



Locality Planning Energy Holdings Limited

Annual Report

2022



Your Smarter, Friendlier, Better Strata Experts



Contents

Corporate Directory	1
Chairman's Letter	2
Message from the Managing Director & CEO	3
Operating and Financial Review	5
Directors' Report	7
Directors' Meetings	9
Remuneration Report - Audited	10
Financial Statements	14
Notes to the Financial Statements	19
Directors' Declaration	44
Independent Auditor's Report	45
Shareholder Information	51

Corporate Directory

Non-Executive Chairman

Mr Justin Pettett

Non-Executive Directors

Mr Barnaby Egerton-Warburton

Ms Kathryn Guides

Executive Director

Mr Damien Glanville

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

Holding Redlich

Level 1, 300 Queen Street
Brisbane, Qld 4000
Phone +61 7 3135 0500

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





Locality Planning Energy Holdings Limited

Chairman's Letter

Dear Shareholders,

By all yardsticks, the fiscal year to 30 June 2022 (FY22) has been LPE's most challenging, transformative and successful since listing on the ASX in January 2016.

In May 2022, the Board made the difficult strategic decision to encourage all LPE's on-market customers to transfer to alternative providers so they could continue to enjoy receiving competitively priced electricity. Pleasingly, around 80% of the on-market customers switched to alternative providers by 30 June 2022.

As a result of this transformative restructuring exercise, LPE avoided many of the exogenous challenges arising from the volatile wholesale electricity market and booked a net profit of \$6.1 million for FY22 versus \$0.9 million in FY21.

With the material reduction in on-market customers, LPE had to make a commensurable reduction in the workforce, with termination costs reflected in part within the FY22's results with some overflowing into the FY23 year. As such, LPE will continue to work hard through the beginning of FY23 to ensure that its forward fixed cost structure and headcount are optimal relative to the group's anticipated requirements.

On the positive side, LPE has recovered most of the \$8 million in credit support obligations sitting with the Australian Energy Market Operator (AMEO). Further, LPE has closed out all its hedge positions enabling a \$22 million gain to be booked.

These cash inflows will be utilised to: 1) pay down all debt facilities; 2) steadily grow the stable strata business; and 3) develop the exciting vertically integrated renewable energy business.

Having successfully navigated through a challenging FY22, LPE is now in a robust financial position. More importantly, the Board now has considerably more time to focus on productively growing the group's remaining businesses and creating value for shareholders.

A handwritten signature in black ink, appearing to read 'Justin Pettett', is written over a light blue horizontal line.

Justin Pettett

Chairman

Brisbane, Australia

31 August 2022



Locality Planning Energy Holdings Limited

Message from the Managing Director & CEO

Without question FY22 was a highly challenging yet transformative year for the group. However, thanks to a strong corporate culture, high calibre team members, solid operational processes and extremely tough decisions at Board level, LPE had a successful and profitable year. As such, LPE is now in a strong financial position, with two solid businesses to focus on developing moving ahead.

Notably, thanks to LPE's team members being flexible, we kept operations as normal as practical while complying with mandated safety protocols to protect the health of stakeholders over the summer months.

However, unseasonal weather and generation outage in FY22 adversely impacted wholesale energy market:

- Fewer sunlight days, due to higher rainfall and cloud cover, removed solar generation availability which in turn placed upward pressure on wholesale energy prices; and
- Persistent hot humid weather, propelling demand, in conjunction with generation shortage appeared to be the catalyst which started to push wholesale energy prices on an unstoppable upward trajectory from 1 April 2022.

Prudently, the Company's hedging strategy was well placed to protect LPE's exposure and the Company had forecast adequate cash reserves to meet AMEO's stringent credit obligations in typical market conditions. However, as wholesale energy prices showed no signs of correcting, the Board decided to implement a transformative restructuring exercise in late May 2022 to encourage on-market customers to move to alternate providers or face significant price increases.

Pleasingly, LPE saw circa 80% of on-market customers switch to alternate providers by 30 June 2022, which crystallised several positive developments:

- \$22 million profit on closing out derivative hedges that will flow in over the next 24-months;
- Remaining \$4.2 million in credit support to be fully returned over next few months;
- Repayment of all short-term debt by end FY23;
- Significant reduction in operating costs due to lower headcount; and
- Material increase in management time to focus on creating shareholder value.



Locality Planning Energy Holdings Limited

Message from the Managing Director & CEO

FY23: Simplified business structure

The Board is excited about prospects for FY23 as we re-focus our efforts on growing the strata business and developing the vertically integrated assets. Notably, for the former, we will continue targeting to expand our strata footprint in Queensland, leveraging LPE's reputation as a quality and reliable service provider. Concurrently, we will continue to remove inefficiencies within the operating platform so that costs align with revenues, potentially enabling forward EBITDA margin expansion.

Our team are now working on encouraging the remaining on-market customers to transfer to new service providers and effectively managing related legacy receivables. We are targeting to have this concluded during the final quarter of the calendar year.

Across the entire operating platform, our team have done an amazing job delivering a value added service to our customers, despite the multiple challenges. Their support, as well as shareholders, are critical ingredients to ensuring LPE's ongoing success in FY23 and beyond.

A handwritten signature in blue ink, appearing to read 'D. Glanville', is positioned above the name of the Managing Director & CEO.

Damien Glanville

Managing Director & CEO

Brisbane, Australia

31 August 2022

Operating and Financial Review

Operating Results

From mid-May until 30 June 2022, circa 80% of LPE's on-market customers transferred away to alternate service providers, due to Queensland's wholesale electricity crisis. Since the fiscal year-end to 31 August 2022, this has increased to 92% which is an excellent outcome. Pleasingly, all LPE's FY22 metrics are up on FY21, with the restructuring exercise – that commenced in May 2022 – delivering material benefits. Notably, LPE is now in significantly stronger financial position and well placed to rapidly develop its strata business and vertically integrated renewable assets.

Key operational highlights for the year ended 30 June 2022 include:

- **+25% growth in sales** to \$69.4 million (2021: \$55.6 million), with growth realised across all customer segments;
- **Gain on fair value of derivatives** coming in at \$14.3 million (2021 \$5.6 million);
- **Gross margin reaching 17%** of sales (excluding unrealised gain on derivatives) (2021: 16%); and
- **Net profit** accelerating to \$6.1 million (2021 \$0.9 million).

LPE's financial performance during FY22 was driven initially by an increase in customers, which peaked at circa 50,000, prior to the wholesale energy crisis necessitating the restructuring exercise. With LPE's ability to continue offering on-market customers competitive pricing for electricity compromised by exogenous factors, they were encouraged to rapidly transfer to alternative providers to avoid substantial price increases. Notwithstanding the difficult and unforeseen wholesale electricity market conditions, LPE's revenues remained strong throughout the year reaching \$69.4 million (2021: \$55.6 million; +25% YoY).

Optimal Restructuring Exercise

In late May 2022, LPE went through a transformative restructure in response to the wholesale electricity crisis that adversely impacted millions of electricity customers along Australia's east coast. In a pioneering move, LPE directly advised on-market customers it could no longer provide competitive rates. Further, LPE encouraged impacted customers to swiftly switch providers to avoid substantial increases to future power bills passed on directly from the wholesale electricity market. Since then, LPE's on-market customer base in this sector has reduced substantially from approximately 21,000 to 2,000 at 30 June 2022 (1,500 at 31 August 2022).

This has delivered a significant positive flow on effect, with the moderation in customers and load reducing LPE's credit support obligations to the Australian Energy Market Operator (AEMO). At 30 June 2022, \$3.8 million out of \$8 million in credit support had been released back to LPE enabling a \$4 million short-term loan obligation to Black Rock Group to be settled in full. Further, at 31 August 2022, only \$1 million still remains outstanding with AEMO.

In addition, LPE closed its wholesale electricity hedge book at \$22 million which represents booked "in-the-money" value of forward electricity purchases for on-market customers. These fixed, known, weekly cash flows are earmarked to pay down LPE's remaining debt obligations. Note, most of the closed hedge book cash flows \$15.6 million will be received during FY23 which more than covers LPE's outstanding debts - primarily with BlackRock Group. The remaining \$6.6 million is expected in the 12 months that follow. However, LPE is considering options to bring the whole balance forward through receivables funding. This would enable LPE to finalise loan commitments and strengthen the cash position much sooner, enabling the management team to focus creating value for shareholders.

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

	2022 \$ million	2021 \$ million
Statutory EBIT	8.7	2.5
Government Grants	0.0	0.0
Loss/(gain) on fair value of financial instruments	(14.3)	(5.6)
Underlying EBIT	(5.6)	(3.1)
Depreciation and Amortisation	0.5	0.6
Underlying EBITDA	(5.1)	(2.5)

Underlying EBIT is the primary alternative performance measure 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.

LPE closed the fiscal year with \$3.1 million in cash and cash equivalents.

Bolstering Strata Embedded Network Services

Over the years, LPE has grown its reputation as one of the largest providers of embedded electricity, solar and hot water services for strata communities throughout Queensland. The way LPE supplies electricity to strata communities is different to on-market customers, as it is a “fixed price purchase contract” currently through larger retailers which provide the AEMO credit support.

Strata customers, currently at 28,000 (+19% YoY), continue to grow as LPE takes on existing embedded networks, without the upfront capital requirement. Additional resources will be focused on the strata business to build on LPE’s reputation as the strata provider of choice for body corporates and their occupants throughout Queensland.

Vertically Integrated Renewable Assets

Currently, the BioHub facility in Bundaberg (Queensland), with its anchor tenant behind-the-meter digital currency miner STAK Mining Pty Ltd (STAK), remains LPE’s inaugural generation asset. Based on current estimates, STAK should commence commercial operations late in Q4 CY2022.

Opportunities to co-locate other high energy users within two solar farms (refer ASX Release - 24 March 2022) have the potential to boost high margin revenues moving forward. While in its infancy, the Board is encouraged by the pace of development and positive reception from stakeholders with its plans to accelerate renewable asset development through vertically integrated, high-energy users that can significantly improve returns.

Outlook

Post the restructuring exercise, LPE will settle all debt obligation and focus on bolstering the embedded network business which has circa 28,000 customers to build on. Concurrently, LPE will look to grow its vertically integrated renewable energy business, capitalising on projects like the BioHub in Bundaberg and other exciting renewable projects located throughout Queensland.

During FY23, management will continue to identify efficiencies within the operating platform to ensure costs align with revenues in order to maximise EBITDA margins. Overall, LPE has navigated the wholesale energy crisis largely unscathed, and is in a much stronger position to create value for shareholders from the remaining operations.

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 22 years of ASX company experience having founded and helped companies from start-up to take over/acquisition/public-listing stage. He has a proven track record in identifying and maximising business opportunities in the energy sector having led teams to deliver successful results, 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 22 years and currently serves as an advisor to the board of Conrad Energy Asia Ltd, a Singapore, Asian-focused natural gas company to provide pipeline natural gas to Singapore for their electricity generation needs.

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 a member of the Nomination and Remuneration Committee and the Audit and Risk Committee.

Interest in Shares and Options

9,409,102 fully paid ordinary shares

Directorships Held in Other Listed Entities: Nil



Mr Damien Glanville

Executive Director, Co-founder, and Chief Executive Officer

Appointment Date: 11 December 2015

Experience: Mr Glanville has 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 the Chief Executive Officer.

Interest in Shares and Options

8,400,955 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 25 years of trading, investment banking, international investment and market experience with positions at JP Morgan, BNP Equities and Prudential Securities. Experienced investment banker and corporate advisor, having held managing director and non-executive director positions in the investment banking, technology and the resource sectors.

Degree in economics, and a graduate of the Australian Institute of Company Directors.

Special Responsibilities: Mr Barnaby Egerton-Warburton is Chairman of the Nomination and 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

Non-Executive Chairman of Arizona Lithium Limited (AZL), Non-Executive Chairman of Pantera Minerals Limited (PFE), Non-Executive Director of Diablo Resources Limited (DBO), Executive Director of Lord Resources Limited (LRD), Non-Executive Director of Southern Cross Payments Limited (SP1) and Non-Executive Director of the National Stock Exchange of Australia (NSX).



Mrs Kathryn Guides
Non-Executive Director

Appointment Date: 3 March 2022

Experience: Mrs Guides was previously the Senior Director of Xbox Games Marketplace, as well as the Microsoft Store online where she managed the profit and loss and global expansion in over 200 geographies, with both having an annual revenue budget in the mid US\$1 billion range. Ms. Foster is the Managing Director of macroDATA Group, a grouping of companies, that includes a green datacentre company.

She holds a Bachelor of Science (BSc) in International Marketing from Oregon State University and Associate of Science (ASc) - Computer Science and Information Systems from Shoreline Community University. Kathryn is a member of the Australian Institute of Company Directors.

Special Responsibilities: Mrs Guides is Chair of the Audit and Risk Committee, and a member of the Nomination and Remuneration Committee.

Interest in Shares and Options: Nil

Directorships Held in Other Listed Entities
Nuheara Ltd (ASX: NUH)



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.

Interest in Shares and Options: Nil

Directors' Meetings



Director	Meetings of Directors Held*	Meetings of Directors Attended
Justin Pettett	12	12
Barnaby Egerton-Warburton	12	11
Damien Glanville	12	12
Melissa Farrell	8	8
Kathryn Giudes	4	4

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

Director	Nomination and Remuneration Committee Meetings Held*	Nomination and Remuneration Committee Meetings Attended
Melissa Farrell	1	1
Damien Glanville	1	1
Justin Pettett	1	1
Barnaby Egerton-Warburton	1	1

* of which eligible to attend

Remuneration Report - Audited



Remuneration Practices

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

The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibilities to shareholders by:

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

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

The 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 Nomination and 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 Nomination and 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 Nomination and Remuneration 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.



2022 Remuneration

	Short Term Employee Benefits Salary & Fees	Post Employment Benefits Superannuation	Long Term Employment Benefits	Options Issued	Total
Directors					
Justin Pettett	\$220,000				\$220,000
Damien Glanville	\$461,774	\$23,568	\$8,149		\$493,491
*Melissa Farrell	\$318,992	\$23,568	\$2,235		\$344,795
Barnaby Egerton-Warburton	\$60,000	\$6,000		\$30,000	\$96,000
** Kathryn Guides	\$20,000				\$20,000
Executives					\$0
****Toby Mills	\$221,482	\$22,148	\$484		\$244,114
Total	\$1,302,248	\$75,284	\$10,868	\$30,000	\$1,418,400

2021 Remuneration

	Short Term Employee Benefits Salary & Fees	Post Employment Benefits Superannuation	Long Term Employment Benefits	Options Issued	Total
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	\$0	\$1,100,703

*Resigned 01 March 2022

** Appointed 03 March 2022

*** Terminated 30 June 2021

**** Appointed 23 September 2021

Shareholdings of Key Management Personnel

	Balance 30 June 2021	Shares Acquired	Shares Disposed	Balance 30 June 2022
Directors				
Justin Pettett	7,509,102	1,900,000		9,409,102
Damien Glanville	8,400,995			8,400,995
Melissa Farrell	0			0
Barnaby Egerton-Warburton	60,000			60,000
Kathryn Guides	0			0
Executives				
Toby Mills	0			0

Other required disclosures for the year ended 30 June 2022

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 2022 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 5 to 6 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

There are no matters or circumstances that have arisen since the end of the year which significantly affected or could significantly affect the operations of the Consolidated Entity, the 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://investors.joinlpe.com.au/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 was not an environmental issue for the Company, under the Renewable Energy Target, the Company is obliged to purchase and surrender an amount of large-scale generation certificates, and small-scale technology certificates, based on the volume of electricity the Company acquires each year.

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 31st day of August 2022.



Justin Pettett
Chairman



LPE[®]

2022 Annual Report

Financial Statements



Operating and Financial Review



Locality Planning Energy Holdings Limited - ABN 90 147 867 301

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	2022 \$	2021 \$
Electricity revenue	5A	68,600,739	54,880,379
Electricity cost of goods sold	5B	(56,854,785)	(46,265,094)
Unrealised gain on derivatives		14,314,320	5,638,187
Gain from trading		26,060,274	14,253,472
Other income	5C	830,365	711,322
Total operating income		26,890,639	14,964,794
Impairment losses	5D	(2,612,920)	(598,039)
Financing expenses	5E	(3,449,454)	(2,217,719)
Other expenses	5F	(14,698,318)	(11,230,789)
Profit before income taxes		6,129,947	918,247
Income tax benefit/(expense)	6	-	-
Net profit for the period		6,129,947	918,247
Other comprehensive income		-	-
Other comprehensive income net of tax		-	-
Total comprehensive profit/(loss) for the year		6,129,947	918,247
Basic earnings/(loss) per share (dollars per share)	17	0.05725	0.0149
Diluted earnings/(loss) per share (dollars per share)	17	0.04100	0.0142

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

**Consolidated statement of financial position
as at 30 June 2022**



	Note	June 2022 \$	June 2021 \$
Current assets			
Cash and cash equivalents	22	3,137,913	5,745,250
Trade and other receivables	7	27,659,526	10,045,765
Site conversion receivables	7	1,226,793	944,180
GST receivable		659,297	179,918
Financial assets	8	3,000,000	3,403,475
Other current assets	9	445,510	1,327,000
Total current assets		36,129,039	21,645,588
Non-current assets			
Trade and other receivables	7	6,578,316	-
Site conversion receivables	7	2,712,974	3,703,181
Financial assets	10	5,212,312	1,612,312
Plant and equipment	11	316,241	479,578
Leasehold improvements	12	331,965	426,609
Intangibles	13	81,325	210,058
Right of use assets	14	664,472	823,408
Total non-current assets		15,897,605	7,255,146
TOTAL ASSETS		52,026,644	28,900,734
Current liabilities			
Trade and other payables		10,120,105	11,872,243
Employee entitlements - leave provisions		390,527	323,673
Lease Liabilities		255,750	222,364
Provisions		36,085	32,805
Borrowings	15	20,025,025	173,612
Total current liabilities		30,827,492	12,624,697
Non-current liabilities			
Employee entitlements - leave provisions		99,583	74,143
Lease Liabilities		785,552	1,011,331
Borrowings	15	20,201	14,088,430
Total non-current liabilities		905,336	15,173,904
TOTAL LIABILITIES		31,732,828	27,798,601
NET ASSETS		20,293,816	1,102,133
Equity			
Issued capital	16	54,298,849	41,775,446
Share option reserve		811,440	273,107
Accumulated losses		(34,816,473)	(40,946,420)
Total equity		20,293,816	1,102,133

**Consolidated statement of cash flows
for the year ended 30 June 2022**



	Notes	June 2022 \$	June 2021 \$
Cash flows from operating activities			
Receipts from customers		67,795,250	49,940,376
Receipts from government grants		9,545	119,248
Payments to suppliers and employees		(78,796,755)	(54,892,817)
Interest received		692,026	645,621
Interest paid		(1,892,323)	(1,566,314)
Net cash used in operating activities	22	(12,192,257)	(5,753,886)
Cash flows from investing activities			
Payment for financial assets		(2,544,200)	1,707,915
Payment to acquire investments		(5,000,000)	-
Payment for plant and equipment		(54,747)	(244,092)
Payment for leasehold improvements		(1,979)	(10,294)
Payment for intangibles		(70,700)	(109,089)
Net cash provided by/(used in) investing activities		(7,671,626)	1,344,440
Cash flows from financing activities			
Proceeds from issues of shares		13,832,150	3,168,500
Share issue costs		(766,664)	(184,827)
Financing costs paid	22	(699,355)	(950,804)
Proceeds from loans	22	6,327,294	225,251
Repayment of leases	22	(219,797)	(184,579)
Repayment of loans	22	(1,217,082)	(170,461)
Net cash provided by/(used in) financing activities		17,256,546	1,903,080
Net decrease in cash and cash equivalents		(2,607,337)	(2,506,366)
Cash and cash equivalents opening balance		5,745,250	8,251,616
Cash and cash equivalents closing balance	22	3,137,913	5,745,250

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 2022

	Issued capital \$	Options reserve \$	Accumulated losses \$	Totals \$
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 (Options)	-	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
Balance at 1 July 2021	41,775,446	273,107	(40,946,420)	1,102,133
Issue of Share Capital	13,828,400	-	-	13,828,400
Capital Raising Costs	(1,304,997)	-	-	(1,304,997)
Issue of Share Capital (Options)	-	538,333	-	538,333
Profit/(Loss) after income tax	-	-	6,129,947	6,129,947
Balance at 30 June 2022	54,298,849	811,440	(34,816,473)	20,293,816

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 2022

1. Reporting Entity

The financial statements of Locality Planning Energy Holdings Limited (“the Company”) for the year ended 30 June 2022 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).

Notes to the financial statements for the year ended 30 June 2022

2. Basis Of Preparation (Cont'd)

(c) Use of estimates and judgements (Cont'd)

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

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 27.

(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 2022 of \$6,129,947 (2021: \$918,247), and net assets of \$20,293,816 (2021: \$1,102,133), however a non-cash movement on the fair value of derivatives increased this performance by \$14,314,320 (2021: \$5,638,187). Net cash outflow from operations for the year was \$12,162,257 (2021: \$5,753,886). These factors, prima facie, indicated that there is material uncertainty on whether the Group will continue as a going concern without additional funding.

The Group has \$3,134,163 in unrestricted cash at 30 June 2022 and the Group is 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 2022 ("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 2022

3. Significant Accounting Policies (Cont'd)

(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:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(d) Intangible Assets

Intangible assets include the cost of 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 2022

3. Significant Accounting Policies (Cont'd)

(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.

Notes to the financial statements for the year ended 30 June 2022

3. Significant Accounting Policies (Cont'd)

(j) Cash and Cash Equivalents

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

(k) Revenue

Revenue 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.

Notes to the financial statements for the year ended 30 June 2022

3. Significant Accounting Policies (Cont'd)

(m) Issued Capital

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

(n) Earnings per Share

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

(o) Leases

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.

Notes to the financial statements for the year ended 30 June 2022

3. Significant Accounting Policies (Cont'd)

(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 (i.e. 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.

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.

Notes to the financial statements for the year ended 30 June 2022

3. Significant Accounting Policies (Cont'd)

(p) Financial Instruments (Cont'd)

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.

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 (i.e. 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 assets':

- 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.

Notes to the financial statements for the year ended 30 June 2022

3. Significant Accounting Policies (Cont'd)

(q) Employee Entitlements

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

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

(r) New Accounting Standards Issued but not yet Applicable

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 2022

	Consolidated Entity 2022 \$	Consolidated Entity 2021 \$
5. Statement of Profit or Loss and other Comprehensive Income		
A. Electricity Revenue		
Electricity sales	66,712,172	53,310,798
Site conversion sales	1,888,567	1,569,581
Total Electricity Revenue	68,600,739	54,880,379
B. Electricity Cost of Goods Sold		
Energy usage charges	16,838,093	17,401,769
Network charges	29,373,948	21,508,930
Other COGS	8,926,987	5,917,640
Site conversion COGS	1,715,757	1,436,755
Total Electricity Cost of Goods Sold	56,854,785	46,265,094
C. Other Revenue		
Interest revenue	820,820	642,074
Government grants	9,545	69,248
Total Other Revenue	830,365	711,322
D. Impairment Losses		
Bad debts written off	702,322	249,158
Addition to provision for doubtful debt	1,910,598	348,881
Total Impairment Losses	2,612,920	598,039
E. Financing Expenses		
Borrowing expenses	1,557,131	651,405
Interest on leases	110,287	55,944
Interest expense	1,782,036	1,510,370
Total Financing Expenses	3,449,454	2,217,719
F. Other Expenses		
Bank Fees	193,096	123,659
Depreciation and amortisation	490,104	606,206
Employee costs	7,351,997	6,093,965
Loss on disposal of assets	141,793	46,382
Information technology	2,556,628	2,292,215
Insurance	95,083	84,851
Marketing & advertising	691,146	580,617
Occupancy expenses	57,298	30,026
Other expenses	2,527,268	1,052,980
Professional costs	593,905	319,888
Total Other Expenses	14,698,318	11,230,789



	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
6. Income Tax		
Components of tax expense/(benefit) comprise:		
Current tax	-	-
Prior year tax	-	-
Deferred tax	-	-
Income Tax Expense/(Benefit)	-	-
Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit/(Loss) from operations before tax for the year	6,129,947	918,247
The prima facie income tax benefit on loss before income tax at a tax rate of 30% (2021: 30%)	1,838,984	275,474
Tax effect amounts which are not (deductible)/taxable in calculating taxable income:	1,163	(16,758)
Deferred tax asset not brought to account	(1,840,147)	(258,716)
Total income tax benefit	-	-
Net unrecognised deferred tax assets		
Net Deductible/(Assessable) temporary differences	(126,975)	(2,457,628)
Unused tax losses	3,328,054	7,256,080
Net unrecognised deferred tax asset	3,201,079	4,798,452

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

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The consolidated entity has no franking credits.

	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
7. Trade & Other Receivables		
Current Trade & Other Receivables		
Trade receivables	8,248,449	8,848,596
Trade receivables provision	(1,249,969)	(163,911)
Hedging counterparty receivables	20,531,835	1,360,663
Interest receivables	129,211	417
	27,659,526	10,045,765
Non Current Trade & Other Receivables		
Hedging Counterparty Receivables	6,578,316	-
	6,578,316	-
Current Site Conversion Receivables		
Site conversion receivables	1,404,172	1,522,741
Site conversion receivables provision	(177,379)	(578,561)
	1,226,793	944,180
Non Current Site Conversion Receivables		
Site conversion receivables	3,938,696	3,703,181
Site conversion receivables provision	(1,225,722)	-
	2,712,974	3,703,181

Current trade receivables are not interest bearing and are generally receivable within 14 days.

The Group closed all financial derivative positions during the financial year (refer to note 27) therefore the Hedging Counterparty Receivables reflects the cash receivable from these closed positions.

7. Trade & Other Receivables (cont'd)

	Opening Balance 1 July 2020	Net Measurement of loss allowance	Amounts written off	Closing Balance 30 June 2021
Lifetime Expected Credit Loss: Credit Impaired				
Current trade receivables	125,829	38,082	249,158	163,911
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	348,881	249,158	742,472

	Opening Balance 1 July 2021	Net Measurement of loss allowance	Amounts written off	Closing Balance 30 June 2022
Lifetime Expected Credit Loss: Credit Impaired				
Current trade receivables	163,911	1,086,058	702,322	1,249,969
Current interest receivables	-	-	-	-
Current site conversion receivables	68,499	108,880	-	177,379
Non-Current site conversion receivables	510,062	715,660	-	1,225,722
	742,472	1,910,599	702,322	2,653,070

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 2022

	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
8. Financial Assets		
At fair value through the profit or loss		
Financial assets - derivatives	-	3,347,675
Term deposits	3,000,000	-
ASX Initial Margin on Derivatives	-	55,800
	3,000,000	3,403,475

9. Other Current Assets

Prepayments	154,655	246,675
Environmental certificates	-	618,709
Inventory	290,855	461,616
	445,510	1,327,000

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	212,312	1,612,312
Investments	5,000,000	-
	5,212,312	1,612,312

LPE has entered into an agreement with Bundaberg Biohub Pty Ltd (BBH) and Stak Mining Pty Ltd (STAK) whereby LPE has funded \$5m in capital works (Capital Works Funds) to facilitate the construction of the Bundaberg Biohub. LPE will receive a 15% per annum margin on the Capital Works Funds, to be paid quarterly. The Capital Works Funds principal is expected to be repaid to the Company in October 2023. LPE may elect to exercise an option to redeem up to \$3m of the Capital Works Funds in return for 50% of the fully paid ordinary shares in STAK. Before exercising the option, LPE will be required to comply with any applicable regulatory requirements.

Term Deposits

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

Notes to the financial statements for the year ended 30 June 2022

	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
11. Plant & Equipment		
Plant & equipment at cost	391,588	621,960
Accumulated depreciation	(184,807)	(353,266)
	206,781	268,694
Motor vehicles at cost	222,772	413,440
Accumulated depreciation	(113,312)	(202,556)
	109,460	210,884
	316,241	479,578

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	268,694	235,575
Additions	91,065	143,145
Depreciation	(101,519)	(88,002)
Disposals	(51,459)	(22,024)
Balance at the end of the year	206,781	268,694
Motor Vehicles		
Balance at the beginning of the year	210,884	159,871
Additions	-	103,028
Depreciation	(52,721)	(52,015)
Disposals	(48,703)	-
Balance at the end of the year	109,460	210,884

Notes to the financial statements for the year ended 30 June 2022

	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
12. Leasehold Improvements		
Leasehold improvements at cost	484,273	482,294
Accumulated depreciation	(152,308)	(55,685)
	331,965	426,609

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	426,609	177,090
Additions	1,979	482,294
Depreciation	(96,623)	(211,952)
Disposals	-	(20,823)
Balance at the end of the year	331,965	426,609

13. Intangibles

Intangibles at cost	331,464	346,553
Intangibles work in progress	-	94,300
Accumulated amortisation	(250,139)	(230,795)
	81,325	210,058

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	210,058	478,002
Additions	31,700	109,089
Amortisation	(49,620)	(31,518)
Disposals	(110,813)	(345,515)
Balance at the end of the year	81,325	210,058

Notes to the financial statements for the year ended 30 June 2022

	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
14. Right of Use Asset		
Right of use asset at cost	959,452	939,146
Accumulated amortisation	(294,980)	(115,738)
	664,472	823,408

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	823,408	116,724
Additions	30,685	928,767
Depreciation	(189,621)	(222,083)
Balance at the end of the year	664,472	823,408

15. Borrowings

Current

Insurance financing	43,827	107,421
Motor vehicle financing	38,049	66,191
Short term financing	2,000,000	-
BlackRock funding facility	17,943,149	-
	20,025,025	173,612

Non-current

Motor vehicle financing	20,201	58,253
BlackRock funding facility	-	14,030,177
	20,201	14,088,430

The Group has a funding facility of \$18.24 million (of which \$3.24 million includes the balance of a short term loan from BlackRock) as at 30 June 2022 (2021:\$15 million). This is presented above net of borrowing costs. There is a further \$1 million loan from Bundaberg Biohub Pty Ltd and \$1 million loan from IJ Financial Services Pty Ltd used for short term funding. The loan from IJ Financial Services Pty Ltd has been personally guaranteed by Chairman Justin Pettett and Managing Director & CEO Damien Glanville.

Notes to the financial statements for the year ended 30 June 2022

16. Issued Capital

(a) Issued and paid up capital

	2022 Number	2021 Number
Ordinary shares fully paid no par value	171,168,736	62,884,736

(b) Movement in ordinary shares on issue

	Number	\$
Balance at 30 June 2021	62,884,736	41,775,446
Issued for cash 25 August 2021	15,720,000	3,144,000
Issued for cash 26 October 2021	14,280,000	2,856,000
Issued 18 February 2022	23,221,183	2,322,118
Issued 06 April 2022	51,778,817	5,177,882
Issued 06 April 2022	3,284,000	328,400
Capital raising expenses		(1,304,997)
Balance at 30 June 2022	171,168,736	54,298,849

Ordinary shares

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

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

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

Share buy-back

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

(c) Share options

	Expiry	Number	\$
Unlisted Options			
Issued 11-Nov-2020 EX \$0.375	21/10/2022	3,400,000	273,107
Issued 06-Apr-2022 EX \$0.20	30/03/2026	1,000,000	30,000
		4,400,000	303,107
Listed Options			
Issued 26-Oct-2021 EX \$0.30	26/10/2023	15,000,000	-
Issued 26-Oct-2021 EX \$0.30	26/10/2023	3,333,334	133,333
Issued 06-Apr-2022 EX \$0.30	26/10/2023	75,000,000	-
Issued 06-Apr-2022 EX \$0.30	26/10/2023	37,500,000	375,000
Balance at 30 June 2022		130,833,334	508,333

Notes to the financial statements for the year ended 30 June 2022

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:

16. Issued Capital (cont'd)

Unlisted Options

	6/04/2022
Volatility	82.0%
Risk-free interest rate	2.1%
Expected life of share options (years)	4.00
Dividend yield	0.0%

Listed Options

	26/10/2021	6/04/2022
Volatility	80.0%	82.0%
Risk-free interest rate	0.16%	2.1%
Expected life of share options (years)	2.00	1.60
Dividend Yield	0.0%	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 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.

17. Earnings Per Share

Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share

	2022	2021
	Number	Number
Basic	107,076,998	61,442,254
Diluted	149,314,898	64,469,651
	\$	\$
Net profit after tax used in calculating basic earnings per share	6,129,947	918,247
Basic earnings per share (dollars per share)	0.0572	0.0149
Net profit after tax used in calculating diluted earnings per share	6,129,947	918,247
Diluted earnings per share (dollars per share)	0.0410	0.0142

Notes to the financial statements for the year ended 30 June 2022

18. Controlled Entities

Investment in controlled entities	Country of incorporation	Class of shares	% of ownership 2022	% of ownership 2021
Locality Planning Energy Pty Ltd	Australia	Ord	100%	100%
Locality Embedded Networks Pty Ltd	Australia	Ord	100%	100%
LPE Generate 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 (2021: nil).

21. Related Parties

	2022	2021
	\$	\$
Key management personnel compensation		
Short term employee benefits	1,309,421	1,018,745
Post-employment benefits	75,108	75,291
Long-term benefits	10,868	6,667
	1,395,397	1,100,703

Other related party transactions

Director Kathryn Giudes is a director of STAK Mining Pty Ltd (refer to note 10).

Chairman Justin Pettett and Managing Director & CEO Damien Glanville have personally guaranteed the loan from IJ Financial Services Pty Ltd (refer to note 15).

There were no other related party transactions.

Notes to the financial statements for the year ended 30 June 2022

22. Cash Flow Information

	Consolidated Entity 2022 \$	Consolidated Entity 2021 \$
Reconciliation of cash flow from operations with profit / (loss) after tax		
Profit after tax	6,129,947	918,247
Non-cash flows:		
Depreciation and amortisation	490,104	606,206
Loss on disposal of assets	141,793	46,382
Intangible asset write-off	69,182	338,700
Unrealised gain on derivatives	(14,314,320)	(5,638,187)
Expenditure classified as financing activities	109,510	632,317
	(7,373,784)	(3,096,335)
Changes in operating assets and liabilities		
Increase in receivables	(1,900,786)	(4,680,850)
Increase in other assets	(4,118,511)	(865,726)
Increase in creditors and payables	1,108,530	2,769,945
Increase in employee entitlements	92,294	119,080
Net cash used in operating activities	(12,192,257)	(5,753,886)
Reconciliation of liabilities arising from financing activities		
Borrowings		
Opening balance	14,262,042	13,665,062
Non-cash changes	1,372,327	1,492,994
Cashflow	4,410,857	(896,014)
Closing Balance	20,045,226	14,262,042
Lease Liabilities		
Opening balance	1,233,695	111,350
Non-cash changes	27,404	1,306,924
Cashflow	(219,797)	(184,579)
Closing Balance	1,041,302	1,233,695
	21,086,528	15,495,737
Cash and cash equivalents in the Consolidated Statement of Cash Flows include:		
Cash at bank	3,134,163	3,215,250
Cash on deposit	-	1,530,000
Restricted cash**	3,750	1,000,000
	3,137,913	5,745,250

**Restricted cash represents \$3,750 that the Company is holding as a deposit from CPS Capital for Broker Options.

Notes to the financial statements for the year ended 30 June 2022

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.

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, on 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 1% in interest rates.

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

	Consolidated Entity 2022	Consolidated Entity 2021
	\$	\$
Cash and cash equivalents	3,137,913	5,745,250
Borrowings	(20,045,226)	(14,262,042)
	(16,907,313)	(8,516,792)
Sensitivity		
Effect on profit or loss before taxes		
Increase 1%	(169,073)	(85,168)
Decrease 1%	169,073	85,168

Notes to the financial statements for the year ended 30 June 2022

23. Financial Instruments (Cont'd)

Liquidity risk management

Liquidity risks are caused by the inability to raise the money needed to meet payment of liabilities as and when they fall due. The Consolidated Entity manages liquidity risk by maintaining of reserves and by continually monitoring forecast and actual cash flows and cash balances.

At 30 June 2022 current assets exceed current liabilities by \$5,301,547 (2021: current assets exceeded current liabilities by \$9,020,891). 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, outstanding receivables and financial assets. 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 and financial assets 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 2022	Consolidated Entity 2021
	\$	\$

24. Auditors Remuneration

Amounts paid/payable for audit or review of the financial statements	90,679	94,016
Amounts paid/payable for tax and other services	5,250	3,000
	95,929	97,016

25. Subsequent Events

LPE has repaid \$3.24m of the BlackRock facility in July 2022. The \$1 million loan to Bundaberg Biohub Pty Ltd was also repaid in August 2022.

LPE is actively exiting the on-market customer base with less than 2,000 on-market customers remaining

There are no other matters or circumstances that have arisen since the end of the year which have 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 2022

26. Parent Entity Disclosures

	2022	2021
	\$	\$
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		
Loss for the year	(4,043,914)	(2,668,180)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive loss before tax	(4,043,914)	(2,668,180)
Income tax benefit	-	-
Total Comprehensive loss before Tax	(4,043,914)	(2,668,180)
Financial position of parent entity at year end		
Current assets	31,843,644	21,612,147
Non current assets	5,000,000	-
Total Assets	36,843,644	21,612,147
Current liabilities	20,350,691	106,840
Non current liabilities	-	14,030,177
Total Liabilities	20,350,691	14,137,017
Net Assets	16,492,953	7,475,130
Total equity of the parent entity comprising:		
Issued capital	54,298,849	41,775,447
Reserves	811,440	273,107
Accumulated losses	(38,617,336)	(34,573,424)
Total equity	16,492,953	7,475,130

Contingent liabilities

As at 30 June 2022, Locality Planning Energy Holdings Ltd is not aware of any contingent liabilities

Contractual commitments

At 30 June 2022, contractual commitments entered into by Locality Planning Energy Holdings Ltd is \$Nil (2021: \$Nil).

Guarantees

Locality Planning Energy Holdings Ltd 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 2022

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 Group closed the derivative positions during the year and therefore the fair value of the Group's financial derivative instruments is \$nil financial asset as at 30 June 2022 (2021: \$3,347,675). 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 2022 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. 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', is written over a light grey rectangular background.

Justin Pettett

Director

Dated: 31 August 2022

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 2022 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
31 August 2022

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 2022 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 2022 and of its performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 2(D) in the financial report, which indicates that the Group earned a net profit of \$6,129,947, however a non-cash movement on the fair value of derivatives increased this performance by \$14,314,320 and net cash outflows from operating activities was \$12,192,257. 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
<p>1. Going Concern</p>	
<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.
<p>2. Recognition and Recording Revenue</p>	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The strong growth in sales in recent years resulting in the need for substantially increased human and information technology capabilities and resources to ensure accurate recording. The 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 2021-2022 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.
<p>3. Valuation and Existence of Hedging Counterparty Receivables</p>	
<p>We focused on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> The hedging counterparty receivables balance contributing towards a significant portion of total assets as at 30 June 2022 The receipt of these funds being a significant assumption in the cashflow forecasts of the company and its going concern assessment 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtaining confirmation that the derivative positions have been closed out at 30 June 2022. Recalculating the receivable by reference to the initial trade confirmations. Sighted recalculation performed by an independent third party Agreeing receipts expected post year-end to actual receipts.



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-  Advisors
-  Accountants
-  Auditors

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

Key Audit Matter	How our audit addressed the key audit matter
4. 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 2022. 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 2021-2022 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 2021-2022 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 2021-2022. 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.
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 share options. 	<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.



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-  Advisors
-  Accountants
-  Auditors

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

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



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

- 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.

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 2022.

In our opinion, the Remuneration Report of Locality Planning Energy Holdings Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Bentleys

Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants

Ashley Carle

Ashley Carle
Director
Brisbane, 31 August 2022



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Shareholder Information

Additional information required by Australian Securities Exchange (ASX) and not shown elsewhere in the Annual Report, current as at 2 August 2022, 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: 171,168,736 ordinary shares (LPE), each fully paid, held by 1,135 shareholders
- ASX quoted: 130,833,334 options exercisable at \$0.30 and expiring 26 October 2023 (LPEO), held by 270 holders
- Unlisted: 3,400,000 options exercisable at \$0.375 and expiring 21 October 2022, held by 10 holders
- Unlisted: 1,000,000 options exercisable at \$0.20 and expiring 30th March 2026, held by 1 holder

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 548 shareholders holding less than a marketable parcel of shares based on the closing price of \$0.06 on 2 August 2022 representing a total of 1,196,796 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://investors.joinlpe.com.au/corporate-governance/>

Shareholder Information

As at 2 August 2022



Range	Securities	%	No. of holders	%
100,001 and Over	154,808,428	90.44	212	18.68
10,001 to 100,000	14,863,320	8.68	344	30.31
5,001 to 10,000	679,950	0.40	90	7.93
1,001 to 5,000	713,760	0.42	238	20.97
1 to 1,000	103,278	0.06	251	22.11
Total	171,168,736	100.00	1,135	100.00
Unmarketable Parcels	1,196,796	0.70	548	48.28

Twenty Largest Shareholders

Rank	Name	Number of shares held	%IC
1	FERNISHA PTY LIMITED	15,477,657	9.04
2	PETTETT PTY LIMITED	8,945,000	5.23
3	MR STANISLAV MICHAEL KOLENC	8,515,930	4.98
4	NATIONAL NOMINEES LIMITED	8,030,000	4.69
5	MR DAMIEN IAN GLANVILLE	8,000,000	4.67
6	CITICORP NOMINEES PTY LIMITED	6,365,464	3.72
7	FPMC PROPERTY PTY LTD	5,395,936	3.15
8	BEARAY PTY LIMITED	4,700,000	2.75
9	MR LESLIE PETER WOZNICZKA	4,518,502	2.64
10	JARWILL PTY LTD	3,738,003	2.18
11	BRIO CAPITAL MASTER FUND LTD	3,600,000	2.10
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,494,831	2.04
13	SUNSET CAPITAL MANAGEMENT PTY LTD	2,936,000	1.72
14	THE TRUST COMPANY (AUSTRALIA) LIMITED	2,471,845	1.44
15	DEFENDER EQUITIES PTY LTD	1,400,000	0.82
16	MR DARYL LINDSAY ALLEN	1,334,654	0.78
17	BNP PARIBAS NOMINEES PTY LTD BARCLAYS	1,252,882	0.73
18	MR ANANDA KATHIRAVELU	1,250,000	0.73
19	DAVSAM PTY LTD	1,200,000	0.70
20	SANDHURST TRUSTEES LTD	1,154,301	0.67
	Total	93,781,005	54.79
	Balance of register	77,387,731	45.21
	Grand total	171,168,736	100.00

Shareholder Information



Substantial Shareholders

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

Name	Number of Shares	Voting Power
Fernsha Pty Limited	15,477,657	9.04%
Mr. Simon Tilley	16,777,657	9.80%
Pettett Pty Limited	8,945,000	6.93%

Twenty Largest Option Holders (LPEO)

Rank	Name	Number of options held	%IC
1	CELTIC CAPITAL PTY LTD	11,662,875	8.91
2	SANDTON CAPITAL PTY LTD	8,600,000	6.57
2	KUBERA CAPITAL PTY LTD	8,600,000	6.57
3	CPS CAPITAL NO 5 PTY LTD	5,782,500	4.42
4	BNP PARIBAS NOMINEES PTY LTD BARCLAYS	4,700,000	3.59
5	MS CHUNYAN NIU	4,568,528	3.49
6	SUNSET CAPITAL MANAGEMENT PTY LTD	3,924,082	3.00
7	BRIO CAPITAL MASTER FUND LTD	3,600,000	2.75
8	MR PETER ANDREW PROKSA	3,000,000	2.29
9	BEARAY PTY LIMITED	2,700,000	2.06
10	THE TRUST COMPANY (AUSTRALIA) LIMITED	2,471,845	1.89
11	FERNSHA PTY LIMITED	2,045,000	1.56
12	NEWPORT TIMBER & TRADING PTY LTD	2,012,500	1.54
13	CS THIRD NOMINEES PTY LIMITED	1,900,000	1.45
14	MR PETER ANDREW PROKSA	1,827,411	1.40
15	JINDABYNE CAPITAL PTY LTD	1,800,000	1.38
16	FRESH EQUITIES PTY LTD	1,666,667	1.27
17	AUKERA CAPITAL PTY LTD	1,654,364	1.26
18	MR ANANDA KATHIRAVELU	1,500,000	1.15
19	GUILDFORDS FUNDS MANAGEMENT PTY LTD	1,373,247	1.05
20	PETTETT PTY LIMITED	1,275,000	0.97
	Total	76,664,019	58.60
	Balance of register	54,169,315	41.40
	Grand total	130,833,334	100.00



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