FOCUS YOUR ENERGY

LGI Limited

ABN 49 138 085 551

Financial Report

For the year ended 30 June 2020

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DIRECTORS' REPORT

Directors present their report on LGI Limited, the company, for the financial year ended 30 June 2020.

Directors

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

Tim McGavin (Chair)	*Adam Bloomer*
Jessica North	*Andrew Peters*

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 $1,205,195 which is a decrease of 39% as compared with that of the previous year (2019: $1,987,969).

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.

During the year, LGI Limited concluded a sale of the development rights to 170MWp Woolooga Solar Farm. The sale proceeds to be received in two tranches. The first tranche was received during the year, the second tranche to be received in the 2021 financial year. A gain on sale has been recognised based on the sale proceeds that can accurately be measured.

LGI Limited completed construction of a Landfill Gas to Energy facility in the Australian Capital Territory. The new facility began generating in June 2020.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and has had a financial impact on LGI Limited. LGI Limited's production has not been significantly impacted. The lower levels of electricity consumption across the National Electricity Market have resulted in lower electricity pricing. This lower pricing had a negative impact on the results for the financial year.

The first time adoption of AASB 16 'Leases' did not have a material impact on the current period. Current profit before tax expense was increased by $1,509. As at 30 June 2020, net assets were increased by $10,717, as a result of recognising a new asset of $1,285,384 and a new liability of $1,266,391.

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.

The company will be constructing new 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.

The impact of Coronavirus (COVID-19) on future operations is difficult to forecast. It is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian and State Governments, including quarantine, travel restrictions and economic stimulus.

Dividends

During the year a final dividend of $519,842 was paid for the financial year ended 30 June 2020 of 1.5 cents per share. No dividends were declared or recommended but not paid, during the 2020 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 390,000 share options exercised under the employee share option plan during the financial year and 390,000 shares were issued at 10 cents per share following the exercise of options.
- There are 1,215,848 share options outstanding at the end of the financial year
- No options were issued during the year.

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 20.5%.

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 4000m^2 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 in 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, 8 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit, Compliance & Risk Committee		Remuneration Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Tim McGavin (Chair)	8	8	-	-	-	-
Adam Bloomer	8	7	-	-	-	-
Jessica North	8	8	1	1	-	-
Andrew Peters	8	8	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:

Jessica North
Director..

Dated this 6th day of October 2020

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

As lead auditor of LGI Limited for the year ended 30 June 2020, 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.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 6 October 2020

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
Revenue	3	4,168,681	5,291,241
Other income	3	6,392,935	6,014,299
Less: Expenses			
Cost of Goods Sold		(2,104,525)	(2,697,625)
Employee benefits expense	4	(2,494,044)	(2,504,757)
Depreciation and amortisation expense	4	(2,482,844)	(1,668,229)
Finance costs	4	(783,814)	(655,015)
Professional fees		(323,710)	(75,741)
Occupancy expense		(26,097)	(168,561)
Repairs and maintenance expense		(49,289)	(96,130)
Insurance expense		(232,755)	(142,471)
Other expenses		(298,536)	(504,461)
Profit before income tax		1,766,002	2,792,548
Income tax expense	5	(560,807)	(804,579)
Profit after tax		1,205,195	1,987,969
Other comprehensive income		-	-
Total comprehensive income		1,205,195	1,987,969

The accompanying notes form part of this financial report.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020	2019
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	973,414	1,600,738
Trade and other receivables	8	617,141	903,368
Environmental Certificates ACCUs and LGCs	10	2,004,558	1,524,561
Other assets	9	2,194,141	613,786
TOTAL CURRENT ASSETS		5,789,254	4,642,453
NON-CURRENT ASSETS			
Other assets	9	816,044	816,044
Property, plant and equipment	11	27,727,276	22,325,268
Intangible assets	12	1,246,953	1,066,778
TOTAL NON-CURRENT ASSETS		29,790,273	24,208,090
TOTAL ASSETS		35,579,527	28,850,543
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,355,939	1,933,473
Provisions	14	175,888	176,995
Current tax liabilities	15	171,934	398,773
Borrowings	16	373,442	187,534
TOTAL CURRENT LIABILITIES		2,077,203	2,696,775
NON-CURRENT LIABILITIES			
Trade and other payables	13	-	7,355
Provisions	14	98,071	59,145
Deferred tax liabilities	15	1,317,618	738,350
Borrowings	16	20,392,285	14,641,425
TOTAL NON-CURRENT LIABILITIES		21,807,974	15,446,275
TOTAL LIABILITIES		23,885,177	18,143,050
NET ASSETS		11,694,350	10,707,493
EQUITY			
Issued capital	18	6,094,702	6,055,702
Reserves	19	563,680	312,800
Retained earnings		5,035,968	4,338,991
TOTAL EQUITY		11,694,350	10,707,493

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued share capital	Retained earnings	Share based payment reserve	Total equity
		$	$	$	$
Balance at 1 July 2018		6,055,702	2,733,775	78,641	8,868,118
Comprehensive income					
Profit after income tax for the year		-	1,987,969	-	1,987,969
Total comprehensive income for the year		-	1,987,969	-	1,987,969
Transactions with owners, in their capacity as owners					
Share based payments	19	-	-	234,159	234,159
Dividends paid	6	-	(382,753)	-	(382,753)
Transactions with owners, in their capacity as owners		0	(382,753)	234,159	(148,594)
Balance at 30 June 2019		6,055,702	4,338,991	312,800	10,707,493

	Note	Issued share capital	Retained earnings	Share based payment reserve	Total equity
Balance at 1 July 2019		6,055,702	4,338,991	312,800	10,707,493
Adjustment for change in accounting policy		-	11,625	-	11,625
		6,055,702	4,350,616	312,800	10,719,118
Comprehensive income					
Profit for the year		-	1,205,195	-	1,205,195
Total comprehensive income for the year		-	1,205,195	-	1,205,195
Transactions with owners, in their capacity as owners					
Share based payments	19	-	-	250,880	250,880
Shares issued during the period (net of costs)	18	39,000	-	-	39,000
Dividends paid	6	-	(519,843)	-	(519,843)
Transactions with owners, in their capacity as owners		39,000	(519,843)	250,880	(229,963)
Balance at 30 June 2020		6,094,702	5,035,968	563,680	11,694,350

The accompanying notes form part of this financial report.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST		9,344,889	11,240,298
Payments to suppliers and employees inclusive of GST		(6,463,222)	(6,323,335)
Interest received and other income		10,770	13,609
Interest paid		(783,814)	(675,627)
Income tax paid or received		(213,160)	(343,821)
Net cash provided by operating activities	27	1,895,463	3,911,124
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,233,994	(9,900,362)
Proceeds of property, plant and equipment		817,181	-
Term deposit held as security		-	(733,242)
Purchase of intangible assets		(261,247)	(204,279)
Net cash used in investing activities		(6,678,060)	(10,837,883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of cost)		39,000	-
Payment of dividends		(519,843)	(382,753)
Proceeds from borrowings		5,162,918	5,054,238
Repayment of borrowings		(526,802)	(202,355)
Net cash used in financing activities		4,155,273	4,469,130
Cash and cash equivalents at beginning of year		1,600,738	4,058,367
Net increase in cash held		(627,324)	(2,457,629)
Cash and cash equivalents at end of year	7	973,414	1,600,738

The accompanying notes form part of this financial report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes represent those of LGI Limited, 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 1st September 2020 by the directors of the company.

a. **New or amended Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $
Finance lease adjustments as at 1 July 2019 (AASB 117)	(982)
Right-of-use assets (AASB 16)	2,024,012
Accumulated amortisation ROU assets as at 1 July 2019 (AASB 16)	(571,756)
Lease liabilities - current (AASB 16)	(1,434,869)
Tax effect on the above adjustments	(4,781)
Increase in opening retained profits as at 1 July 2019	11,625

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease;
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

e. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The company applies the simplified approach permitted by AASB9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Management has determined that assessment of expected credit loss associated with trade receivables is immaterial.

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.

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. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

p. **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.

q. **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.

r. **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.

s. **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.

NOTE 2: 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.

(v) *Capital raising*

The entity has incurred costs, $755,087 in the process of raising equity. These costs are recognised on the balance sheet and will be offset against the value of the equity when it is raised.

The directors of the Company have assessed the likelihood of raising equity. In making the assessment the directors considered the process that has been conducted and the interest shown in the Company by potential investors. The directors also considered the portion of equity that would be in relation to new shares issued and the portion relating to acquisition of existing shares. The directors concluded that the Company is likely to raise equity and will continue to carry the costs on the balance sheet.

(vi) *Salary and wages capitalised to capital projects*

Directly attributable cost of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are capitalised. Labour costs that management considers are incremental in nature has been capitalised to capital projects. In determining, whether the costs are incremental in nature management has given consideration to the type of project ie self-constructed asset and stage of construction. Any costs related to planning of the project are expensed and costs incurred in the development phase are capitalised

NOTE 3: REVENUE AND OTHER INCOME

	2020	2019
	$	$
Revenue from contracts with customers		
Construction - at a point in time	1,058,815	1,119,432
Energy- over time	2,492,755	3,513,454
Operations and maintenance – over time	603,671	648,835
Other revenue – over time	13,440	9,520
	4,168,681	5,291,241
Other Income		
Large-scale generation certificates (LGCs)	2,666,061	3,468,198
Australian carbon credit units (ACCUs)	2,456,173	2,525,309
Net gain on disposal of property, plant and equipment	963,113	913
COVID19 government assistance packages	293,000	-
Interest income	10,770	13,609
Other sundry income	3,818	6,270
	6,392,935	6,014,299
Total Revenue and other income	10,561,616	11,305,540

NOTE 4: PROFIT BEFORE INCOME TAX

	2020	2019
	$	$
Profit before income tax includes the following expenses:		
Depreciation and amortisation expense -		
Depreciation of property, plant and equipment	2,234,901	1,610,239
Amortisation of land and buildings right-of-use assets	166,872	-
Amortisation of intangible assets	81,071	57,990
	2,482,844	1,668,229
Finance costs		
Interest and finance charges on borrowings and lease liabilities	783,814	655,015
Employee benefits expense -		
Salaries and wages expenses	2,844,494	2,630,723
Less Capitalised projects salaries & wages	918,704	(683,572)
Contributions to superannuation funds	259,555	228,797
Share based payments	250,880	234,159
Provisions for employee benefits	37,819	64,650
Other employee benefits	20,000	30,000
	2,494,044	2,504,757
Remuneration of the auditor -		
Auditing or reviewing the financial statements	40,500	39,200

NOTE 4: PROFIT BEFORE INCOME TAX

	2020	2019
	$	$
Advisory services	16,164	29,798
	56,664	68,998

NOTE 5: TAX EXPENSE

	Note	2020 $	2019 $
a. The components of tax expense comprise:			
– current tax expense in respect of the current year		-	583,196
– deferred tax expense (income) relating to the origination and reversal of temporary differences	15	574,487	233,345
– adjustments for under/(over)-provision of current income tax of previous years		(13,680)	(11,962)
Total income tax expense		560,807	804,579
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% (2019: 27.5%)		485,650	767,951
Add/less tax effect of:			
– adjustments in respect of current tax of prior years		(13,680)	(1,595)
– refundable R&D offset			(61,751)
– Tax effect amounts relating to the origination and reversal of temporary differences		88,837	99,974
Income tax attributable to the company	15	560,807	804,579
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

	2020	2019
	$	$
Dividends paid at 1.517 cents per share fully franked (2019: 1.117 cents per share)	519,843	382,753
Total dividends paid during the period	519,843	382,753

NOTE 7: CASH AND CASH EQUIVALENTS

	2020	2019
	$	$
Cash at bank and on hand	973,414	1,600,738
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	973,414	1,600,738

NOTE 8: TRADE AND OTHER RECEIVABLES

	2020	2019
	$	$
CURRENT		
Trade receivables	612,828	486,942
Allowance for expected credit losses (ECL rate 0%) [1]	-	-
Other receivables	4,313	416,426
Total Current Receivables	617,141	903,368

1. There are no expected credit losses for the year ended 30-Jun-20.

NOTE 9: OTHER ASSETS

	2020	2019
	$	$
CURRENT		
Prepayments	80,367	72,715
Accrued Income	1,334,698	83,750
Capital raise costs	755,086	-
Other current assets	23,990	3,230
Land call options fees [1]	-	454,091
Total Current Assets	2,194,141	613,786

NOTE 9: OTHER ASSETS

	2020	2019
	$	$
NON-CURRENT		
Security Deposits [2]	816,044	816,044
Total Non-Current Assets	816,044	816,044

1. *2019 Land Options were included in the Woolooga solar asset sale June 2020.*
2. *Other Non-current assets include a $750,000 security deposit for performance obligations under a landfill gas contract for the Australian Capital Territory.*

NOTE 10: ENVIRONMENTAL CERTIFICATES

CURRENT		
Australian carbon credit units (ACCU's)	1,257,206	1,256,865
Large scale generation certificates (LGC's)	747,352	267,696
Total Environmental Certificates	2,004,558	1,524,561

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	$	$
Plant & Equipment		
Property, plant and equipment at cost	32,134,861	25,984,880
Less: Accumulated depreciation	(6,398,083)	(4,422,804)
	25,736,778	21,562,076
Plant & equipment under lease	1,469,251	1,392,475
Less: Accumulated depreciation	(764,137)	(629,282)
	705,114	763,192
ROU land and buildings	2,024,012	-
Less: Accumulated depreciation	(738,628)	-
	1,285,384	-
Total property, plant and equipment	**27,727,276**	**22,325,268**

	Property plant & equipment	Plant & equipment under lease	Right of use land & buildings	Total
Balance at 1 July 2018	12,739,411	783,347	-	13,522,758
Additions	10,257,825	166,403	-	10,424,228
Disposals	(11,479)	-	-	(11,479)
Depreciation & amortisation expense	(1,423,682)	(186,557)	-	(1,610,239)
Balance at 1 July 2019	21,562,075	763,193		22,325,268
Additions	12,172,875	187,320	1,452,256	13,812,451
Disposals	(1,027,570)	(31,392)	-	(1,058,962)
Depreciation & amortisation	(2,020,894)	(214,007)	(166,872)	(2,401,773)
Transfers in/(out) of work in progress	(4,949,708)	-	-	(4,949,708)
Balance at 30 June 2020	25,736,778	705,114	1,285,384	27,727,276

NOTE 12: INTANGIBLE ASSETS

	2020	2019
	$	$
Goodwill at Cost	314,069	314,069
Licences at cost	1,203,598	942,351
Accumulated amortisation	(270,714)	(189,642)
	932,884	752,709
Total intangible assets	1,246,953	1,066,778

a. **Movements in carrying amounts**

Licences:

Balance at the beginning of the reporting period	752,709	606,420
Additions	261,248	204,279
Disposals	-	-
Amortisation expense	(81,073)	(57,990)
Balance at the end of the reporting period	932,884	752,709

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	9% to 11%

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.

NOTE 13: TRADE AND OTHER PAYABLES

	2020	2019
	$	$
CURRENT		
Trade payables	556,947	1,261,973
Payroll liabilities	181,887	134,481
Sundry payables and accruals	617,105	537,019
Total Current trade and other payables	1,355,939	1,933,473
NON-CURRENT		
Sundry payables and accruals	-	7,355
Total non-current trade and other payables		7,355

NOTE 14: PROVISIONS

	2020	2019
	$	$
CURRENT		
Annual leave	160,558	97,527
Long service leave	15,330	79,468
Total Current Provisions	175,888	176,995
NON-CURRENT		
Long service leave	98,071	59,145

NOTE 14: PROVISIONS

Total provisions	273,959	236,140

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).

NOTE 15: TAX BALANCES	**2020**	**2019**
	$	**$**
Current liabilities		
Income tax payable	171,934	398,773
Non-current assets		
Deferred tax assets	575,630	220,970
Non-current liabilities		
Deferred tax liabilities	1,893,248	959,320
Deferred tax assets		
Accrued Expenses	99,861	74,219
Employee benefits provision	75,338	83,347
Lease liability	393,059	-
Unused tax losses	7,372	-
Other accruals and provisions	-	63,404
	575,630	220,970
Deferred tax liabilities		
Accelerated depreciation for tax purposes	582,716	391,072
Accrued income	573,528	442,286
Right to use asset	353,581	-
Other taxable temporary differences	383,523	125,962
	1,893,248	959,320
Net deferred tax liability	1,317,618	738,350

NOTE 16: BORROWINGS

	2020	2019
	$	$
CURRENT		
Lease liability	240,115	252,568
Right of use liability	166,343	-
Less: Borrowing costs	(33,016)	(65,034)
Total Current Borrowings	373,442	187,534
NON-CURRENT		
Bank loans	18,850,000	14,100,000
Lease liability	521,983	607,428
Right of use liability	1,100,048	-
Less: Borrowing costs	(79,746)	(66,003)
Total Non-Current Borrowings	20,392,285	14,641,425
Total Borrowings	20,765,727	14,828,958

(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	19,100,000	18,850,000	30 June 2023	3.4%
Overdraft	500,000	nil	30 June 2023	7.5%
Contingent liability	100,000	25,000	30 June 2023	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
Finance 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.

(b) Capital expenditure commitments

	2020	2019
	$	$
Power generation plant & equipment purchases	2,295,242	1,728,227

The company has entered into contracts to purchase power generation plant and equipment with delivery lead times greater than six months.

NOTE 18: EQUITY – Issued capital

	2020	2019
	$	$
(a) Issued capital		
34,656,180 ordinary shares fully paid (30 June 2019: 34,266,180)	6,094,702	6,055,702

(b) Movements in ordinary share capital	**No. of shares**	**Issue price**	**$**
Ordinary shares at 30 June 2019	34,266,180		6,055,702
Issue of shares on the exercise of options	390,000	$0.10	39,000
Ordinary shares at 30 June 2020	34,656,180		6,094,702

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.

(c) Capital management

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: EQUITY – Reserves

	2020	2019
	$	$
Share based payment reserve		
Opening balance	312,800	78,641
Employee share options provided for during the year	250,880	234,159
Balance at 30 June 2020	563,680	312,800

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

Options issued during the financial year:

- There were no employee share options issued during the financial year
- There are 1,202,848 employee share options outstanding at the end of the financial year
- 390,000 shares were issued as a result of the exercise of options during the financial year

NOTE 20: 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:

	2020	2019
	$	**$**
(i) ***Key management personnel***		
Key management personnel compensation:		
Short-term employee benefits	561,032	689,442
Post-employment benefits	47,577	53,058
Other long-term benefits	(52,414)	25,722
Share-based payments	89,321	279,365
Total compensation	645,516	1,047,587

(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:

Fees paid to Blakin Technologies Pty Ltd as reimbursement for Woolooga Solar project landholder costs incurred $15,000 (2019: $nil)

Office space rent received from Blakin Technologies Pty Ltd $2,000 (2019: $6,000)

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.

Financial liability and financial asset maturity analysis

2020	**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	1,355,939	1,355,939	1,355,939	-	-
Bank loans[1]	3.4%	18,850,000	18,850,000	-	18,850,000	-
Interest on bank loans		-	1,880,200	640,900	1,239,300	-
Lease liability	4.55%	2,028,488	2,747,499	454,787	1,758,062	534,649
Total expected outflows		**22,234,427**	**24,833,638**	**2,451,627**	**21,847,362**	**534,649**

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	-
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	-
Lease liability	5.05%	859,996	859,996	252,568	607,428	
Interest on lease liabilities		-	76,690	36,133	40,557	-
Total expected outflows		**16,900,825**	**18,291,137**	**2,838,345**	**15,452,792**	-

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.

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 2020.

Interest rate risk

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	2020	2019
		$	$
Floating rate instruments			
Bank loans	16	18,850,000	14,100,000

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 - 2020		**Effect on profit before taxes**	
	30-Jun-20	Increase 1%	Decrease 1%
Cash and cash equivalents	973,414	10,221	(487)
Bank Loans (variable loan)	18,875,000	(188,750)	188,750

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 (fixed loan)	14,100,000	(141,000)	141,000

NOTE 22. NON-CASH INVESTING AND FINANCING ACTIVITIES

	2020 $	2019 $
Acquisition of plant and equipment by means of leases	187,320	166,403

NOTE 23. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank Loans (net of borrowing costs) $	Lease liability $	Total $
Balance at 1 July 2018	9,023,744	908,113	9,931,857
Net cash used in financing activities	4,883,485	(31,602)	4,851,883
Other non-cash changes	61,733	(16,513)	45,218
Balance at 30 June 2019	13,968,962	859,996	14,828,958
Net cash from/(used in) financing activities	4,734,013	(97,898)	4,636,115
Leases recognised on the adoption of AASB 16	-	1,423,310	1,423,310
Other non-cash changes	34,263	(156,920)	(122,657)
Balance at 30 June 2020	18,737,238	2,028,488	20,765,727

NOTE 24: CONTINGENT LIABILITIES

The company has provided bank guarantees to the value of $841,044 (2019: $816,044) including the $750,000 security obligation under the ACT Mugga Lane landfill gas contract.

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2020, of the company, or
(b) the results of those operations, or
(c) the state of affairs in financial years subsequent to 30 June 2020, of the company.

NOTE 26: 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 27. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

Profit after income tax expense for the year	1,205,195	1,987,969
Adjustments for non-cash items:		
Depreciation	2,234,901	1,610,239
Amortisation of licences	81,072	57,990
Amortisation of borrowing costs	34,264	65,829
Share based payments	250,880	234,159
Salary & wages recovered from capital projects	(918,704)	(683,573)
Capital raise costs	(265,218)	
Net (profit)/loss on disposal of property, plant and equipment	53,939	5,680
Right of use assets finance expense	166,871	-
	1,638,005	1,290,324
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,258,093)	(50,720)
(Increase)/decrease in other assets	-	(39,889)
(Increase)/decrease in income tax payable	(231,621)	227,413
Increase/(decrease) in trade and other payables	(54,918)	164,896
Increase/(decrease) in provisions	17,627	97,786
Increase/(decrease) in deferred tax liabilities	579,268	233,345
	(947,737)	632,831
Net cash provided by operating activities	1,895,463	3,911,124

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 34, 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 2020 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 6th day of October 2020

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

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

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 2020, 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 2020 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 (including Independence Standards)* (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 Directors 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

BDO

C R Jenkins
Director

Brisbane, 6 October 2020