LGI Limited

ABN 49 138 085 551

Financial Report

For the year ended 30 June 2022

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DIRECTORS' REPORT

The Directors present their report together with the financial statements on LGI Limited (referred to hereafter as the Company or "LGI"), for the financial year ended 30 June 2022.

Directors

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

Vik Bansal - Non-Executive Director and Chair
Adam Bloomer - Managing Director and Chief Executive Officer
Jessica North - Executive Director and Co-Chief Executive Officer
Timothy McGavin - Non-Executive Director
Andrew Peters - Non-Executive Director
Abigail Cheadle - Non-Executive Director

Principal Activities

The principal activities of LGI are the recovery of biogas from landfill, and the subsequent conversion into renewable electricity and saleable environmental products. LGI's vertically integrated operations cover the engineering and management of landfill gas infrastructure, whilst providing solutions to create opportunities for the generation of renewable electricity and carbon abatement.

As at 30 June 2022, LGI operates 26 projects across Queensland, New South Wales and the Australian Capital Territory. Of these projects, 7 generate renewable power including LGCs, 19 abate carbon through biogas flaring, and 15 are registered Emissions Reduction Fund (ERF) projects, generating ACCU revenue for LGI.

Review of Operations

LGI 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.

Biogas flows for FY22 were 109 million cubic meters from all sites where LGI beneficially uses the biogas. This was a 15.1% increase from FY21.This is a result of LGI actively managing the landfill gas extraction at all sites by increasing the number of extraction wells and optimising the biogas flows.

As a result of the increase in biogas, there was an increase in electricity generated, LGCs created and ACCUs created. Generation for FY22 was 87,516 MWhs, an 8.2% increase, LGCs had the same increase. ACCUs acquired or created for FY22 were 402,225, 23% higher than FY21.

Higher electricity prices also contributed to higher revenue in FY22. These FY22 higher prices were partially impacted by increased energy commodity prices globally and within Australia.

The Company's overall operations may be adversely affected by various factors, including but not limited to failure to sell or deliver electricity, unanticipated electricity delivery problems, plant and labour availability, or increases in the costs of labour, plant and equipment, equipment and labour sourcing problems, industrial accidents, industrial disputes or delays due to government actions. These factors may be beyond the control of management and may reduce revenues and/or increase costs of both current and future operations.

STATUTORY FINANCIAL PERFORMANCE	30 Jun 2022	30 Jun 2021	Up/ (Down)		
Total revenue and other income	**25,491**	**15,029**	**10,097**	**66%**	**Up**
Statutory EBITDA	**11,846**	**6,562**	**5,285**	**81%**	**Up**
Statutory EBIT	**7,719**	**2,974**	**4,746**	**160%**	**Up**
Statutory Profit after tax	**4,774**	**1,749**	**3,025**	**173%**	**Up**
Underlying EBITDA (Non-IFRS measure, unaudited)					
Adjust for one off capital raising costs	782	561			
Underlying EBITDA (Non-IFRS measure, unaudited)	**12,628**	**7,122**	**5,506**	**77%**	**Up**

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

On 17th August 2022, LGI lodged a prospectus with ASIC and the ASX, with the prospect of raising $25,000,000 through an Initial Public Offering (IPO). On 31st August 2022, ASIC accepted the prospectus and the offer period opened on 1 September 2022. The IPO is fully underwritten by the Joint Lead Managers, Bell Potter Securities Limited, Morgans Corporate Limited and Aitken Mount Capital Partners Pty Ltd.

LGI intends to use the funds to expand existing facilities on contracted sites, in particular the Canberra site, as well as construct a solar facility on an existing landfill biogas generation site, pay down debt and pay the associated capital raising costs.

Likely Developments and Expected Results of Operations

The IPO is scheduled to start quotation of LGI shares on the ASX on 4 October 2022.

LGI will be constructing new power facilities. Each facility will be constructed under contractual arrangements with the landfill owners. The LGI landfill gas to energy facility at Toowoomba will be commissioned in October 2022.

LGI is investigating installation of solar power generation and battery installation at several existing contracted landfill sites.

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

Dividends

The Directors have declared a final fully franked dividend of 1.00 cent per share for the year ended 30 June 2022. The dividend was paid on 23 August 2022.

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.

Shares issued on exercise of options

There were 690,549 share options exercised under the employee share option plan during the financial year at $1.40 per share.

Shares under Options

Options granted over unissued shares:

- There are 556,540 (278,270 share options prior to the share split) share options outstanding at the end of the financial year. Refer Note 17 for details of options
- No options were issued during the financial year

Shares Split

Following a resolution passed at the Annual General Meeting on 20th October 2021, LGI sub divided one fully paid share into 2 fully paid shares in accordance with section 254H of the Corporations Act.

Indemnity and insurance of Officers

LGI has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, when acting in good faith.

During the financial year, LGI paid premiums in respect of contracts insuring the directors and executives of the Company against liabilities to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

Vik Bansal (Non-executive Chairman)

Appointed: 12th April 2021

Member – Remuneration and Nominations Committee

Member – Audit, Compliance and Risk Committee

Vik Bansal is CEO and Managing Director of InfraBuild, Australia's leading vertically-integrated steel manufacturing, distribution and recycling business. Vik is a seasoned industrial leader with over 30 years' experience in CEO and senior leadership roles. Previously Vik was Group CEO and Managing Director of Cleanaway Waste Management (ASX:CWY), a $5 Billion ASX 100 company, where he led a 5 fold growth in its market capitalisation, making it a market leader in its space in Australia. Vik has been appointed as the CEO of Boral Limited, an ASX listed top 200 company. Vik will commence in this role by December 2022. He holds a Bachelor of Electrical Engineering (Honours), an MBA, has completed the INSEAD's Advanced Management Program and is a Fellow of AICD and Institute of Engineers Australia.

Timothy McGavin (Chairman to 11 April 2021 and from that date Non-executive Director), Dip Ag, Grad Dip Management, MBA

Appointed: 18 May 2011

Chair: Remuneration and Nominations Committee

Tim is the co-founder and CEO of Laguna Bay, an Australian institutional real asset manager with around $700M under management in agriculture. He is a major shareholder in LGI.

Adam Bloomer (Managing Director and Chief Executive Officer)

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 Co-Chief Executive Officer), BSc, MSc, PhD (Environmental Chemistry), AICD

Appointed: 24 April 2013

Member – Audit, Compliance and 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, Southeast 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

Member – Remuneration and Nominations Committee, Audit, Compliance and Risk 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.

Abigail Cheadle (Non-executive Director)

Appointed: 12th April 2021

Chair – Audit, Compliance and Risk Committee

Abigail is a commercially minded Chartered Accountant with 30 years' experience working in Australia, Asia (17 years), Russia and Jordan. She spent her international executive career growing practices for global services firms in risk management and restructuring primarily listed entities and financial institutions. To date she has been a non-executive director (NED) and Audit, Risk and Compliance (ARC/ ARCC) Chair of five ASX listed companies and two large public unlisted companies.

Directors' Meetings

During the financial year, meetings of directors and committees of directors were held and each director attended as follows:

	Directors' Meetings		Audit, Compliance & Risk Committee		Remuneration and Nominations Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Vik Bansal ***Non-Executive Director and Chair***	9	9	1	1	Nil	Nil
Abigail Cheadle ***Non- Executive Director***	9	9	1	1	Nil	Nil
Tim McGavin ***Non- Executive Director***	9	9	N/A	Nil	Nil	Nil
Andrew Peters ***Non- Executive Director***	9	9	1	1	Nil	Nil
Adam Bloomer ***Managing Director***	9	9	N/A	Nil	Nil	Nil
Jessica North ***Executive Director***	9	9	N/A	1	Nil	Nil

Company Secretary

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

Hasaka Martin

Appointed 27 August 2021

Hasaka has over 15 years' experience working with listed companies, both internally and through corporate service providers and has worked across several industries. Hasaka is an appointed Company Secretary for several ASX listed and unlisted companies. He is a Chartered Secretary and a Fellow of the Governance Institute of Australia.

Hasaka holds a Graduate Diploma in Applied Corporate Governance and postgraduate qualifications in corporate and securities law.

Dean Wilkinson BBus (Acc), Grad. Dip. Advanced Accounting, M Com, CPA, GAICD

Appointed: 7th November 2017

Dean is a finance professional with over 30 years' experience, working within several industries as Chief Financial Officer / Company Secretary. Dean has broad industry experience, having worked in energy, utilities, banking, property, and franchising.

Rounding of amounts

LGI is an entity to which ASIC Legislative Instrument 2016/191, applies and, in accordance with that Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year:

	2022	2021
	$	$
Taxation and advisory services		
Tax compliance services, including review of company income tax returns	20,790	19,842

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed above do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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 9.

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...

Dated this 20th day of September 2022

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DECLARATION OF INDEPENDENCE BY R M SWABY TO DIRECTORS OF LGI LIMITED

As lead auditor of LGI Limited for the year ended 30 June 2022, 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.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 20 September 2022

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
Income			
Revenue from contracts with customers	3	10,766	6,378
Environmental Certificates income	3	14,688	7,949
Other income	3	37	702
Expenses			
Cost of Goods Sold		(6,356)	(3,732)
Employee benefits expense	4	(4,667)	(3,289)
Depreciation and amortisation expense	4	(4,127)	(3,588)
Finance costs	4	(822)	(831)
Insurance expense		(304)	(229)
Professional fees		(349)	(224)
Capital raise expenses		(782)	(560)
Other expenses		(1,169)	(423)
Profit before income tax		6,915	2,153
Income tax expense	5	(2,141)	(404)
Profit after income tax expense for the year		4,774	1,749
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Net change in the fair value of cash flow hedges	17	(7,811)	(148)
Income tax relating to cash flow hedges	5	1,953	37
Other comprehensive income for the year, net of tax		(5,859)	(111)
Total comprehensive income for the year attributable to the shareholders of LGI Limited		(1,085)	1,638
Earnings per share		**Cents**	**Cents**
Basic earnings per share	28	6.7	5.0
Diluted earnings per share	28	6.7	4.9

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	889	928
Trade and other receivables	8	3,366	2,020
Environmental certificates	10	8,187	3,410
Other assets	9	1,866	810
TOTAL CURRENT ASSETS		14,308	7,168
NON-CURRENT ASSETS			
Other assets	9	1,589	1,110
Property, plant, and equipment	11	35,474	28,640
Intangible assets	12	2,882	2,296
TOTAL NON-CURRENT ASSETS		39,945	32,046
TOTAL ASSETS		54,253	39,214
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	5,251	2,477
Borrowings	14	2,070	636
Provisions	15	751	225
Current tax liabilities	5	1,061	-
Derivative financial instruments	19	7,959	148
TOTAL CURRENT LIABILITIES		17,092	3,486
NON-CURRENT LIABILITIES			
Borrowings	14	22,669	20,557
Provisions	15	124	115
Deferred tax liabilities	5	1,074	1,685
TOTAL NON-CURRENT LIABILITIES		23,867	22,357
TOTAL LIABILITIES		40,959	25,843
NET ASSETS		13,294	13,371
EQUITY			
Issued capital	16	7,417	6,440
Reserves	17	(5,204)	624
Retained earnings		11,081	6,307
TOTAL EQUITY		13,294	13,371

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Note	Issued share capital $'000	Retained earnings $'000	Share based payment reserve $'000	Hedge reserve '$000	Total equity $'000
Balance at 1 July 2021		6,440	6,307	735	(111)	13,371
Comprehensive income						
Profit for the year		-	4,774	-	-	4,774
Net loss on cash flow hedges	17	-	-	-	(5,859)	(5,859)
Total comprehensive income for the year		-	4,774	-	(5,859)	(1,085)
Transactions with owners, in their capacity as owners						
Share based payments	17	-	-	31	-	31
Shares issued during the period (net of costs)	16	977	-	-	-	977
Dividends paid	6	-	-	-	-	-
Transactions with owners, in their capacity of owners		977	-	31	-	1,008
Balance at 30 June 2022		7,417	11,081	766	(5,970)	13,294
Balance at 1 July 2020		6,095	5,036	564	-	11,695
Comprehensive income						
Profit for the year		-	1,749	-	-	1,749
Net loss on cash flow hedges	17	-	-	-	(111)	(111)
Total comprehensive income for the year		-	1,749	-	(111)	1,638
Transactions with owners, in their capacity as owners						
Share based payments	17	-	-	171	-	171
Shares issued during the period (net of costs)	16	345	-	-	-	345
Dividends paid	6	-	(478)	-	-	(478)
Transactions with owners, in their capacity as owners		345	(478)	171	-	38
Balance at 30 June 2021		6,440	6,307	735	(111)	13,371

The Statement of Changes in Equity should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of GST		19,867	13,117
Payments to suppliers and employees inclusive of GST		(11,969)	(8,868)
Interest received and other income		19	10
Interest paid		(775)	(831)
Income tax paid or received		262	(172)
Net cash provided by operating activities	27	7,404	3,256
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,743)	(2,579)
Proceeds from property, plant and equipment		72	1,253
Purchase of intangible assets		(552)	(1,185)
Term deposit held as security		(122)	-
Net cash used in investing activities		(8,345)	(2,511)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of cost)		122	-
Payment of dividends		-	(478)
Proceeds from borrowings		1,337	-
Repayment of borrowings		(557)	(312)
Net cash provided by (used in) financing activities		902	(790)
Cash and cash equivalents at beginning of year		928	973
Net decrease in cash held		(39)	(45)
Cash and cash equivalents at end of year	7	889	928

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: 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. LGI 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, except for derivative financial instruments which are measured at fair value.

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

The amounts presented in the financial statements have been rounded to the nearest thousand dollar, unless otherwise stated, in accordance with ASIC Instrument 2016/191.

The financial statements were authorised for issue on 20th September 2022 by the directors of the Company.

New or amended Accounting Standards and Interpretations adopted

LGI has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new and amended Accounting Standards and Interpretations did not have a material impact on the financial statements.

Revenue recognition and other income

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. LGI 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. Electricity invoices are due and payable within 30 days of issue.

Biogas management services

LGI continues to operate and maintain flares on various landfill sites across Australia. The Company’s performance obligations are fulfilled over time and the biogas management 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 30 days from invoice date.

Infrastructure

Contracts with customers to carry out infrastructure works to install landfill gas collection systems. The Company assesses each of its contracts individually. Infrastructure revenue is recognised either at a point in time or overtime when the performance obligations are satisfied. Where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Incremental Costs of obtaining Customer Contracts

The Company recognises as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs.

The Company applies the optional practical expedient permitted by AASB 15 to recognise incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

Impairment of Trade Receivables and Contract Assets

For trade receivables and contract assets, the Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables and contract assets are grouped based on days overdue where then expected loss rates are applied. The expected loss rates are based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

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.

Government grants

Revenue recognition under AASB 120

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Environmental Certificates – ACCUs & LGCs

Australian Carbon Credit Units ("ACCUs") and Large-scale Generation certificates ("LGCs") 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 LGI will comply with the conditions of the grant and the grant will be received.

ACCUs and LGCs are recognised at the date of the creation of the renewable energy certificate. This is typically at the date of flaring for ACCUs and the date of electricity generation for LGCs. The revenue is measured using meters that are regularly reviewed and subsequently reported to the Australian Government. Where the pricing of the ACCUs and LGCs are contracted, they are recognised at their contracted values. Where the pricing of the ACCUs and LGCs are not contracted, they are recognised at their spot price. All ACCUs and LGCs are intended to be realised within 12 months of the reporting date.

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.

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

- the initial recognition of goodwill; or
- 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 way 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.

Property, 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. Cost includes expenditure that is directly attributable

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

to the acquisition or construction of the asset. 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.

The carrying amount of plant and equipment is reviewed annually as part of the goodwill impairment assessment to ensure it is not more than the recoverable amount from these assets. The recoverable amount is assessed based on 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 LGI and the cost of the item can be measured reliably. All other costs are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

Depreciation is calculated to write-off the costs of each asset over its expected useful life to its estimated residual value. 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Average useful lives of asset classes are as follows:

Plant and Equipment	Up to 30 years
Motor vehicles and leased assets	4-5 years
Office Furniture and equipment	2-10 years

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 Company 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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimate useful lives of the assets, as follows:

Land & Buildings	10- 20 years

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Motor vehicles	4-5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policy in section “Impairment of Non- Financial Assets”.

LGI 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.

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, LGI'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.

Impairment of Non- Financial Assets

At the end of each reporting period, LGI 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, LGI 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 annual impairment testing, goodwill is allocated to the cash-generating unit. 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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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 and are amortised over the term of the customer contract.

Employee Benefits

Short-term employee benefits

Provision is made for LGI'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. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

LGI's obligations for short-term employee benefits such as wages, salaries are recognised as part of current trade and other payables in the statement of financial position. LGI'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.

LGI's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where LGI 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.

Provisions

Provisions are recognised when LGI 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.

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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by LGI 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.

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.

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 LGI'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 LGI'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.

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 option 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 option 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.

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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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 goodwill 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.

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 LGI has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments

Derivatives and hedging activities

Derivatives are classified as held for trading unless they are designated as hedges of a particular risk associated with highly probable forecast transactions (cash flow hedges). Certain derivatives do not qualify for hedge accounting but have been entered into for the risk management objective of economically hedging a risk. These derivatives are classified as held for trading and recognised through profit or loss.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is classified as held for trading or is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative financial instruments spanning both current and non-current periods are split into their current and non-current components prior to valuation. The fair value of these components is then classified as a current asset or liability when the maturity profile is less than 12 months and classified as a non-current asset or liability when the maturity profile is greater than 12 months.

Hedge accounted change in fair value of derivative instruments

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in equity reserves. An ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). Gains are recognised as other income and losses are recognised as other expenses in the profit or loss.

Hedge accounting is discontinued only when the hedging relationship ceases to meet the qualifying criteria. This includes when a hedging instrument expires or is sold or terminated. The discontinuance is accounted for prospectively. Any gain or loss accumulated in equity reserves at that time remains in equity and is reclassified to profit or loss, as other income, or other expenses, when the forecast transaction occurs.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Application of critical accounting estimates and judgements

The fair value of derivative financial instruments must be estimated for recognition, measurement, and disclosure purposes. For hedge financial instruments, assumptions are made based on observable market prices or rates adjusted for specific features of the instrument.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, financial instruments are classified into the three levels prescribed under the accounting standards, being:

Level 1: The fair value of derivative financial instruments traded in active markets (publicly traded derivatives) are those based on quoted market prices at the end of the reporting period. The quoted market price used for these derivatives is the last settled price.

Level 2: The fair value of derivative financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument is observable.

Level 3: One or more of the significant inputs that are not based on observable market data.

The fair value of derivative financial instruments has been classified as level 2 in the fair value hierarchy. There were no transfers between the levels during the year.

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 LGI.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key estimates and judgements

Goodwill impairment

The Company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Please refer to Note 12 for further details of impairment assessment performed.

Impairment of non-financial assets other than goodwill

The Company assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate several key estimates and assumptions.

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 based on volatility of comparable entities being used as a proxy for the volatility of LGI Ltd and is thus, a key judgement and estimate.

Estimation of useful lives of assets

LGI 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. There was no change in estimated useful lives of any assets as a result of management review for the reporting period.

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. LGI 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.

Capital raising

LGI has incurred costs of $1,235,330 in preparation of raising equity. The directors considered the portion of equity relating to new shares issued and the portion relating to acquisition of existing shares. $453,379 of costs relating to the estimated new shares to be issued have been recognised on the statement of financial position and will be offset against the value of the equity when it is raised. $781,951 of costs that relate to existing shares has been expensed in the profit or loss.

The directors 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 LGI by potential investors. The directors concluded that LGI is likely to raise capital and will continue to carry the appropriate costs on the statement of financial position

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 i.e. 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.

Fair value of financial instruments

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. For hedge financial instruments, assumptions are made based on observable market prices or rates adjusted for specific features of the instrument. Refer note 19 for further details.

NOTE 3: REVENUE AND OTHER INCOME

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Electricity and related services - over time	14,347	5,345
Net loss on electricity derivative financial instruments	(5,058)	(171)
Infrastructure – point in time and overtime	891	610
Biogas management services – over time	568	579
Other revenue – over time	18	15
Total revenue	10,766	6,378
Environmental Certificates income		
Large-scale generation certificates (LGCs)	3,076	3,125
Australian carbon credit units (ACCUs)	11,612	4,824
Total Environmental Certificates income	14,688	7,949
Other income		
Net gain on disposal of property, plant, and equipment	18	110
COVID19 government assistance packages and sundry income	-	582
Interest income	19	10
Total other income	37	702
Total revenue and other income	25,491	15,029

NOTE 4: PROFIT BEFORE INCOME TAX

	2022 $'000	2021 $'000
Profit before income tax includes the following expenses:		
Depreciation and amortisation expense		
Depreciation of property, plant, and equipment	3,732	3,281
Amortisation of land and buildings right-of-use assets	198	171
Amortisation of intangible assets	197	136
Total depreciation and amortisation expense	4,127	3,588
Finance costs		
Interest and finance charges on borrowings	727	691
Interest and finance charges on right-of-use lease liabilities	95	140
Total finance costs	822	831
Employee benefits expense		
Salaries and wages expenses	3,865	3,239
Less Capitalised projects salaries & wages	(546)	(629)
Contributions to superannuation funds	383	290
Share based payments	452	171

NOTE 4: PROFIT BEFORE INCOME TAX	2022	2021
	$'000	$'000
Provisions for employee benefits	103	36
Director's fees	410	182
Total employee benefits expense	4,667	3,289

Remuneration of the auditor		
Auditing or reviewing the financial statements	85,184	84,610
Tax compliance services	20,790	19,842
Total remuneration of the auditor	105,974	104,452

NOTE 5: INCOME TAX	2022	2021
	$'000	$'000
(a) Income tax recognised in the Statement of Profit or Loss		
The components of tax expense comprise:		
Current tax expense in respect of the current year	1,061	-
Deferred tax expense relating to the origination and reversal of temporary differences	1,342	560
Income tax rate differential (current rate 25% and prior year rate 26%)	-	(140)
Adjustments for under/(over) provision of current income tax of previous years	(262)	(16)
Total income tax expense	2,141	404
(b) Reconciliation between tax expense and pre-tax accounting profit		
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 25% (2021: 26%)	1,729	560
Add/less tax effect of:		
Adjustments in respect of current tax of prior years	(11)	(16)
Adjustments in respect of deferred tax of prior years	306	-
Tax effect of permanent differences	117	26
Tax effect amounts relating to the origination and reversal of temporary differences	-	(26)
Income tax rate differential (2022 rate 25%, 2021 rate 26%, 2020 27.5%)	-	(140)
Total income tax expense	2,141	404

	2022	2021
(c) Aggregate amount of tax charged/(credited) directly to equity relating to items that are recognised in equity:	**$'000**	**$'000**
Deferred tax – cashflow hedges	(1,953)	(37)

(d) Tax balances recognised in the Statement of Financial Position

	2022	2021
Current tax balances		
Current tax liabilities		
Income tax payable	1,061	-
Deferred tax balances		
Non-current assets		
Deferred tax assets	3,898	1,033
Non-current liabilities		
Deferred tax liabilities	4,972	2,718
Net deferred tax liability	1,074	1,685

Deferred tax balances arise from the following:

	2022	2021
Deferred tax assets		
Accrued Expenses	441	250
Employee benefits provision	111	85
Lease liability	1,202	522
Unused tax losses	-	66
Blackhole expenses	154	73
Other deductible temporary differences	1,990	37
	3,898	1,033

	2022	2021
Deferred tax liabilities		
Accelerated depreciation for tax purposes	1,429	1,053
Accrued income	1,767	852
Right of use asset	1,137	309
Other taxable temporary differences	639	504
	4,972	2,718

NOTE 6: DIVIDENDS

	2022 $'000	2021 $'000
Dividends paid (2021: 1.38 cents per share fully franked)	-	478
Total dividends paid during the period	-	478

Dividend franking account

Franking credits available for subsequent financial years based on the 2022 tax rate 25% (2021 26%)	438	700

NOTE 7: CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank and on hand	889	928

NOTE 8: TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Current		
Trade receivables	3,366	2,016
Other receivables	-	4
Total Current Receivables	3,366	2,020

Refer note 19 for details on credit risk

NOTE 9: OTHER ASSETS

	2022 $'000	2021 $'000
Current		
Accrued Income	900	235
Capital raise costs	454	241
Shareholder loans[1]	136	51
Other current assets	225	184
Prepayments	151	99
Total Current Other Assets	1,866	810
Non-Current		
Shareholder loans[1]	717	294
Security Deposits [2]	872	816
Total Non-Current Other Assets	1,589	1,110

1. *The loans are for the purpose of purchasing shares in LGI because of employees exercising share options under the Employee Share Option Plan. The loans have terms no more favourable than any loan LGI would offer any shareholder or member of the public, satisfying all the criteria for a shareholder loan required by the Australian Tax Office (ATO) under Division 7A. The loans are full recourse loans.*
2. *Other Non-current assets include a $750,000 security deposit for performance obligations under a landfill gas contract for the Australian Capital Territory. Term deposits held with banks are restricted.*

NOTE 10: ENVIRONMENTAL CERTIFICATES

	2022	2021
Current	**$'000**	**$'000**
Australian carbon credit units (ACCUs)	7,506	3,030
Large scale generation certificates (LGCs)	681	380
Total Current Environmental Certificates	8,187	3,410

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment	Plant & equipment under lease	Right of use land & buildings	Projects under construction	Total
	$'000	$'000	$'000	$'000	$'000
Net carrying amounts					
30 June 2022					
Cost	34,858	2,539	3,461	8,075	**48,933**
Accumulated depreciation	(12,195)	(1,085)	(179)	-	**(13,459)**
Net carrying amount	22,663	1,454	3,282	8,075	**35,474**
30 June 2021					
Cost	33,908	1,808	1,577	1,910	**39,203**
Accumulated depreciation	(9,431)	(790)	(342)	-	**(10,563)**
Net carrying amount	24,477	1,018	1,235	1,910	**28,640**
Movements in carrying amounts					
Balance at 1 July 2021	24,477	1,018	1,235	1,910	**28,640**
Additions	1,515	892	2,892	6,581	**11,880**
Disposals	(90)	(52)	(647)	-	**(789)**
Depreciation & amortisation	(3,328)	(404)	(198)	-	**(3,930)**
Written off Engineering costs expensed	-	-	-	(327)	**(327)**
Transfers in/(out) of work in progress	89	-	-	(89)	**-**
Balance at 30 June 2022	22,663	1,454	3,282	8,075	**35,474**

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment $'000	Plant & equipment under lease $'000	Right of use land & buildings $'000	Projects under construction $'000	Total $'000
Balance at 1 July 2020	24,323	705	1,285	1,414	**27,727**
Additions	2,435	651	121	1,264	**4,471**
Disposals	(1)	(105)	-	-	**(106)**
Depreciation & amortisation	(3,048)	(233)	(171)	-	**(3,452)**
Transfers in/(out) of work in progress	768	-	-	(768)	**-**
Balance at 30 June 2021	24,477	1,018	1,235	1,910	**28,640**

NOTE 12: INTANGIBLE ASSETS

	Goodwill $'000	Licences $'000	Total $'000
Net carrying amounts			
30 June 2022			
Cost	314	3,171	**3,485**
Accumulated amortisation	-	(603)	**(603)**
Net carrying amount	314	2,568	**2,882**
30 June 2021			
Cost	314	2,389	**2,703**
Accumulated amortisation	-	(407)	**(407)**
Net carrying amount	314	1,982	**2,296**
Movements in carrying amounts			
Balance at 1 July 2021	314	1,982	**2,296**
Additions	-	783	**783**
Amortisation expense	-	(197)	**(197)**
Balance at 30 June 2022	314	2,568	**2,882**
Balance at 1 July 2020	314	933	**1,247**
Additions	-	1,185	**1,185**
Amortisation expense	-	(136)	**(136)**
Balance at 30 June 2021	314	1,982	**2,296**

Impairment assessment of goodwill

LGI determines whether goodwill is impaired at least 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)	4.1%	Based on a combination of current & likely future projects and CPI
Long term growth rate	3%	Growth rates from the current year and budgeted growth rates
Post-tax discount rate	8.6% -10%	Based on similar energy companies
Electricity price	Forecast electricity prices are based on publicly available future market prices published by the Australian Stock Exchange.	
Biogas flow	Biogas is produced continuously from landfilled waste and is measured as cubic metres with a flow rate measured per hour. Other factors being equal, increase in waste at a landfill, will lead to increasing biogas production. However, forecasting biogas production from landfills is complicated due to multiple unknown factors and variables. LGI uses a combination of experience, site tonnage and waste composition data, and an accepted model to estimate its future biogas resource.	

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 management approved inputs and parameters which include future gas flow rates and electricity prices. These inputs are based on historical experience and in the case of electricity prices, with regard to publicly available contract prices. Very long-term electricity prices are estimated by LGI with regard to known and expected changes in the network.

The terminal value is based on the final year cash flow grown in perpetuity based on the long-term growth rate.

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

	2022 $'000	2021 $'000
Current		
Trade payables	2,097	1,051
Payroll liabilities	134	169
Accrued royalties and other expenses	3,020	1,257
Total Current trade and other payables	5,251	2,477

NOTE 14: BORROWINGS

	2022 $'000	2021 $'000
Current		
Bank loans	1,500	-
Lease liability	502	494
Right of use liability	109	142
Less: Borrowing costs	(41)	-
Total Current Borrowings	2,070	636
Non-Current		
Bank loans	18,350	18,850
Lease liability	1,016	600
Right of use liability	3,309	1,185
Less: Borrowing costs	(6)	(78)
Total Non-Current Borrowings	22,669	20,557
Total Borrowings	24,739	21,193

Bank loans comprise of the following CBA facility:

Facility	Total Facility 2022 $'000	Total Facility 2021 $'000	Utilised 2022 $'000	Utilised 2021 $'000	Average Interest Rate 2022 %	Average Interest Rate 2021 %
Project loans	29,100	18,850	19,850	18,850	5.11	3.33
Overdraft	500	500	nil	nil	7.50	7.50
Contingent liability	100	100	89	79	1.75	1.75

Facility Amortisation $'000	Date
1,500	30 Jun 2023
1,500	30 Jun 2024
1,500	30 Jun 2025

It is management's intention to roll-over the facility for a further term prior to 30 Jun 2025.
The Bank loans are secured by a registered company charge over the Company assets and side deeds with each respective local council over prescribed property of each individual project advanced under the facility.

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 15: PROVISIONS

	2022 $'000	2021 $'000
Current		
Share-based payment provision	432	-
Annual leave	248	177
Long service leave	71	48
Total Current Provisions	751	225
Non-Current		
Long service leave	124	115
Total Non-Current Provisions	124	115
Total Provisions	875	340

The share-based payment provision represents share-based payments for awards due to Non-Executive Directors on successfully raising capital. The arrangement contains a cash settlement provision and is classed as a liability. Refer Note 17 for details.

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.

NOTE 16: EQUITY – ISSUED CAPITAL

	30 Jun 2022		30 Jun 2021	
	$'000	No. of shares	$'000	No. of shares
		'000		'000
Ordinary shares at beginning of reporting period	6,440	34,890	6,095	34,656
Issue of shares on the exercise of options	967	691	345	234
Subtotal before share split	7,407	35,581	6,440	34,890
Share split 2:1[1]	-	35,581	-	-
Issue of shares under employment agreement	10	10	-	-
Ordinary shares at reporting date	**7,417**	**71,172**	**6,440**	**34,890**

1. At the AGM held 20th October 2021, shareholders approved to split the ordinary share capital on issue at a ratio of 2:1 shares.

Ordinary shareholders participate in dividends and the proceeds on winding up of the Company 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.

Capital management

LGI 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 LGI consists of debt which includes the borrowings, cash and cash equivalents and equity attributable to equity holders, 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 other than bank covenants which have been met during the year. Management effectively manages LGI'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 17: EQUITY – RESERVES

	2022	2021
	$'000	$'000
Share based payment reserve		
Opening balance	735	564
Share based payments	31	171
Balance at reporting date	766	735
Hedge reserve (Cash flow hedges)		
Opening balance	(111)	-
Gain or (loss) of future hedge instruments	(7,849)	(148)
Deferred tax	1,990	37
Balance at reporting date	(5,970)	(111)
Total Reserves in equity	(5,204)	624

The share based payment reserve records the value of share based payments over their vesting periods. The Hedge reserve recognises the fair value of future electricity price hedges net of the deferred tax effect.

Options

Details of options issued, exercised and expired during the financial year are set out below:

30 June 2022			Movements					
Expiry Date	**Tranches**	**Exercise Price**	**30 June 2021**	**Issued**	**Exercised**	**Options split 2:1**	**Expired**	**30 June 2022**
31 Jan 2025	2	$1.40	150,000	-	-	150,000	-	300,000
28 Sept 2021	3	$1.40	690,549	-	(690,549)	-	-	-
12 Oct 2022	5	$1.85	28,270	-	-	28,270	-	56,540
31 Jan 2025	6	$1.85	100,000	-	-	100,000	-	200,000
			968,819	**-**	**(690,549)**	**278,270**	**-**	**556,540**

30 June 2021			Movements				
Expiry Date	**Tranches**	**Exercise Price**	**1 July 2020**	**Issued**	**Exercised**	**Expired**	**30 June 2021**
31 Jul 2020	1	$1.40	117,029	-	(117,029)	-	-
31 Jul 2025	2	$1.40	150,000	-	-	-	150,000
28 Sept 2021	3	$1.40	690,549	-	-	-	690,549
28 Dec 2020	4	$1.55	117,000	-	(117,000)	-	-
12 Oct 2022	5	$1.85	28,270	-	-	-	28,270
1 Nov 2022	6	$1.85	100,000	-	-	-	100,000
			1,202,848	**-**	**(234,029)**	**-**	**968,819**

The share options outstanding at the end of the year had a weighted average exercise price of $1.61 and a weighted average remaining contractual life of 2.36 years (2021: 1.74 years).

Directors, Vik Bansal and Abigail Cheadle or their related entities will receive an aggregate total of 363,333 shares as a bonus incentive relating to the IPO. These shares will be issued at the IPO Issue Price of $1.50 and are unconditional other than admission to the ASX.

Fair value of options granted

The assessed fair value at the date of grant of options issued is determined using an option pricing model that takes into account the exercise price, the underlying share price at the time of issue, the term of the option, the underlying share's expected volatility, expected dividends and the risk free interest rate for the expected life of the instrument.

The value of the options were calculated using the inputs shown below:

Grant date	1 Feb 2018	17 Apr 2019	1 May 2019
Exercise price	$1.40	$1.85	$1.85
Vesting conditions	Employee remains in employment	Employee remains in employment	Employee remains in employment
Price of company shares on grant date	$1.31	$1.85	$1.85
Expiry date	31 Jan 2025	12 Oct 2022	31 Jan 2025
Life of the instruments (years)	7.0	3.5	5.7
Underlying share price volatility	100%	100%	100%
Expected dividends	nil	nil	nil
Risk free interest rate	1.84%	1.84%	1.84%
Pricing model	Black Scholes	Black Scholes	Black Scholes
Fair value per instrument	$0.60	$0.87	$0.87

NOTE 18: RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of LGI, directly or indirectly, including the directors.

The aggregate remuneration made to key management personnel is set out below:

	2022	2021
	$	$
Short-term employee benefits	1,472,189	1,171,376
Post-employment benefits	116,290	96,729
Other long-term benefits	27,818	33,140
Share-based payments	455,839	93,105
Total remuneration to key management personnel	2,072,136	1,394,350

Transactions and outstanding balances with related parties

Related parties include entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members. 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:	2022 $	2021 $
Consulting fees paid to Wire Group Pty Ltd (director related entity of Andrew Peters) for services provided in respect of the Woolooga Solar Project	-	75,000
Director's fees paid to YLS Trust and T&S McGavin Family Trust (director related entity of Tim McGavin)	60,000	55,385
Director's fees paid to Direction Group (director related entity of Abigail Cheadle)	120,000	28,000
The following loan is outstanding at the reporting date in relation to transactions with related parties:		
Loan amount owing by Andrew Peters, director	293,551	345,191

Andrew borrowed the funds to exercise options from LGI during 2021. The loans to Andrew were done on terms no more favourable than any loan LGI would offer any staff member, shareholder or member of the public, satisfying all the criteria for a shareholder loan required by the Australian Tax Office (ATO) under Division 7A. The loan is a full recourse loan.

Key terms of the loan are, total loan amount $345,190.60 fully repayable, principal and interest loan repayable over 7 years; interest rate set using the benchmark interest rate as published by the ATO updated annually, initially set at 4.52%. Andrew and LGI have entered into salary sacrifice arrangements for the loan repayments.

NOTE 19: FINANCIAL INSTRUMENTS

	2022 $'000	2021 $'000
Financial liabilities at fair value		
Current		
Derivative financial instruments	7,959	148
Total current financial liabilities at fair value	7,959	148

The liability for derivative financial instruments recognises the fair value of future electricity price hedges. The hedges are a perfect match and are therefore 100% effective, hence there is no hedge ineffectiveness.

Fair value hierarchy

The derivative financial instruments are over the counter instruments therefore fair value of the energy hedges have been classified as level 2 in the fair value hierarchy. The significant valuation techniques and processes used to value derivative financial instruments categorised within level 2 are:

● Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

The significant inputs used in this valuation technique are:

● Exchange traded market prices;

● Market volatilities;

● Forecast generation; and

● Electricity settled prices.

Financial risk management objectives

LGI's activities expose it to a variety of financial risks: market risk (including commodity price risks and interest rate risk), credit risk and liquidity risk. LGI's overall risk management program focuses mainly on the unpredictability of the electricity price risk and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of electricity commodity price risks.

Financial risk management is carried out by the CFO under policies approved by the Board. The CFO identifies, evaluates and hedges market risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as the use of derivative financial instruments and investment of surplus funds.

Commodity price risk

The Company uses derivative financial instruments to hedge certain risk exposures, primarily exposure to fluctuations in the prices of wholesale electricity.

Electricity contracts

The Company is exposed to electricity price movements in the National Electricity Market (NEM). To manage its electricity price risk, the Company has entered into a number of electricity derivatives including over-the-counter contracts in accordance with the Board approved Trading Risk Management Policy. Electricity price risk exposures are measured monthly through the review of the Company's mark-to-market exposure of the net derivative asset and liability position.

Sensitivity analysis

The following table summarises the sensitivity of the Company's derivative financial instruments to electricity price risk. The analysis is performed on a pre-tax basis using similar information to that which would be provided to management and reflects the impact on the Company's financial position at reporting date should upward and downward movements of electricity forward prices of 10% occur.

	Average price increase			Average price decrease		
Sensitivity	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Electricity price		$'000	$'000		$'000	$'000
2022	10%	-	(1,532)	10%	-	1,450
2021	10%	-	(383)	10%	-	88

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 financial instruments that expose LGI to interest rate risk are limited to borrowings, cash and cash equivalents.

At the end of the reporting period, LGI had the following financial assets and liabilities exposed to floating interest rate risk:

	Note	2022 $'000	2021 $'000
Floating rate instruments			
Cash & cash equivalents		889	928
Total financial assets		889	928
Bank loans	14	19,850	18,850
Total financial liabilities		19,850	18,850

The following table illustrates sensitivities to LGI'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 2022	**Effect on profit before taxes**		
	30 Jun 22	**Increase 1%**	**Decrease 1%**
Cash and cash equivalents	889	9	-
Bank Loans	19,850	199	(199)
Sensitivity 2021	**Effect on profit before taxes**		
	30 Jun 21	**Increase 1%**	**Decrease 1%**
Cash and cash equivalents	928	9	-
Bank Loans	18,850	(188)	188

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to LGI. LGI 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 2022.

Liquidity risk

Liquidity risk is the risk that LGI will not be able to meet its financial obligations as they fall due. LGI manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities with a major Australian bank with a S&P long term credit rating of “AA-”. LGI continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Further, the Company is subject to cash flow volatility and manages a substantial portion of that risk by entering into over-the-counter hedges.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. 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 maturity analysis

2022	**Note**	**Weighted average interest rate**	**Total contractual outflow $’000**	**Within 1 year $’000**	**1 to 5 years $’000**	**Over 5 years $’000**
Non-derivative financial liabilities due for payment						
Trade and other payables		N/A	5,251	5,251	-	-
Bank loans	14	5.1%	19,850	2,512	20,875	-
Lease & Right-of-Use Lease liabilities		4.05%	6,511	775	3,163	1,798
Total						

2021	**Weighted average interest rate**	**Total contractual outflow $’000**	**Within 1 year $’000**	**1 to 5 years $’000**	**Over 5 years $’000**
Non-derivate financial liabilities due for payment					
Trade and other payables	N/A	2,477	2,477	-	-
Bank loans	3.3%	20,070	622	19,448	-
Lease & Right-of-Use Lease liabilities	3.9%	2,708	710	1,671	327
Total		**25,255**	**3,809**	**21,119**	**327**

The following table analyses the Company's remaining contractual maturity for its derivative financial instrument liabilities. The table is based on the undiscounted cash flows and the earliest date on which they are required to be paid.

Derivative financial instrument liabilities	**1 year or less**	**Total remaining contractual maturities**
	$'000	**$'000**
Derivative financial instrument liabilities 2022	7,959	7,959

Hedge accounting activities - cash flow hedges

The electricity derivatives hedge the difference between the fixed price received and the variable NEM price paid per megawatt hour.

These derivatives are entered into in accordance with the Trading Risk Management Policy for a proportion of the exposure remaining after economic hedging strategies.

The cash flows of the hedged electricity sales are expected to occur over the next 12 months, with the hedge reserve reclassifications to the profit or loss within the same financial years as the cash flows.

The Company documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the electricity swaps closely match the nominal amount and expected settlement date of the expected highly probable forecast transactions. The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the contracts are identical to the hedged risk component (electricity price). To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the periodic volumes of the hedging instruments and hedged items;
- Changes to forecast timing of the cash flows of the hedged items and the hedging instruments.

The impact of the electricity swap hedging instruments on the statement of financial position is, as follows:

	30 Jun 2022	**30 Jun 2021**
	$'000	**$'000**
Current liabilities	(7,970)	(148)
Hedge reserve	5,970	111
Nominal amount of electricity swap hedging instruments	2 to 5 MWh	3 to 5 MWh

The fixed cash flows are for prices per MWh of:	$113 to $141	$60.50 to $74

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is as follows:

Highly probable forecast electricity sales	Effective gain/(loss) recognised in OCI	Ineffective gain/(loss) recognised in Profit or Loss	Gain/(loss) reclassified from OCI to Profit or Loss
	$'000	$'000	$'000
Year ended 30 June 2022	(5,859)	-	(5,058)
Year ended 30 June 2021	(111)	-	(171)

NOTE 20: NON-CASH INVESTING AND FINANCING ACTIVITIES

	2022 $'000	2021 $'000
Acquisition of plant and equipment by means of leases	892	558
Shares issued under employee share plan	967	345
	1,859	903

NOTE 21: CHANGES IN DEBT ARISING FROM FINANCING ACTIVITIES

	Bank Loans (net of borrowing costs) $'000	Lease liability $'000	Total $'000
Balance at 1 July 2020	18,737	2,028	**20,765**
Net cash from / (used in) financing activities	(5)	(307)	**(312)**
Other non-cash changes	40	700	**740**
Balance at 30 June 2021	18,772	2,421	**21,193**
Net cash from / (used in) financing activities	991	(548)	**443**
Other non-cash changes	40	3,063	**3,103**
Balance at 30 June 2022	19,802	4,936	**24,739**

NOTE 22: CONTINGENT LIABILITIES

LGI has provided bank guarantees to the value of $1,027,061 (2021: $895,328) including the $750,000 security obligation under the ACT Mugga Lane landfill gas contract.

NOTE 23: CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2022, LGI had commitments for the acquisition of power generation plant & equipment of $3.1 million (2021: $1.5 million).

NOTE 24: SUBSIDIARIES

LGI has one wholly owned subsidiary, LGI Financial Service Pty Ltd. The subsidiary was incorporated in 2021 and is a dormant company with no transactions during the financial year.

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2022 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2022, of the Company, or
(b) the results of those operations, or

On 17th August 2022, LGI lodged a prospectus with ASIC and the ASX, with the prospect of raising $25,000,000 through an Initial Public Offering (IPO). On 31st August 2022, ASIC accepted the prospectus and the offer period opened on 1 September 2022. The IPO is fully underwritten by the Joint Lead Managers, Bell Potter Securities Limited, Morgans Corporate Limited and Aitken Mount Capital Partners Pty Ltd.

NOTE 26: COMPANY DETAILS

The registered office and the principal place of business of LGI Limited is:

57 Harvey Street North

Eagle Farm, QLD, 4009

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

	2022 $'000	2021 $'000
Profit after income tax expense for the year	4,774	1,749
Adjustments for non-cash items:		
Depreciation and amortisation	3,970	3,456
Share based payments	41	171
Salary & wages recovered from capital projects	(547)	(629)
Capital raise costs	(212)	514
Engineering costs expensed	334	-
Net (gain)/loss on disposal of property, plant and equipment	70	(104)
Finance expense	245	171
	3,901	3,579
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(6,789)	(3,075)
(Increase)/decrease in other assets	-	(14)
(Increase)/decrease in income tax payable	2,403	(172)
Increase/(decrease) in trade and other payables	3,111	737
Increase/(decrease) in provisions	4	48
Increase/(decrease) in deferred tax liabilities	-	404
	(1,271)	(2,072)
Net cash provided by operating activities	7,404	3,256

NOTE 28: EARNINGS PER SHARE

	2022 $'000	2021 $'000
Profit after income tax expense for the year	4,774	1,749
	No.	**No.**
Weighted average number of ordinary shares for the purposes of basic	71,002,931	69,518,818
Weighted average number of ordinary shares for the purposes of diluted	71,449,516	71,718,418
	Cents	**Cents**
Basic earnings	6.7	5.0
Diluted earnings	6.7	4.9

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 10 to 43, 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 2022 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.

Director

Dated this 20th day of September 2022

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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 2022, 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 2022 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

R Swaby

R M Swaby
Director

Brisbane, 20 September 2022