1,903,080	8,454,901
Net increase/(decrease) in cash and cash equivalents		(2,506,366)	4,945,544
Cash and cash equivalents opening balance		8,251,616	3,306,072
Cash and cash equivalents closing balance	22	5,745,250	8,251,616

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 2021**

	Issued capital \$	Options reserve \$	Accumulated losses \$	Totals \$
Balance at 1 July 2019	39,064,880	-	(34,633,400)	4,431,480
Profit/(Loss) after income tax	-	-	(7,231,267)	(7,231,267)
Balance at 30 June 2020	39,064,880	-	(41,864,667)	(2,799,787)
Balance at 1 July 2020	39,064,880	-	(41,864,667)	(2,799,787)
Issue of share capital	3,168,500	-	-	3,168,500
Capital raising costs	(457,934)	-	-	(457,934)
Issue of share capital	-	273,107	-	273,107
Profit/(Loss) after income tax	-	-	918,247	918,247
Balance at 30 June 2021	41,775,446	273,107	(40,946,420)	1,102,133

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

Notes to the financial statements for the year ended 30 June 2021

1. Reporting Entity

The financial statements of Locality Planning Energy Holdings Limited (“the Company”) for the year ended 30 June 2021 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 Level 8, 8 Market Lane, 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, modified, where applicable by the measurement at fair value of selected financial assets and liabilities.

(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 be indicative of impairment triggers. Impairment of financial assets (trade receivables and financial assets) are assessed for impairment as described in Note 3G. Note 3H describes the process for assessing impairment for non-financial assets (property, plant and equipment, intangible assets and other assets).

Site Conversion Revenue

Site conversion revenue is recognised upon installation, however customers are able to make payment over a 5 to 15 year period. The Group has assessed that where this payment is deferred, the transaction contains a significant financing component and therefore the revenue must be adjusted for the effects of the time value of money. Judgement is therefore required to determine the amount of the consideration that relates to the site conversion revenue, and the amount relating to the financing of the purchase. See Note 3K for further details.

Notes to the financial statements for the year ended 30 June 2021

2. Basis of Preparation (continued)

(c) Use of Estimates and Judgements (continued)

Derivatives

LPE's approach to managing energy price risks reflects the need to provide pricing certainty to customers and limit exposure to adverse wholesale market outcomes. LPE uses certain financial instruments (derivatives) to manage these energy price risks arising in the normal course of business to align with LPE's risk appetite.

These derivatives are recorded at fair value through profit or loss. Fair value is determined using valuation techniques that incorporate a range of estimates and judgements, as described in Note 23.

(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 earned a net profit after income tax for the year ended 30 June 2021 of \$918,247 (2020: net loss \$7,231,267), and net assets of \$1,102,133 (2020: net asset deficiency of \$2,799,787), however a non-cash movement on the fair value of derivatives increased this performance by \$5,638,187.

While net cash outflow from operations of \$5,753,886 (2020: \$551,233) would have otherwise been an improvement if receipts (approximately \$3,500,000) from a government utility relief scheme received in 2020, had of been received in the ordinary course of business during 2021, there remains material uncertainty on whether the Group will continue as a going concern, particularly given the company's \$15,000,000 debt facility is nearing maturity.

The Group has \$4,745,250 in unrestricted cash at 30 June 2021, and in August 2021 successfully raised \$3,144,000 of capital through an issue of shares, with a further \$2,856,000 committed subject to shareholder approval. The Group is also examining refinancing opportunities, for its current debt facility. On this basis, the Group has prepared budgets and has determined it has sufficient net working capital to maintain continuity of normal business activity and pay its debts as and when they fall due, and therefore that it is appropriate to prepare the financial report on a going concern basis.

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 2021 ("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.

Notes to the financial statements for the year ended 30 June 2021

3. Significant Accounting Policies (continued)

(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.

(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:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate & Method</i>
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 software development. Software has an estimated useful life of between three and ten years. It is assessed annually for impairment.

Notes to the financial statements for the year ended 30 June 2021

3. Significant Accounting Policies (continued)

(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.

(g) Impairment of Financial Assets

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which prescribes the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, and a provision matrix is used.

The “amounts written off” are all due to customers declaring bankruptcy, or term receivables that have now become unrecoverable.

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the Statement of Profit or Loss and Other Comprehensive Income.

(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, employees and suppliers. 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.

**Notes to the financial statements for the year ended
30 June 2021**

3. Significant Accounting Policies (continued)

(k) Revenue

Revenue for the Group can be categorised as follows:

- Supply of electricity
- Supply of embedded network or solar infrastructure (including installation)

Supply of electricity

Revenue from the supply of electricity is recognised as the customer obtains a benefit from the supply, which occurs over time as the customer consumes the electricity. Consumption is determined by meter readings. Between meter readings, consumption is estimated using industry and historical customer consumption patterns, along with consumption reports from the Group's suppliers.

Costs associated with the supply of the electricity are expensed over time in line with customers' consumption.

Supply of embedded network or solar infrastructure

The Group arranges to supply and install embedded network infrastructure on customers' premises. The performance obligation is the installation of the infrastructure, and therefore revenue is recognised at a point in time upon installation. Likewise, the Group arranges to supply and install solar infrastructure on customers' premises. The performance obligation is the installation of the infrastructure, and therefore revenue is recognised at a point in time upon installation.

Customers have the option to pay for the site conversion infrastructure over the life of a related electricity supply contract, ranging from 5 to 15 years. Therefore a significant financing component has been identified within these contracts. The revenue is therefore discounted to remove the financing component. Consideration receivable in respect of this revenue is recognised as 'site conversion receivables' in the Statement of Financial Position. The financing component has been assessed by the Group at a rate between 10%-12% per annum, and this is recognised as interest revenue over time until the customer has paid all consideration.

Costs incurred to supply and install the site conversion infrastructure are expensed when the revenue is recognised, upon installation. For costs incurred on site conversions where the infrastructure has not yet been installed, and therefore no revenue yet recognised, the costs are capitalised within the inventory balance contained within 'Other Current Assets' in the Statement of Financial Position.

(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.

Notes to the financial statements for the year ended 30 June 2021

3. Significant Accounting Policies (continued)

(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

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(p) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the financial statements for the year ended 30 June 2021

3. Significant Accounting Policies (continued)

(p) Financial Instruments (continued)

Classification and subsequent measurement

Financial Liabilities

Financial liabilities are subsequently measured at:

- Amortised cost; or
- Fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- A contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- Held for trading; or
- Initially designated at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- It is incurred for the purpose of repurchasing or repaying in the near term;
- Part of a portfolio where there is an actual pattern of short-term profit taking; or
- A derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

The Group recognises the financial derivative instruments at fair value through profit or loss.

Financial Assets

Financial assets are subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- The contractual cash flow characteristics of the financial asset; and
- The business model for managing financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- The financial asset is managed solely to collect contractual cashflows; and
- The contractual terms within the financial asset give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- The contractual terms within the financial asset give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- The business model for managing the financial assets comprises both contractual cashflows and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group currently has futures contracts that are recognised within financial assets in the Statement of Financial Position that are recognised at fair value through profit or loss. All other financial assets are recognised at amortised cost.

Notes to the financial statements for the year ended 30 June 2021

3. Significant Accounting Policies (continued)

(p) Financial Instruments (continued)

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expire, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- The right to receive cash flows from the asset has been expired or been transferred;
- All risk and rewards of ownership of the asset have been substantially transferred; and
- The Group no longer controls the asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(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

A number of new standards and interpretations are effective for annual reporting periods beginning after 1 July 2021 and earlier application is permitted; however the Company has not early adopted the new or amended standards in preparing these financial statements. The new standards relate to very specific circumstances that are not applicable to the Group.

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.

**Notes to the financial statements for the year ended
30 June 2021**

5. Statement of Profit or Loss and Other Comprehensive Income

	Consolidated Entity 2021 \$	Consolidated Entity 2020 \$
A. Electricity Revenue		
Electricity sales	53,310,798	41,175,283
Site conversion sales	1,569,581	1,750,892
Total electricity revenue	54,880,379	42,926,175
B. Electricity Cost of Goods Sold		
Energy usage charges	17,401,769	15,889,239
Network charges	21,508,930	13,648,301
Other COGS	5,917,640	4,609,657
Site conversion COGS	1,436,755	1,635,652
Total electricity cost of goods sold	46,265,094	35,782,849
C. Other Revenue		
Interest revenue	642,074	679,968
Government grants	69,248	113,444
Total other revenue	711,322	793,412
D. Impairment Losses		
Bad debts written off	249,158	131,801
Addition to provision for doubtful debt	348,881	373,488
Total impairment losses	598,039	505,289
E. Financing Expenses		
Borrowing expenses	651,405	665,438
Interest on leases	55,944	30,530
Interest expense	1,510,370	1,146,011
Total financing expenses	2,217,719	1,841,979
F. Other Expenses		
Bank fees	123,659	120,410
Depreciation and amortisation	606,206	630,409
Employee costs	6,093,965	6,502,705
(Gain)/loss on disposal of assets	46,382	25,159
Information technology	2,292,215	1,309,888
Insurance	84,851	100,166
Marketing and advertising	580,617	312,905
Occupancy expenses	30,026	92,345
Other expenses	1,052,980	918,914
Professional costs	319,888	553,319
Total other expenses	11,230,789	10,556,220

Locality Planning Energy Holdings Limited – ABN 90 147 867 301
**Notes to the financial statements for the year ended
 30 June 2021**

6. Income Tax

	Consolidated Entity 2021 \$	Consolidated Entity 2020 \$
<i>Components of tax expense/(benefit) comprise:</i>		
Current tax	-	-
Prior year tax	-	-
Deferred tax	-	-
Income tax expense/(benefit)	-	-
 <i>Numerical reconciliation of income tax benefit to prima facie tax payable</i>		
Profit/(Loss) from operations before tax for the year	918,247	(7,231,267)
The prima facie income tax benefit on loss before income tax at a tax rate of 30% (2020: 27.5%)	275,474	(1,988,598)
 Tax effect amounts which are not (deductible)/taxable in calculating taxable income:	 (16,758)	 3,964
Deferred tax asset not brought to account	(258,716)	1,984,634
Total income tax benefit	-	-
 <i>Net unrecognised deferred tax assets</i>		
Net Deductible/(Assessable) temporary differences	(2,457,628)	(331,910)
 Unused tax losses	 7,256,080	 4,892,469
Net unrecognised deferred tax asset	4,798,452	4,560,559

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.

**Notes to the financial statements for the year ended
30 June 2021**

7. Trade & Other Receivables

	Consolidated Entity 2021	Consolidated Entity 2020
	\$	\$
Trade receivables	8,848,596	4,984,841
Trade receivables provision	(163,911)	(125,830)
Hedging counterparty receivables	1,360,663	-
Interest receivables	417	3,965
	10,045,765	4,862,976
Site conversion receivables (current)	1,522,741	1,628,633
Site conversion receivables (non-current)	3,703,181	3,968,347
Site conversion receivables provision (current)	(68,499)	(44,973)
Site conversion receivables provision (non-current)	(510,062)	(222,789)
	14,693,126	10,192,194

Current trade receivables are interest bearing and are generally receivable within 14 days.

	Opening Balance 1 July 2019	Net Measure- ment of loss allowance	Amounts written off	Closing Balance 30 June 2020
<i>Lifetime Expected Credit Loss: Credit Impaired</i>				
Current trade receivables	20,103	105,726	131,801	125,829
Current interest receivables	-	-	-	-
Current site conversion receivables	-	44,973	-	44,973
Non-current site conversion receivables	-	222,789	-	222,789
	20,103	373,488	131,801	393,591
	Opening Balance 1 July 2020	Net Measure- ment of loss allowance	Amounts written off	Closing Balance 30 June 2021
<i>Lifetime Expected Credit Loss: Credit Impaired</i>				
Current trade receivables	125,829	38,081	249,158	163,910
Current interest receivables	-	-	-	-
Current site conversion receivables	44,973	23,526	-	68,499
Non-current site conversion receivables	222,789	287,273	-	510,062
	393,591	348,880	249,158	742,471

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

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.

**Notes to the financial statements for the year ended
30 June 2021**

	Consolidated Entity 2021	Consolidated Entity 2020
	\$	\$
8. Financial Assets		
<i>At fair value through the profit or loss</i>		
Financial assets – derivatives	3,347,675	-
<i>At Amortised Cost</i>		
ASX initial margin on derivatives	55,800	126,027
	3,403,475	126,027

9. Other Current Assets

Bond paid	-	66,209
Prepayments	246,675	183,469
Environmental Certificates	618,709	-
Inventory	461,616	211,596
	1,327,000	461,274

Environmental Certificates

Environmental certificates are classified into two certificate types, Large-scale Generation Certificates (LGCs) and Small-scale Technology Certificates (STCs).

LGCs and STCs are measured at fair value at the end of the financial year, with changes in fair value recognised in the statement of profit or loss and other comprehensive income. LGCs and STCs held at the end of financial year are valued at the market price on the measurement date.

10. Non-Current Financial Assets

At Amortised Cost

Term deposits	1,612,312	2,250,000
	1,612,312	2,250,000

Term Deposits

Non-current financial assets in the form of term deposits are held as security for bank guarantees for various suppliers and hedging counterparties. The bank guarantees are not due to expire within the next 12 months, and as such have been classified as non-current. Prior year term deposits held as security for bank guarantees have been adjusted to non-current also.

AEMO & Hedging Counterparties	1,400,000	2,250,000
Office Lease	212,312	-
	1,612,312	2,250,000

**Notes to the financial statements for the year ended
30 June 2021**

	Consolidated Entity 2021	Consolidated Entity 2020
	\$	\$
11. Plant & Equipment		
Plant & equipment at cost	621,960	527,978
Accumulated depreciation	(353,266)	(292,403)
	268,694	235,575
Motor vehicles at cost	413,440	310,412
Accumulated depreciation	(202,556)	(150,541)
	210,884	159,871
	479,578	395,446

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	235,575	268,135
Additions	143,145	82,153
Depreciation	(88,002)	(108,868)
Disposals	(360,725)	(5,845)
Balance at the end of the year	(70,007)	235,575

Motor Vehicles

Balance at the beginning of the year	159,871	180,520
Additions	103,028	39,401
Depreciation	(52,015)	(50,216)
Disposals	-	(9,834)
Balance at the end of the year	210,884	159,871

12. Leasehold Improvements

Leasehold improvements at cost	482,294	518,357
Accumulated depreciation	(55,685)	(341,267)
	426,609	177,090

Reconciliation

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

Leasehold improvements

Balance at the beginning of the year	177,090	372,371
Additions	482,294	10,917
Depreciation	(211,952)	(206,198)
Disposals	(20,823)	-
Balance at the end of the year	426,609	177,090

Notes to the financial statements for the year ended 30 June 2021

	Consolidated Entity 2021	Consolidated Entity 2020
	\$	\$
13. Intangibles		
Intangibles at cost	346,553	345,134
Intangibles work in progress	94,300	338,700
Accumulated amortisation	(230,795)	(205,832)
	210,058	478,002

Reconciliation

Reconciliations of the carrying amount of intangibles between the beginning and the end of the financial year.

Intangibles

Balance at the beginning of the year	478,002	162,154
Additions	109,089	455,620
Amortisation	(31,518)	(95,427)
Disposals	(345,516)	(44,345)
Balance at the end of the year	210,058	478,002

14. Right of Use Asset

Right of use asset at cost	939,146	287,059
Accumulated amortisation	(115,738)	(169,699)
	823,408	117,360

Reconciliation

Reconciliations of the carrying amount of right of use assets between the beginning and the end of the financial year.

Right of use assets

Balance at the beginning of the year	116,724	285,469
Additions	928,767	-
Depreciation	(222,063)	(168,745)
Disposals	-	-
Balance at the end of the year	823,408	116,724

15. Borrowings

Current

Insurance financing	107,421	92,862
Motor vehicle financing	66,191	50,503
	173,612	143,365

Non-current

Motor vehicle financing NC	58,253	33,711
Blackrock funding facility	14,030,177	13,487,986
	14,088,430	13,521,697

The Group has a funding facility of \$15 million with Blackrock as at 30 June 2021. This facility is fully drawn down by \$15 million as at 30 June 2021 (2020: \$15 million). This is presented above net of borrowing costs.

**Notes to the financial statements for the year ended
30 June 2021**

	2021	2020
	Number	Number
16. Issued Capital		
(a) Issued and paid up capital		
Ordinary shares fully paid no par value	62,884,736	50,210,736
(b) Movement in ordinary shares on issue		
	Number	\$
Balance at 30 June 2020	50,210,736	39,064,880
Issued for cash 10 August 2020	12,000,000	3,000,000
Issued for cash 7 September 2020	674,000	168,500
Capital raising expenses	-	(457,934)
Balance at 30 June 2021	62,884,736	41,775,448

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.

	Number	\$
(c) Share options		
Balance at 30 June 2020	-	-
Issued 10 August 2020	3,400,000	273,107
Balance at 30 June 2021	3,400,000	273,107

The fair value of options is determined in accordance with the fair market value of the shares available at the issue date. The Black-Scholes option valuation method has been utilised and some inputs require the application of judgement. The assumptions are set out below:

	2021
Volatility	78.0%
Risk-free interest rate	0.1%
Expected life of share options (years)	1.9
Dividend yield	0.0%

The expected volatility and life of share options are based on historical data and current expectations and are not necessarily indicative of actual outcomes.

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.

Notes to the financial statements for the year ended 30 June 2021

	2021	2020
	Number	Number
17. Earnings Per Share		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	62,884,736	50,210,736
	\$	\$
Net profit/(loss) after tax used in calculating basic earnings per share	918,247	(7,231,267)
Basic earnings/(loss) per share (dollars per share)	0.0180	(0.1440)
Net profit/(loss) after tax used in calculating diluted earnings per share	918,247	(7,231,267)
Diluted earnings/(loss) per share (dollars per share)	0.0171	(0.1440)

	Country	Class of	% of	% of
	of Inc.	Shares	Ownership	Ownership
18. Controlled Entities			2021	2020
<i>Investment in controlled entities</i>				
Locality Planning Energy Pty Ltd	Australia	Ord	100%	100%
Locality Embedded Networks Pty Ltd	Australia	Ord	100%	100%

19. Commitments

The Group has no material commitments that require reporting.

20. 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 (2020: nil).

21. Related Parties

	2021	2020
	\$	\$
<i>Key management personnel compensation</i>		
Short term employee benefits	1,018,745	1,194,003
Post-employment benefits	75,291	77,960
Long-term benefits	6,667	15,960
Termination benefits	-	326,229
	1,100,703	1,614,151

Other related party transactions

There were no other related party transactions.

**Notes to the financial statements for the year ended
30 June 2021**

	Consolidated Entity 2021	Consolidated Entity 2020
	\$	\$
22. Cash Flow Information		
<i>Reconciliation of cash flow from operations with profit / (loss) after tax</i>		
Profit / (loss) after tax	918,247	(7,231,267)
Non-cash flows:		
Depreciation and amortisation	606,206	630,409
Loss on disposal of assets	46,382	25,159
Intangible asset write-off	338,700	-
Unrealised (gain) / loss on derivatives	(5,638,187)	2,254,517
Expenditure classified as financing activities	632,317	628,460
	(3,096,335)	(3,692,722)
<i>Changes in operating assets and liabilities</i>		
Increase in receivables*	(4,680,850)	(1,606,878)
Decrease / (increase) in other assets	(865,726)	(124,093)
(Decrease) / increase in creditors and payables	2,769,945	4,886,208
Increase in employee entitlements	119,080	(13,748)
Net cash used in operating activities	(5,753,886)	(551,233)
<i>Reconciliation of liabilities arising from financing activities</i>		
Borrowings	13,665,062	5,218,509
Lease liability	111,350	-
Cashflows	(1,053,938)	8,454,901
Non-cash changes	1,459,275	(8,348)
Lease liability additions against ROU assets	1,313,988	-
	15,495,737	13,665,062
Cash and cash equivalents in the Consolidated Statement of Cash Flows include:		
Cash at bank	3,215,250	8,251,616
Cash on deposit	1,530,000	-
Restricted cash**	1,000,000	-
	5,745,250	8,251,616

*2020 includes a cash inflow of approximately \$3,500,000 from a government utility relief scheme that would have otherwise been received during the ordinary course of business in 2021.

**Restricted cash represents \$1,000,000 that the Company is holding as credit support from hedging counterparties. In addition, the Company is also holding a further \$2,000,000 in Bank Guarantees for credit support from hedging counterparties.

**Notes to the financial statements for the year ended
30 June 2021**

23. 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 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 eliminates wholesale price risk by using fixed price contracts where possible.

Where fixed price contracts are not possible, the Company minimises its exposure to the wholesale spot prices by using derivative products, and a minimum hedge limit (MHL) provides floor coverage over a contracted load.

Sensitivity

A 30% increase/decrease in electricity spot prices effects the company's load weighted hedged cost of electricity by less than 4%.

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 held to maturity investments, and borrowings. 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 borrowings with a decrease or an increase of 0.25% in interest rates.

It is the policy of the Consolidated Entity to manage their risks by continuously monitoring interest rates.

	Consolidated Entity 2021 \$	Consolidated Entity 2020 \$
Cash and cash equivalents and other financial assets	5,745,250	8,251,616
Borrowings	(14,262,042)	(13,665,062)
	(8,516,792)	(5,413,446)
 <i>Sensitivity</i>		
Effect on profit or loss before taxes		
Increase 0.25%	(21,292)	(13,534)
Decrease 0.25%	21,292	13,534

Notes to the financial statements for the year ended 30 June 2021

23. Financial Instruments (Continued)

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.

At 30 June 2021 current assets exceed current liabilities by \$9,020,891 (2020: current assets exceeded current liabilities by \$3,401,659). Financial liabilities comprised trade payables, accruals and other payables. 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, derivatives and loans approximate their fair value.

	Consolidated Entity 2021	Consolidated Entity 2020
	\$	\$
24. Auditors Remuneration		
Amounts paid/payable for audit or review of the financial statements	94,016	104,975
Amounts paid/payable for tax and other services	3,000	4,315
	97,016	109,290

25. Subsequent Events

The company raised an additional \$3,144,000 capital via the issue of 15,720,000 fully paid ordinary shares in August 2021. A further 14,280,000 shares to raise an additional \$2,856,000 is subject to shareholder approval. There are 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 result of those operations or the state of affairs of the Consolidated Entity in future financial years.

Notes to the financial statements for the year ended 30 June 2021

	2021	2020
	\$	\$
26. Parent Entity Disclosures		
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	(2,668,180)	(2,456,468)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) before tax	(2,668,180)	(2,456,468)
Income tax benefit	-	-
Total comprehensive income before tax	(2,456,468)	(2,456,468)
Financial position of parent entity at year end		
Current Assets	21,612,147	21,578,433
Total Assets	21,612,147	21,578,433
Current Liabilities	106,840	930,811
Non Current Liabilities	14,030,177	13,487,986
Total Liabilities	14,137,017	14,418,797
Net Assets	7,475,130	7,159,636
Total equity of the parent entity comprising:		
Issued capital	41,775,447	39,064,880
Reserves	273,107	-
Accumulated losses	(34,573,424)	(31,905,244)
Total Equity	7,475,130	7,159,636

Contingent liabilities

As at 30 June 2021, Locality Planning Energy Holdings Limited is not aware of any contingent liabilities.

Contractual commitments

At 30 June 2021, contractual commitments entered into by Locality Planning Energy Holdings Limited is \$Nil (2020: \$Nil).

Guarantees

Locality Planning Energy Holdings Limited has not entered into any guarantees, in the current or previous financial years, in relation to debts of its subsidiaries.

Notes to the financial statements for the year ended 30 June 2021

27. Fair Value Measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments;
- financial assets held for trading;
- financial assets at fair value through other comprehensive income;

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The Group uses an internally derived forward curve to calculate the fair value of its financial derivatives, using an income approach. This model uses observable futures prices from ASX Energy and distributes these prices across half hour intervals using internally derived ratios. The fair value of the Group's financial derivative instruments is \$3,347,675 financial asset as at 30 June 2021 (2020: \$2,376,027 financial liability). Given the significance of the internally-derived ratios to the valuation, the Group has assessed this as Level 3.

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 2021 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.

A handwritten signature in black ink, appearing to read 'JP', with a stylized flourish extending to the right.

JUSTIN PETTETT

Director

Dated: 26 August 2021

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 2021 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

Ashley Carle

Ashley Carle
Director
Brisbane
26 August 2021

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 2021 and the consolidated statement of profit or loss and other 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 2021 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 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 earned a net profit of \$918,247 and had a net cash outflow from operating activities of \$5,697,942 during the year ended 30 June 2021, however, a non-cash movement on the fair value of derivatives increased this performance by \$5,638,187. These conditions 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.

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 MEMBERS OF LOCALITY PLANNING ENERGY HOLDINGS LIMITED**

Key Audit Matter	How our audit addressed the key audit matter
1. Going Concern	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> History of losses after income tax. History of cashflow deficits from operating activities. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtaining cashflow forecasts for the Group. Reviewing the assumptions in the forecasts for reasonableness and consistency with our knowledge of the business.
2. Recognition and Recording Revenue	
<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 estimation and complexity required in determining the amount and timing of accrued but unbilled revenue. The estimation involved in determining the financing component of the embedded network revenue. The complexity of the new billing system used by the organization. 	<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 2020-2021 financial year are recorded in these financial statements. Detailed recalculation of accrued and unbilled revenue. Reviewing the reasonableness of the financing component allocated by management to the embedded network 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 2(C) to the financial statements.

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

Key Audit Matter	How our audit addressed the key audit matter
3. Existence and Valuation of Site Conversion Receivables	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> • The site conversion receivables balance contributing towards a significant portion of total assets as at 30 June 2021. • Given the long-term nature of these receivables, subject to a higher risk of impairment. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing contracts of new embedded network customers during the 2020-2021 financial year to ensure the site conversion receivable balance recognised is appropriately valued and free from material misstatement. • Testing costs incurred to complete site conversion works on new embedded network customer premises, to ensure contracted receivables are not overstated or deemed uncollectable from date of recognition. • Confirming new embedded network customer accounts during 2020-2021 are live and receiving energy during the period, to ensure existence of the new customers, existence of the site conversion works completed, and consequently existence of the site conversion receivables recognised in 2020-2021. • Reviewing pre-existing embedded network customer accounts to ensure the customers continue to remain live, and that the corresponding site conversion receivable continues to be collectable.
4. Valuation of Financial Derivatives	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> • The estimation and complexity required to determine the fair value of the derivatives. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Confirming the contracts in place with the counterparty to ensure that all derivatives were included in the model used to calculate the fair value. • Testing the formulae included in the model for accuracy. • Where inputs into the fair value model were observable, agreed to supporting documentation. • Where inputs into the fair value model were not readily observable, reviewing the reasonableness of the assumptions.

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

Key Audit Matter	How our audit addressed the key audit matter
5. Valuation and Recognition of Share Options	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The estimation and complexity required to determine the fair value of the derivatives. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Reviewing the Black Scholes model calculations and assessing the inputs as being reasonable. Reviewing the journal posted to recognise the share options to ensure the treatment is appropriate.

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 2021, 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.

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

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.
- 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**

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 2021.

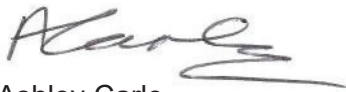
In our opinion, the Remuneration Report of Locality Planning Energy Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

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



Ashley Carle
Director
Brisbane
26 August 2021

Shareholder Information



Shareholder Information

Additional information required by Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 13 August 2021, 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: 62,884,736 ordinary shares, each fully paid, held by 929 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 fully 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

There are no current restricted securities.

Unmarketable Holders

There are 327 shareholders holding less than a marketable parcel of shares based on the closing price of \$0.25 on 13 August 2021 representing a total of 204,783 shares.

On-market Buy-backs

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

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at <https://localityenergy.com.au/investor-resources-pdf/corporate-governance>

Distribution of Security Holders

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

Range	Securities	%	No. of holders	%
100,001 and Over	52,716,982	83.83	56	6.03
10,001 to 100,000	8,501,093	13.52	241	25.94
5,001 to 10,000	780,520	1.24	102	10.98
1,001 to 5,000	770,066	1.22	262	28.20
1 to 1,000	116,075	0.18	268	28.85
Total	62,884,736	100.00	929	100.00

Shareholder Information (continued)

Twenty Largest Security Holders

Rank	Name	15 Aug 2021	% IC
1	Mr Damien Ian Glarville	8,000,000	12.72
2	Lumber Co Pty Ltd	7,978,995	12.69
3	Pettett Pty Ltd	7,295,000	11.60
4	National Nominees Limited	4,550,000	7.24
5	Fernsha Pty Limited	4,000,000	6.36
6	Jarwill Pty Ltd	3,738,003	5.94
7	Bearay Pty Limited	2,000,000	3.18
8	Defender Equities Pty Ltd	1,400,000	2.23
9	Mr Daryl Lindsay Allen	925,053	1.47
10	Ginga Pty Ltd	911,349	1.45
11	Bnp Paribas Nominees Pty Ltd	764,368	1.22
12	Woodville Super Pty Limited	700,000	1.11
13	Mr Anthony Bracks	636,240	1.01
14	Sore Tooth Pty Limited	500,000	0.80
14	The Genuine Snake Oil Company Pty Ltd	500,000	0.80
15	Mr Luke Gregory Ross	456,130	0.73
16	Emerging Equities Pty Ltd	420,000	0.67
17	Pac Partners Securities Pty Ltd	419,514	0.67
18	Netwealth Investments Limited	417,001	0.66
19	M&S Kriticos Smsf Pty Ltd	408,106	0.65
20	Newport Timber & Trading Pty Ltd	400,000	0.64
20	Mr Alexander William Pryor	400,000	0.64
	Total	46,819,759	74.45
	Balance of Register	16,064,977	25.55
	Grand Total	62,884,736	100.00

Substantial Shareholders

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

Name	No. of Shares	% Voting Power
Damien Glarville	8,400,995	13.36%
Lumber Co Pty Ltd	7,978,995	12.69%
Justin Pettett / Pettett Pty Ltd	7,509,102	11.94%
EPG Capital Pty Ltd	4,750,000	7.55%
Fernsha Pty Limited	4,010,000	6.38%
Jarwill Pty Ltd	3,738,003	5.94%



Locality Planning Energy Holdings Limited

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