



FOCUS YOUR ENERGY

LGI Limited
ABN 49 138 085 551

Financial Report
For the year ended 30 June 2019

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DIRECTORS' REPORT

Directors present their report on LGI Limited, the company, for the financial year ended 30 June 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

<i>Tim McGavin (Chair)</i>	<i>Adam Bloomer</i>
<i>Jessica North</i>	<i>Andrew Peters</i>

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the company are to provide custom designed landfill gas solutions of all capacities for landfill owners and operators. Those activities include landfill gas flaring and electricity generation using the landfill gas.

No significant change in the nature of these activities occurred during the year.

Review of Operations

The after-tax profit of the company for the financial year amounted to \$1,987,969 which is a 108% increase as compared with that of the previous year (2018: \$957,681).

The company continued to engage in its principal activity of landfill gas flaring and landfill gas to power generation, the results of which are disclosed in the attached financial statements.

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Given the contracted and prospective growth opportunities available to the company, consideration is being given to increasing the capital of the company. This may involve selling assets of the business and/or raising equity. Management is in discussions with our bank to provide an increased line of funding to support further growth of the business.

The company will be constructing a number of new landfill gas to power facilities. Each facility will be constructed under contractual arrangements with the landfill owners.

The company is investigating installation of solar power generation at a number of existing contracted landfill sites.

The company will continue to tender for new work, including new landfill operations, landfill gas to power generation and solar power generation.

The company expects to maintain the present status and level of landfill gas operations.

Dividends

During the year a dividend of \$382,753 was paid for the financial year ended 30 June 2019 of 1.117 cents per share. No dividends were declared or recommended but not paid during the financial year.

Environmental Regulation

LGI's business is subject to a range of environmental laws and regulations as well as project and site-specific environmental permits and approvals issued by local and regional councils. There have been no instances of non-compliance with environmental laws and regulations.

Options

Options granted over unissued shares:

- There were 128,270 share options issued under the employee share option plan during the financial year of which 50,000 was issued to a Director of the company, Dr Jessica North
- There are 1,592,848 share options outstanding at the end of the financial year

No options were exercised during the year. Subsequent to year end, 363,000 shares were issued following the exercise of options.

Indemnification of Officers

During the year, the company paid premiums to insure directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

- The company has entered into an insurance policy to indemnify each director with the maximum limit of indemnity being \$20,000,000, against any liability arising from a claim brought against the company and the directors by third parties. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors.
- The company has paid premiums to insure the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

Further disclosure of information relating to this policy is not permitted under the contract of insurance.

No indemnification has been obtained for the auditors of the company.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Information on Directors

Timothy McGavin (Non-executive Chairman), Dip Ag, Grad Dip Management, MBA

Appointed: 18 May 2011

Chair: Remuneration Committee

Tim has been actively involved in business and investing from a young age. In 1994, Tim and his brother bought a small vineyard, subsequently turning it into one of Australia's largest privately-owned vineyards. He is the co-founder and CEO of Laguna Bay, an Australian institutional real asset manager with around \$700M under management in agriculture. He has been named in Rural Press's top young achievers and is a major shareholder in LGI, with a current shareholding of 21.03%.

Adam Bloomer (Managing Director)

Appointed: 3 July 2009

Adam established LGI in 2009 and has been active in the landfill and landfill gas profession for over 15 years. Adam has installed, maintained and monitored gas fields in multiple sites across Australia, including sites with significant power generation. He has previously held positions with LMS Pty Ltd, where he was responsible for the operation and maintenance of landfill gas projects within Western Australia, Victoria and

Tasmania, and with the Wanless Group as a Senior Project Manager, where he constructed three 4000m² transfer stations, remediated a Class 2 landfill in New South Wales and selected a landfill site in Queensland.

Dr Jessica North (Executive Director and CEO), BSc, MSc, PhD (Environmental Chemistry), AICD

Appointed: 24 April 2013

Member – Audit, Compliance & Risk Committee

Jessica has 20 years' experience in the waste industry, including roles in management, consulting and research. Her professional experience includes work in Canada, South East Asia, New Zealand, Australia, South America, the United Kingdom and Europe. She has worked for nationally recognised waste consultancies in Australia, New Zealand and the UK, and international organisations delivering projects to government and private sector clients. Jessica has received various research awards and was named Young Scientist of the Year in New Zealand in 2005 for her research into contamination of water systems by landfill leachate. In 2010, she authored the United Nations Environment Program's White Paper on Climate Change and Waste Management.

Andrew Peters (Non-executive Director), LLB, GAICD

Appointed: 30 January 2018

Chair – Audit, Compliance & Risk Committee

Member – Remuneration Committee

Andrew is an independent legal and commercial adviser to major energy and resource companies and government. He has over 25 years' experience across a range of areas, including transactions, corporate advisory, energy policy and projects, and has advised extensively on some of Queensland's largest power assets and energy projects. He has held executive and senior corporate counsel positions in energy, infrastructure and professional services companies, and was previously a partner in a commercial law firm. He is admitted as a solicitor in Queensland, New South Wales and the High Court.

Directors' Meetings

During the financial year, 17 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors	Directors' Meetings		Audit, Compliance & Risk Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
<i>Tim McGavin (Chair)</i>	12	12	-	-	1	1
<i>Adam Bloomer</i>	12	12	-	-	-	-
<i>Jessica North</i>	12	12	4	4	-	-
<i>Andrew Peters</i>	12	11	4	4	1	1

Company Secretary

The following people held the position of company secretary at the end of the financial year:

Adam Bloomer – appointed 24 May 2011

Dean Wilkinson – appointed 7 November 2017

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 7.

No officer of the company is or has been a partner/director of the auditor of the company.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director 

Jessica North

Dated this 29th day of August 2019

AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS TO DIRECTORS OF LGI LIMITED

As lead auditor of LGI Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'C R Jenkins', with a stylized flourish at the end.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 29 August 2019

Financial Report for the Year Ended 30 June 2019

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue	3	5,291,241	5,185,578
Other income	3	6,014,299	5,086,369
Less: Expenses			
Cost of Goods Sold		(2,697,625)	(2,411,975)
Employee benefits expense	4	(2,504,757)	(2,526,878)
Depreciation and license amortisation expense	4	(1,668,229)	(1,239,212)
Finance costs		(655,015)	(601,384)
Professional fees		(75,741)	(359,025)
Occupancy expense		(168,561)	(169,154)
Repairs and maintenance expense		(96,130)	(128,521)
Insurance expense		(142,471)	(118,676)
Safety and staff training expenses		(28,643)	(85,956)
Travel expenses		(44,678)	(80,788)
Other expenses		(431,142)	(534,451)
Profit before income tax		2,792,548	1,340,127
Income tax expense	5	(804,579)	(382,446)
Profit after tax		1,987,969	957,681
Other comprehensive income		-	-
Total comprehensive income		1,987,969	957,681

The accompanying notes form part of this financial report.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,600,738	4,058,367
Trade and other receivables	8	903,368	393,058
Environmental Certificates ACCUs and LGCs	10	1,524,561	1,541,137
Other assets	9	613,786	284,000
TOTAL CURRENT ASSETS		4,642,453	6,276,562
NON-CURRENT ASSETS			
Trade and other receivables	8	-	6,331
Other assets	9	816,044	66,045
Property, plant and equipment	11	22,325,268	13,522,758
Intangible assets	12	1,066,778	920,489
TOTAL NON-CURRENT ASSETS		24,208,090	14,515,623
TOTAL ASSETS		28,850,543	20,792,185
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,933,473	1,132,795
Provisions	14	176,995	79,965
Current tax liabilities	15	398,773	171,360
Borrowings	16	187,534	142,224
TOTAL CURRENT LIABILITIES		2,696,775	1,526,344
NON-CURRENT LIABILITIES			
Trade and other payables	13	7,355	11,559
Provisions	14	59,145	91,525
Deferred tax liabilities	15	738,350	505,006
Borrowings	16	14,641,425	9,789,633
TOTAL NON-CURRENT LIABILITIES		15,446,275	10,397,723
TOTAL LIABILITIES		18,143,050	11,924,067
NET ASSETS		10,707,493	8,868,118
EQUITY			
Issued capital	18	6,055,702	6,055,702
Reserves	20	312,800	78,641
Retained earnings		4,338,991	2,733,775
TOTAL EQUITY		10,707,493	8,868,118

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Issued Share Capital \$	Retained Earnings \$	Share based payment reserve \$	Total \$
Balance at 1 July 2017		1,130,500	1,776,094	-	2,906,594
Comprehensive income					
Profit for the year		-	957,681	-	957,681
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	957,681	-	957,681
Transactions with owners, in their capacity as owners					
Shares issued during the period (net of costs)		4,925,202	-	-	4,925,202
Share based payments		-	-	78,641	78,641
Dividends paid or provided for		-	-	-	-
Transactions with owners, in their capacity as owners		4,925,202	-	78,641	5,003,843
Balance at 30 June 2018		6,055,702	2,733,775	78,641	8,868,118
Balance at 1 July 2018		6,055,702	2,733,775	78,641	8,868,118
Comprehensive income					
Profit for the year		-	1,987,969	-	1,987,969
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	1,987,969	-	1,987,969
Transactions with owners, in their capacity as owners					
Share based payments	20	-	-	234,159	234,159
Dividends paid or provided for	6	-	(382,753)	-	(382,753)
Balance at 30 June 2019		6,055,702	4,338,991	312,800	10,707,493

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST		11,240,298	9,410,186
Payments to suppliers and employees inclusive of GST		(6,323,335)	(5,818,003)
Interest received/other income		13,609	8,422
Interest paid		(675,627)	(614,877)
Income tax paid / received		(343,821)	31,672
Net cash provided by operating activities	25(a)	3,911,124	3,017,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,900,362)	(5,632,542)
Term deposit held as security		(733,242)	15,292
Purchase of intangible assets		(204,279)	(179,829)
Net cash used in investing activities		(10,837,883)	(5,797,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of cost)		-	4,866,477
Payment of Dividends		(382,753)	-
Proceeds from borrowings		5,054,238	9,200,000
Repayment of borrowings		(202,355)	(7,424,357)
Net cash used in financing activities		4,469,130	6,642,120
Net increase in cash held		(2,457,629)	3,862,439
Cash and cash equivalents at beginning of year		4,058,367	195,928
Cash and cash equivalents at end of year		1,600,738	4,058,367

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes represent those of LGI Ltd, a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation of Financial Statements

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs.

The Company's presentational and functional currency is Australian dollars.

The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 29th August 2019 by the directors of the company.

a. New or amended Accounting Standards and Interpretations adopted

Title of standard	AASB 9 <i>Financial Instruments</i>
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Nature of change	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introducing new rules for hedge accounting and a new impairment model for financial assets.
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Impact	The company has adopted AASB 9 from 1 July 2018.
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The financial assets held by the company primarily comprise of cash and debt instruments currently measured at amortised cost which meet the conditions for classification at amortised cost under AASB 9. Accordingly, the new guidance does not affect the classification and measurement of these financial assets.

In accordance with the transition provisions in AASB 9, the Company has adopted the new accounting standard using the modified retrospective approach. There is no material impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken, the Company has no material loss allowance for trade debtors.

Title of standard	AASB 15 <i>Revenue from Contracts with Customers</i>
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Nature of change	In accordance with the transition provisions in AASB 15, the Company has adopted the new accounting standard using the modified retrospective approach from 1 July 2018 and there is no material impact on revenue recognition as a result of adopting the new accounting standard. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be
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NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

Title of standard	AASB 16 Leases
Nature of change	This standard is applicable to annual reporting periods beginning on or after 1 January 2019 and will be adopted by the company 1 st July 2019. It will result in most leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The company will adopt the modified retrospective approach to implement the new standard.
Impact	The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company had non-cancellable operating lease commitments of \$659,221 see note 17. The straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The impact on adoption at 1 July 2019 is expected to result in total assets increasing by \$1,569,949, total liabilities increasing by \$1,651,041 (present value) and net assets decreasing by \$81,092.

b. Revenue recognition***Revenue recognition under AASB 15******Electricity and related services***

The contracts for the sale of electricity represent a series of distinct goods that are substantially the same, have the same pattern of transfer to the customer and are treated as one performance obligation satisfied over time based on the output delivered to the customer. The company determines that the right-to-invoice approach to measure the progress towards completion of the performance obligation is most appropriate, as it depicts the company's performance. At the end of each month, electricity revenues are recognised based on metered usage at agreed contracted rates less any agreed charges.

Operating and maintenance services

The company continues to operate and maintain flares on various landfill sites across Australia. The company's performance obligations are fulfilled over time and the operating and maintenance service revenue is recognised and invoiced at the end of each month, based on contractual terms. The contractual terms include a fixed monthly charge. Invoices are due for payment between 14 and 30 days from invoice date.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Construction

Contracts with customers to carry out construction works to install landfill gas collection systems. The company assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided.

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, performance or other incentive fees and contract claims. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The company assesses the probability of receiving variable consideration using a combination of commercial and market factors, historical experience and independent third party advice. This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period.

Construction revenue is recognised when the work is complete and the performance obligation is satisfied. Revenue is invoiced based on the terms of each individual contract which may include a periodic billing schedule or achievement of specific milestones. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

Incremental Costs of obtaining Customer Contracts

Commissions paid as part of obtaining customer contracts are expensed during the year.

Contract Assets (Trade Receivables and Work in progress)

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Work in progress represents costs incurred and profit recognised for services that are in progress at balance date and the Company has an enforceable right to payment for its performance completed to date.

Unsatisfied performance obligations

The Company continues to recognise its contract liabilities under AASB 15 in respect of any unsatisfied performance obligations, which are disclosed as Unearned revenue in the Statement of Financial Position.

Financing components

The Company does not recognise adjustments to transition prices or Contract balances where the period between the transfer of promised goods or services to the customer and payment by customer does not exceed one year.

The Company reviewed its prior year contracts and did not identify material adjustments in timing and amounts recognised as revenue in prior years.

Revenue recognition under AASB 118

As the company adopted the modified retrospective approach to revenue recognition under AASB 15 Revenue from Contract with Customers, the historical revenue recognition accounting policy applicable to the comparative has been retained for disclosures purposes.

Revenue is measured at the fair value of the consideration received or receivable. Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable. Energy sales are recognised at the time of supply of electricity into the transmission network.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Environmental Certificates – ACCU & LGC

Australian Carbon Credit Units ("ACCU's") and Large-scale Generation certificates ("LGC's") are considered government grants under AASB120, *Accounting for Government Grants and disclosure of Government Assistance*. Government grants are recognised when there is reasonable assurance that the company will comply with the conditions of the grant and the grant will be received. ACCU's and LGC's are recognised at the date of the creation of the renewable energy certificate. This is typically at the date of flaring for ACCU's and the date of electricity generation for LGC's. The revenue is measured through the use of meters that are regularly reviewed and subsequently reported to the Australian Government. Where the pricing of the ACCU's and LGC's are contracted, they are recognised at their contracted values. Where the pricing of the ACCU's and LGC's are not contracted, they are recognised at the lower of their spot or net realisable value (being the estimated selling price in the ordinary course of business net of costs to realise). All ACCU's and LGC's are intended to be realised within 12 months of the reporting date.

c. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- (a) the initial recognition of goodwill; or
- (b) the initial recognition of an asset or liability in a transaction which:
 - (i) is not a business combination; and
 - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, accumulated depreciation and any impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss (Refer to Note 1(f) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors as part of the goodwill impairment measurement to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding motor vehicles, are depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Motor vehicles are depreciated using the diminishing value method.

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

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	15%
Motor vehicles	25%
Office Furniture and equipment	33%
Leased asset	4% - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

e. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. Impairment of Non- Financial Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Impairment testing is performed annually for goodwill. For the purpose of annual impairment testing, goodwill is allocated to the cash-generating. The company considers the whole business as a cash generating unit. The recoverable amounts of the cash-generating unit are determined based on value-in-use calculations, covering a five-year forecast, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management. The present value of the expected cash flow is determined by applying a suitable discount rate.

g. Licence Costs

Licence costs are carried at cost less any accumulated amortisation and impairment losses. Licence costs represent the costs of installing pipe networks and related infrastructure on customer owned sites for the purposes of gas extraction and subsequent flaring and/or conversion into electricity. The licence costs are supported by customer agreements for the aforementioned purposes. The licence costs are amortised over the term of the customer agreement.

h. Employee Benefits**Short-term employee benefits**

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Company's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

remeasurement of obligations due to changes in assumptions for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

i. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Cash and Cash Equivalents

Cash and cash equivalents include 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 as borrowings in current liabilities on the statement of financial position.

k. Trade and Other Receivables

As the company adopted the modified retrospective approach under AASB 9 Financial Instruments, the historical trade receivable accounting policy applicable to the comparative has been retained for disclosures purposes.

Trade receivables under AASB 139 are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

l. Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at cost using the effective interest method.

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m. 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 Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**n. Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

o. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates and judgements**(i) Goodwill impairment**

The Company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

(ii) Share Based Payments

Share based payments have been recognised using common valuation techniques and relevant assumptions as at the grant date. As part of the valuation of those share based payments, the determination of the volatility is a key estimate. This key estimate has been determined on the basis of volatility of comparable entities being used as a proxy for the volatility of LGI Ltd and is thus, a key judgement and estimate.

(iii) Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(iv) Revenue from contracts with customers involving sale of goods

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, performance or other incentive fees and contract claims. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The company assesses the probability of receiving variable consideration using a combination of commercial and market factors, historical experience and independent third-party advice. This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period. Revenue is recognised when the work is completed and the obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

p. Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of share options that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using Black Scholes valuation method that takes into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date, the expected dividend yield and the risk-free interest rate for the term of the performance right.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

q. Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised when declared during the financial year.

r. Intangible Assets – Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill represents the future economic benefits arising from assets/liabilities acquired in a business combination that are not individually identifiable or separately recognised. A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method and is recognised as the excess of the aggregate consideration transferred over the fair value of the identifiable assets and liabilities acquired. Acquisition costs are expensed as incurred.

Goodwill is tested for impairment annually.

s. Borrowings

Borrowings are recognised at their fair value at initial recognition. Subsequent to initial recognition, borrowings are measured at their amortised cost with all transaction costs being amortised over the term of the borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

t. Land Call Option fees

Call option fees are a right to exercise a call and included in the financial statements as either current or non-current other assets. The call option fees can either be refundable or non-refundable. If the fees are non-refundable, they are expensed when the call option period expires.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 3: REVENUE AND OTHER INCOME

	2019	2018
	\$	\$
Revenue from contracts with customers		
Construction - at a point in time	1,119,432	1,599,120
Energy- over time	3,513,454	2,326,427
Operations and maintenance – over time	648,835	558,400
Other revenue – over time	9,520	701,631
	5,291,241	5,185,578
Other Income		
Large-scale generation certificates (LGCs)	3,468,198	2,589,856
Australian carbon credit units (ACCUs)	2,525,309	2,442,784
Profit on sale of property, plant and equipment	913	10,609
Interest income	13,609	8,422
Other sundry income	6,270	34,698
	6,014,299	5,086,369
Total Revenue and other income	11,305,540	10,271,947

NOTE 4: PROFIT BEFORE INCOME TAX

	2019	2018
	\$	\$
Profit before income tax from continuing operations includes the following expenses:		
Depreciation of property, plant and equipment	1,610,239	1,200,624
Amortisation of intangible assets	57,990	38,588
	1,668,229	1,239,212
Finance costs	655,015	601,384
Employee benefits expense -		
Salaries and wages expenses	2,630,723	2,052,821
Less Capitalised projects salaries & wages	(683,572)	-
Contributions to superannuation funds	228,797	179,826
Share based payments	234,159	78,641
Provisions for employee benefits	64,650	84,470
Other employee benefits	30,000	131,120
	2,504,757	2,526,878
Remuneration of the auditor -		
Auditing or reviewing the financial statements	39,200	34,000
Advisory services	29,798	113,731
	68,998	147,731

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 5: TAX EXPENSE

		2019	2018
	Note	\$	\$
a. The components of tax expense comprise:			
– current tax expense in respect of the current year		583,196	246,181
– deferred tax expense (income) relating to the origination and reversal of temporary differences	15	233,345	147,341
– adjustments for under/(over)-provision of current income tax of previous years		(11,962)	-
Total income tax expense		804,579	393,522
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)		767,951	382,446
Add/less tax effect of:			
– adjustments in respect of current tax of prior years		(1,595)	(2,467)
– refundable R&D offset		(61,751)	-
– Tax effect amounts relating to the origination and reversal of temporary differences		99,974	13,543
Income tax attributable to the company	15	804,579	393,522
c. Aggregate amount of tax charged/(credited) directly to equity relating to items that are recognised in equity:			
– current tax		-	-
– deferred tax		-	-

NOTE 6: DIVIDENDS

	2019	2018
	\$	\$
Dividends paid at 1.117 cents per share fully franked (2018: \$nil)	382,753	-
Total dividends paid during the period	382,753	-

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 7: CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash at bank and on hand	1,600,738	4,058,367
Cash and cash equivalents balance as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows:		
Per the statement of cash flows	1,600,738	4,058,367

NOTE 8: TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
CURRENT		
Trade receivables	486,942	378,418
Other receivables	416,426	14,640
Total Current Receivables	903,368	393,058
NON-CURRENT		
Deferred fee receivables	-	6,331
Total Non-Current Receivables	-	6,331

NOTE 9: OTHER ASSETS

	2019	2018
	\$	\$
CURRENT		
Prepayments	72,715	51,196
Accrued Income	83,750	124,978
Land call options fees ¹	454,091	54,091
Other current assets	3,230	53,735
Total Current Assets	613,786	284,000
NON-CURRENT		
Security Deposits ²	816,044	66,045
Total Non-Current Assets	816,044	66,045

1. Note 17(d) outlines the gross amounts and terms for Land Options.

2. Other Non-current assets include a \$750,000 security deposit for performance obligations under a landfill gas contract for the Australian Capital Territory.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 9: OTHER ASSETS

2019	2018
\$	\$

NOTE 10: ENVIRONMENTAL CERTIFICATES**CURRENT**

Australian carbon credit units (ACCU's)	1,256,865	1,247,437
Large scale generation certificates (LGC's)	267,696	293,700
Total Environmental Certificates	1,524,561	1,541,137

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

2019	2018
\$	\$

Plant & Equipment

Plant and equipment at cost	25,558,671	15,343,450
Accumulated depreciation	(4,247,767)	(2,927,138)
	21,310,904	12,416,312
Motor vehicles at cost	289,580	289,580
Accumulated depreciation	(117,091)	(59,594)
	172,489	229,986
Office furniture and equipment at cost	136,628	125,126
Accumulated depreciation	(57,946)	(32,013)
	78,682	93,113
Capitalised leased assets at cost	1,392,475	1,226,072
Accumulated depreciation	(629,282)	(442,725)
	763,193	783,347
Total plant and equipment	22,325,268	13,522,758
Total property, plant and equipment	22,325,268	13,522,758

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
a. Movements in carrying amounts		
Plant and equipment:		
Balance at the beginning of the reporting period	12,416,312	8,074,635
Additions	10,232,039	5,348,069
Disposals	(4,711)	(49,877)
Depreciation expense	(1,332,736)	(956,515)
Balance at the end of the reporting period	21,310,904	12,416,312
Motor vehicles:		
Balance at the beginning of the reporting period	229,986	21,703
Additions	-	249,836
Disposals	-	-
Depreciation expense	(57,497)	(41,553)
Balance at the end of the reporting period	172,489	229,986
Office furniture and equipment:		
Balance at the beginning of the reporting period	93,113	53,804
Additions	25,786	61,908
Disposals	(6,768)	-
Depreciation expense	(33,449)	(22,599)
Balance at the end of the reporting period	78,682	93,113
Capitalised leased assets:		
Balance at the beginning of the reporting period	783,347	979,968
Additions	166,403	-
Disposals	-	(16,664)
Depreciation expense	(186,557)	(179,957)
Balance at the end of the reporting period	763,193	783,347

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 12: INTANGIBLE ASSETS

	2019	2018
	\$	\$
Goodwill at Cost	314,069	314,069
Licences at cost	942,351	738,072
Accumulated amortisation	(189,642)	(131,652)
	752,709	606,420
Total intangible assets	1,066,778	920,489

a. **Movements in carrying amounts****Licences:**

Balance at the beginning of the reporting period	606,420	465,179
Additions	204,279	179,829
Disposals	-	-
Amortisation expense	(57,990)	(38,588)
Balance at the end of the reporting period	752,709	606,420

b. **Impairment assessment of goodwill**

The company tests whether goodwill has suffered any impairment on an annual basis. The following table sets out the key assumptions used in performing the value-in-use calculations:

Sales volume (% annual growth rate)	2.5%
Long term growth rate	2%
Pre-tax discount rate	8%

Management has determined the values assigned to each of the above key assumptions as follows:

Sales volume (% annual growth rate)	Based on a combination of current & likely future projects and CPI.
Long term growth rate	Growth rates from the current year and budgeted growth rates
Pre-tax discount rate	Based on similar energy companies

Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of a (cash generating unit) CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cashflow projections based on financial budgets approved by management covering a one-year period.

Cashflows beyond the one-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

Key Judgement: One Cash Generating Unit (CGU)

Management have determined that there is one CGU and accordingly impairment assessments have been done at the company level.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 13: TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
CURRENT		
Trade payables	1,261,973	438,090
Payroll liabilities	134,481	117,505
Sundry payables and accruals	537,019	577,200
Total Current trade and other payables	1,933,473	1,132,795
NON-CURRENT		
Sundry payables and accruals	7,355	11,559
Total non-current trade and other payables	7,355	11,559

NOTE 14: PROVISIONS

	2019	2018
	\$	\$
CURRENT		
Annual leave	97,527	79,965
Long service leave	79,468	-
Total Current Provisions	176,995	79,965
NON-CURRENT		
Long service leave	59,145	91,525
Total provisions	236,140	171,490

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave that will vest in the next 12 months due to employees having completed the required period of service.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(h).

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 15: TAX BALANCES

	2019	2018
	\$	\$
Current Asset		
Income tax receivable	-	-
Current liabilities		
Income tax payable	398,773	171,360
Non-current assets		
Deferred tax assets	220,970	253,806
Non-current liabilities		
Deferred tax liabilities	959,320	758,812
	2019	2018
	\$	\$
Deferred tax assets		
Accrued Expenses	74,219	106,137
Employee benefits provision	83,347	63,132
Other accruals and provisions	63,404	84,537
	220,970	253,806
Deferred tax liabilities		
Accelerated depreciation for tax purposes	391,072	298,034
Accrued income	442,286	458,182
Other taxable temporary differences	125,962	2,596
	959,320	758,812
Net amount	738,350	505,006

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019**NOTE 16: BORROWINGS**

	2019	2018
	\$	\$
CURRENT		
Finance lease liability	252,568	202,311
Less: Borrowing costs	(65,034)	(60,087)
Total Current Borrowings	187,534	142,224
NON-CURRENT		
Bank Loans	14,100,000	9,200,000
Finance lease liability	607,428	705,802
Less: Borrowing costs	(66,003)	(116,169)
Total Non-Current Borrowings	14,641,425	9,789,633
Total Borrowings	14,828,958	9,931,857

(a) Terms and conditions and assets pledging as security relating to the above financial instruments**Bank loans**

The CBA facility is comprised of the following:

Facility	Limit \$	Utilised \$	Maturity	Average Interest Rate
Project loans	14,100,000	14,100,000	2021	4.37%
Overdraft	500,000	\$nil	2019	7.5%
Contingent liability	100,000	\$nil	2019	1.75%

Security

The bank loans are secured by way of:

- (i) Registered Company Charge (Mortgage Debenture) over all assets and undertakings of the company; and
- (ii) Side Deeds (step in rights) with each respective local council over prescribed property of each individual project advanced under the facility.

Finance leases

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements reverting to the lessor in the event of default.

Note 17: CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
(a) Finance leasing commitments		
Payables – minimum lease payments:		
– not later than one year	289,104	240,301
– Later than one year and not later than five years	647,853	764,119
Minimum Lease Payments	936,956	1,004,420
Less future finance charges	76,960	(96,307)
Total finance lease payables	859,996	908,113

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019**

Note 17: CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
Represented by:		
Current liability	252,568	202,311
Non-current liability	607,428	705,802
	<u>859,996</u>	<u>908,113</u>

(b) Operating leasing commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payables – minimum lease payments:

- not later than one year	209,430	272,903
- Later than one year and not later than five years	449,791	540,305
- Later than 5 years	-	-

Total operating lease payables	<u>659,221</u>	<u>813,208</u>
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(c) Capital expenditure commitments

Power generation plant & equipment purchases	1,728,227	1,934,402
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The company has entered into contracts to purchase power generation plant and equipment with delivery lead times greater than six months.

(d) Land Call option fees paid

The company has four agreements, totalling \$7.2million plus an additional \$400,000 settlement deferral amount, for the right to purchase land in the Gympie region. It is proposed that a solar farm, The Woolooga Energy Park, be constructed on this land. A total of \$400,000 land option fees were paid during the year.

NOTE 18: SHARE CAPITAL

	2019	2018
	\$	\$
(a) Share capital		
34,266,180 ordinary shares (30 June 2018: 34,266,180)	6,055,702	6,055,702
Total share capital	<u>6,055,702</u>	<u>6,055,702</u>

Ordinary shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

(b) Capital management

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the company consists of debt which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the notes to financial statements and the Statement of changes in equity.

There are no externally imposed capital requirements. Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTE 19: RELATED PARTY TRANSACTIONS

The Company's main related parties are as follows:

a. **Key management personnel of the Company**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the entity, is considered key management personnel.

b. **Other related parties of the Company**

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (ie at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

	2019	2018
	\$	\$
(i) Key management personnel		
Key management personnel compensation:		
Short-term employee benefits	689,442	577,471
Post-employment benefits	53,058	41,972
Other long-term benefits	25,722	35,730
Share-based payments	279,365	38,158
Total compensation	1,047,587	693,331

(ii) **Other related parties – director-related entities**

The following transactions occurred with Blakin Technologies Pty Ltd, a company owned by Adam Bloomer, Managing Director of LGI:

Director fees paid to Blakin Technologies Pty Ltd \$nil (2018: \$110,000)

Office space rent received from Blakin Technologies Pty Ltd \$6,000 (2018: \$2,500)

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 20: RESERVES

	2019	2018
	\$	\$
Share based payment reserve		
Opening balance at 1 July 2018	78,641	-
Employee share options provided for during the year	234,159	78,641
Balance at 30 June 2019	312,800	78,641

The Share based payment reserve records fair value movements of employee share options issued.

Options issued during the financial year:

- There were 128,270 employee share options issued during the financial year
- There are 1,592,848 employee share options outstanding at the end of the financial year

363,000 shares were issued since the end of the year as a result of the exercise of an option over unissued shares.

NOTE 21: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings which are measured at amortised cost.

The totals for each category of financial instruments, measured in accordance with AASB 9: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The directors of the company meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risk the company is exposed to through its financial instruments is market risk relating to interest rate risk and price risk.

There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Bank funding amounts have been deducted in the analysis as management does not consider there is any reasonable risk that the bank will terminate or renew such facilities. The bank does however maintain the right to terminate such facilities in the event of a breach of financial undertakings.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timings of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

Financial liability and financial asset maturity analysis

2019	Weighted average interest rate	Total carrying amount \$	Total contractual outflow \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment						
Trade and other payables	N/A	1,940,829	1,940,829	1,933,474	7,355	-
Amounts payable to related parties	N/A					-
Bank loans ¹	4.37%	14,100,000	14,100,000	-	14,100,000	-
Interest on bank loans		-	1,313,622	616,170	697,452	-
Finance leases	5.05%	859,996	859,996	252,568	607,428	-
Interest on finance leases		-	76,690	36,133	40,557	-
Total expected outflows		16,900,825	18,291,137	2,838,345	15,452,792	-
Less bank loans ¹		14,100,000	14,100,000	-	14,100,000	-
Total expected outflows		2,800,825	4,191,137	2,838,345	1,352,792	-

2018	Weighted average interest rate	Total carrying amount \$	Total contractual outflow \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
Financial liabilities due for payment						
Trade and other payables	N/A	1,144,353	1,144,353	1,132,795	11,559	-
Bank loans ¹	5.41%	9,200,000	9,200,000	-	9,200,000	-
Interest on bank loans		-	1,494,347	498,116	996,231	-
Finance leases	4.6%	908,113	908,113	202,311	705,802	-
Interest on finance leases				37,929	58,378	-
Total expected outflows		11,252,466	12,746,813	1,871,151	10,971,970	-
Less bank loans ¹		9,200,000	9,200,000	-	9,200,000	-
Total expected outflows		2,052,466	3,546,813	1,871,151	1,771,970	-

1. The Bank funding facility has a renewal date of 25 June 2021. On renewal of the funding facility, payment of these amounts will not physically occur with the loan balance flowing forward to the new negotiated facility.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company does not have any significant credit risk exposure with trade and other receivables mainly consisting of local, state and federal governments with balances paid within terms of trade. There was no expected credit loss or impairment made at 30 June 2019.

Market risk

- (i) *Interest rate risk*

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments. The financial instruments that expose the Company to interest rate risk are limited to borrowings, and cash and cash equivalents.

Interest rate risk is managed using a mix of fixed and floating rate debt.

The Company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The net effective variable interest rate borrowings (ie unhedged debt) expose the Company to interest rate risk, which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Note	2019 \$	2018 \$
Floating rate instruments			
Bank loans	16	14,100,000	9,200,000

Sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact on how profit reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

Sensitivity - 2019		Effect on profit before taxes	
	30-Jun-19	Increase 1%	Decrease 1%
Cash and cash equivalents	1,600,738	14,566	(1,600)
Bank Loans (variable loan)	14,100,000	141,000	(141,000)
Sensitivity - 2018		Effect on profit before taxes	
	30-Jun-18	Increase 1%	Decrease 1%
Cash and cash equivalents	4,058,367	40,583	40,583
Bank Loans (fixed loan)	9,200,000	91,604	(91,604)

Fair Values

The carrying values of financial assets and financial liabilities approximate their fair values due to their short-term nature and non-current borrowings are at a market rate which equates to fair value.

NOTE 22: CONTINGENT LIABILITIES

The company has provided secured bank guarantees to the value of \$816,044 (2018: \$82,803) including the \$750,000 security obligation under the ACT Mugga Lane landfill gas contract.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2019, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs in financial years subsequent to 30 June 2019, of the company.

NOTE 24: COMPANY DETAILS

The registered office and the principal place of business of the company is:

LGI Limited

Unit1, 20 Ashtan Place

Banyo QLD 4014

NOTE 25: CASHFLOW INFORMATION

	2019	2018
	\$	\$
a. Reconciliation of cash flows from operating activities with profit for the year		
Net profit	1,987,969	957,681
Non-cash items:		
Depreciation	1,610,239	1,200,624
Amortisation of licences	57,990	38,588
Amortisation of borrowing costs	65,829	181,843
Options expense	234,159	78,641
Salary & wages recovered from capital projects	(683,573)	-
Net (profit)/losses on disposal of property, plant and equipment	5,680	39,268
	1,290,324	1,538,964
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(50,720)	(184,572)
(Increase)/decrease in other assets	(39,889)	(75,751)
(Increase)/decrease in income tax payable	227,413	341,906
Increase/(decrease) in trade and other payables	164,896	294,369
Increase/(decrease) in provisions	97,786	72,590
Increase/(decrease) in deferred tax liabilities	233,345	72,211
	632,831	520,753
Net cash provided by operating activities	3,911,124	3,017,398

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2019

b. **Non-cash financing and investing activities**

Acquisition of property, plant and equipment by means of finance lease \$166,403 (2018: \$Nil).

c. **RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	2017	CASH INFLOWS	CASH OUTFLOW	NON CASH CHANGES	2018
Bank loans	7,027,689	9,200,000	(7,210,561)	6,616	9,023,744
Finance leases	1,121,909	-	(213,796)	-	908,113
Total Borrowings	8,149,598	9,200,000	(7,424,357)	6,616	9,931,857

	2018	CASH INFLOWS	CASH OUTFLOW	NON CASH CHANGES	2019
Bank loans	9,023,744	4,900,000	(16,515)	61,733	13,968,962
Finance leases	908,113	154,238	(185,840)	(16,516)	859,996
Total Borrowings	9,931,857	5,054,238	(202,355)	45,217	14,828,958

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of LGI Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 36, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and consolidated group.
2. 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.



Jessica North (Director)

Dated this 29th day of August 2019

INDEPENDENT AUDITOR'S REPORT

To the members of LGI Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of LGI Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including **a summary of significant accounting policies, and the directors' declaration**.

In our opinion the accompanying financial report of LGI Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the **Company's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; 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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical **Standards Board's APES 110 Code of Ethics for Professional Accountants** (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other information

The directors are responsible for the other information. The other information obtained at the date of **this auditor's report is information included in the director's report**, 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 on the other information obtained prior to the date of this **auditor's report, 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 **Company's** ability 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 Company 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description **forms part of our auditor's report.**

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 29 August 2019