23 August 2022

Appendix 4E
Summary Financial Report

Results for announcement to the market

For the financial year ended 30 June 2022

	Consolidated Group			
	Year ended 30 June 2022	Year ended 30 June 2021	Variance to prior year	
	$'000	$'000	$'000	%
Revenues from ordinary activities	53,459	48,570	4,889	10.1%
Profit/(loss) after tax from ordinary activities attributable to members	(13,195)	(12,497)	(698)	(5.6%)
Net profit/(loss) attributable to members	(13,195)	(12,497)	(698)	(5.6%)
Net tangible assets/(liabilities) per security (cents)	1.4	1.7		

The net tangibles asset backing per security of 1.4 cents presented above is inclusive of right-of-use assets and liabilities. The net tangible asset per security, as at 30 June 2022, would reduce to 1.2 cents (2021: 1.4 cents) if right-of use assets were excluded, and lease liabilities were included in the calculation.

Dividends and distributions

The company has not declared, and does not propose to pay, any dividends for year ended 30 June 2022.

Details of any dividend or distribution reinvestment plans in operation: Not Applicable.

Other

Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segments, business combination, trends in performance, foreign entities and other factors affecting the results for the period are contained in the 2022 Annual Report, including the Chairman's Letter and CEO Report.

This document should be read in conjunction with the 2022 Annual Report, including Chairman's Letter and CEO Report, and any public announcements made in the period by Envirosuite Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

This report is based on consolidated financial statements which have been audited by PKF Brisbane Audit.

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envirosuite

2022 Annual Report


omnis.envirosuite.com
H_2S 15-minutes
New Monitor
0.0 ppb
New Monitor 05
0.0 ppb
Secondary Clarifier #2 Monitor
8.0 ppb

Contents

Key Metrics

$53.0m
Annual Recurring Revenue
▲ 14.1% YOY

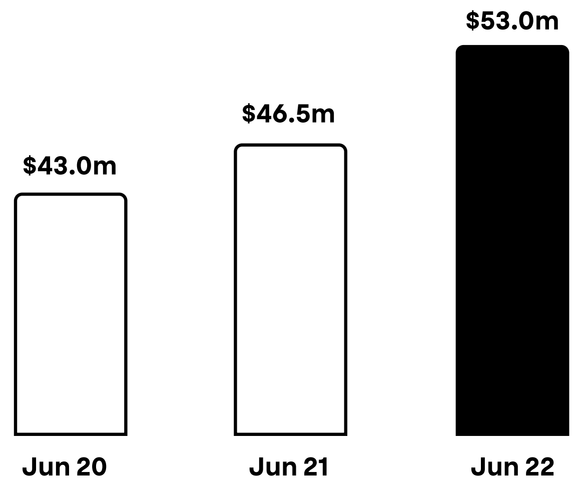
416
Client sites
▲ 11.5% YOY

$53.5m
Statutory revenue
▲ 10.1% YOY

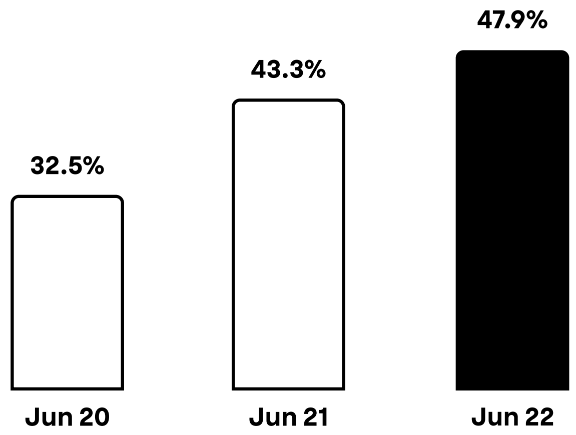
47.9%
Gross profit[1]
▲ 10.6% YOY

$(4.0m)
Adjusted EBITDA (loss)
Improved 11.8% YOY

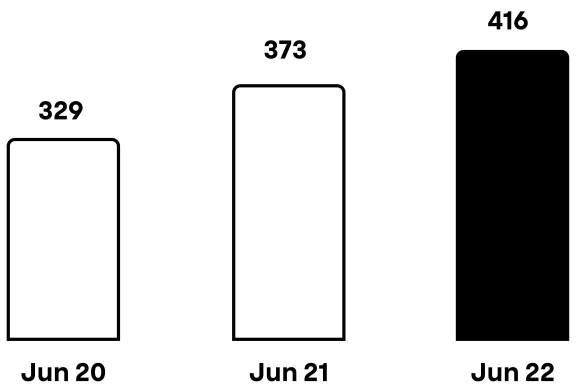
ARR



GROSS PROFIT %[1]



TOTAL SITES



Envirosuite is a global leader in environmental intelligence, trusted by the world's leading industry operators in Aviation, Mining & Industrial, Waste and Water.

Envirosuite provides industry operators with Software as a Service (SaaS) and Solution as a Service for managing and mitigating their impacts on communities and the environment in relation to noise, vibration, odour, dust, air quality and water.

Envirosuite's software combines leading-edge science and innovative technology with industry expertise to produce predictable and actionable insights so businesses can unlock value beyond compliance, allowing them to engage with communities and make real-time decisions to reduce risk and optimise their operations.

By harnessing the power of environmental intelligence, Envirosuite helps industries grow sustainably and communities to thrive.

WHAT IS ENVIRONMENTAL INTELLIGENCE?

We take environmental input such as:
- Flight tracking
- Noise
- Water
- Weather
- Dust, Odour & Air Quality
- Vibration

and harness the power of:
- Machine learning
- Decades of experience
- Proven data algorithms
- Scientific excellence

so our customers can receive:
- Predictive modelling
- Automated compliance analysis
- Real-time smart alerting
- Trusted quality insights

to make informed decisions that enable:
- Increased production
- Tangible cost savings
- Optimised operations
- Social license to operate

1 - Gross Profit is presented on an EBITDA basis

Proudly taking innovative Australian technology **to the world**

Our Purpose

We believe environmental intelligence is the key to improving the wellbeing of people and the planet.

Our Vision

We harness the power of environmental intelligence, so industries grow sustainably, and communities thrive.

Our Mission

We are driven to create world-leading, science-based technology to help our customers act faster, perform better, and realise their full potential with environmental intelligence.

Our Difference

We are a leading environmental intelligence technology provider that solves complex environmental challenges across noise, vibration, odour, dust, air quality and water with our suite of software products and IoT.

Our Values

We know that to achieve our long-term goals, we need to build a culture of high performance. One where all Environauts are committed to our purpose, working collaboratively as a team while focusing on innovation to deliver value to our customers. As Environauts, we rise to the challenge because:

- **We're driven by purpose**
- **We move as one**
- **We believe customers are the reason**
- **We earn the trust**
- **We challenge the now**

Our business advantages

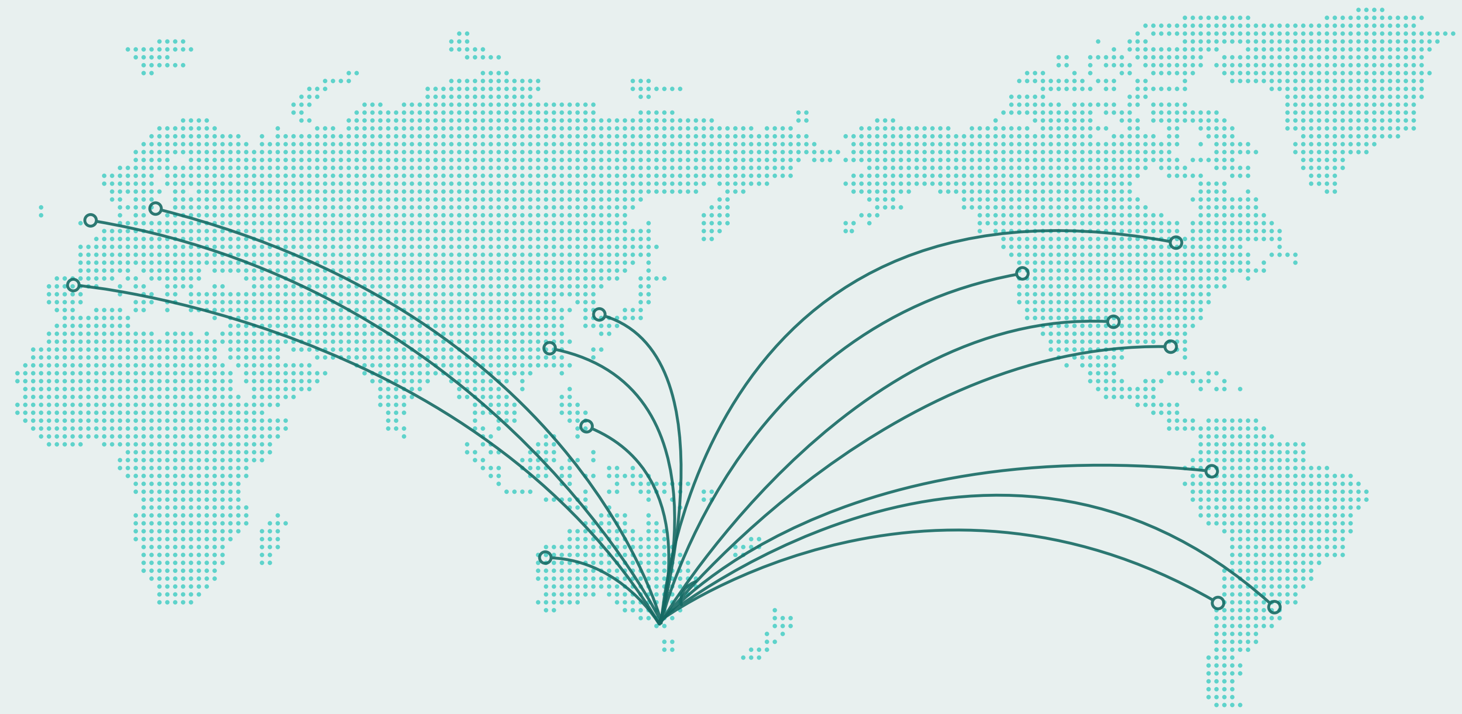
First mover – a global first mover in environmental intelligence software and IoT

Commitment to customers – we have long-lasting relationships with sector-leading customers

Global presence – established operations and high performing teams across key growth markets

Digital transformation – deeply embedded into customer operations and their digital ecosystems

Importance of problem statement – growing focus on environmental impact due to ESG, SDG and social licence to operate



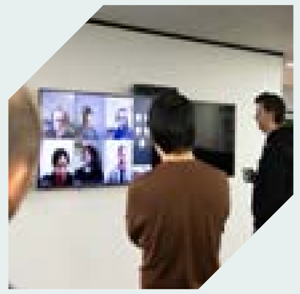
Clients in **46** Countries

254 Employees

4000+ Connected IoT devices

30+ Years experience

Exciting partnerships have opened new opportunities for Envirosuite, including our odour mitigation partnership with Byers Scientific in USA.



Our Brisbane-based software engineering team take part in 'jam-days' to collaboratively solve development challenges.

Our new 'Centre of Excellence' in the Philippines is driving increased scale across the Envirosuite business.

In Colombia, Cerrejon mine relies on Envirosuite so heavily that they have it running in their control room every day.

Chairman's Letter

David Johnstone
Chairman

Dear Shareholders,

Before we reflect on the past financial year, I would like to thank you for your ongoing support for Envirosuite. I know from many conversations with investors, that the past year has been challenging with investors constantly reassessing their portfolios, with a particular focus on technology-based growth stocks.

While many companies have seen their valuations significantly reduced, Envirosuite has mostly maintained its valuation through this volatile period. What has helped us is that we have been able to achieve strong revenue growth, while at the same time demonstrating fiscal responsibility with targeted investment focused on near-term revenue generating activities. As a result, we have a clear pathway towards Adjusted EBITDA profitability during FY23 and a strong cash balance. This put us in an strong position to pursue the well understood growth opportunity in front of us.

From a macro perspective, I believe that investors continue to understand the growing weight of Environmental, Social and Governance (ESG) considerations, how they shape the world we live in and why that is such a powerful tailwind for this business. Envirosuite's technology gives our customers the ability to empirically measure their performance and then make data-driven decisions regarding their environmental and social responsibilities and future sustainability.

Our digital products and platforms take the measurement of ESG factors from a "point-in-time" basis to "real-time" data. This digitisation journey is a global phenomenon disrupting every sector of the economy and Envirosuite is leading the charge regarding digital environmental intelligence.

The Company has continued to make significant investments into its strategic mix of products, that are now beginning to gain traction in global markets with our Land, Expand and Scale strategy. The second half of FY22 was particularly strong and we finished the year in Q4 with record sales and a growing pipeline of potential customers.

EVS Omnis, our Industrial product, is our growth engine, where we are seeing existing customers expanding its use from initial project sites to deploy the technology at scale across multiple sites. At the same time Omnis continues to land new material customers and open significant new industry verticals. Omnis' growth has exponential potential, and the team have the mandate to drive this growth aggressively.

Additionally, EVS Omnis provides Envirosuite with a strong cross-sell opportunity into EVS Water, our SaaS-based high-margin water solutions. In December 2021, the Company raised $10.5m to accelerate the commercialisation of EVS Water and I am pleased to say that the product has gained meaningful early traction. EVS Water is a high margin true SaaS offering, revenues do not need to match EVS Omnis or EVS Aviation in order to make a meaningful contribution towards Envirosuite's overall profitability. With a natural cross-sell with EVS Omnis customers, the business is well placed to grow revenues and profitability across these two products.

EVS Aviation has been the surprise package of FY22, particularly in the second half of the year when planes returned to our skies and air traffic surged back towards pre-pandemic levels, although not quite there yet in some countries. As the long-recognised leader in aviation noise monitoring it is pleasing to see airports continue to commit to their ongoing noise monitoring and their need for continuous improvement through project work we are being asked to perform. We have also seen significant renewals from existing EVS Aviation customers. More pleasing yet, is that ongoing innovation by our team has created future growth opportunity in the sector with the release of ANOMSX, a cloud-based digital platform that brings together several Envirosuite products, including NoiseDesk and Carbon Emission Software.

The result of the strategic product mix is a business with high growth, strong cross and upsell opportunities and growing margins – add Envirosuite's well established track record of product leadership and innovation, and we have a recipe for success. Another important development this year has been the enhanced diversification across products and regions. The America's have provided particularly strong growth during the year and the appointment of Aaron Lapsley as Chief Operating Officer, based in Austin Texas, has brought a global perspective to our operations and the executive leadership team.

The executive leadership team also welcomed Justin Owen as Chief Financial Officer with interim CFO Michael Hamilton moving into the position of Head of Strategy. The strengthening of the executive team and enhanced global presence provide the Company with the necessary firepower to execute on its growth agenda.

The appointment of Stuart Bland and Tim Ebbeck as non-executive directors added significant additional expertise and experience to the board with their respective and complementary skills and backgrounds. The addition of CEO Jason Cooper as Managing Director completed the building out of the board and complements the key executive appointments mentioned above.

We remain committed to keeping the market well informed of the key value points in the business including across our platforms, commercial relationships, industry sectors and geographies. We have in the past year sought to further communicate and educate the market and we will continue to release business updates and information through both the ASX platform and our online channels as appropriate and I encourage all interested investors to subscribe and follow our progress on many fronts.

To every single one of our "Environauts", a special thank you and shout out to you all, we ask a lot of you and you do deliver in spades. I might add, with passion and a strong belief in what we do, provides our customers with the data and tools to make fully informed and smart decisions, which make a real time impact to communities and the planet.

Thank you to all our shareholders for your continued support that we look forward to progressively rewarding as the company pursues its strategic growth agenda.

David Johnstone
Chairman

CEO Report

Jason Cooper
CEO

Dear Shareholders,

Envirosuite has delivered another strong financial performance in FY22, as we continue to deliver Environmental Intelligence solutions for our customers around the world.

We are focused on our mission to create leading science-based technology that helps our global customers measure, act, plan and engage with greater efficiency through data-driven environmental intelligence.

By adopting a “product-led” approach we have innovated rapidly, bringing new features, capabilities and scientific models to our customers. Our three product portfolios EVS Aviation, EVS Omnis and EVS Water provide a strategic mix with significant upsell and cross sell potential.

The level of engagement from our global customer base has increased significantly, driven at a macro level by the growing recognition of the Environmental, Social and Governance (ESG) factors on business performance and sustainability.

In FY22, Envirosuite grew total revenue by 10.1%, surpassing the $50m milestone for the first time to reach $53.5m, of which 82.1% is recurring. We ended the financial year with 416 customer sites, an 11.5% increase on last year and a key metric by which we measure our growth and product success. Gross Profit continues to improve with gross profit of 47.0%, showing strong growth from 42.4% in prior year.

Our strong FY22 financial and operational result demonstrates not only the value of Envirosuite’s technology and the human expertise that delivers that technology to customers around the world, but also the trust those customers have put in Envirosuite as a technology partner to help drive their operational and environmental performance.

We passionately believe in unlocking the power of environmental intelligence, so industries can grow sustainably, and communities can thrive. In this year’s report we are pleased to share with you some case studies of customers that are using our platform. We believe that this is important as it demonstrates how we create value for our customers and our shareholders.

Strategy

We continue to make strong progress towards achieving our four strategic pillars. These four pillars guide our priorities, decision making, product development and organisational structure;

Growth: Drive growth through customer site acquisition

Product: Innovative science-driven Environmental Intelligence and cloud-based platforms

Customer: Focus on measurable value creation

Scale: Reinvest in people, technology and processes to rapidly scale

Our FY22 results are a clear validation of our strategy, which is now delivering growth in terms of customer sites and revenue, with a clear pathway to profitability.

Growth: Drive growth through customer site acquisition

FY22 was a year of record sales growth for Envirosuite, achieving $8.5m in New ARR and $9.8m in Project Sales. We added 43 sites across the three products and experienced strong growth in all three of our geographic regions (APAC, Americas and EMEA).

It was particularly exciting to see the strong interest we have generated from large multi-site customers this year, with several globally significant organisations coming onboard and at the very beginning of our Land, Expand and Scale customer journey.

Much of the success is due to structural, process and people improvements that we have made in the sales team, and North America in particular provided another significant contribution to the Company’s growth this year. In the final quarter of FY22 we saw strong demand developing across the three regions, all contributing equally to growth.

It was pleasing to see the progress of EVS Water globally following the continued investment this year, with our first implementations taking place in Hong Kong, Singapore, France, Spain, USA and Australia.

During the year we have enjoyed a significant increase in brand awareness and inbound marketing leads thanks to the launch of our new brand and website. We are leveraging our strong brand to communicate clearly to our customers and engage them with real-world empirical case studies.

Envirosuite’s growth has accelerated significantly this year, and we are only now scratching the surface with regards to our overall addressable market. We will continue to drive site acquisition across our platforms and generate tangible customer value.

CEO **Key Highlights**

ARR, Revenue, Sites and Gross profit

FY22 was a standout year for Envirosuite as we accelerated our growth in all key metrics. We have achieved 14.1% growth in ARR, added 43 sites to our expanding customer portfolio, and increased total revenue by 10.1%. We continue to improve the scalability and profitability of the company with Gross Profit (on an EBITDA basis) now at 47.9% for the full year.

Product Innovation

Our ongoing investment into scientific excellence and product development has deepened our sustainable competitive advantage and accelerated our strong product differentiation this year. It is exciting that an Australian company is leading the charge with world class Environmental Intelligence technology platforms.

Regional Growth

All three regions have transformed their go-to-market strategy in the last 12 months and this has resulted in strong revenue and ARR growth at a company level. The Americas has set the benchmark again with a 31.3% growth in ARR adding 25 new sites in the last year.

Land, Expand & Scale

With some of the world’s largest Industrial company names as customers, we have now built out a repeatable customer engagement journey. This year we experienced record sales growth with key wins with new and existing strategic customers across all three portfolios.

People & Culture

As much as we are a technology company, we are also a people company. I am proud of all the Environauts around the world who are actively contributing to our mission, vision and purpose to be the world’s leading Environmental Intelligence company.

Scalability

Over the past 18 months we have invested into the right tools, systems and processes to improve the scalability of the business. We have applied this strategic thinking to all aspects of the business (marketing, operations, the regions and support functions), which has resulted in a continually improving Gross Profit margin.

Profitability

The performance of the company over the last 12 months and the outlook for FY23 has enabled us to confirm our pathway to profitability during FY23. We will continue to focus on high quality revenue, growth and gross margin improvement to ensure that we have a long-term sustainable company.

Product: Innovative science-driven Environmental Intelligence and cloud-based platforms

We have seen our Product & Innovation teams go from strength to strength in the past 12 months. Deeper, more engaging conversations with our customers and internal staff have resulted in the development of powerful new capabilities and features that solve complex scenarios.

EVS Aviation: Innovative enhancements provide for continued growth

As aircraft returned to the skies post-COVID, we saw EVS Aviation customers invest in their monitoring and community engagement solutions with several long-term clients extending their contracts with us. Envirosuite continued to extend its competitive advantage in Aviation with the launch of EVS Aviation's cloud platform, ANOMSX.

With the ANOMSX platform now hosting our innovative NoiseDesk solution and further adoption of our Carbon Emissions software, we continue to provide greater access to decision making information across the various stakeholders at our customers' airports. ANOMSX also provides Envirosuite with greater flexibility to offer solutions across market segments, from large commercial down to small regional airports.

The migration of the EVS Aviation platforms to AWS is making strong progress, with some of our largest airport customers having already started the process. We plan to migrate all hosted customers to AWS in future.

EVS Omnis: Product leadership drives transformational growth

A key highlight in FY22 was the launch of EVS Omnis' platform, which saw the convergence of Noise and Air Quality onto one platform. FY22 demonstrated its effectiveness in the market; its ability to scale with significant customers, present itself as valuable to new industries and continue its mission to help operators of all shapes and sizes work more effectively themselves and with their communities.

With the new EVS Omnis platform also came the release of our innovative "Emissions Intelligence" air quality technology, which provides customers with the ability to precisely understand their site emissions, the operations that are generating them and their location and severity. This allows them to make immediate operational decisions and understand prior operational plans to inform future activities. This can often be realised using already deployed IoT devices and their data sets, offering existing customers even greater value.

Developed with over 12 months research, Emissions Intelligence is powered by combining our cutting-edge hyper-local meteorological dataset and forecast capabilities, emission expertise, site-based historical IoT data, cloud-computing and particulate dispersion modelling.

EVS Water: Delivering incredible customer value at SaaS margins

We are exceptionally proud of our progress and success following the launch of EVS Water in FY21. Utilising funds from the Capital Raise in December, we built a strong team around EVS Water. EVS Water's products (SeweX and Plant Optimiser) are cloud-based, off the shelf platforms, providing our customers ongoing value-add capabilities at a strong contribution margin for Envirosuite.

SeweX proved its global and versatile applicability with success across each region including the Greater Paris Sanitation Authority, WA Water Corporation, Depuración de Aguas del Mediterráneo (DAM) and the City of Kalamazoo, Michigan, USA.

Plant Optimiser immediately demonstrated its effectiveness once deployed, providing optimisation recommendations that would deliver a reduction in chemical dosing amounts of over 20%.

Customer: Focus on measurable value creation from a customer perspective

By relentlessly focusing on customer satisfaction and user engagement we have continued to improve our customer retention and user metrics. We introduced data analytics into our platforms to generate valuable insights into how the software is being used and how we can improve the user experience. This has resulted in several major user experience and design changes.

This continued focus on user experience and value creation has helped ensure that we have a low customer churn. We also introduced a new structure around customer success, with a strong emphasis on the customer experience and making sure we are leveraging real-time feedback, data and our domain knowledge to support adoption.

Our Environmental Intelligence Services team supports our customers around the world, leveraging our technology and systems to ensure that customers achieved their regulatory and operational requirements. This team contributed significantly to revenue growth and customer satisfaction.

The launch of a new ticketing system in December has improved our operational efficiency and responsiveness to customers. Our library of information and AI-driven portal enables customers to self-help and quickly identify and, in many situations, rectify issues in a timely manner.

With the addition of our Centre of Excellence office in the Philippines we will continue to drive operational improvements across all products, operations and geographical jurisdictions.

Our Operational Excellence team has enhanced the platform implementation experience for our customers, with a focus on scalability, support and efficiency to ensure that our customers get value from our solutions as quickly as possible.

Scale: Invest in people, technology and processes to rapidly scale

We are now successfully operating all three product platforms in the cloud, which has had a material impact on both the way we deploy and support our customers, and our ability to more efficiently and effectively develop, test and roll out new software features at scale.

Through these improvements to product, infrastructure and deployment methodologies, we have continued to improve our gross margin. This has steadily grown with revenue throughout the year and, with our strategic product mix providing upsell and cross-sell opportunities, we see a clear upward trajectory and pathway to profitability.

The investment we have made into creating a global footprint, through people and offices, has been a cornerstone and key pillar of our growth strategy. This year we have begun to truly leverage that investment and I'm excited about our potential in the coming year.

Our Land, Expand and Scale strategy has been highly effective in FY22 with rapid take up of our products in all regions with highly scalable customers. We are highly confident that the momentum that we have built in FY22 will continue into FY23 and beyond.

People and Culture

Our Vision, Mission and Purpose continues to drive the future orientation of the company and it is the people of Envirosuite that provide our strongest differentiation. We refer to our team as the "Environauts" and we have focused on the engagement, direction and development of our teams.

Globally we have embraced a goal-orientated process, called OKRs (Objectives, Key Results) to drive the focus and accountability of the organisation. Each quarter we align our goals and drive the key results to ensure we continue to meet our overall objectives.

Leadership

FY22 marked a step change in the leadership structure where we added some significant capability to the Executive team. In November we appointed Sabina Todd as the Regional General Manager in APAC based in Brisbane. In January we appointed Aaron Lapsley as the Chief Operating Officer, based in Austin Texas, providing a global perspective on our operations. Justin Owen also joined in January as the Chief Financial Officer and is based in Melbourne. Michael Hamilton moved into the position of Head of Strategy after he supported the company in the Interim CFO role for four months.

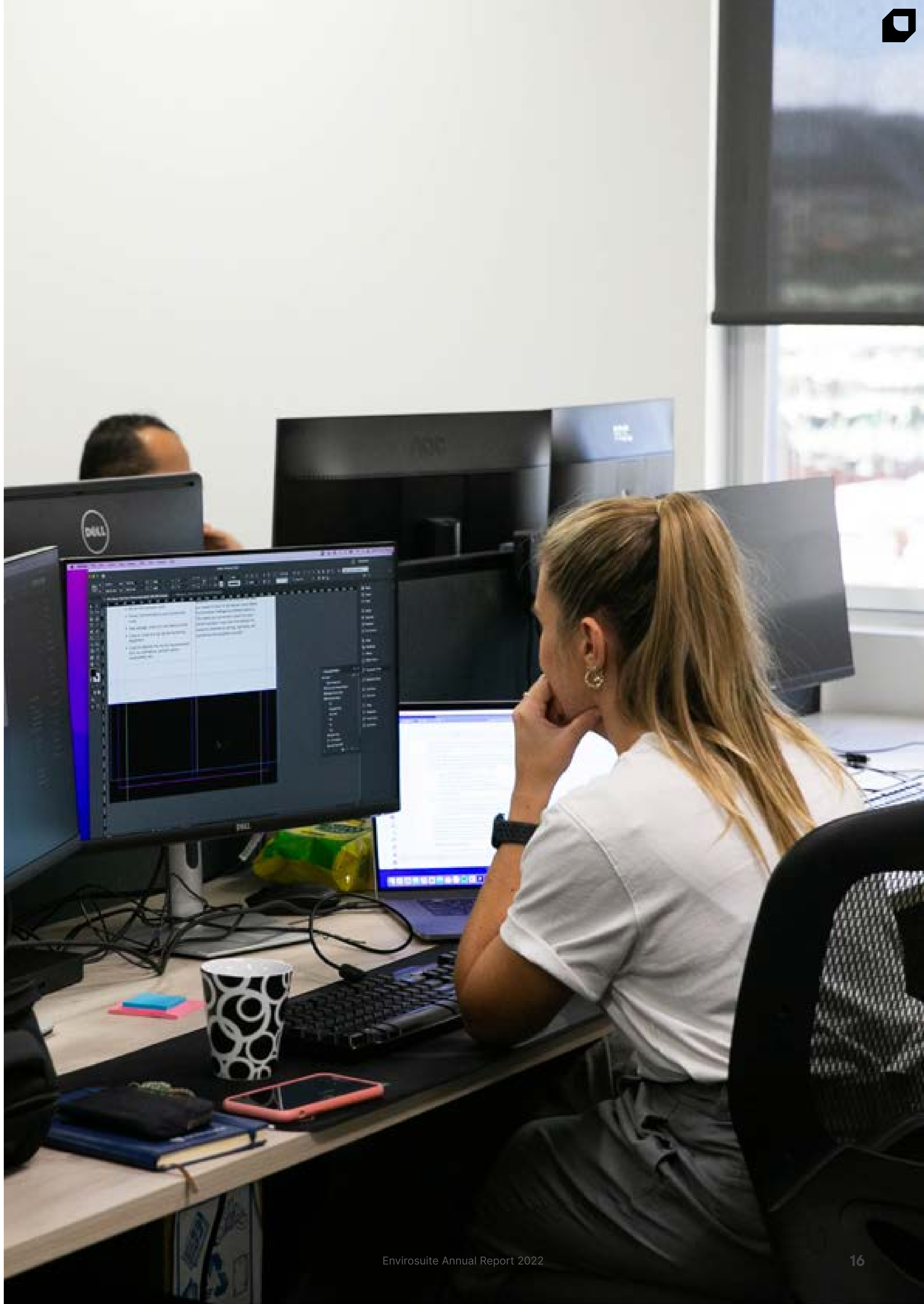
Outlook

Our customers are reporting that ESG considerations are increasingly driving buying decisions, where institutional investors, regulators, and governments are demanding accurate and quantifiable measurement and monitoring of key ESG metrics. Our customers only see this trend continuing. With our strategic positioning as a global provider of these services, there is evidence that our product suites will continue to grow Group revenues and earnings.

It is now clear that EVS Omnis is a highly scalable Environmental Intelligence platform that serves customers in many different segments. With the Aviation industry showing strong signs of getting back to pre-pandemic levels we are well positioned to continue to support our customers through what is clearly a transformative time. By leveraging the reference sites of EVS Water in North America and Europe, we now have early validation globally that supports our strong product market fit.

Our Land, Expand and Scale strategy has been highly effective in FY22 with rapid take up of our products in all regions with highly scalable customers. This will be a continuing focus for our sales and marketing team, supporting some of the most significant industrial organisations on the planet. We are highly confident that the momentum that we have built in FY22 will continue into FY23 and beyond.

Jason Cooper
Chief Executive Officer



Envirosuite is the world's most advanced environmental intelligence technology provider

Our Purpose

We believe environmental intelligence is the key to improving the wellbeing of people and the planet.

Our Vision

We harness the power of environmental intelligence so industries grow sustainably and communities thrive.

Our Mission

To create world-leading, science-based technology to help our customers act faster, perform better and realise their full potential with environmental intelligence.

OUR DIFFERENCE → **WHAT WE DO** → **PRODUCTS** → **VALUE**

OUR DIFFERENCE

SCIENCE BUILT-IN

An advanced environmental intelligence portfolio that embeds decades of science, innovation through expertise and complex modelling, all made simple for users.

COMMITMENT TO CUSTOMERS

We put customers at the heart of what we do to build long-lasting, trusted relationships and expand this to our partners and stakeholders.

HUMAN INGENUITY, ENVIRONMENTAL TECHNOLOGY

Our global team is made up of talented, passionate domain experts who are driven by a collective purpose and empowered to offer their unique contribution everyday.

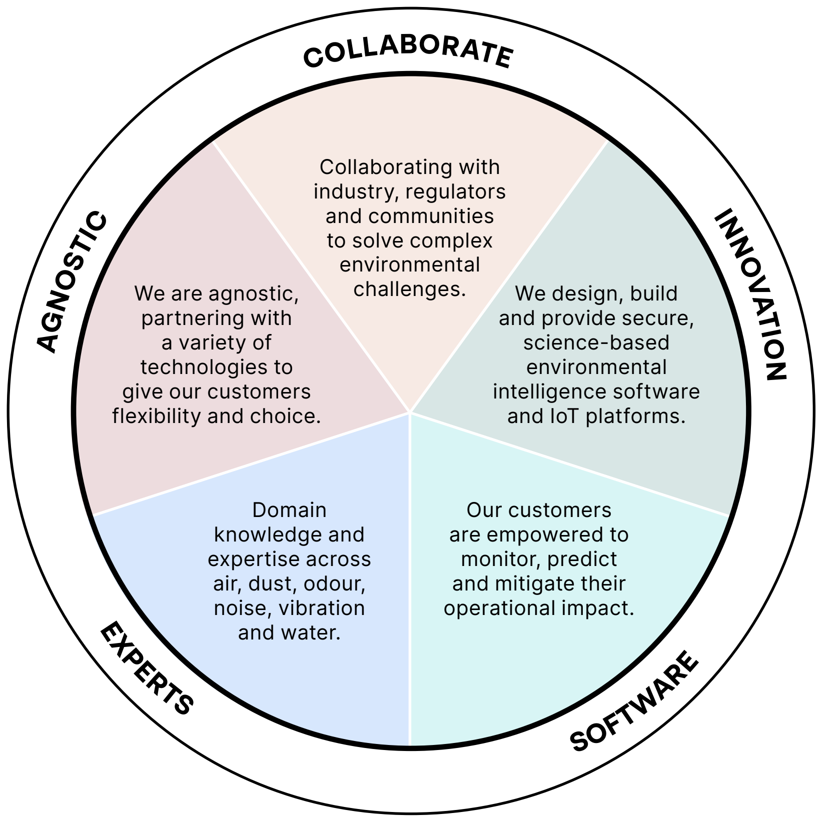
ESG ENABLING, SDG ADVANCING

Society demands measurable, sustainable performance. Our technology supports ESG criteria and advances the SDG agenda, serving the interests of all stakeholders and our shareholders.

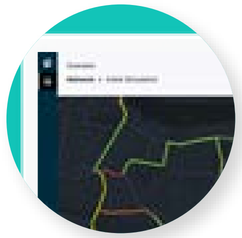
LEADING ENVIRONMENTAL INTELLIGENCE

The world's most advanced environmental intelligence solutions for Aviation, Waste, Wastewater, Water Treatment, Mining & Industrial

WHAT WE DO



PRODUCTS

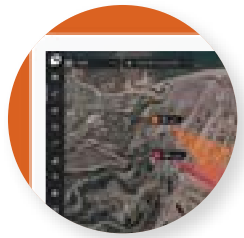


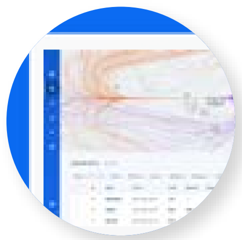
EVS Water

Digital twin technology for water treatment powered by machine learning and deterministic modelling.

EVS Omnis

Powerful software built for industrial facilities to act on emissions, plan for operational risks and engage with stakeholders.





EVS Aviation

World leading software and hardware built for solving complex challenges from airport noise, aircraft tracking and community engagement.

VALUE

BUILT FOR TODAY WITH TOMORROW'S OUTCOMES IN MIND

Optimise operational outcomes, increase production, make tangible cost savings and build social licence to operate with surrounding communities.

RAPID RESPONSE AND ENGAGEMENT

Easy-to-use, location-specific public portals to educate and engage with communities and stakeholders, including observation submissions to foster transparent two-way communication.

UNLOCK VALUE BEYOND COMPLIANCE

Harness predictive insights from the environmental monitoring network to avoid unwanted impacts and keep production moving.

ENVIRONMENTAL INTELLIGENCE REIMAGINES RISK

Our technology empowers organisations to unleash innovation and continuous improvement, enhancing operational efficiencies while building community trust.

← **PRODUCT INSIGHTS** ← **CUSTOMER FEEDBACK**

What makes Envirosuite platforms so powerful

Day 1 value

The moment our products get 'turned on' our customers can start making decisions. Whether that be reducing chemical use, engaging with their community about flight paths, adjusting capital investment plans or deciding when to operate emission generating machinery in the upcoming 24 to 48 hours.

Each of these decisions create immediate ROI from the platform and deepen our customers' decision making capability in the future.

Decision advantage across your organisation

Due to the expansive data within reach of the product and the breadth of insight we can offer, often the impact of an Envirosuite system goes well beyond one department, but can improve the activities of many others across the organisation.

SaaS / COTS solutions

Our industry is ripe with one-off solutions, intermittent studies and siloed data capture. Envirosuite's platforms offer our customers all the opportunities that SaaS and commercial off-the-shelf (COTS) solutions offer such as scalability, easy access to new technology, regular upgrades, enhanced security and easy-to-use interfaces.

Science & innovation

Our solutions provide critical operational and organisational decision making insights. We do this by founding all our solutions in science, ensuring that our data is backed by industry standards and supported by experts. Innovation is constant at Envirosuite as we look for powerful ways to solve our customers problems in more valuable and helpful ways.

The platforms **required to operate** in our rapidly evolving world

Product vision

Our customers can continue to achieve their goals and adapt to the pressures of a rapidly changing world. As the world continues to demand accountability for our actions and their resulting impact, our customers and global communities will be able to navigate these changes confidently, transparently and efficiently.

Operational decisions are made confidently with data that reflects their importance. Both industry and community are coming together over trusted, scientific information to have collaborative conversations. Value beyond compliance is unlocked to realise efficiency gains within regulatory boundaries while influencing better measurement methods to benefit society.

This is environmental intelligence.

How we deliver our strategy

We deliver to this strategy using science and experience combined with repeatable COTS, SaaS and IoT technologies. We continually invest in our core software technologies to ensure we deliver their value to all our customers. SaaS is our preferred delivery method and provides our customers with effective Total Cost of Ownership and peace of mind. IoT is the lifeblood of the platforms and enables them to provide the critical operational insights and decision making capabilities our customers rely on, bringing numerous data types and feeds together for higher situational awareness. In order to deliver the most cutting edge, trusted and insightful data, we build our software using design and outcome-led principles and invest in science to underpin the decisions we support.

These principles enable the democratisation of complex science and domain expertise to deliver a level of decision making far exceeding what would be realistic for our customers to achieve otherwise.

evs omnis

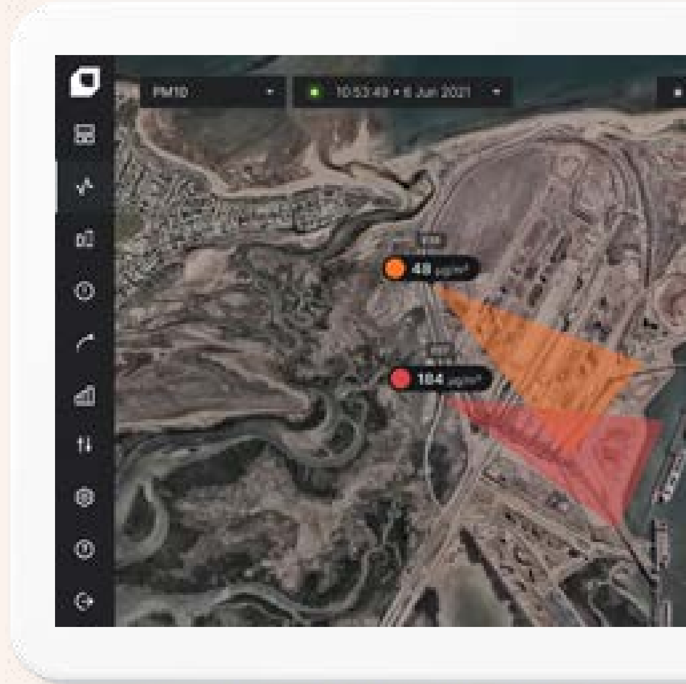
A coming of age

EVS Omnis is a powerful platform bringing together highly advanced meteorological forecasting and weather systems, scientifically based emissions dispersion modelling and 24/7 IoT monitoring networks. It provides real-time, predictive, and historical analysis tools to not only ensure facilities run compliant operations but can act efficiently within the regulatory and social expectations of them.

Not only was FY22 a significant technological step forward with the launch of EVS Omnis, the release of Emissions Intelligence technology and the convergence of noise and air quality, but FY22 demonstrated its effectiveness in the market; its ability to scale with significant customers, present itself as valuable to new industries and continue it's mission to help operators of all shapes and sizes work more effectively themselves and with their communities.

Key Stats	231 client sites ~$1.2b SAM[1] (ARR) $18.1m ARR 6.6% Churn $78,526 ARPS[2]
Marquee Customers	Aggregate Industries (part of Holcim Group) Glencore Newcrest Mining Teck Resources City of Chicago Department of Public Health Veolia

1 - Serviceable addressable market   2 - ARR per site



Emissions **Intelligence**

Launched with EVS Omnis, our new "Emissions Intelligence" air quality technology provides customers the ability to understand precisely which operations are generating emissions, their location and severity.

Emissions Intelligence helps make both immediate operational decisions and understanding prior operational plans to inform future plans. This can often be realised using already deployed IoT devices and their data sets, offering existing customers even greater value.

The Emissions Intelligence engine uses advanced scientific methods to compute, analyse, and monitor the entirety of a site's emissions data, understanding emission sources, rates, and dispersion plumes; in the past, now and into the future.

From product foundations to global customers'

Following the establishment of the EVS Water portfolio in FY21 with the acquisition of AQmB and the securing of the renowned SeweX model from the University of Queensland, we are very proud of the progress and success we have made.

Utilising funds from the Capital Raise in December, we built a team around the EVS Water products with a clear goal – help the industry use this great science and technology to improve their operations and the environment by getting these products to market. Both SeweX and Plant Optimiser products are cloud-based, COTS platforms, providing ongoing value-add capabilities and strong contribution margin for Envirosuite as our customer base grows.

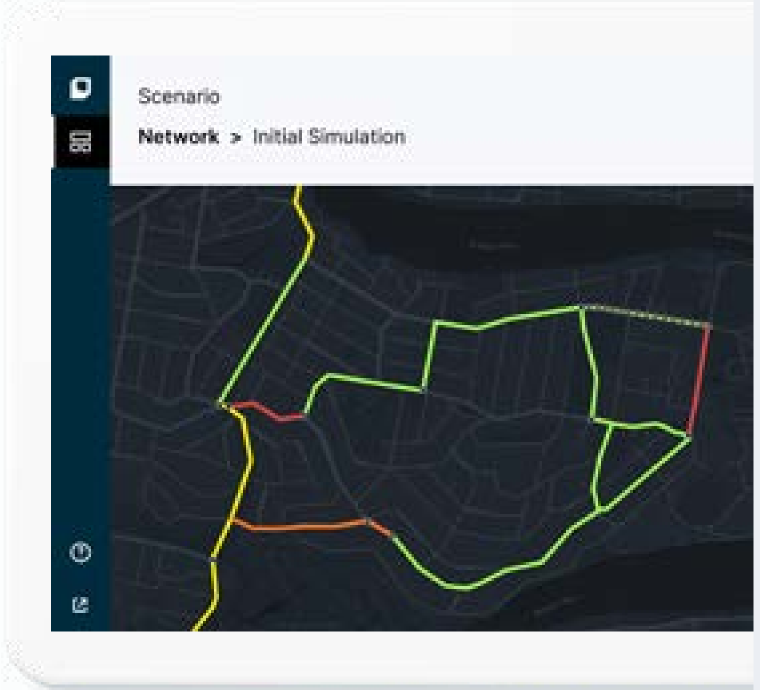
SeweX is a machine-learning based platform that provides sewerage management agencies with insights across their network at never-before-seen levels of coverage and accuracy. This allows them to manage with reduced cost and increased efficiency, using detailed dynamic modelling of critical parameters including hydrogen sulphide and methane gas emissions, network corrosion, odour and safety risks and even through to network capital planning. Insights extend across numerous departments, from odour and safety groups to operational maintenance teams through to capital planning departments, offering significant ongoing value to all.

SeweX proved its global and versatile applicability through successes globally including SIAPP (the Greater Paris Sanitation Authority), WA Water Corporation, Depuración de Aguas del Mediterráneo (DAM) and the City of Kalamazoo, Michigan, USA.

Plant Optimiser, a chemical and water treatment optimisation platform, offering customers reduced risk, reduced costs, and more environmentally friendly settings to achieving water quality requirements. Plant Optimiser uses a combination of deterministic and machine learning based modelling, on top of a digital-twin of the facility to provide operators detailed optimised plant setpoints to use in operating their facility on a daily basis.

Plant Optimiser immediately demonstrated its effectiveness once deployed, providing optimisation recommendations of more than a 20% reduction in chemical dosing amounts.

Key Stats	13 client sites 2.8b SAM (ARR) $1.0m ARR 0% Churn $76,671 ARPS
Marquee Customers	WA Water Corporation SIAPP (Greater Paris Sanitation Authority) Singapore PUB GHD



Ongoing innovation extending our industry leadership

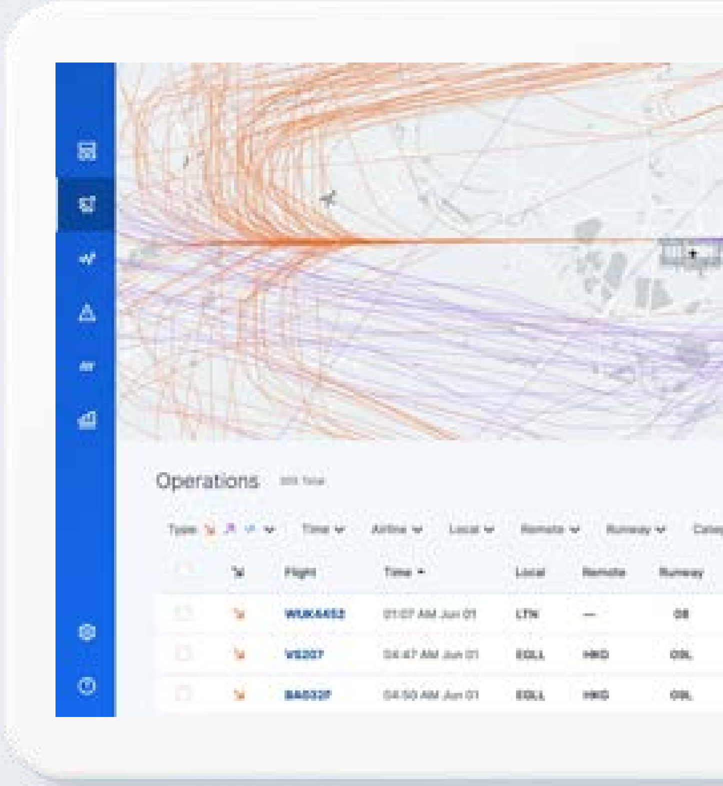
EVS Aviation demonstrated its leadership in the sector as our long-term clients allocated post-COVID budget to extend our services and respond to increased air traffic as aircraft return to the skies. With over 170 airports, including most of the worlds key transport hubs as customers, Envirosuite has built a meaningful competitive advantage in the aviation sector.

EVS Aviation products combine to create the world's leading environmental management solution for airports. We provide deep analytics on top of rich data sets, delivering insights to reduce environmental impacts and demonstrate compliance to key stakeholders, while improving operational efficiency.

This year saw continued investment into the EVS Aviation portfolio, focusing on our key go-forward cloud platform of ANOMSX. With ANOMSX now hosting our popular Noise Desk solution and further adoption of Carbon Emissions, it continues to push the industry towards greater access to decision making information across the various stakeholders at the airports. ANOMSX also provides Envirosuite with greater flexibility to offer solutions across market segments, from large commercial hubs to smaller regional airports.

During the year we saw further adoption of our Carbon Emissions solution, which helps airports to reduce their carbon footprints.

The groundwork and foundations for migration to AWS have been completed, with some of our largest airport customers having already begun their migration and plans in place to migrate all hosted customers in the future.



Key Stats	172 client sites ~$194m SAM (ARR) $33.9m ARR 1% Churn $197,137 ARPS
Marquee Customers	Port Authority of New York and New Jersey Los Angeles World Airports Aena Airservices Heathrow Airport Amsterdam Airport Schipol

FY22 Product initiatives and highlights

Launched EVS Omnis

We launched EVS Omnis, our most comprehensive Environmental Intelligence platform for the Industrial market, our preeminent offering, and a platform to further build our industrial business around. Offering our customers unparalleled situational awareness combining real-time air quality and noise monitoring, making EVS Omnis a one-stop-shop for their environmental operations.

Emissions Intelligence

Launched with EVS Omnis, the release of our new innovative "Emissions Intelligence" air quality technology empowers our customers to precisely understand their site emissions, which operations are generating them, their location and severity. This allows them to make immediate operational decisions and understand prior operational plans to inform future activities. This can often be realised using already deployed IoT devices and their data sets, offering existing customers even greater value.

Developed with over 12 months research, Emissions Intelligence combines our cutting-edge hyper-local meteorological dataset and forecast capabilities, emission expertise, site-based historical IoT data, cloud-computing and particulate dispersion modelling.

Water from seed to global

We have successfully taken what were early-stage technologies acquired in FY21 in both SeweX (University of Queensland research) and Plant Optimiser (AQmB acquisition) and delivered those technologies to customers globally. We built product and development teams focused on these technologies. These teams have now turned these early-stage technologies into compelling solutions, securing new customers and delivering immediate value to them.

SeweX commercial off-the-shelf product

We have taken what was a renowned 'single-use' modelling system and transforming it to a multi-tenanted, reusable SaaS COTS product, empowering the entire industry to access and benefit from leading research findings.

NoiseDesk on ANOMS X

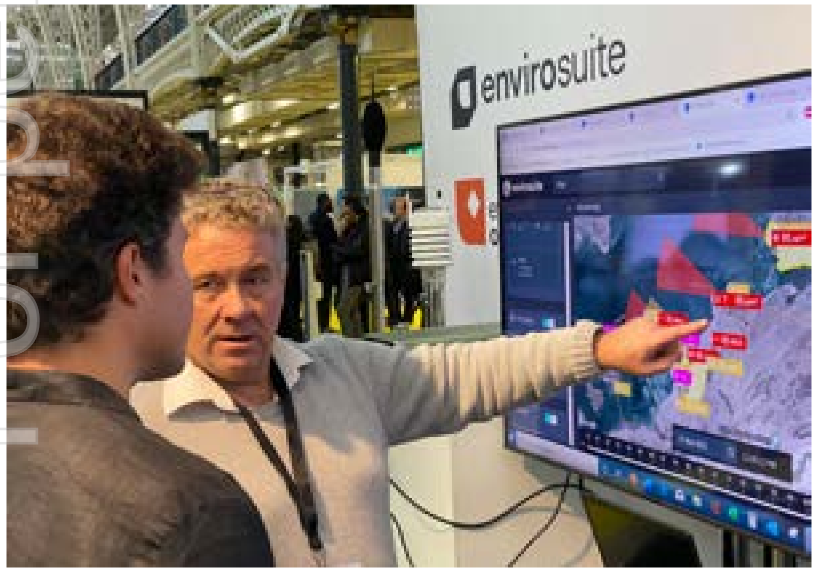
From launch in FY21 to be our new go-forward platform, ANOMSX continues to expand its capabilities. FY22 saw the launch of our popular NoiseDesk offering onto ANOMSX, providing our customers and their users a powerful, yet easy to use interface. Now a truly SaaS offering, this provides Envirosuite with the ability to offer ongoing value more efficiently and effectively.

Built for **global scale** and **customer acquisition**

Envirosuite's momentum on the global stage has accelerated over the last 12 months, off the back of ongoing investment in our world-leading environmental intelligence technologies and a strong focus on optimizing our sales and marketing engine to execute our Land, Expand and Scale strategy. The results have been encouraging, demonstrating our growth potential with record sales for the company and key wins with new and existing strategic customers across our three portfolios, further validating our product-market fit.

Building scalability and repeatability into sales and marketing

We constantly strive for improvement across the organisation, and from a sales perspective this improvement came through the adoption of a sales qualification framework uniquely suited to complex enterprise sales. After providing training to the global sales team and implementing the new framework into our sales process, we have seen better stakeholder coverage across active opportunities, greater visibility into opportunity progress, and increased forecast accuracy across all regions.



During the year we improved automation and performance tracking across the marketing function with marketing automation technology that streamlines, automates and measures marketing tasks and workflows. This has enabled us to provide valuable insights to our sales team on prospect engagement, strengthened our lead scoring and nurturing capabilities, and provided a deeper understanding of our target audiences and how they engage with us. The result is a more scalable and repeatable marketing engine that can support our business into the future, and a direct improvement on our lead quality and conversion rates.

Land, Expand and Scale now a proven strategy

Our Land, Expand and Scale strategy continues to deliver results, as we focus our energy on working with organisations that closely match our ideal customer profiles and operate multiple facilities across our target geographies.

Over the past year, we have continued to develop EVS Omnis capabilities into an all-in-one platform by adding noise management capabilities. This has provided more powerful support to decisions at industrial operations across multiple parameters, while also increasing customer value by providing a single source of truth for environmental impact. On the back of this new capability, we signed a strategic 'land' customer for EVS Omnis, Aggregate Industries in the UK, a leading sustainable building materials supplier owned by the Holcim Group. EVS Omnis will be deployed at Aggregate's Lafarge Cement facility, enabling its operations teams to manage site-generated dust, odour and noise emissions, while providing transparency to communities surrounding the facility in Cauldon, Staffordshire. We look forward to expanding our relationship with Aggregate Industries and the Holcim Group as the cement industry continues to strengthen its commitment to sustainability.

"Understanding the environment we operate in, and the impact we're having, is integral to our business strategy and our commitment to building progress towards a more sustainable construction industry. We know that noise and dust can have an impact on surrounding communities, which is why we're extremely proud to become the first cement plant in the world to commit to using a complete monitoring solution. EVS Omnis will allow us to continuously monitor at key community locations 365 days a year. This will help us to not only better understand our operations within the local community, but also give us insights into our processes to proactively manage them. We expect the system to be operational by the end of this year,"

- Kirstin McCarthy, Sustainability Director at Aggregate Industries.

> *"We know that noise and dust can have an impact on surrounding communities, which is why we're extremely proud to become the first cement plant in the world to commit to using a complete monitoring solution."*
>
> *- Kirstin McCarthy, Sustainability Director at Aggregate Industries.*

We landed our first European mining site with a major metal, mining and smelting company. This first site is the largest copper mine in Northern Europe, which experiences operational challenges due to unforeseen weather changes, leading to dust events that impact local communities. Through a combination of real-time monitoring and hyper-local forecasting data, EVS Omnis empowers the mine to act on site emissions, plan for weather risk and engage transparently with all stakeholders, maximising operational efficiency to support production goals. This mining company has a strong presence in the region, and we look forward to expanding our relationship to support production goals at other sites.

We deepened and broadened our relationship with Aena, the world's number one airport operator in terms of passenger traffic and a long-term customer of Envirosuite. Aena manages 46 airports in Spain, including Madrid and Barcelona, and uses multiple EVS Aviation products to help monitor and manage their noise, but most of most of all, provide data that they can trust. Furthermore, we have established ENAC accreditation in ISO 20906, which represents a guarantee for Aena in relation to the data quality provided by EVS Aviation products. In the last 12 months, we signed agreements with Aena to provide EVS Aviation solutions to three additional airports including ANOMS, WebTrak and accredited acoustic specialist support services. We also expanded our ISO 20906 data accreditation to six more Aena sites.

Across Europe, improved compliance with green procedures to reduce emissions has become essential. Detailed and accurate calculation of greenhouse gas (GHG) emissions is required to target reductions activities, while communicating clearly to all stakeholders. Our Carbon Emissions solution provides this capability, and Aena has now adopted the solution for Madrid, Barcelona and Palma de Mallorca airports. This solution will help Aena engage with airlines and stakeholders around flight emissions by providing timely, accurate data on aircraft GHG emissions for reduction and mitigation activities.

We've seen our EVS Water portfolio scale, not only to additional sites with the same customer, but also as a business scale globally. In Australia, we have gone from signing an agreement for an initial site with WA Water Corporation in August to a total of seven sites within the last financial year. During this timeframe, we have scaled the EVS Water business on the global stage in signing our first SeweX sites outside of the APAC region. The City of Kalamazoo in the United States, Depuración de Aguas del Mediterráneo (DAM) in Spain and SIAAP (the Greater Paris Sanitation Authority) in France have all committed to using SeweX to manage an initial section of their sewer networks, with the expectation to scale those agreements to cover the broader networks over time. These successes are exciting examples of how we are taking our newest Australian-made technologies to the world, demonstrating the value that the water industry globally can benefit from our products, our strong market fit as well as the expertise and capability of our people.

Delivering cross-portfolio solutions to our customers

FY22 saw Envirosuite sell across our portfolios to the same customer on multiple occasions. The City of Chicago, an existing aviation customer, is seeking to enhance the way that it manages and responds to odour and pollution impacts from industrial facilities across the city. After working closely with the city to understand its requirements, Envirosuite now provides a proactive environmental intelligence solution via the EVS Omnis platform. Using this solution, the city can quickly assess the relative contribution of known pollution sources, forecast future impacts on residential areas based on upcoming meteorological conditions, and work proactively with the right facilities to mitigate those impacts.

Deeper customer value through strategic odour management

This year we entered a strategic partnership with Byers Scientific to provide a packaged offering that combines Byers' best-in-class odour control systems with Envirosuite's EVS Omnis platform to address complex emission problems for Industrial, Waste and Wastewater companies. We have delivered our first combined solution to Cedar Hills Regional Landfill in King County, Washington, USA. With this solution, control measures are triggered specifically targeting those areas of the landfill causing an odour issue. The targeted controls are triggered via complex alerts in the EVS Omnis platform that are configured based on specific odour thresholds and meteorological conditions.
This sophisticated environmental intelligence system has empowered King County to engage proactively and transparently with its community around odour management at the landfill, and is delivering efficiencies in odour control costs due to the targeted nature of the mitigation system, where measures are only applied when and where they are needed.

Global **Operations Review**

FY22 was characterised by growth in several ways. The business experienced strong sales growth, delivered for customers with expanded throughput across global and regional operations, and built many foundational capabilities for more operationally efficient execution in future. The year saw key IT systems newly implemented or substantially improved, including better adoption by key user groups, enabling our teams and management to operate with better accuracy, visibility and control. It ended on a high note as many months of focused effort culminated in Envirosuite opening and staffing the first phase of hiring for its new office in the Philippines, which currently comprises Environauts working in finance, supply chain and customer support, and where other corporate teams are planning future growth. Overall, the business took a large step forward in FY22 towards better understanding operations, coordinating globally, delivering regionally, and expanding capabilities for scalable growth in FY23 and beyond.

Customer project delivery

A key aspect of Envirosuite's operational and financial performance is the ability to complete customer projects, ultimately leading to fully operational technology solutions that add value to customers quickly and efficiently. Envirosuite closed out a record number of projects in FY22, bringing online 43 new customer sites. The aviation industry segment had some major projects close out at some of the largest and most recognisable airports in the world. Across the globe, Envirosuite's customers continued to rely on its industry-leading noise monitoring technology and our projects oversaw the installation and commissioning of noise monitoring terminals in the field at airports and industrial sites across multiple countries.

EVS Omnis experienced overall 13% recurring revenue growth in FY22 and strong sales performance from all three regions. EVS Omnis operates with higher levels of standardisation, streamlined processes, and logistical coordination to deliver on customer expectations and control the order-to-cash cycle, as well as to ultimately improve customer unit economics, which was a key performance indicator of focus for FY22 across the business. Overall, Envirosuite improved statutory gross margin by 4.6 percentage points, from 42.4% in FY21 to 47.0% in FY22.

Globally, Envirosuite embarked on a full operational review in Q2 documenting the regional and corporate organisational structures, staff roles, major work types and processes, and annualised throughput. This resulted in several initiatives, many still ongoing, that will seek to align regional processes, tools and operational reporting. The APAC region, as one example, completed plans for a major organisation restructuring that will provide more functional oversight of the various country-level operations, as well as deploying standard processes and reporting requirements for project managers, field services and sub-contractors. EMEA and Americas teams also successfully initiated resource sharing of project managers between the regions to help smooth peak loads that can be unpredictable. The introduction of the Philippines office, once the customer support "Operations Centre" team is fully operational (planned for Q1 FY23), will have cascading impacts on project delivery to increase capacity. It will free up Environauts in the regional operations teams who have been working part time on EVS Omnis technical support and implementation to focus on their primary roles as project managers and customer success managers, and in the short term it will double the dedicated global application support team for EVS Omnis products.

Location strategy

Envirosuite entered FY22 with a goal of driving world-class, scalable customer support and shared services organisations. After reviewing alternatives, it was decided that the Philippines provided the best opportunity for a new office that balances location, access to talent and cost structure to unlock scalable growth. For that office location the project team selected Clark City, a growing technology and international business hub near metropolitan Manila and served by Clark International Airport.

In addition to the new office in the Philippines, Envirosuite continued to leverage and grow operations in lower-cost markets within its other global regions. The best example is the team delivering complex, highly technical and automated air quality modeling solutions and customer support from the office in Santiago, Chile.

Support Hub

Envirosuite made significant strides towards modernising and improving its customer and technical support function in FY22. A significant portion of this effort centered around procuring and implementing a sophisticated, cloud-based customer management system. The new system went live in February with a full transition for users through March. It provides a stable and extensible foundation for global customer support operations. The Operational Excellence team has a roadmap of future functionality, and new features were rolled out in Q4 and will continue into FY23.

Following an upgrade to our Support Hub that furthered our capabilities to monitor and service a growing fleet of devices in the field, the Operational Excellence team collected and loaded device information into the system, enabling centralised tracking of automated monitoring, incidents, support requests, and eventually maintenance and other lifecycle milestones for approximately 4,000 unique pieces of monitoring devices in use around the world.

Instrumentation investment

This year, the Instrumentation group, which includes hardware engineering and supply chain teams, occupied its new home in Notting Hill, Victoria, a nearby suburb of Melbourne. The new location includes dedicated spaces for staff, as well as a testing laboratory, manufacturing space, and warehouse with loading area.

Envirosuite is proud to continue to invest in and build Australian industrial capability. Notable R&D projects in FY22 include a complete redesign of Envirosuite's best-in-class noise and vibration monitoring terminal, the "EMU" Environmental Monitoring Unit. This will mark the third major design iteration of the EMU product line, which builds upon a decades-long history and forms the core of Envirosuite's instrumentation intellectual property. The EMU v3 ended the fiscal year with successful prototype testing and

*The Operational Excellence team collected and loaded device information into the Support Hub, enabling centralised tracking of automated monitoring, incidents, support requests, and eventually maintenance and other lifecycle milestones for approximately **4,000 unique pieces of monitoring devices** in use around the world.*

is expected to be fully introduced in the second half of FY23. The new version will bring several enhancements, including smaller size, lower and more stable power consumption, better access for field maintenance, and pre-designed options for different installation applications.

Global supply chain

Envirosuite decided to build its inventory in first half of FY22. Orders for safety stock were made for key noise & vibration monitors, air quality monitors, weather stations and power and communications components such as modems and IoT gateways. The investment paid off in the second half of FY22 with global inventory levels closing the fiscal year 17% below the trailing twelve month average due to overall strong sales growth, extended lead times from suppliers, and a handful of large sales orders in Q4 that were forecast well in advance. Maintaining the right inventory levels to minimise customer project deployment times will continue to be a major focus heading into FY23.

Global expertise

An essential ingredient to the Envirosuite value proposition is having subject matter expertise in-house and available to help with customer inquiries, solution design, product innovation, and supporting services, such as the configuration and maintenance of complex scientific models. FY22 was the year that Envirosuite's Environmental Intelligence Services (EIS) group evolved fully into a central, globally managed team, built specifically to provide these services.

The EIS group ended the year with four distinct areas of scope:

- Aviation services, which provides consulting and managed services to airports and includes the Global Noise Office (GNO), a growing team dedicated to managing airport noise and flight data operations and reporting for specific airport customers;
- The Global Modeling Team (GMT), which provides air quality and odour model configuration and maintenance for specific EVS Omnis customers and serves as a wealth of air quality and meteorology subject matter expertise for the company;
- The Global Solutions Team (GST), a new concept setup in FY22, which works to develop standardised solutions for the most common customer applications; and
- Innovation, which is a generalised function led by EIS with participation from other groups (e.g. Product and Development teams) to help coordinate and manage proof-of-concept (POC) projects for emerging and adjacent technologies and/or markets or market segments, and to develop the business cases for pursuing additional investment.

EIS works at the intersection of customers, sales, product and ongoing support to demonstrate leadership, apply expertise and create customer value. As Envirosuite is constantly working to understand and automate the leading science of emissions and their impact on communities, EIS will continue to provide a bridge between stakeholders to drive product and services revenue and create customer value in FY23 and beyond.

Customer success

Envirosuite set up and staffed a small global center of excellence ("CoE") for customer success to provide centralised and shared services, such as customer user training. This CoE was partially operational in Q4 and is already leading the significant effort for systematically upgrading over 100 existing ES2 customers to the newly-released EVS Omnis platform. It will be fully operational in Q1 of FY23.

The mandate of the customer success CoE will be to build a scalable program for a professional customer success function, which will contain:

- Coordinating the regional resources into a consistent global process and reporting framework;
- Providing shared services such as user training and customer analytics;
- Driving customer success teams to embed Envirosuite solutions in customer operations;
- Understanding and increasing user adoption of Envirosuite products;
- Analysing and managing customer churn risk, including baselines and targets;
- Identifying upsell and cross-sell opportunities; and
- Coaching customer success teams to improve global customer satisfaction, including owning the customer satisfaction score (CSAT) measurement strategy.

The customer success CoE has been mostly focused on EVS Omnis this year, where there has been the biggest opportunity and growth. As it builds capability, the team will continue to draw on the best practices of the EVS Aviation team, while adapting them to a new model serving higher volume, lower cost customer segments.

Sales velocity

A consistent global process was implemented in FY22 that, while still capable of improvement, has proven successful and sets the standard for other functions developing global processes and data models (e.g. project management). In addition, Envirosuite's sales operations function has focused its energy on building a roadmap and scoping for future enhancements to Envirosuite's sales tools, with enhanced data collection, process improvements and automation planned.

Adding to the tools and processes, the ecosystem strategy of Envirosuite's products and markets started to bear fruit in FY22. This became especially favorable in the second half with the launch of EVS Water products SeweX and Plant Optimiser. Sales teams are now offering multi-parameter solutions to existing customers and qualified prospects. Regional sales resources are actively pursuing deals with wastewater treatment plant operators for facility odour monitoring (EVS Omnis) and sewer network corrosion and odour modeling (EVS Water). One such deal closed in Q4 for a U.S. municipality in Michigan that is expanding their existing wastewater treatment plant odour monitoring solution to incorporate SeweX for modeling the sewer networks serving the plant. This is a highly replicable solution upsell. There are also active opportunities selling multi-parameter solutions to cities and industrial customers for combined environmental intelligence solutions across air quality and noise monitoring. This solution has been greatly enabled by the recent release of noise functionality in the EVS Omnis product. There are other opportunities and active projects with long-term airport customers to add functionality for air quality monitoring or carbon tracking from flight operations. These cross-sell and upsell opportunities leverage broad, cross-discipline environmental domain expertise and provide high margin, product-led revenue growth that increases share of wallet and customer stickiness.

The vision of creating a unified platform for environmental intelligence to help industry, environment and community thrive together was firmly established in sales activity in FY22. Continued growth of multi-parameter opportunities is expected for FY23 with an emphasis on embedding Envirosuite as the technology partner of choice for environmental managers across industrial, municipal and airport customers.

Directors' report

Your directors present their report, together with the financial statements of the consolidated entity (referred to hereafter as the Group) consisting of Envirosuite Limited (ABN: 42 122 919 948) (the Company) and its controlled entities (referred to hereafter as the Group or Envirosuite), for the financial year ended 30 June 2022.

Directors

The following persons were directors of the Company at any time during, or since the end of, the financial year up to the date of this report, unless otherwise stated:

David Johnstone (Non-executive Chair)
Jason Cooper (Managing Director and CEO) – Appointed Managing Director 1 March 2022
Peter White (Non-executive Director) – Resigned 25 November 2021
Hugh Robertson (Non-executive Director)
Sue Klose (Non-executive Director)
Stuart Bland (Non-executive Director) – Appointed 1 March 2022
Tim Ebbeck (Non-executive Director) – Appointed 1 March 2022

Particulars of each director's experience and qualifications are set out later in this report.

Principal activities and significant changes in nature of activities

During the period, the principal continuing activities of the Group consisted of the development and sale of environmental management technology solutions.

In December 2021, the Group raised $10,469k of equity ($9,946k net of transaction costs), through an institutional placement with the funds raised primarily to be used to accelerate growth in the Group's strategic water segment, EVS Water, as well as driving scale and resilience across the business.

Expanding the EVS Water offering was and continues to be a major initiative for the year with additional resources employed in product, marketing, and sales roles. The Company has now generated $997k in annual recurring revenue (ARR) as of 30 June 2022 with EVS Water sales representing 12.9% of the Company's Q4 FY22 ARR sales. This milestone included sales to customers in international markets of North America and Europe, along with a growing base in Asia Pacific.

Building on the transformation opportunities identified in FY21, Envirosuite opened the Philippines "Centre of Excellence" office in June 2022. The teams represented are from several departments including Customer Support and Finance. The impact of the COVID-19 pandemic has resulted in businesses and employees redefining the office environment and providing workplace flexibility. Having staff located globally represents a key advantage for the Group in maintaining and servicing our global customers.

Review of operations for the year

Operating Results

The loss of the Group after providing for income tax amounted to $13,195k (FY21: $12,497k).

A$000	FY22	FY21	Movement $	Movement %
Recurring revenue	43,877	40,391	3,486	8.6%
Non-recurring revenue	9,563	8,154	1,409	17.3%
Other revenue	19	25	(6)	(24.0%)
Total operating revenue	**53,459**	**48,570**	**4,889**	10.1%
Cost of revenue	(28,355)	(27,980)	(375)	(1.3%)
Gross profit	**25,104**	**20,590**	**4,514**	21.9%
Operating expenses	(37,769)	(31,955)	(5,814)	(18.2%)
Other income/(expense)	90	(377)	467	123.9%
Operating deficit	**(12,575)**	**(11,742)**	**(833)**	**(7.1%)**
Net Loss after tax	**(13,195)**	**(12,497)**	**(698)**	**(5.6%)**
Adjusted EBITDA[1]	**(3,962)**	**(4,492)**	**530**	**11.8%**
Other Key Metrics				
ARR	53,044	46,472	6,572	14.1%
Sites	416	373	43	11.5%
Recurring revenue as % of total revenue	82.1%	83.2%	(1.1%)	(1.3%)
Gross profit %	47.0%	42.4%	4.6%	10.8%

1 - Refer to definition on page 39.

Key Highlights

- Total revenue of $53,459k of which 82.1% is recurring, increased $4,889k (10.1%) over FY21 predominantly due to strong Annual Recurring Revenue (ARR) sales over the prior 12 months converting into booked recurring revenue in Americas and EMEA. While non-recurring revenue has increased as a proportion of total revenue and is 17.3% higher than FY21 it provides a lead indicator on future recurring revenue while having a slight adverse impact on gross margin percentage.

- Significant developments in product delivery along with exiting low margin sales and restructuring of the China business has seen cost of revenue increasing by 1.3% or $375k over FY21 compared to $4,889k increase in total revenue. Our investment in product capability has enabled the Group to deliver scalable environmental intelligence solutions to the customer base.

- Improvements to product, infrastructure and deployment methodologies has seen gross profit (statutory) percentage of 47.0% grow appreciably from 42.4% in FY21. The mix of recurring revenue generated from the product suite along with the growth in non-recurring revenue impacted further improvements to gross profit percentage.

- Operating expenses increased 18.2% over FY21 as a result of investment into our strategic pillars of Growth, Product, Customer and Scale.

  Strong investment into EVS Water globally, specifically highly technical resources across product, development, sales and marketing and regional subject matter experts.

  Driving the strategic goals the Group invested in:

  – Growth: Driven by all pillars as well as investment into the sales team and our new brand and website driving significant increases in brand awareness;
  – Product: Strong investment in EVS Water, EVS Aviation and EVS Omnis products and people driving operating expenses and R&D capitalisation increases as we develop powerful new capabilities and features that solve complex scenarios. Global innovation and networking within the Group's product suite has seen significant development in, and delivery of, the product roadmaps;
  – Customer: Focused spend on transformation projects driving operational efficiency and responsiveness to customers, including the transition from private data centres to AWS, the launch of a new AI-driven ticketing system and the addition of our Centre of Excellence office in the Philippines; and
  – Scale: Focus on creating a global footprint, through people and offices, has seen investment into the leadership structure in the second half of FY22 with the appointment of two non-executive directors and completion of the global leadership team.

- Improvement of Adjusted EBITDA loss of 11.8% over FY21 was driven by revenue growth and improved leverage at the gross profit line.

Revenue by Region

A$000	FY22	FY21	Movement $	Movement %
Recurring revenue				
Asia Pacific	15,372	14,980	392	2.6%
EMEA	13,901	12,846	1,055	8.2%
Americas	14,604	12,565	2,039	16.2%
Total Recurring revenue	**43,877**	**40,391**	**3,486**	**8.6%**
Trading revenue				
Asia Pacific	17,056	17,573	(517)	(2.9%)
EMEA	16,541	14,819	1,722	11.6%
Americas	19,843	16,153	3,690	22.8%
Total Trading revenue	**53,440**	**48,545**	**4,895**	**10.1%**
ARR				
Asia Pacific	17,224	16,365	859	5.2%
EMEA	15,915	14,498	967	6.5%
Americas	19,905	15,159	4,746	31.3%
Total ARR	**53,044**	**46,472**	**6,572**	**14.1%**
Sites				
Asia Pacific	116	105	11	10.5%
EMEA	125	118	7	5.9%
Americas	175	150	25	16.7%
Number of sites	**416**	**373**	**43**	**11.5%**

Continued outstanding growth in the Americas region, supported by a 31.3% increase in ARR and a 22.8% increase in total trading revenue, places the Americas as the strongest growing region and having the largest share of total trading revenue. Growth in site revenue within the Americas has driven average ARR per site up 12.9% predominantly a result of expansion opportunities.

EMEA had elevated growth in recurring and non-recurring revenue with an 11.6% increase in total trading revenue.

Revenues in Asia Pacific were lower in FY22, predominantly due to FY21 including significant low margin non-recurring revenues in China that were not repeated in FY22.

Revenue by Product Family

A$000	FY22	FY21	Movement $	Movement %
Recurring revenue				
EVS Aviation	31,061	29,050	2,011	6.9%
EVS Omnis	12,699	11,298	1,401	12.4%
EVS Water	117	43	74	172.1%
Total Recurring revenue	**43,877**	**40,391**	**3,486**	**8.6%**
Trading revenue				
EVS Aviation	34,961	32,067	2,894	9.0%
EVS Omnis	18,352	16,432	1,920	11.7%
EVS Water	127	46	81	176.1%
Total Trading revenue	**53,440**	**48,545**	**4,895**	**10.1%**
ARR				
EVS Aviation	33,908	31,770	2,138	6.7%
EVS Omnis	18,139	14,637	3,502	23.9%
EVS Water	997	65	932	1433.8%
Total ARR	**53,044**	**46,472**	**6,572**	**14.1%**
Sites				
EVS Aviation	172	163	9	5.5%
EVS Omnis	231	207	24	11.6%
EVS Water	13	3	10	333.3%
Total Sites	**416**	**373**	**43**	**11.5%**

EVS Aviation recurring revenues increased by $2,011k (6.9%) over FY22 and non-recurring revenue has also seen growth of $883k, as the effects of COVID on the aviation industry started to reduce and client project spend increased.

Strong growth in ARR for EVS Omnis of 23.9% over FY22 and 24 sites won over the past 12 months have driven EVS Omnis non-recurring revenues up $519k and recurring revenue up 12.4%. The impact of these new ARR wins on recurring revenue was reduced due to supply chain issues impacting the delivery of instrumentation.

Momentum in FY22 has seen EVS Water ARR increase to $997k and sites to 13, resulting in an average ARR per site of $76.7k compared to $21.7k in FY21.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

A$000	FY22	FY21	Movement $	Movement %
Net loss after tax	**(13,195)**	**(12,497)**	**(698)**	**(5.6%)**
Add back: Tax expense	410	468	(58)	(12.4%)
Add back: Net finance expense	210	287	(77)	(26.8%)
Add back: Depreciation and amortisation	8,157	6,996	1,161	16.6%
EBITDA	**(4,418)**	**(4,746)**	**328**	**6.9%**
Less: AASB 16 Depreciation & interest	(1,688)	(1,578)	(110)	(7.0%)
Add back: Share-based payments	1,477	946	531	56.1%
Add back: Foreign currency (gains) / losses	(202)	293	(495)	(168.9%)
Add back: Transaction and integration costs	112	593	(481)	(81.1%)
Add back: Philippines set up costs	245	-	245	-
Add back: Property make good provisions	512	-	512	-
Adjusted EBITDA	**(3,962)**	**(4,492)**	**530**	**11.8%**

EBITDA is a non-IFRS measure and is calculated by adding back depreciation, amortisation and interest from net loss before tax. Adjusted EBITDA also adds back share-based compensation expense, foreign currency gains and losses, transformation, transaction and integration costs and property make good provisions (which are seen as non-recurring) and excludes the impacts of adopting AASB 16, as the application of the standard results in operating expenses being excluded from EBITDA.

Improvement of Adjusted EBITDA loss of 11.8% over FY21 was driven by revenue growth and improved leverage at the gross profit line.

Financial Position

A$000	FY22	FY21	Movement $
Cash and cash equivalents	16,292	17,640	(1,348)
Current assets	34,979	32,715	2,264
Current liabilities	(19,657)	(16,083)	(3,574)
Net current assets	**15,322**	**16,632**	**(1,310)**
Total tangible assets	41,114	40,034	1,080
Net tangible assets	16,097	17,491	(1,394)
Net cash from / (used in) operating activities	(3,188)	(8,510)	5,322

Cash and Cash Equivalents decreased by $1,364k during FY22. A capital raise in December 2021 resulted in a cash inflow of $10,469k ($9,946k net of transaction costs) to fund further expansion of EVS Water. The inflow was offset by the following spend:

- $3,188k outflow (FY21: $8,510k) from operating activities;
- $4,750k cash used in the acquisition of intangible assets (FY21: $3,116k) which consist of capitalised product development costs across EVS Aviation, EVS Omnis and EVS Water;
- $1,762k in payments for Property, Plant and Equipment (FY21: $741k) which includes $1,298k of equipment leased to clients in FY22; and
- $1,878k in payments for lease liabilities related to buildings (FY21: $1,521k).

Total cash used in operating activities when adding capitalised development costs and repayment of lease liabilities ("Adjusted Operating Cashflow") was an outflow of $9,816k, this is up from $8,946k in the FY21 showing the increased investment in EVS Water and investment into our strategic pillars.

The Group has a solid balance sheet following the cash raised during FY22, the lack of debt on the balance sheet (other than lease liabilities) and the strong management of Adjusted EBITDA and operating cashflows during the year.

The Directors continue to monitor the impacts of the COVID-19 pandemic on group operations and respond appropriately to risks identified.

Significant changes in the state of affairs

In December 2021 the Company successfully completed a capital raising for $10,469k via an institutional placement.

The capital raising provided funds to accelerate the Company's investment into growing incremental sales in the EVS Water business.

Apart from the capital raise, there were no other significant changes in the state of affairs of the Group during the financial year.

Dividends paid or recommended

No dividends were paid by the Company to members during the financial year. No dividends were recommended or declared for payment, but not paid, to members during the financial year.

Events after the reporting period

The Directors are not aware of any matters or circumstances that have arisen since 30 June 2022 that have significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

Business growth strategy

The Group continues to be focussed on delivering growth and investing in capability.

Growth is being driven by:

- recognising first mover advantage in environmental intelligence and accelerating the product roadmap across all product suites;
- innovative product development, specifically EVS Water, and continuing innovation globally;
- land, expand and scale across all product suites and geographies; and
- strong regional growth lead by the Americas.

Acceleration of capability is being delivered through investment into:

- engineering: to increase product development and innovation capability;
- operations and support: improving performance, customer support and instrument innovation; and
- security: safeguarding the operational environment to protect existing and future customers.

Material business risks

The Group is subject to risks of both a general nature and ones that are specific to its business activities including but not limited to:

- retaining existing customers and keeping them engaged in the product;
- acquiring new customers and accelerating sales within all product lines and geographies;
- maintaining and growing each product's capability ensuring it is continuing to meet current and future market requirements;
- exposure to geographic regions and the risks associated with doing business in these regions including political and economic uncertainties as well as different levels of sophistication in the legal and regulatory frameworks; and
- protecting the group's intellectual property, ensuring no infringement of intellectual property rights.

Likely developments and expected results of operations

There are no likely developments in the operations of the Group that were not finalised at the date of this report.

Environmental regulation

The Group is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory, in which the group operates.

Information on Directors

David Johnstone, Chair (Appointed 10 February 2014)

David is an experienced executive and chairman who has been actively involved in business for more than 35 years, successfully starting, owning and operating a vast range of businesses. David joined the Board as a non-executive Director in February 2014 and was appointed Chairman in September 2016.

David also Chairs Cooper Investors, a specialist equity investor group with in excess of $12bn in funds under management, and Sports Club HQ a technology company that specialises in managing the Registration and Competition Management data requirements for Sporting clubs and associations.

David is also a non-executive director of Southern Cross Partners and is an Advisory Board Member to NexPay. David has also served as both a director, non-executive director, Chair and advisor to both public and private companies in the technology, communications, finance, wealth management, insurance, risk management and sporting sectors.

Member of the Audit and Risk Management Committee, Chairman of the Audit and Risk Management Committee (from 1 August 2020 through 31 December 2021), Chairman of the Remuneration and Nomination Committee.

Jason Cooper, Managing Director and CEO (Appointed 1 March 2022)

Mr. Cooper joined Envirosuite in July 2020 as chief operating officer, was appointed as Chief Executive Officer in March 2021 and appointed Managing Director March 2022. Since joining Envirosuite, Mr Cooper has been instrumental in driving the strategy for the Company during the backdrop of the COVID-19 pandemic. In this time, he finalised the integration of the major acquisition, commercialised EVS water nationally and internationally while driving growth across all product lines and regions.

Jason is a highly regarded and well-respected industry leader with more than 20 years' experience in the technology sector. He has had broad experience working in senior executive roles in both multi-national and start-up environments. During his career he has held senior roles across sales, operations and general management in the Silicon Valley, London, and Melbourne. Jason holds an executive MBA in Entrepreneurship and Innovation from HEC, France.

Peter White, Director (Appointed 10 July 2017 / resigned 25 November 2021)

Mr White was the CEO of Envirosuite from April 2012 to May 2016 and returned to be CEO again in July 2017 and was appointed Managing Director in October 2020. Mr White retired from being CEO and Managing Director in February 2021 and became a Non-executive director of Envirosuite and resigned 25 November 2021. During his time at Envirosuite, he led the successful development and transition to a cloud-based SaaS offering of the Envirosuite platform that has become the core part of the Omnis product family the Company has today. Mr White also led the acquisition of EMS Bruel & Kjaer Holdings and AqMB and secured the exclusive license to SeweX.

Over the past 33 years, Mr White has held executive and sales management positions in global technology companies including Hewlett Packard, Motorola, Siemens and Tandem Computers. He has extensive global experience gained through international business development roles in Asia, Europe and the USA.

Peter has a particular skillset and experience in selling innovative and large, technology deals. This has included individual deals worth hundreds of millions of dollars, as well as application software deals to several governments, as well as some of the world's biggest banks and telecommunication carriers.

Hugh Roberston, Director (Appointed 1 November 2018)

Hugh Robertson has over 35 years experience in the financial services sector and equity markets. Hugh is an experienced company director across a broad range of businesses with a concentration on small cap industrial stocks.

Hugh's more recent directorships include AMA Group Limited (ASX:AMA), Centrepoint Alliance Limited (ASX:CAF), TasFoods Limited (ASX:TFL), Hub24 Limited (ASX:HUB) and he is currently a Non-Executive Director of Maggie Beer Holdings Limited (ASX: MBH), Touch Ventures Limited (ASX: TVL) and Chair of Credit Clear Limited (ASX: CCR).

Sue Klose, Director (Appointed 1 December 2020)

Sue Klose is an experienced non-executive director and executive, with a diverse background in digital business growth and operations, corporate development, strategy and marketing. Sue was previously the Head of Digital and Chief Marketing Officer (CMO) of GraysOnline and Director of Digital Corporate Development for News Ltd.

She is currently a non-executive director of Nearmap (ASX: NEA), Pureprofile (ASX: PPL), Halo Food Co. (ASX: HLF) as well as a number of unlisted groups.

Sue has an MBA in Finance, Strategy and Marketing from the JL Kellogg School of Management at Northwestern University, and a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.

Member of the Audit and Risk Management Committee (from 1 December 2020), Chair of the of the Audit and Risk Management Committee (From 1 January 2022)

Stuart Bland, Director (Appointed 1 March 2022)

Stuart has over 30 years broad commercial executive experience, primarily in global SaaS businesses undergoing high rates of growth. His industry experience includes technology (fintech, knowledge management), defence, sport, telecommunications, biotechnology and wine.

Stuart's executive experience includes 14 years as Chief Financial Officer at Iress Ltd (ASX:IRE) and Chief Financial Offer roles at Melbourne IT Ltd and Panviva Pty Ltd.

Stuart is currently a member of the Advisory Board to Cablex Pty Ltd, as well as consulting to a number of other Boards.

Member of the Remuneration and Nomination Committee. (from 1 July 2022)

Tim Ebbeck, Director (Appointed 1 March 2022)

Tim has over 35 years of board, executive, and advisory experience across a range of industries including technology, public sector, media, sport, professional services, energy and finance.

Tim's executive experience includes roles as Chief Executive Officer at SAP (ANZ), Chief Executive of Oracle (ANZ), Chief Commercial Officer of SAP (APJ), Chief Commercial Officer of NBN Co, as well as Chief Financial Officer of Unisys South Pacific and TMP Worldwide Asia Pacific.

Tim is presently Non-Executive Director of ReadyTech Ltd (RDY.ASX), XPON Technologies Ltd (XPN.ASX), Australia Tower Network Limited and The Yield Technology Solutions Limited. He is also a Board Member of the NSW Health Central Coast Local Health District.

Directors equity participation and other relevant interests

As of the date of this report, Directors have relevant interests in ordinary shares, as well as options and performance rights to subscribe for ordinary shares in Envirosuite Limited, as outlined in the following table. Each option entitles the holder to subscribe for one ordinary share of Envirosuite Limited subject to the holder paying the exercise price. Each performance right entitles the holder to receive one ordinary share upon certain vesting conditions being met.

Non-Executive Directors	Ordinary Shares	Performance Rights	Options
David Johnstone	7,033,106	-	-
Hugh Robertson	22,252,311	-	-
Sue Klose	500,000	-	2,000,000
Stuart Bland	510,194	-	-
Tim Ebbeck	62,500	-	-
Executive Director			
Jason Cooper	1,000,000	8,000,000	-

Company Secretary

Adam Gallagher holds Graduate Diplomas in Applied Corporate Governance and Information Systems, a Masters in Commerce and a Bachelor of Economics and was appointed Company Secretary 8 Feb 2022.

Adam was previously Company Secretary and Director of Envirosuite from 2012 to 2020, during which time he was instrumental in each of the Company's transformational growth phases. He has also held officeholder roles in other ASX listed technology companies including ASX: CT1, YPB, and currently in ASX: CCR, CCA and PHL.

Prior to Adam Gallagher's appointment, Rachel Ormiston (LLB, Certificate in Governance Practice) was Company Secretary appointed 24 Aug 2020, resigning 8 Feb 2022. Rachel has almost 20 years' experience as a lawyer and joined the Company as General Counsel in August 2018, where she established the Legal Department. She continues with the Company as General Counsel and Vice President of Human Resources.

Meetings of directors

The numbers of meetings of the Company's Board of directors and committees of the Board held during the year ended 30 June 2022, and the numbers of meetings attended by each director were as follows:

	Full Meetings of Directors		Audit and Risk Management Committee (*)		Remuneration and Nomination Committee (**)	
2022 Meetings	A	B	A	B	A	B
David Johnstone	14	14	5	5	-	-
Jason Cooper	6	6	-	-	-	-
Peter White	6	6	-	-	-	-
Hugh Robertson	14	14	-	-	-	-
Sue Klose	14	14	5	5	-	-
Stuart Bland	4	4	-	-	-	-
Tim Ebbeck	4	4	-	-	-	-

A - Number of meetings attended. **B** - Number of meetings held during the time the director held office or was a member of the committee during the year (number eligible to attend).

* The committee charters provide for a minimum of 2 meetings to be held each year per committee. In addition to formal meetings the members meet informally on a regular basis and discuss matters within the charter. Each committee Chair provides a report to the board at each monthly board meeting.

** During the 2022 financial year, David Johnstone was the only member of the Remuneration & Nomination Committee and as such no formal meetings were held. The activities undertaken by David Johnstone regarding Remuneration and Nomination were minuted in the Director meetings.

Shares under option

Unissued ordinary shares of Envirosuite Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price ($)	Number under option
25-Oct-18	30-Oct-22	0.16	750,000
28-Feb-20	28-Feb-23	0.20	75,000,000
28-Feb-20	28-Feb-23	0.25	20,000,000
19-Mar-20	1-Apr-23	0.40	1,000,000
21-Dec-20	21-Dec-22	0.40	2,000,000
29-Apr-21	21-Dec-22	0.20	10,000,000
Total			**108,750,000**

No options were issued in the current year. In December 2020, the Company issued 2,000,000 options to Ms Sue Klose in connection with her appointment to the Board of Directors. In April 2021, the Company issued 10,000,000 options to Mr Alberto Calderon in connection with his appointment as advisor to the CEO of Envirosuite.

No option holder has any right under the options to participate in any other share issue of the Company or any other related entity.

During the financial year, options for 48,750,000 of shares lapsed without being exercised. An additional 2,000,000 options were exercised during the reporting period. No options have lapsed post balance date.

Indemnification and insurance of officers or auditor

During the year, the Group paid insurance premiums for a Directors and Officers Liability Insurance Policy. This policy covers Directors and Officers of the Group. In accordance with normal commercial practices under the terms of the insurance contracts, the disclosure of the nature of the liabilities insured against and the amount of the premiums are prohibited by the policy.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year for the auditor of the Group.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

No fees were paid or payable to PKF Brisbane Audit, being the auditor the Group, for non-audit and other assurance work during the year ending 30 June 2022 (2021: Nil). Amounts paid or payable to PKF and its related practices for non-audit and other assurance work totaled $25,316 (2021: $4,504).

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 5 to the financial statements.

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 in note 5 to the financial statements 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 (including Independence Standards) issues 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 section 307C of the Corporations Act 2001 is set out on page 55.

Rounding of amounts

The Company is an entity to which Legislative Instrument 2016/191 applies and accordingly amounts in the financial statements and directors’ report have been rounded to the nearest thousand dollars, unless otherwise stated.

Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The report is structured as follows:

A. Key management personnel covered in this report
B. Principles used to determine the nature and amount of remuneration and link to performance
C. Share-based compensation
D. Details of remuneration
E. Shareholdings of key management personnel
F. Loans to key management personnel
G. Other transactions with key management personnel

A. Key management personnel covered in this report

The remuneration disclosures in this report cover the following persons who were classified as Key Management Personnel (KMP) of the Group during the 2022 financial year. KMP (as defined in AASB 124 Related Party Disclosures) are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling major activities of the Group.

KMP	Position	Term
Non-Executive Directors		
David Johnstone	Independent Chair	Full Year
Peter White	Non-Executive Director	Resigned 25 Nov 2021
Hugh Robertson	Non-Executive Director	Full Year
Sue Klose	Non-Executive Director	Full Year
Stuart Bland	Non-Executive Director	Effective 1 Mar 2022
Tim Ebbeck	Non-Executive Director	Effective 1 Mar 2022
Executive Director		
Jason Cooper	Chief Executive Officer and Managing Director	Effective 1 Mar 2022
Executives		
Jason Cooper	Chief Executive Officer	1 Mar 2021 – 28 Feb 2022
Aaron Lapsley	Chief Operating Officer	Effective 10 Jan 2022
Justin Owen	Chief Financial Officer	Effective 24 Jan 2022
Matthew Patterson	Chief Financial Officer	Resigned 12 Nov 2021

B. Principles used to determine the nature and amount of remuneration

(i) Executive pay

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders and conform to market practice for delivery of reward.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness
- shareholder alignment
- performance
- transparency and simplicity
- capital management

The Group has structured an executive remuneration framework that it believes is market competitive and complementary to the objectives of the organisation.

The executive pay and reward framework generally has three components:

Fixed remuneration	
Base Pay	• Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. • There are no guaranteed base pay increases included in any executives' contracts. • Retirement benefits are delivered under the Australian superannuation legislation at 10% of base salary for the financial year ended 30 June 2022, up to the maximum superannuation contribution base. • Base pay is structured as a total remuneration package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Performance-based remuneration	
Short-term Incentives (STI)	• STI is provided to Executive KMPs equivalent to between 30% and 50% of their base pay, where payment is dependent upon satisfaction of certain performance conditions. • STI arrangements are paid out in cash.
Long-term incentives (LTI)	• Executive KMP are awarded LTIs to focus the efforts of the Executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders. • Awards of LTIs may be made upon entering into an employment contract with the Group, and as part annual reviews of remuneration arrangements. • Executive KMP LTI awards are governed by the provisions of the Company's Performance Rights Plan. Vesting conditions are specified at the time of the award, and details of the awards made to Executive KMP are discussed further below.

Remuneration and other terms of employment for Executive KMP are formalised in service or employee agreements. All Executive KMP agreements are reviewed annually by the Remuneration and Nominations Committee. A summary of the terms in Executive KMP agreements is discussed further below.

Overview of FY22 Executive KMP Remuneration

	Fixed Remuneration[1]	STI Entitlement	LTI Entitlement
Jason Cooper	AUD363,000	50%	8,500,000 Performance Rights
Aaron Lapsley[2]	USD215,000	30%	2,000,000 Performance Rights
Justin Owen[3]	AUD330,000	30%	2,000,000 Performance Rights
Matthew Patterson[4]	AUD280,000	30%	2,000,000 Performance Rights

1 - Fixed remuneration is inclusive of superannuation contributions where required by law to be made by Envirosuite
2 - Appointed 10 Jan 2022
3 - Appointed 24 Jan 2022
4 - Resigned 12 Nov 2021

FY22 STI Outcomes for Executive KMP

At the beginning of FY22 each Executive KMP was given a target STI opportunity subject to the achievement of financial and personal targets. For FY22, the maximum STI each Executive KMP could earn was kept at the target amount. The target performance measures are set at levels in line with the Company's medium term plans, and personal goals align with key operational strategic objectives.

The following tables detail the FY22 STI performance outcomes for Envirosuite's Executive KMPs:

Name and Role	Target STI FY22 ($)	Actual STI FY22 ($)	Actual STI as a % of Target
Jason Cooper Chief Executive Officer and Managing Director	165,000	120,098	72.8%
Aaron Lapsley Chief Operating Officer	42,983[1]	31,286	72.8%
Justin Owen Chief Financial Officer	38,712[1]	28,177	72.8%
Total	246,695	179,561	-

1 - Pro-rata from employment commencement date

For FY22 the STI performance conditions were based on a combination of new ARR contracts awarded (1/3), Adjusted EBITDA (1/3) and personal targets (1/3).

FY22 LTI awards issued to Executive KMP

Executive KMP were issued with performance rights in FY22.

These awards are summarised as follows:

Mr. Cooper and the Company entered into a new employment contract on 12 October 2021, effective 1 July 2021 under which Mr. Cooper is entitled to the following performance rights as an LTI:

i) 1,500,000 fully paid ordinary shares of which 500,000 vest on 28 February 2022, 500,000 vest on 28 February 2023 and 500,000 vest on 28 February 2024;

ii) 750,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the Australian Stock Exchange (ASX) reaches $0.25 per share and remains at or above $0.25 per share for a continuous period of 30 days thereafter;

iii) 750,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.40 per share and remains at or above $0.40 per share for a continuous period of 30 days thereafter;

iv) 1,500,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.50 per share and remains at or above $0.50 per share for a continuous period of 30 days thereafter;

v) 2,000,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.75 per share and remains at or above $0.75 per share for a continuous period of 30 days thereafter;

vi) 2,000,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $1.00 per share and remains at or above $1.00 per share for a continuous period of 30 days thereafter.

Performance rights issued to Mr. Cooper under a prior contract lapsed as part of granting the above award.

Mr. Lapsley and the Company entered into an employment contract on 10 December 2021 under which Mr. Lapsley is entitled to the following performance rights as an LTI:

i) 1,000,000 fully paid ordinary shares of which 500,000 vest on 10 January 2023 and 500,000 vest on 10 January 2024;

ii) 500,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.35 per share and remains at or above $0.35 per share for a continuous period of 30 days thereafter;

iii) 500,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.50 per share and remains at or above $0.50 per share for a continuous period of 30 days thereafter;

Mr. Owen and the Company entered into an employment contract on 23 December 2021 under which Mr. Owen is entitled to the following performance rights as an LTI:

i) 1,000,000 fully paid ordinary shares of which 500,000 vest on the first anniversary of his employment and 500,000 vest on the second anniversary;

ii) 500,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.35 per share and remains at or above $0.35 per share for a continuous period of 30 days thereafter;

iii) 500,000 fully paid ordinary shares that vest in the event that the Companies share price as listed on the ASX reaches $0.50 per share and remains at or above $0.50 per share for a continuous period of 30 days thereafter.

An Executive KMP's entitlement to participate in performance rights granted to them will cease and they will not be entitled to be issued ordinary shares, if at the time the performance rights become entitled to vest they have resigned or given notice of resignation over their employment with the Company or they have been terminated for cause or performance related reasons.

Under the Company's Performance Rights Plan rules, the Directors have the capacity to accelerate vesting timeframes in certain situations including where a takeover bid is made for the Company or where a person becomes entitled to not greater than 50% of the total shares in the Company.

Executive KMP Service Agreement Summary

Each Executive KMP has entered an employment contract with the Group. Details of the relevant contracts are set out in the table below:

Executive KMP	Duration of Service Agreement	Notice period by Executive	Notice Period by Company
Jason Cooper[1]	Ongoing	3 months	3 months
Aaron Lapsley	Ongoing	At will	At will
Justin Owen	Ongoing	2 months	2 months

1- A termination payment of six months base remuneration inclusive of superannuation applies in the event of a change in control and, if within six months, Mr. Cooper is either dismissed or there has been a significant reduction in his remuneration or duties.

(ii) Non-executive directors

On appointment to the Board, all Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant at the time of their appointment to the office of director.

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Fees and payments to Non-Executive Directors can be made directly in the form of salaries and wages, noting no annual or long service leave entitlement accrue or via companies controlled by the director. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nominations Committee.

Non-Executive Director's fees are determined within an aggregate directors' fee pool limit. The current pool limit is $600,000 per annum which was approved at the Company's Annual General Meeting (AGM) held 25 November 2021. The previous limit was $400,000 per annum. At this AGM, Shareholders also approved for Non-Executive Director fees to be paid via equity, in addition to the methods already approved in the Company's constitution.

The following fees apply:

Fees per Annum	FY22	FY21
Chair	$110,000	$90,000
Other Directors	$80,000	$60,000
Committee Chair	$10,000	$10,000
Committee Member	$5,000	nil

No fees as described above are paid to Directors who hold an employee contract with the Company.

C. Share-based compensation

(i) Options and Performance Rights

The Group issues options and performance rights to employees to provide long-term incentives for employees to deliver value to shareholders by aligning interests and conserving cash. The Group also issues options to Directors to align their personal interests with that of the shareholders.

Each option provides the right to acquire one ordinary share in Envirosuite Limited for a stated exercise price, subject to the relevant vesting conditions being met. Each performance right provides the right to receive one ordinary share in Envirosuite Limited subject to the relevant vesting criteria being met. Performance rights are awarded with no exercise price being payable when vesting conditions are satisfied. Options and performance rights carry no voting rights or entitlements to receive dividends.

The options and performance rights issued to employees in prior financial years were designed to provide long-term incentives for employees to deliver value to shareholders by aligning interests and conserving cash reserves.

Upon exercising vested options and performance rights they convert to ordinary shares in Envirosuite Limited and carry the standard dividend and voting rights available to ordinary shareholders.

Details of options and performance rights over ordinary shares in the Company provided as remuneration to each director of Envirosuite Limited and each of the Executive KMP of the parent entity and the Group are set out below. Further information on the options and performance rights issued to Executive KMP and other employees of the Group is set out in Note 16 to the financial statements.

Options	Financial Year	Balance at Start of Year	Granted	Exercised	Forfeited / Other	Balance at End of Year	Vested and Exercisable	Unvested
Executive Directors								
P. White	2022	-	-	-	-	-	-	-
(retired 28 Feb 2021)	2021	5,000,000	-	-	(5,000,000)**	-	-	-
A. Gallagher	2022	-	-	-	-	-	-	-
(resigned 31 Jul 2020)	2021	7,500,000	-	-	(7,500,000)*	-	-	-
Non-Executive Directors								
D. Johnstone	2022	5,000,000	-	-	(5,000,000)	-	-	-
	2021	5,000,000	-	-	-	5,000,000	5,000,000	-
P. White	2022	5,000,000	-	-	(5,000,000)	-	-	-
(resigned 25 Nov 2021)	2021	-	-	-	5,000,000**	5,000,000	5,000,000	-
H. Robertson	2022	5,000,000	-	-	(5,000,000)	-	-	-
	2021	5,000,000	-	-	-	5,000,000	5,000,000	-
S.Klose	2022	2,000,000	-	-	-	2,000,000	2,000,000	-
	2021	-	2,000,000	-	-	2,000,000	2,000,000	-
Z.Zhang	2022	-	-	-	-	-	-	-
	2021	12,500,000	-	-	(12,500,000)*	-	-	-

* Departed Envirosuite during the year, options not included as part of balance at end of year

** Mr White retired as CEO and Managing Director on 28th Feb 2021 at which point he was no longer an Executive Director and became a Non-Executive Director. Details of options and performance rights has been split between the period of Mr White in his role of Executive Director and the period of his role as Non-Executive Director.

Performance rights	Financial Year	Balance at Start of Year	Granted	Vested	Forfeited / Other	Balance at End of Year	Vested and Exercisable	Unvested
Executives								
J. Cooper	2022	4,000,000	8,500,000	(1,000,000)	(11,500,000)[1]	-	-	-
	2021	-	4,000,000	-	-	4,000,000	-	4,000,000
A. Lapsley	2022	-	2,000,000	-	-	2,000,000	-	2,000,000
(appointed 10 Jan 2022)	2021	-	-	-	-	-	-	-
J. Owen	2022	-	2,000,000	-	-	2,000,000	-	2,000,000
(appointed 24 Jan 2022)	2021	-	-	-	-	-	-	-
M. Patterson	2022	2,000,000	-	(666,667)	(1,333,333)	-	-	-
(resigned 12 Nov 2021)	2021	2,000,000	-	-	-	2,000,000	500,000	1,500,000
Executive Director								
J. Cooper	2022	-	-	-	8,000,000[1]	8,000,000	-	8,000,000
(appointed Managing Director 1 Mar 2022)	2021	-	-	-	-	-	-	-

1 - Mr Cooper was appointed Managing Director 1 Mar 2022, in addition to his position of Chief Executive Officer

The table below provides the fair value of performance rights issued to each Executive KMP:

Performance rights	Date of grant	Date of expiry	Date of vesting	Number granted	Fair value per right at grant	Fair value of performance rights at grant
Jason Cooper	1-Jul-21	1-Feb-22	28-Feb-22	500,000	$0.093 for non-market	46,500
	1-Jul-21	1-Feb-23	28-Feb-23	500,000	$0.093 for non-market	46,500
	1-Jul-21	1-Feb-24	28-Feb-24	500,000	$0.093 for non-market	46,500
	1-Jul-21	(1)	(1)	750,000	$0.07726 for market	57,946
	1-Jul-21	(1)	(1)	750,000	$0.06867 for market	51,499
	1-Jul-21	(1)	(1)	1,500,000	$0.06557 for market	98,351
	1-Jul-21	(1)	(1)	2,000,000	$0.05857 for market	117,141
	1-Jul-21	(1)	(1)	2,000,000	$0.05137 for market	102,749
Aaron Lapsley	10-Jan-22	10-Jan-23	10-Jan-23	500,000	$0.215 for non-market	107,500
	10-Jan-22	10-Jan-24	10-Jan-24	500,000	$0.215 for non-market	107,500
	10-Jan-22	(1)	(1)	500,000	$0.19534 for market	97,671
	10-Jan-22	(1)	(1)	500,000	$0.18414 for market	92,072
Justin Owen	24-Jan-22	24-Jan-23	24-Jan-23	500,000	$0.200 for non-market	100,000
	24-Jan-22	24-Jan-24	24-Jan-24	500,000	$0.200 for non-market	100,000
	24-Jan-22	(1)	(1)	500,000	$0.18056 for market	90,282
	24-Jan-22	(1)	(1)	500,000	$0.16847 for market	84,233

(1) Market and non-market performance requirements. Market performance conditions are linked to the Company's share price. The Non-market performance condition is ongoing employment with the Group as at Vesting date.

(ii) Shares

No shares were granted to KMP during the year.

D. Details of remuneration

The table below sets out Executive KMP and Director remuneration for the financial year ending 30 June 2022 and the prior year comparative period in accordance with the requirements of the Accounting Standards and the Corporations Act (Cth). The table reflects the accounting value of remuneration attributable to KMP, derived from the various components of compensation. Refer to the accounting policies in the financial statements for details on how remuneration has been measured, including the determination of fair value of options and performance rights granted (refer Note 1(g)).

Remuneration	Financial Year	Short Term			Long Term	Share-Based Payments			Total
		Salary and fees	STI	Term Benefits	Superannuation	Ordinary Shares	Performance rights	Options	
Non-Executive Directors									
D. Johnstone	2022	137,500	-	-	-	-	-	-	**137,500**
	2021	109,167	-	-	-		-	-	**109,167**
P. White[1]	2022	154,996	-	-	-	-	-	-	**154,996**
	2021	20,000	-	-	-	-	-	-	**20,000**
H. Robertson[2]	2022	33,333	-	-	-	46,667	-	-	**80,000**
	2021	60,000	-	-	-	-	-	-	**60,000**
S. Klose	2022	77,273	-	-	7,727	-	-	-	**85,000**
	2021	41,500	-	-	-	-	-	123,000	**164,500**
S. Bland[3]	2022	26,667	-	-	-	-	-	-	**26,667**
	2021	-	-	-	-	-	-	-	**-**
T. Ebbeck[3]	2022	26,667	-	-	-	-	-	-	**26,667**
	2021	-	-	-	-	-	-	-	**-**
Z.Zhang[4]	2022	-	-	-	-	-	-	-	**-**
	2021	25,000	-	-	-	-	-	(526,881)	**(501,881)**
Executive Directors									
J. Cooper[5]	2022	330,000	120,098	14,555	23,568	-	523,565	-	**1,011,786**
	2021	286,667	42,291	-	21,694	-	106,707	-	**457,359**
P. White[1]	2022	-	-	-	-	-	-	-	**-**
	2021	200,000	25,830	121,161	21,694	-	-	-	**368,685**
A.Gallagher[6]	2022	-	-	-	-	-	-	-	**-**
	2021	12,500	-	-	-	-	-	-	**12,500**
Executives									
A. Lapsley[7]	2022	149,232	31,286	(2,788)	5,218	-	256,931	-	**439,879**
	2021	-	-	-	-	-	-	-	**-**
J. Owen[8]	2022	131,923	28,177	10,988	11,584	-	237,015	-	**419,687**
	2021	-	-	-	-	-	-	-	**-**
M. Patterson[9]	2022	172,972	-	27,042	9,319	-	11,500	-	**220,833**
	2021	280,000	41,307	-	21,694	-	97,240	-	**440,241**
Total	2022	1,240,563	179,561	49,797	57,416	46,667	1,029,011	-	**2,603,015**
	2021	1,034,834	109,428	121,161	65,082	-	203,947	(403,881)	**1,130,571**

1 - Retired from Managing Director role and appointed Non-executive Director 28 Feb 2021. Resigned Non-executive Director role 25 Nov 2021

2 - H. Robertson has elected to receive a portion of fees in ordinary shares, which will not be issued until after the upcoming Annual General Meeting following shareholder approval

3 - Appointed Non-executive Director 1 Mar 2022

4 - Z. Zhang was appointed as a Non-executive Director on 6th Dec 2019 and resigned on 28th Nov 2020. The options issued to to Z. Zhang in FY20 only vest on $10,000,000 in revenue (audited in accordance with international financial reporting standards) being received into the wholly owned China subsidiaries of Envirosuite Limited by 31 Dec 2021. The probability of this occurring was assessed to 0% as at 30 Jun 2021 which resulted in the reversal of the option expense recognised in the prior year

5 - Appointed Managing Director 1 Mar 2022, in addition to his position of Chief Executive Officer

6 - A. Gallagher ceased to be a KMP on the 31st Jul 2020 when he resigned from the Board of Directors. His remuneration includes fees charged as Company Secretary as well as Director fess up to this date

7 - Appointed Chief Operating Officer 10 Jan 2022

8 - Appointed Chief Financial Officer 24 Jan 2022

9 - Resigned as Chief Financial Officer 12 Nov 2021

E. Shareholdings of key management personnel

The numbers of shares in the Company held during the financial year by each director of Envirosuite Limited and other Executive KMP of the Group, including their personally related parties, are set out below. Where an individual is no longer deemed KMP of the Group during the year, their shareholdings are removed through the 'other changes during the year' column.

Ordinary Shares	Financial Year	Balance at start of year	Granted as compensation	Exercise of options / performance rights granted as compensation	Other changes during the year	Balance at end of year
Non-Executive Directors						
D. Johnstone	2022	7,033,106	-	-	-	7,033,106
	2021	6,815,459	-	-	217,647	7,033,106
P. White	2022	9,237,681	-	-	(9,237,681)*	-
	2021	-	-	-	9,237,681	9,237,681
H. Robertson	2022	20,421,209	-	-	1,831,102	22,252,311
	2021	18,935,279	-	-	1,485,930	20,421,209
S. Klose	2022	500,000	-	-	-	500,000
	2021	-	-	-	500,000	500,000
S. Bland	2022	-	-	-	510,194	510,194
	2021	-	-	-	-	-
T. Ebbeck	2022	-	-	-	62,500	62,500
	2021	-	-	-	-	-
Executive Directors						
J. Cooper	2022	-	-	1,000,000	-	1,000,000
	2021	-	-	-	-	-
P. White	2022	-	-	-	-	-
	2021	9,237,681	-	-	(9,237,681)*	-
A. Gallagher	2022	-	-	-	-	-
	2021	4,639,526	-	-	(4,639,526)**	-
Executives						
A. Lapsley	2022	-	-	-	-	-
	2021	-	-	-	-	-
J. Owen	2022	-	-	-	28,309	28,309
	2021	-	-	-	-	-
M. Patterson	2022	847,253	-	-	(847,253)**	-
	2021	-	-	-	847,253	847,253
Total	2022	38,039,249	-	1,000,000	(7,652,829)	31,386,420
	2021	39,627,945	-	-	(1,588,696)	38,039,249

* Mr White retired as CEO and Managing Director on 28th Feb 2021 at which point he was no longer an Executive Director and became a Non-executive Director. Details of options and performance rights has been split between the period of Mr White in his role of Executive Director and the period of his role as Non-executive Director. Mr White departed Envirosuite during the year, shares not included as part of the balance at end of year

** Departed Envirosuite during the year, shares not included as part of balance at end of year

F. Loans to key management personnel

There were no loans to KMP during the reporting period

G. Other transactions with key management personnel

There are no other transactions with KMP of Envirosuite Limited and their related parties.

This concludes the remuneration report, which has been audited.

This report is made in accordance with the resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act.

On behalf of the Directors

David Johnstone
Chairman

23 August 2022

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ENVIROSUITE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
23 AUGUST 2022

PKF Brisbane Audit ABN 33 873 151 348
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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

		Consolidated Group	
	Notes	**2022 $'000**	**2021 $'000**
Trading revenue		53,440	48.545
Other revenue		19	25
Total operating revenue	**4**	**53,459**	**48,570**
Cost of revenue	5	(28,355)	(27,980)
Gross profit		**25,104**	**20,590**
Operating expenses			
Sales and marketing		(13,369)	(12,143)
Product development		(8,557)	(5,679)
General and administrative		(15,843)	(14,133)
Total operating expenses	**5**	**(37,769)**	**(31,955)**
Other income / (expense)		90	(377)
Operating deficit		**(12,575)**	**(11,742)**
Net finance expense	6	(210)	(287)
Net loss before tax		**(12,785)**	**(12,029)**
Income tax expense		(410)	(468)
Net loss after tax		**(13,195)**	**(12,497)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		18	(278)
Other comprehensive income / (loss) for the year, net of tax		**18**	**(278)**
Total comprehensive loss for the year		**(13,177)**	**(12,775)**
Net loss attributed to:			
Equity holders of Envirosuite Limited		**(13,195)**	**(12,497)**
Total comprehensive loss attributable to:			
Equity holders of Envirosuite Limited		**(13,177)**	**(12,775)**
		Cents	**Cents**
Basic loss per share	**23**	**(1.12)**	**(1.22)**
Diluted loss per share	**23**	**(1.12)**	**(1.22)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	Consolidated Group 2022 $'000	2021 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	16,292	17,640
Trade and other receivables	8	12,448	11,555
Other assets	10	3,884	1,046
Inventories	9	2,355	2,474
Total current assets		**34,979**	**32,715**
Non-current Assets			
Property, plant and equipment	11	3,508	3,047
Right of use assets	12	1,711	3,253
Deferred tax assets	6	972	878
Intangible assets	13	108,652	108,931
Other assets	10	916	1,019
Total non-current assets		**115,759**	**117,128**
TOTAL ASSETS		**150,738**	**149,843**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	8,467	7,973
Revenue in advance		4,092	2,686
Other liabilities	14	1,526	-
Employee benefit provisions	15	4,527	3,894
Lease liabilities and other borrowings	12	1,045	1,530
Total current liabilities		**19,657**	**16,083**
Non-current Liabilities			
Employee benefit provisions	15	160	141
Lease liabilities and other borrowings	12	1,206	2,472
Deferred tax liabilities	6	3,994	3,847
Total non-current liabilities		**5,360**	**6,460**
TOTAL LIABILITIES		**25,017**	**22,543**
NET ASSETS		**125,721**	**127,300**
EQUITY			
Issued capital	16	180,597	169,520
Reserves	17	10,798	11,928
Retained losses	17	(65,674)	(54,148)
TOTAL EQUITY		**125,721**	**127,300**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2020	**155,908**	**11,740**	**(41,663)**	**125,985**
Comprehensive income				
Loss for the year	-	-	(12,497)	(12,497)
Other comprehensive income for the year	-	(278)	-	(278)
Total comprehensive loss for the year	**-**	**(278)**	**(12,497)**	**(12,775)**
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	14,026	-	-	14,026
Transaction costs of capital raising (inc. tax effect)	(930)	-	-	(930)
Options and Performance Rights issued - value of services	55	939	-	994
Shares issued / to be issued to employees	461	(461)	-	-
Shares options and performance rights expired or lapsed	-	(12)	12	-
Total transactions with owners and other transfers	**13,612**	**466**	**12**	**14,090**
At 30 June 2021	**169,520**	**11,928**	**(54,148)**	**127,300**
At 1 July 2021	**169,520**	**11,928**	**(54,148)**	**127,300**
Comprehensive income				
Loss for the year	-	-	(13,195)	(13,195)
Other comprehensive income for the year	-	18	-	18
Total comprehensive loss for the year	**-**	**18**	**(13,195)**	**(13,177)**
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	10,469	-	-	10,469
Transaction costs of capital raising (inc. tax effect)	(548)	-	-	(548)
Options and Performance Rights issued - value of services	200	1,477	-	1,677
Shares issued / to be issued to employees	956	(956)	-	-
Shares options and performance rights expired or lapsed	-	(1,669)	1,669	-
Total transactions with owners and other transfers	**11,077**	**(1,148)**	**1,669**	**11,598**
At 30 June 2022	**180,597**	**10,798**	**(65,674)**	**125,721**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Consolidated Group June 2022 $'000	Consolidated Group June 2021 $'000
Cash flows from operating activities			
Receipts from customers		51,619	48,482
Payments to suppliers and employees		(54,099)	(56,674)
		(2,480)	(8,192)
Other (expenses) / revenue		(253)	180
Taxes paid		(472)	(482)
Interest received		23	1
Interest paid		(6)	(17)
Net cash (used in) operating activities	21	**(3,188)**	**(8,510)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,762)	(741)
Payments for acquisition of business		-	(5,599)
Payments for intangible assets		(4,750)	(3,116)
Net cash (used in) investing activities		**(6,512)**	**(9,456)**
Cash flows from financing activities			
Net proceeds / (repayment) of borrowings		69	(58)
Proceeds from issue of shares		10,669	14,025
Share issue transaction costs		(524)	(929)
Repayment of lease liabilities		(1,878)	(1,521)
Net cash provided by financing activities		**8,336**	**11,517**
Net (decrease) in cash and cash equivalents		(1,364)	(6,449)
Effects of exchange rate changes on cash and cash equivalents		16	(296)
Cash and cash equivalents at the beginning of the financial year		17,640	24,385
Cash and cash equivalents at the end of the year		**16,292**	**17,640**

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

These consolidated financial statements and notes represent those of Envirosuite Limited ("the Company") and controlled entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Envirosuite Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 23 August 2022 by the directors of the Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Compliance with IFRSs as issued by the IASB

Compliance with Australian Accounting Standards ensures that this Financial Report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this Financial Report is compliant with IFRS.

Basis of Measurement

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Comparative Periods

Comparative periods presented in these financial statements have been restated to align with current year presentation.

Critical accounting estimates and judgements

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

- *Measurement of expected credit losses (ECL) allowance for trade receivables* – the measurement of the ECL allowance for trade receivables relies on estimates of expected credit losses to be incurred for trade receivables taking into account historical losses and the financial condition of the customer. Refer to Note 1(j) for further discussion.
- *Impairment of goodwill and other intangible assets* – the Group tests goodwill and other intangible assets, including capitalised software development costs, for impairment in accordance with the accounting policy stated in Note 1(n). These calculations require the use of assumptions regarding the future profitability of the cash generating units to which the goodwill and intangibles have been allocated, as well as future cash flows related to the intangible asset. Refer to Note 13 for details of the assumptions used in determining the recoverable amount of goodwill and other intangible assets.
- *Valuation of options* – the Group has issued share options in connection with the acquisition of EMS Bruel & Kjaer Holdings as well as to employees and directors as compensation for services. The valuation of these options is based on using a Black-Scholes valuation model that relies on various assumptions. Refer to Note 22 for details.
- *Valuation of performance rights* – the Group has issued performance rights in connection with long-term incentive arrangements with employees. Where these performance rights have market-based performance conditions, they are valued by external advisors using a Monte Carlo simulation methodology.
- *Recovery of deferred tax assets* – deferred tax assets are recognised for deductible temporary differences if management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies. Refer to Note 6 for details for the unused tax losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation

- *COVID-19 Pandemic* – judgement has been exercised in considering the impacts of the COVID-19 Pandemic has or may have on the Group. This consideration extends to the nature of services offered, customers, supply chains, staffing and geographical regions in which the group operates. Other than addressed above or in specific notes, there does not appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may materially impact the Group unfavourably as a reporting date or subsequently as a result of the COVID-19 Pandemic. The board continues to actively monitor the situation.
- *Inventory provisions* – judgement has been exercised in calculating the net realisable value of inventory to determine whether a provision for inventory obsolescence should be recognised based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.
- *Estimation of useful lives of assets* – the Group 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.
- *Lease term* – the lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

(b) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Envirosuite Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is contained in Note 19 to the financial statements.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between entities in the Consolidated Group are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Envirosuite Limited.

(c) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses. The acquisition method of accounting is used to account for all business combinations, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, at which point the fair value of identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, with changes in fair value recognised in profit or loss, unless the change in fair value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in the profit and loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interests; and
- the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

Adjustments may be made to fair value of net identifiable assets acquired and to goodwill after the acquisition date if additional information is obtained about facts and circumstances related to the acquired business that existed at the acquisition date. However, no further adjustments are made to the acquisition balance sheet and initial goodwill recognised beyond one year from the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amount of goodwill.

(d) Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and the board of directors. Refer Note 3 for segment information.

Geographical segmentation is the primary basis of segmentation used by the Group.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

The following is a summary of the revenue recognition for each revenue stream:

Recurring revenue

Includes software platform subscription revenues and maintenance and support services related to monitoring equipment provided by the Group. These revenues are recognised over time being over the term of the contracts, based on the effort incurred by the Group being as the services are provided.

Non-recurring revenue

Includes revenue from projects for the installation of environmental monitoring solutions and upgrades, and sales of environmental monitoring units.

Project revenue is recognised over time based on a percentage of completion method, as this is the performance obligation. The stage of completion for determining the amount of revenue to recognise is assessed based on the cost-to-cost method whereby the percentage of completion is estimated based on the costs incurred to date as a percentage of the total expected costs to deliver the project. The estimate of the total costs to deliver the project is an estimate that requires judgement by management and is based on quotes from third parties, the cost of the equipment held in inventory, and estimated cost of internal labour based on number of labour hours required.

Sales of environmental monitoring units are recognised when risk has transferred to the buyer.

Government grants and rebates

Grants and rebates from the government are recognised at their fair value where there is a reasonable assurance that the grant or rebate will be received and the Group will comply with all the attached conditions. Government grants and rebates relating to costs are deferred and recognised as income over the period necessary to match them with the costs that they are intended to compensate. Government grants and rebates relating to the purchase of property, plant and equipment and the development of IT and software capital costs are included in current and non-current liabilities as deferred income and are credited to income on a straight line basis over the expected lives of the related assets.

Contract assets and liabilities

Where the Group provides services to customers and the consideration is unconditional, a receivable is recognised as accrued income and included within Trade and other receivables. Where the customer pays upfront for services that have not yet been provided, a contract liability is recognised, which is disclosed on the face of the balance sheet as revenue in advance.

(g) Employee benefits

Employee benefits includes wages and salaries, bonuses, annual leave and long service leave. Certain employees are awarded share based payments in the form of options and/or performance rights, which entitle the employee to shares in Envirosuite Limited upon certain vesting conditions being met.

A liability is recognised for employee benefits in the period that the service is performed where the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the current employee benefit provisions. All other short-term employee benefit obligations are presented as part of other current payables.

Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the non-current employee benefit provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments

Share based compensation benefits are provided to employees and directors via the Envirosuite Limited Employee Share Option Plan, the Envirosuite Performance Rights Plan and the Envirosuite Limited Employee Share Plan. Information relating to these schemes is set out in Note 22.

The fair value of options granted under the Envirosuite Limited Employee Share Option Plan and performance rights granted under the Envirosuite Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Fair value of options at grant date are determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Fair value of non-market-based performance rights granted is based on the share price at grant date and the risk free interest rate for the term of the vesting period of the performance right. Fair value of market-based performance rights granted is based on the Monte Carlo simulation methodology.

Non-market vesting conditions are included in assumptions about the number of options and performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options and performance rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or otherwise directly in equity. Income tax on items recognised directly in Other Comprehensive Income or otherwise directly in equity is also recognised in other comprehensive income or directly in equity, respectively. Deferred tax is recognised for assets and liabilities initially recognised as a result of a business combination, other than goodwill, where the accounting basis is different to the tax basis.

Current Tax

Current tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred Tax

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

Deferred tax is provided in full, using the Asset-Liability Method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognised for:

- temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and that neither affects accounting nor taxable profit nor loss;
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Company is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are offset when a legally enforceable right of set-off exists and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Envirosuite Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. In addition to its own current and deferred tax amounts, Envirosuite Limited also recognises the current tax liabilities and the deferred tax amounts arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Goods and Service Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority is included with other 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 investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows included in receipts from customers or payments to suppliers.

Envirosuite Limited and its wholly owned Australian controlled entities except Envirosuite Holdings Pty Ltd are grouped for GST.

(i) Cash and cash equivalents

The Group classifies petty cash, cash balances and term deposits with financial institutions that have a term of 90 days or less as cash and cash equivalents.

(j) Trade and other receivables

The Group has a single business model for its financial assets whose objective is hold the assets to collect contractual cash flows that are solely payments of principal and interest. Financial assets include trade receivables which are initially recognised when they are originated. Trade receivables are typically due within 30 to 90 days of the invoice being issued and are initially measured at the transaction price.

Impairment

The Group recognises loss allowance for expected credit loss (ECLs) on trade receivables and contract assets. The Company measures loss allowances using the simplified approach under AASB 9 *Financial Instruments*, which is an amount equal to lifetime ECLs. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a trade receivable has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In assessing credit risk, customers were disaggregated based on various industry groups, location and customer size.

The Group assumes that the credit risk on a trade receivable has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when:

- there is significant financial difficulty of the customer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the customer will enter bankruptcy or other financial reorganisation.

<u>Measurement of ECLs</u>

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

The Group acquires and manufactures environmental monitoring instruments and accessories, which are initially accounted for as inventory. Inventories are measured at the lower of cost and net realisable value. The cost of environmental monitor inventories is based on the specific identification of their individual costs while the cost of consumables and other smaller inventory items is based on a weighted average cost formula. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

Where instruments are used for demonstration purposes or when customers enter into a contract to use instruments where the Group retains ownership, the instrument is transferred from inventories to property, plant and equipment and is depreciated on a straight-line basis over its useful life. If the instrument is returned at the end of the contract, it is not transferred back to Inventories but is retained in property, plant and equipment. The cost to install the instrument at the customer's site is expensed as incurred.

(l) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain and loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of property, plant and equipment for the current period is as follows:

- Computer equipment — 4 years
- Furniture and fixtures — 5 - 10 years
- Leasehold improvements — Remaining life of the lease (1 - 5 years)
- Monitors and sensors — 5 years
- Right-of-use assets — Lower of economic or lease life

(m) Right of use assets

Right of use assets are measured at cost and comprise the amount that is recognised for the lease liability on initial recognition (refer to Note 1(p)) less any lease incentives received and including direct costs and restoration-related costs. Right of use assets include leased buildings and data centres and are depreciated over the remaining life of the lease. The remaining life of the leased buildings are of 1 to 5 years. The Group does not recognise a right of use asset for short term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses in the income statement.

(n) Intangible assets

Intangible assets include acquired intangible assets as part of asset acquisitions and business combinations, as well as internally developed software costs. The estimated useful lives of intangible assets for the current period is as follows:

- Internally developed software — 5-7 years
- Acquired software — 5 years
- Customer relationships — 5 years
- Brand value — 5 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development

The Company develops software where customers pay a monthly license fee. The Company also develops environmental monitoring equipment that it either sells or leases to its customers as part of providing them with environmental monitoring solutions.

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

Impairment

At the end of each reporting period, the Group assess whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources. If such an indication exists, an impairment test is carried out on the asset by comparing the assets carrying value to its recoverable amount being the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Lease liabilities

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date of the lease, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between interest principal and interest with the interest component recognised in the income statement as part of finance expense. Any variable lease payments not included in the measurement of the lease liability are recognised in the income statement within operating expenses in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, or a change in the estimated amounts payable under the lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the Right of use asset, or in the income statement if the carrying value of the Right of use asset has been fully written down.

(q) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buyback, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(t) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Rounding of amounts

The Company is of a kind referred to in legislative instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(v) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the financial year ended 30 June 2022. The Group not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks, principally related to credit, liquidity, and foreign currency risk. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for managing financial risk exposures of the Group.

(a) Credit risk

The Group is exposed to the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's receivables from customers. The Group's maximum exposure to credit risk at the balance date is the carrying amount of financial assets, net of any provisions for impairment and excluding the value of any other collateral or other security.

The gross trade and other receivables balance at 30 June 2022 was $14,127k (2021: $13,641k) and the aging analysis of trade receivables is provided in Note 8. The Group exposure to credit risk is affected by the regions and industries the Group's customers operate in. The majority of the Group's customers are airports and water and waste operators around the world with a growing exposure to customers within the mining industry.

Trade receivables are managed on an ongoing basis. The Group does not have any material credit risk exposure to any single debtor. Aging analysis and ongoing collectability reviews are performed and, when appropriate, an expected credit risk loss provision is raised. Historically, the Group has not had any significant write-offs in its trade receivables.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. At 30 June 2022, the Group had cash and cash equivalents of $16,292k (2021: $17,640k).

Total cash used in operating activities when adding capitalised development costs (included in cash flows from investing activities) and repayment of lease liabilities (included in cash flows from financing activities) ("Adjusted Operating Cash Flow") was an outflow $9,816k (2021: $8,946k).

In December 2021, the Group raised additional equity of $10,469k ($9,946k net of transaction costs). Noting the additional cash raised during the financial period and the lack of debt on the balance sheet (other than lease liabilities recognised under AASB 16) the directors are of the view that the Group will continue to be able to pay its debts as and when they fall due and have prepared the financial report on a going concern basis.

(c) Foreign currency risk

	2022			2021		
$'000	**Exposure (AUD)**	**-10%**	**+10%**	**Exposure (AUD)**	**-10%**	**+10%**
CAD	1,008	112	(92)	117	13	(11)
EUR	3,398	378	(309)	1,962	218	(178)
GBP	1,784	198	(162)	659	73	(60)
RMB	1,601	178	(146)	1,043	116	(95)
USD	5,400	600	(491)	3,367	374	(306)
NTD	1,200	133	(109)	1,606	178	(146)
Other	1,299	144	(117)	738	82	(67)
Total	**15,690**	**1,743**	**(1,426)**	**9,492**	**1,054**	**(863)**

Foreign currency risk is the risk that the future cash flows of a financial instrument or forecasted transaction will fluctuate because of changes in foreign exchange rates. The Group operates internationally and as such has exposure to foreign currency movements. Approximately 70% of the Group's revenue for the period ended 30 June 2022 was earned in foreign currency (2021: 69%). The Group primarily has exposure to Euro ("EUR"), US dollars ("USD"), Canadian dollars ("CAD"), British pound ("GBP"), and Chinese renminbi ("RMB") from cash balances and trade receivables which are partially offset by trade and other payables, employee provisions and borrowings in those currencies. The table below shows the impact to comprehensive income before tax from a 10% increase and 10% decrease in the foreign currency exchange rate against the Australian dollar ("AUD").

3. SEGMENT INFORMATION

The Group is organised into three geographic operating segments: Asia-Pacific (APAC), Americas and Europe, Middle East and Africa (EMEA) plus a central Corporate segment which contains costs that are managed centrally that are not allocated to the geographic segments. These operating segments are based on the internal reports that are reviewed and used by the CEO and board of directors, (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources.

Segment assets and liabilities are not presented as they are not regularly provided to the CODM and assets and liabilities are only reviewed and considered on a consolidated basis.

Regional

2022

$'000	**Asia Pacific**	**EMEA**	**America**	**Corporate**	**Total**
Recurring revenue	15,372	13,901	14,604	-	43,877
Non-recurring revenue	1,684	2,640	5,239	-	9,563
Other revenue	-	-	-	19	19
Total operating revenue	**17,056**	**16,541**	**19,843**	**19**	**53,459**
Cost of revenue	(9,354)	(9,925)	(9,076)	-	(28,355)
Gross profit	**7,702**	**6,616**	**10,767**	**19**	**25,104**
Operating expenses	(3,656)	(3,706)	(5,098)	(25,309)	(37,769)
Other (expense) / income	(5)	134	223	(262)	90
Operating deficit	**4,041**	**3,044**	**5,892**	**(25,552)**	**(12,575)**
Net finance expense	(31)	(14)	(25)	(140)	(210)
Net loss before tax	**4,010**	**3,030**	**5,867**	**(25,692)**	**(12,785)**

2021

$'000	**Asia Pacific**	**EMEA**	**America**	**Corporate**	**Total**
Recurring revenue	14,980	12,846	12,565	-	40,391
Non-recurring revenue	2,593	1,973	3,588	-	8,154
Other revenue	3	10	-	12	25
Total operating revenue	**17,576**	**14,829**	**16,153**	**12**	**48,570**
Cost of revenue	(11,950)	(7,625)	(7,405)	-	(27,980)
Gross profit	**4,626**	**7,204**	**8,748**	**12**	**20,590**
Operating expenses	(3,693)	(2,821)	(3,390)	(22,051)	(31,955)
Other expense	(56)	(64)	(257)	-	(377)
Operating deficit	**877**	**4,319**	**5,101**	**(22,039)**	**(11,742)**
Net finance expense	(31)	(6)	(45)	(205)	(287)
Net loss before tax	**846**	**4,313**	**5,056**	**(22,244)**	**(12,029)**

3. SEGMENT INFORMATION (continued)

The Group has a secondary operating segment which is each product family, being EVS Aviation, EVS Omnis and EVS Water. CODMs are provided with reporting on the recurring and non-recurring revenue for these secondary operating segments.

Product family

2022 $'000	EVS Aviation	EVS Omnis	EVS Water	Corporate	Total
Recurring revenue	31,061	12,699	117	-	43,877
Non-recurring revenue	3,900	5,653	10	-	9,563
Other revenue	-	-	-	19	19
Total operating revenue	**34,961**	**18,352**	**127**	**19**	**53,459**

2021 $'000	EVS Aviation	EVS Omnis	EVS Water	Corporate	Total
Recurring revenue	29,050	11,298	43	-	40,391
Non-recurring revenue	3,017	5,134	3	-	8,154
Other revenue	-	-	-	25	25
Total operating revenue	**32,067**	**16,432**	**46**	**25**	**48,570**

4. REVENUE

	2022 $'000	2021 $'000
Recurring revenue	43,877	40,391
Non-recurring revenue	9,563	8,154
Trading revenue	**53,440**	**48,545**
Research and development tax incentives	-	6
Other revenue	19	19
Other revenue	**19**	**25**
Total operating revenue	**53,459**	**48,570**

The Group generated 65% of its revenues for the current reporting period from customers in the Airport industry (2021: 66%). In addition, the Group generated 18% of its total income and 21% of its recurring income from the Australian government and entities controlled by the Australian government (2021: 20% and 23%).

5. EXPENSES

The Group categorises expenses within the Consolidated Income Statement based on the function of the expense. The table below discloses expenses based on the nature of the expense.

	2022 $'000	2021 $'000
Cost of revenue and operating expenses		
Cost of revenue	(28,355)	(27,980)
Total operating expenses	(37,769)	(31,955)
Total cost of revenue and operating expenses	**(66,124)**	**(59,935)**
Total cost of revenue and operating expenses is comprised of:		
Employment costs	(36,424)	(33,358)
Share based compensation	(1,477)	(946)
Consultants and contractors	(1,693)	(1,886)
Professional fees	(2,439)	(2,479)
Computer expenses	(2,830)	(2,352)
Equipment costs	(4,612)	(3,546)
Building costs	(906)	(957)
Director's fees	(405)	(277)
Audit and audit related fees	(395)	(299)
Depreciation and amortisation (excl intangible asset – software amortisation)	(5,160)	(5,515)
Other operating expenses	(11,683)	(9,142)
Sub-total	**(68,024)**	**(60,757)**
Software development cost - capitalised	4,897	2,301
Intangible asset – software amortisation	(2,997)	(1,479)
R&D costs capitalised, net	**1,900**	**822**
Total cost of revenue and operating expenses	**(66,124)**	**(59,935)**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity (PKF Brisbane Audit), its related practices and non-related audit firms:

	2022 $'000	2021 $'000
Audit and review of financial reports	395	299
Other assurance services	-	-
Other non-audit services	25	5
Total remuneration of auditors	**420**	**304**

6. TAX

	2022 $'000	2021 $'000
(a) Income tax expense / (benefit)		
Current tax expense / (benefit)	350	243
Deferred tax expense / (benefit)	60	225
Total income tax expense / (benefit)	**410**	**468**

	2022 $'000	2021 $'000
(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax benefit on operating deficit at 30.0% (2021: 26.0%)	(3,835)	(3,128)
Tax effects of items which are non-deductible / (non-assessable) in calculating taxable income:		
Non-allowable items (including R&D expenditure)	(67)	(25)
Share based payments expensed during the year	443	246
Difference in offshore tax rates	(46)	169
Add / (less):		
Under/(over) provision for income tax in prior year	311	(640)
Revaluation of Deferred tax balances due to change in tax rate	(681)	(174)
Deferred tax valuation allowance increase	4,285	4,020
Total income tax expense / (benefit)	**410**	**468**

(c) Deferred income tax

2022	Opening Balance $'000	Recognised in profit or loss $'000	Charged directly to Equity $'000	Effect of foreign exchange $'000	Deferred Tax Asset $'000	Deferred Tax Liability $'000
Trade and other receivables	481	(229)	-	-	252	-
Inventory	629	(460)	-	-	169	-
Property, plant and equipment	(17)	(11)	-	-	-	(28)
Right of use asset and Lease liability	197	(46)	-	-	151	-
Intangible asset	(5,829)	(824)	-	-	-	(6,653)
Revenue in advance	174	154	-	-	328	-
Employee provisions	807	316	-	-	1,123	-
Issued capital	578	-	8	-	586	-
Net DTA / (DTL)	-	-	-	-	(2,687)	2,687
Tax losses	9,798	5,325	-	-	15,123	-
Valuation allowance	(9,787)	(4,285)	-	(1)	(14,073)	-
Balance as 30 June 2022	**(2,969)**	**(60)**	**8**	**(1)**	**972**	**(3,994)**

6. TAX (Continued)

2021	Opening Balance $'000	Recognised in profit or loss $'000	Charged directly to Equity $'000	Effect of foreign exchange $'000	Deferred Tax Asset $'000	Deferred Tax Liability $'000
Trade and other receivables	120	361	-	-	481	-
Inventory	92	537	-	-	629	-
Property, plant and equipment	(42)	25	-	-	-	(17)
Right of use asset and Lease liability	184	13	-	-	197	-
Intangible asset	(5,692)	(137)	-	-	-	(5,829)
Trade and other payables	94	(94)	-	-	-	-
Revenue in advance	166	8	-	-	174	-
Employee provisions	1,384	(577)	-	-	807	-
Issued capital	564	-	14	-	578	-
Net DTA / (DTL)	-	-	-	-	(1,999)	1,999
Tax losses	6,138	3,660	-	-	9,798	-
Valuation allowance	(5,763)	(4,020)	-	(3)	(9,787)	-
Balance as 30 June 2021	**(2,755)**	**(225)**	**14**	**(3)**	**878**	**(3,847)**

The Group has unused tax losses of $43,319,979 (2021: $34,266,606) and R&D tax offsets of $2,466,806 (2021: $1,058,808) for which a valuation allowance of $14,072,801 (2021: $9,786,941) has been placed against the related deferred tax asset of $15,122,999 (2021: $9,797,582).

7. CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank	16,168	17,488
Term deposits	124	152
Cash and cash equivalents	**16,292**	**17,640**

Term deposits are with financial institutions with an investment grade rating and are for a term of 90 days or less. While the Group is exposed to interest rate risk on cash and term deposits, the impact of fluctuations in market interest rates is not material to the Group's performance.

8. TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Trade receivables	10,286	10,079
Provision for impairment	(1,679)	(2,086)
Trade receivables, net	**8,607**	**7,993**
Contract assets	3,781	3,552
Other debtors	60	10
Trade and other receivables	**12,448**	**11,555**
Trade receivables, net aging analysis		
Not past due	5,823	5,383
Past due 1-30 days	1,611	740
Past due 31-60 days	411	435
Past due 61-90 days	249	418
Past due more than 91 days	513	1,017
Total	**8,607**	**7,993**

Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant as is the fair value of any collateral sold or re-pledged. Refer to Note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables. Management have considered the impact of COVID-19 on trade and other receivables and do not anticipate a significant deterioration of recoverability beyond the level of current provisioning.

9. INVENTORIES

	2022 $'000	2021 $'000
Work in progress	664	371
Finished goods	1,691	2,103
Inventories	**2,355**	**2,474**

Inventories are carried at the lower of cost or net realisable value.

10. OTHER ASSETS

	2022 $'000	2021 $'000
Prepayments	1,263	960
Finance lease receivables	18	65
Deposits	1,077	21
Loan note receivable	1,526	-
Other current assets	**3,884**	**1,046**
Prepayments	37	51
Finance lease receivables	-	18
Deposits	879	950
Other non-current assets	**916**	**1,019**

10. OTHER ASSETS (Continued)

Prepayments represent prepaid insurance, prepaid software licenses, and other prepaid expenses. Deposits include deposits for building leases as well as cash backed bid and performance bond deposits. These deposits are pledged as security against non-performance of the Group, including non-payment of rent, inability to deliver based on the bid submitted, or inability to deliver based on a contract entered into with a customer. Deposits in prior year of $950k have been reclassified from current to non-current where a deposit term date is greater than 12 months from balance sheet date.

Loan note receivable represents the final settlement of the Spectris Instrumentation and Systems Shanghai Limited (Spectris) acquisition in May 2018, there is an equal amount payable in other liabilities, refer to Note 14. To finalise the acquisition under the laws and regulations of China, a flow of cash between the Spectris and Group subsidiaries in China is required. As a Group there is a net nil impact on working capital and cash flow, however, given the loan notes are with separate legal entities within the groups and is a material value, the Group has presented the balances grossed up in current assets and current liabilities. The loan notes are expected to be settled in the first quarter of the 2023 financial year.

11. PROPERTY, PLANT AND EQUIPMENT

Reconciliations of the carrying amounts of the various components of property, plant and equipment at the beginning and end of the current year and prior year are presented in the table below. Refer to Note 20 for further details on the acquired balances as part of the acquisition of AqMB Group in 2021.

2022 **$'000**	**Furniture and fixtures**	**Computer equipment**	**Monitors and sensors**	**Leasehold improvements**	**Total**
Cost value					
Balance as at 1 June 2021	488	1,546	6,425	507	8,966
Additions	60	284	81	39	464
Transfer from inventories	-	-	1,298	-	1,298
Disposals	(75)	-	-	-	(75)
Effect of foreign exchange	4	(8)	26	-	22
Balance as at 30 June 2022	**477**	**1,822**	**7,830**	**546**	**10,675**
Accumulated depreciation					
Balance as at 1 June 2021	(294)	(853)	(4,544)	(228)	(5,919)
Reclassifications	-	-	90	(90)	-
Depreciation for the period	(68)	(338)	(844)	(122)	(1,372)
Disposals	75	-	-	-	75
Effect of foreign exchange	(3)	-	53	(1)	49
Balance as at 30 June 2022	**(290)**	**(1,191)**	**(5,245)**	**(441)**	**(7,167)**
Net book value	**187**	**631**	**2,585**	**105**	**3,508**

2021 **$'000**	**Furniture and fixtures**	**Computer equipment**	**Monitors and sensors**	**Leasehold improvements**	**Total**
Cost value					
Balance as at 1 June 2020	1,106	2,704	8,783	360	12,953
Additions	71	419	96	149	735
Transfer from inventories	-	-	433	-	433
Disposals	-	(15)	(12)	-	(27)
Asset write-off	(661)	(1,442)	(2,649)	-	(4,752)
Effect of foreign exchange	(28)	(120)	(226)	(2)	(376)
Balance as at 30 June 2021	**488**	**1,546**	**6,425**	**507**	**8,966**
Accumulated depreciation					
Balance as at 1 June 2020	(894)	(2,133)	(6,499)	(123)	(9,649)
Depreciation for the period	(85)	(276)	(744)	(105)	(1,210)
Disposals	-	-	12	-	12
Asset write-off	663	1,441	2,637	-	4,741
Effect of foreign exchange	22	115	50	-	188
Balance as at 30 June 2021	**(294)**	**(853)**	**(4,544)**	**(228)**	**(5,919)**
Net book value	**194**	**693**	**1,881**	**279**	**3,047**

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets	**2022 $'000**	**2021 $'000**
Buildings		
Balance at 1 July	3,016	3,227
Additions	459	1,161
Terminations of leases	(62)	(212)
Exercise of early termination option	(534)	-
Derecognition of right of use asset	-	(62)
Depreciation	(1,211)	(1,043)
Effect of foreign exchange	43	(55)
Balance at 30 June	**1,711**	**3,016**
Data centres		
Balance at 1 July	237	516
Depreciation	(246)	(239)
Effect of foreign exchange	9	(40)
Balance at 30 June	**-**	**237**
Total Right of use assets	**1,711**	**3,253**

Building leases for periods of less than 12 months and variable lease payments for recharge of overhead costs by the building owner are included within building costs as disclosed in Note 5.

Lease liabilities are included within lease liabilities and other borrowings on the Consolidated Statement of Financial Position. Interest expense on lease liabilities for 2022 was $230,914 (2021: $296,066) and is included within net finance expense on the Consolidated Income Statement.

Lease liabilities	**2022 $'000**	**2021 $'000**
Current	1,045	1,530
Non-Current	1,206	2,472
Balance at end of year	**2,251**	**4,002**

13. INTANGIBLE ASSETS

Reconciliations of the carrying amounts of the various components of intangible assets at the beginning and end of the current year and prior year are presented in the table below. Other intangibles consist of customer relationships, brand value and intellectual property. Refer to Note 20 for further details on the acquired balances as part of the acquisition of AqMB in 2021.

2022 **$'000**	**Goodwill**	**Internally developed software**	**Acquired Software**	**Other Intangibles**	**Total**
Cost value					
Balance at 1 July 2021	89,513	11,070	11,372	5,193	117,148
Additions	-	4,491	99	419	5,009
Reclassification	-	(38)	(310)	348	-
Write-off	-	-	(219)	-	(219)
Effects of foreign exchange	38	-	-	-	38
Balance at 30 June 2022	**89,551**	**15,523**	**10,942**	**5,960**	**121,976**
Accumulated amortisation					
Balance as at 1 July 2021	-	(4,263)	(2,693)	(1,261)	(8,217)
Amortisation for the period	-	(2,050)	(2,137)	(947)	(5,134)
Write-off	-	-	27	-	27
Balance as at 30 June 2022	**-**	**(6,313)**	**(4,803)**	**(2,208)**	**(13,324)**
Net book value	**89,551**	**9,210**	**6,139**	**3,752**	**108,652**

2021 **$'000**	**Goodwill**	**Internally developed software**	**Acquired Software**	**Other Intangibles**	**Total**
Cost value					
Balance at 1 July 2020	89,383	8,769	9,398	5,103	112,653
Acquired in business combination	-	-	1,204	-	1,204
Additions	128	2,301	770	90	3,289
Effects of foreign exchange	2	-	-	-	2
Balance at 30 June 2021	**89,513**	**11,070**	**11,372**	**5,193**	**117,148**
Accumulated amortisation					
Balance at 1 July 2020	-	(2,784)	(616)	(315)	(3,714)
Amortisation for the period	-	(1,479)	(2,077)	(946)	(4,503)
Balance at 30 June 2021	**-**	**(4,263)**	**(2,693)**	**(1,261)**	**(8,217)**
Net book value	**89,513**	**6,807**	**8,679**	**3,932**	**108,931**

Impairment tests

The Group has identified that there are three regional Cash Generating Units (CGU) which are aligned with the operating segments disclosed in Note 3 and against which goodwill and other intangible assets are allocated and tested. Goodwill has been allocated to each CGU as follows:

	2022 **$'000**
Asia Pacific	37,743
EMEA	29,701
Americas	22,107
Total Goodwill allocated	**89,551**

13. INTANGIBLE ASSETS (continued)

In accordance with accounting standard AASB 136 Impairment of Assets, the Group tests goodwill for impairment annually or more frequently whenever indicators of impairment are identified. In accordance with the accounting standard the Group has set 30 June as the date for the annual review for impairment of the cash generating units (CGUs) to which goodwill has been allocated, representing a change from the previous period being 31 December.

In testing for impairment, the carrying amount of each CGU is compared against the recoverable amount. AASB 136 defines recoverable amount as being the higher of its fair value less cost of disposal (FVLCOD) and its value in use. The Group has adopted FVLCOD as the basis for determining the recoverable amount of each CGU.

In adopting FVLCOD, the Group has applied accounting standard AASB 13 Fair Value Measurement as directed by AASB 136. In applying AASB 13 the Group has adopted the Income Approach to determine fair value. The income Approach converts future cash amounts to a single (discounted) amount using a discounted cash flow model. The fair value measured reflects current market expectations about future amounts and is a technique commonly applied by market participants in determining fair value. Under the Income Approach adopted, the Group has allowed for restructure costs representing cost synergies that a market participant would typically apply in an orderly transaction between market participants.

The discounted cash flow model (DCF) uses post-tax cash flow projections that are based on the most recent Board approved 12-month budget and extrapolated for a further four years using underlying customer revenue contract data, appropriate growth rates, cost synergies, risk-based discount rates and a terminal value as appropriate for the CGU. Terminal growth rates applied in the DCF are based on estimates of long-term industry growth in the country in which the CGU primarily operates.

The assumptions applied in calculating the recoverable amounts of the CGU in testing for impairment are as follows:

Input	Asia Pacific	Americas	EMEA
Budget period	1 year from 1 Jul 22	1 year from 1 Jul 22	1 year from 1 Jul 22
Forecast period	4 years from 1 Jul 23	4 years from 1 Jul 23	4 years from 1 Jul 23
Four-year revenue compound annual growth rate post year 1	14.48%	15.24%	14.14%
Post tax discount rate	12.25%	12.00%	12.60%
Terminal growth rate	2.75%	2.75%	2.75%

The discount rates for each CGU reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for each CGU's risk-free rate in each CGU's major operating country and the volatility of the share price relative to market movements.

Projected revenue growth rates in each CGU are appropriate based on experience and forecasts of the growth of the market for environmental intelligence products.

Based upon the FVLCOD estimates using a discounted cash flow model, the carrying values of the CGU's and the goodwill therein are not impaired (2021: no impairment).

Previously the Group used the FVLCOD approach to assess the recoverability amount of the CGUs. However, the fair value of the CGU was determined based on applying the Envirosuite Limited's revenue multiple, calculated by dividing the market capitalisation of Envirosuite Limited by the forecast of the next twelve months (NTM) revenue and applying this revenue multiple to internal forecasts of NTM revenue for each CGU. The revised approach was deemed more appropriate in aligning market value of the CGUs to an approach more commonly utilised by market participants.

Sensitivities

Management have made judgements and estimates in respect of impairment testing. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

The key sensitivities that management has considered are as follows:

- Revenue decreases by 5% per year over the forecast period
- Terminal growth rate decrease 5%
- Post tax discount rate increased by between 4.5% and 6.7% for the CGU based upon market factors for countries where the CGU resides

Incorporating these sensitivities within the DCF model has not impacted the CGU impairment outcome.

14. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade payables	3,207	3,480
GST / VAT payable	473	233
Accrued expenses	906	683
Other payables	3,881	3,577
Total trade and other payables	**8,467**	**7,973**

OTHER LIABILITIES

	2022 $'000	2021 $'000
Loan note payable	1,526	-
Total other liabilities	**1,526**	**-**

Loan note payable represents the final settlement of the Spectris Instrumentation and Systems Shanghai Limited (Spectris) acquisition in May 2018, there is an equal amount receivable in other assets, refer to Note 10.

15. EMPLOYEE BENEFIT PROVISIONS

Employee benefits	2022 $'000	2021 $'000
Current		
Balance at 1 July	3,894	6,203
Additional provisions	2,335	267
Amounts used	(1,702)	(2,576)
Balance at 30 June	**4,527**	**3,894**
Non-current		
Balance at 1 July	141	230
Additional provisions	19	-
Amounts used	-	(89)
Balance at 30 June	**160**	**141**

Amounts not expected to be settled within the next 12 months

The provision for long service leave includes an estimate of the entitlements for employees in Australia who are expected to have completed seven to ten years of continuous employment depending on the state in which they reside. The entire amount of long service leave for employees where there is an unconditional entitlement is presented as current, since the Group does not have an unconditional right to defer settlement. Provision for long service leave where the entitlement only becomes unconditional in a period beyond 12 months are presented as non-current.

16. ISSUED CAPITAL

Movements in the number of ordinary shares on issue during the financial year is presented in the following table.

Movements in ordinary shares	2022 Number	2022 $'000	2021 Number	2021 $'000
Balance at 1 July	**1,193,839,427**	**169,520**	**1,024,685,906**	**155,908**
Issue of ordinary shares - exercising of employee and director share options	2,000,000	28	500,000	55
Issue of ordinary shares - employee performance rights	6,511,653	1,039	3,648,555	461
Issue of ordinary shares - institutional and share placement	52,345,620	10,469	120,178,667	10,215
Issue of ordinary shares - accelerated non-renounceable entitlement offer	-	-	44,826,299	3,811
Issue of ordinary shares - transaction costs of capital raising (inc. tax effect)	-	(548)	-	(930)
Issue of ordinary shares - Employee Share Plan - $1k offer	572,270	89	-	-
Ordinary shares on issue at 30 June	**1,255,268,970**	**180,597**	**1,193,839,427**	**169,520**

Options

No options were issued for the year ended 30 June 2022.

For the year ended 30 June 2021, the Company issued the following options:

- 2,000,000 issued to directors with an exercise price of $0.40 each that expire in December 2022.
- 10,000,000 issued to investors with an exercise price of $0.20 each that expire in December 2022.
- No options issued to employees for the year ended 30 June 2021.

Each option allows the holder to receive one ordinary share of Envirosuite Limited upon paying the exercise price prior to the expiration date. Information relating to the options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 22.

During 2021, the probability of the China Employee ESOP options vesting was reassessed as nil, resulting in the reversal of option expense recognised in the prior period. The 15,000,0000 options were expected to be granted progressively and otherwise not later than 3 years from the date of approval on 25 November 2019. These options lapsed as vesting was conditional on $10,000,000 in revenue (audited in accordance with international financial reporting standards) being received into the wholly owned China subsidiaries of Envirosuite Limited by 31 December 2021 and this revenue requirement was not satisfied by the due date.

Share based payments

Executive performance rights issued to employees for the year ended 30 June 2022 totalled 17,411,675 (30 June 2021: 13,596,890), refer to Note 22. Each performance right entitles the holder to receive one ordinary share of Envirosuite Limited upon certain vesting conditions being met.

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the quick ratio. This ratio is calculated as current assets (excluding inventory) divided by current liabilities. The quick ratio at 30 June 2022 was 1.66x (30 June 2021: 1.88x)

At 30 June 2022, the Group had cash and cash equivalents of $16,292k and no borrowings other than lease liabilities recognised under AASB 16. The Group also has standing credit facility arrangements with banks of $294k (2021: $359k) of which $146k was available as at 30 June 2022 (2021: $237k). The Group generated an operating cash outflow of $3,188k for the year ending 30 June 2022 (2021: $8,510k). The Group focuses on rolling cash flow forecasts to ensure that it has sufficient funding available from cash and cash equivalents to fund operations.

17. RESERVES AND RETAINED LOSSES

Reserves	2022 $'000	2021 $'000
Foreign exchange translation reserve		
Movements		
Balance at 1 July	(925)	(647)
Effects of foreign exchange translation	18	(278)
Foreign exchange translation reserve – balance at 30 June	**(907)**	**(925)**
Share-based payments reserve		
Movements		
Balance at 1 July	12,854	12,387
Share based payments expense – net	520	479
Transfer to retained losses	(1,669)	(12)
Share based payment reserve – balance at 30 June	**11,705**	**12,854**
Total Reserves	**10,798**	**11,929**

Retained Losses	2022 $'000	2021 $'000
Movements		
Balance at 1 July	(54,148)	(41,663)
Transfer from employee shares reserve	1,669	12
Net loss for the year	(13,195)	(12,497)
Retained losses – balance at 30 June	**(65,674)**	**(54,148)**

Nature and purpose of reserves

Foreign currency translation reserve
Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share based payments reserve
The share based payments reserve is used to recognise the accrued grant date fair value of options and performance rights issued to employees and directors but not exercised and issued. The fair value of options and performance rights is accrued into the share based payment reserve over the service period. When options and performance rights are exercised and issued, the grant date fair value is transferred from the share based payment reserve to Ordinary shares. When options are vested but not exercised by the expiry date, the grant date fair value is transferred from the share based payment reserve to Retained Losses. Where performance rights lapse, the amortised fair value is transferred from the share based payments reserve to retained losses.

Dividends
The Group has not paid or declared any dividends during the period (2021: nil). Franking credits available for subsequent financial years amount to $653,889 (2021: $651,756).

18. COMMITMENTS AND CONTINGENCIES

Contingencies
The Group has potential exposure to guarantees it has issued to third parties in relation to the performance and obligation of controlled entities with respect to property lease rentals and customer contractual obligations amounting to $1,158,890 (30 June 2021: $1,423,305).

19. RELATED PARTY TRANSACTIONS

Key management personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2022.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	2022 $'000	2021 $'000
Short-term employee benefits	1,470	1,266
Post-employment benefits	57	65
Other long-term benefits	-	-
Share-based payments	1,076	(200)
Total KMP compensation	**2,603**	**1,131**

During 2021, the probability of options issued to KMP in the prior period vesting was reassessed as nil, resulting in the reversal of option expense recognised in the prior period.

Parent entity

The parent entity within the Group is Envirosuite Limited.

Subsidiaries

Entity Name	Country of Incorporation	30 June 2022 %	30 June 2021 %
Envirosuite Operations Pty Ltd	Australia	100	100
Envirosuite Holdings Pty Ltd	Australia	100	100
Envirosuite Corp	USA	100	100
Envirosuite Europe Sociedad Limitada	Spain	100	100
Envirosuite Canada Inc.	Canada	100	100
Envirosuite Chile SpA	Chile	100	100
Envirosuite Colombia S.A.S.[(1)]	Colombia	100	100
Beijing Envirosuite Environmental Science & Technology[(1)]	China	100	100
Hengli Ruiyan Environmental Engineering Co. Ltd[(1)]	China	100	100
Envirosuite Brasil Comercializacao De Equioamentos Ltda.	Brazil	100	100
AqMB Pty Ltd.	Australia	100	100
AqMB Holdings Pty Ltd.	Australia	100	100
Envirosuite Holdings No 2 Pty Ltd	Australia	100	100
Envirosuite Australia No 2 Pty Ltd	Australia	100	100
EMS Bruel & Kjaer Pty Ltd	Australia	100	100
Envirosuite Inc	USA	100	100
EMS Bruel & Kjaer Iberica S.A.	Spain	100	100
Envirosuite Denmark Aps	Denmark	100	100
Envirosuite BV	Netherlands	100	100
Envirosuite UK Ltd	United Kingdom	100	100
Envirosuite Korea Ltd	South Korea	100	100
Envirosuite Taiwan Ltd	Taiwan	100	100

(1) These subsidiaries have a financial year-end of 31 December as required by local regulations. The Group has received an exemption from ASIC from aligning the financial year end of these subsidiaries with that of the Envirosuite Limited, being 30 June

Transactions with other related parties

There were no other transactions with related parties during the financial year.

20. BUSINESS COMBINATIONS

Current year acquisitions

There were no acquisitions during the financial year.

Prior year acquisitions

Acquisition of AqMB Group

On 17 August 2020, the group acquired 100% of the issued capital of AqMB Pty Ltd, a water modelling R&D technology software company. Through acquiring 100% of the issued capital of AqMB Pty Ltd, the Group obtained control of the company, which primarily represented the rights to the software developed. The acquisition was part of the Group's strategy to expand into the market for Environmental Intelligence within the Water industry with the technology from AqMB, along with Envirosuite's exclusive license over SeweX algorithms, used in Envirosuite's EVS Water product, which was launched in November 2020.

Acquisition Balance Sheet	**2021 $'000**
Purchase consideration	
Cash paid	1,205
Less: cash acquired	-
Purchase consideration, net	**1,205**
Fair value of identifiable net assets acquired	
Acquired software	1,204
Trade and other receivables	1
Total fair value of identifiable net assets acquired	**1,205**
Residual representing goodwill	**-**

Acquisition of EMS Bruel & Kjaer Holdings

On 28 February 2020, the group acquired all of the share capital of EMS Bruel & Kjaer Holdings Pty Ltd ("EMS") with the details of that acquisition disclosed in the 2020 Annual Report. During the year ending 30 June 2021, the final purchase consideration payments were made totalling $4,394k, which was $213k greater than the amount provisioned as at 30 June 2020. The additional purchase consideration amount of $213k was offset with additional provisions recognised in connection with the acquisition and resulted in a net increase to the goodwill recognised for EMS of $128k during 2021.

21. CASH FLOW STATEMENT RECONCILIATION

Reconciliation of net profit / (loss) after tax to net cash flow from operations

	2022 $'000	2021 $'000
Loss after tax	**(13,195)**	**(12,497)**
Add back: Depreciation and amortisation	8,157	6,994
Add back: Foreign exchange (gain) / loss	(249)	377
Add back: Non-cash share based payments	1,477	946
Sub-total	**(3,810)**	**(4,180)**
Changes in operating assets and liabilities		
Increase in trade and other debtors	(893)	(825)
Decrease in inventories	119	628
Increase in other assets	(2,735)	(801)
Increase in deferred tax	53	214
Increase / (decrease) in trade creditors	1,900	(1,317)
Increase in other liabilities	1,526	169
Increase / (decrease) in other provisions	653	(2,398)
Net cash outflow from operating activities	**(3,188)**	**(8,510)**

Cash flow from operating activities excludes cash paid to suppliers and employees that are capitalised as internally developed software within intangible assets. These cash flows are included as cash paid for intangible assets.

Changes in liabilities arising from financing activities

Lease Liability	2022 $'000	2021 $'000
Balance at 1 July	4,002	4,407
Net cash used in financing activities	(1,878)	(1,521)
Finance charges	231	295
Acquisition of leases	459	1,166
Termination of leases	(62)	(223)
Exercise of early termination option	(534)	-
Effects of foreign exchange	33	(122)
Balance at 30 June	**2,251**	**4,002**

22. SHARE BASED PAYMENTS

The Group issued options and performance rights to employees and directors as compensation for services provided.

Employee share plan

Under the Envirosuite Limited Employee Share Plan, shares issued to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

Performance rights

Under the Envirosuite Performance Rights Plan, Envirosuite issues performance rights to employees, (usually at senior levels within the company), that convert to ordinary fully paid shares, upon the achievement of certain vesting conditions. Offers made to staff under the Plan are designed to incentivise senior, specialist and key employees, to deliver long term returns for shareholders. Participation in the Plan is at the Board's discretion and at intervals determined by the Board, and no individual staff member has the right to receive any guaranteed benefits.

Vesting conditions/milestones are specified at the time of grant, with the purpose of motivating certain staff behaviours including: retention, share price performance and the achievement of key company goals. The Board may impose both conditions on dealings in the performance rights for a prescribed time, or any forfeiture conditions, and any such conditions are to be notified to staff in their invitation to participate in the Plan. The Board also may waive in whole, or in part, any of the conditions applicable to a grant of performance rights.

Participants in the Plan only become eligible for the performance rights to convert to ordinary shares upon achievement of the relevant milestone/s. Where a staff member ceases their employment with the company ahead of achieving the relevant milestone/s, their entitlement is forfeited. Performance rights may only convert to ordinary fully paid shares and are not convertible to cash.

The Board is entitled to suspend the operation of the Plan and may at any time cancel the Plan, on the condition that the suspension or cancellation of the Plan does not prejudice the existing rights of Participants.

There were 17,411,675 performance rights issued during the year (2021: 13,596,890).

Employee share option plan and scheme

The establishment of the Employee Share Option Plan was approved by the Board prior to the IPO of Envirosuite Limited (formerly: Pacific Environment Limited). The plan is designed to provide long term incentives for employees and directors to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on the individual contracts agreed by Envirosuite Limited. Once vested, the options remain exercisable for a period of up to seven years after the grant date. When exercisable, each option is convertible into one ordinary share on the day of the next Board meeting or within 15 business days, whichever is earlier. The exercise price of options is pre-determined in the individual option agreements.

Options were issued to employees under the Employee Share Option Plan. Under this scheme, options granted vest as specified under the individual option. The options are not forfeitable but lapse on the date specified in the individual option agreement. If an employee ceases employment the options vest immediately and the employee has seven days to exercise the option at the current market price or the original exercise price, whichever is greater. If the employee does not exercise the options, the options lapse.

Options were also granted to non-employees during the period that have similar terms to those under the Employee Share Option Plan. Set out on the following pages are summaries of options granted.

	Number of options	Weighted average exercise price
Options outstanding as at 30 June 2020	**147,833,333**	**0.23**
Granted	12,000,000	0.23
Expired	(333,333)	0.16
Options outstanding as at 30 June 2021	**159,500,000**	**0.23**
Granted	-	-
Forfeited/Lapsed	(26,250,000)	0.15
Exercised	(2,000,000)	0.10
Expired	(22,500,000)	0.40
Options outstanding as at 30 June 2022	**108,750,000**	**0.22**

As at 30 June 2022, there were 106,250,000 options (2021: 133,250,000) that were exercisable at a weighted average price of $0.22 per share (2021: $0.24 per share). The weighted average remaining life of the options outstanding is 0.64 years (2021: 1.46 years).

23. EARNINGS PER SHARE

In calculating earnings per share, there were no adjustments made to net loss after tax or comprehensive loss for the period.

Weighted average number of shares used in denominator	**2022 number**	**2021 number**
Basic earnings per share	**1,182,343,365**	**1,027,169,980**
Diluted earnings per share	**1,182,343,365**	**1,027,169,980**

There are 28,250,000 in share options issued and in-the-money, and 17,919,690 of performance rights that are not included in diluted earnings per share as these would have an antidilutive effect on earnings per share. These potential ordinary shares are antidilutive as their conversion to ordinary shares would decrease loss per share. If these share options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 1,234,512,144.

24. SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances have arisen since the end of the financial year that significantly affected, or could significantly affect, the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group in future financial years.

25. PARENT ENTITY FINANCIAL INFORMATION

Parent entity financial statements

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Australian Accounting Standards. Non-current assets includes investment in subsidiaries which are accounted for at cost value less impairment.

Statement of Financial Position	**2022 $'000**	**2021 $'000**
Assets		
Current assets	1,809	11,604
Non-current assets	164,708	148,207
Total Assets	**166,517**	**159,811**
Liabilities		
Current liabilities	425	546
Non-current liabilities	883	1,813
Total Liabilities	**1,308**	**2,359**
Equity		
Issued capital	180,597	169,520
Reserves	11,705	12,854
Retained losses	(27,093)	(24,922)
Total Equity	**165,209**	**157,452**

Income Statement and Statement of Comprehensive Income	**2022 $'000**	**2021 $'000**
Profit / (loss) after tax	(3,840)	(8,342)
Total comprehensive profit / (loss)	(3,840)	(8,342)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

DIRECTORS DECLARATION

In accordance with a resolution of the directors of Envirosuite Limited, the directors of the Company declare that:

(a) The financial statements and notes set out on pages 56-96 are in accordance with the *Corporations Act 2001*, and:

- (i) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) 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 Consolidated Group; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive office and chief financial officer required by section 295A of the Corporations Act 2001

David Johnstone, Chairman
23 August 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENVIROSUITE LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Envirosuite Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. The following single matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

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1. Carrying amount of intangible assets

Why significant

As at 30 June 2022 the carrying value of intangible assets is $108,652,000 (2021: $108,931,000), as disclosed in Note 13.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1(n), and for goodwill in Note 1(c).

The carrying amount of intangible assets is a key audit matter due to:

- the significance of the balance (being 72% of total assets); and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 1 and 13, management assessed whether the carrying amount of intangible assets was impaired through impairment testing utilising a fair value less costs of disposal model.

Significant judgements are applied in determining key assumptions used in the model. Specifically, management prepared a discounted cash flow model utilising the income approach.

The key assumptions used in the model include projected revenue growth rates, discount and terminal growth rates. The judgements made in determining the underlying assumptions in the model have a significant impact on determining whether the carrying amount of intangible assets exceeds the fair value, and accordingly the amount of any impairment charge, to be recorded in the current financial year. No impairment charge was made during the year.

How our audit addressed the key audit matter

In assessing this key audit matter, we involved senior audit team members who understand the industry.

Our audit procedures included, amongst others:

- evaluating management's methodology for determining the carrying amount of intangible assets by comparing the fair value less costs of disposal model with generally accepted valuation methodology and accounting standard requirements;
- conducting sensitivity analysis on key assumptions such as the projected revenue growth rates, discount and terminal growth rates, within reasonable foreseeable ranges, and comparing the calculated recoverable amount to the carrying value of net assets of each cash-generating unit ('CGU');
- challenging the key assumptions used in management's discounted cashflow model by:
  - assessing projected revenue growth rates set by management in comparison to historical results and future approved budgets
  - evaluating the discount and terminal growth rates set by management in comparison to market and industry information available
  - assessing the impact of the COVID-19 pandemic on all key assumptions
- assessing the appropriateness of any changes in model and key assumptions;
- assessing the appropriate of the CGU designations applied;
- reviewing the work of management's expert, including their competence, necessary skill, objectivity and independence; and
- assessing the appropriateness of the related disclosures in Note 13.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity'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 consolidated entity or to cease operations, or have 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
23 August 2022

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 12 August 2022

1. SHAREHOLDING

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Size of holding	Shares	Options	Performance Rights
1 – 1,000	102	-	-
1,001 – 5,000	874	-	-
5,001 – 10,000	811	-	-
10,001 – 100,000	2,553	-	3
100,001 and over	1,141	8	25
	5,481	**8**	**28**

The number of shareholdings held in less than marketable parcels was 320 with total shares of 501,673.

Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	Number held	Percentage
National Nominees Limited	154,266,451	12.25%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,893,808	7.14%

Voting Rights

The voting rights attaching to each class of equity securities are set out below

Ordinary shares

Every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

Options carry the standard voting rights available to ordinary shareholders when converted to ordinary shares.

Performance rights

Performance rights carry the standard voting rights available to ordinary shareholders when converted to ordinary shares.

1. SHAREHOLDING (continued)

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number held	Percentage
National Nominees Limited	154,266,451	12.25%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	89,893,808	7.14%
UBS NOMINEES PTY LTD	50,394,791	4.00%
CITICORP NOMINEES PTY LIMITED	40,392,115	3.21%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	36,750,349	2.92%
RUBI HOLDINGS PTY LTD	31,250,000	2.48%
BNP PARIBAS NOMS PTY LTD	25,441,409	2.02%
MR ROBIN ORMEROD & MS KRISTIN ZEISE	24,100,000	1.91%
THE ADAMS MCLEAN SUPERANNUATION FUND PTY LTD	21,014,705	1.67%
COALWELL PTY LIMITED	20,700,000	1.64%
BUNGEELTAP PTY LTD	14,659,381	1.16%
MUTUAL TRUST PTY LTD	13,612,019	1.08%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,744,674	1.01%
BSD PTY LTD	12,000,000	0.95%
THIRTY-FIFTH CELEBRATION PTY LTD	11,042,286	0.88%
SPECTRIS GROUP HOLDINGS LTD	10,000,000	0.79%
MR ROBIN ORMEROD	8,059,342	0.64%
FORDHOLM CONSULTANTS PTY LTD	8,000,000	0.64%
TOM HADLEY ENTERPRISES PTY LTD	7,518,334	0.60%
MR PETER JAMES WHITE & MRS EVA MARIA WHITE	6,937,681	0.55%
	598,777,345	**47.54%**

Unquoted equity securities

	Number held
Envirosuite Limited unlisted options over ordinary shares issues	108,750,000
Performance rights over ordinary shares issued	17,931,675

Corporate Directory

Envirosuite Limited
ABN: 42 122 919 948

Board of Directors

David Johnstone
Chairman

Hugh Robertson
Director

Stuart Bland
Director

Jason Cooper
Managing Director

Sue Klose
Director

Tim Ebbeck
Director

Company Secretary

Adam Gallagher

Registered office and principal place of business

Envirosuite Limited
Level 12, 432 St Kilda Rd
Melbourne VIC 3004

Phone: 02 8484 5819

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street,
Sydney, New South Wales 2000

Phone: 02 9290 9600

Auditor

PKF Brisbane Audit
Level 6, 10 Eagle Street,
Brisbane, Queensland 4000

Phone: 07 3839 9733

Stock Exchange Listing

Envirosuite Limited shares are listed on the Australian Securities Exchange (Code EVS)