18 August 2021

Appendix 4E
Summary Financial Report

Results for announcement to the market

For the financial year ended 30 June 2021

	Consolidated Group			
	Year ended 30 June 2021	Year ended 30 June 2020	Variance to prior year	
	$'000	$'000	$'000	%
Revenues from ordinary activities	48,570	23,857	24,713	104%
Profit/(loss) after tax from ordinary activities attributable to members	(12,497)	(18,236)	5,739	31%
Net profit/(loss) attributable to members	(12,497)	(18,236)	5,739	31%
Net tangible assets/(liabilities) per security (cents)	1.7	2.5		

The net tangibles asset backing per security of 1.7 cents presented above is inclusive of right-of-use assets and lease liabilities. The net tangible asset per security, as at 30 June 2021, would reduce to 1.4 cents if right-of use assets were excluded.

Dividends and distributions

The company has not declared, and does not propose to pay, any dividends for year ended 30 June 2021.

Details of any dividend or distribution reinvestment plans in operation: N/A

Other

Revenues for the prior year ending 30 June 2020 include only 4 months of the EMS Bruel & Kjaer Holdings which was acquired on 28 February 2020.

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 2021 Annual Report, including the Chairman's Letter and CEO Report.

This document should be read in conjunction with the 2021 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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2021

Annual Report

envirosuite

Harness the power of environmental intelligence for a sustainable future.

WHAT'S INSIDE

Key Metrics

$46.5m
Annual Recurring Revenue[1]
+ 8.1% YOY

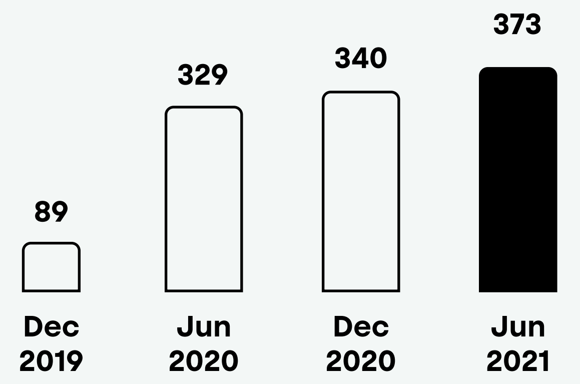
373
Client sites
+ 13.4% YOY

$48.6m
Statutory revenue
+ 104% YOY[2]

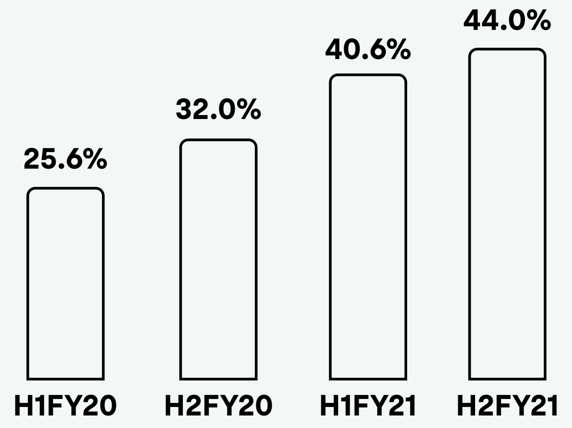
42.4%
Gross profit %
+ 36.8% YOY

$(4.5m)
Adjusted EBITDA (loss)
+ 56% YOY

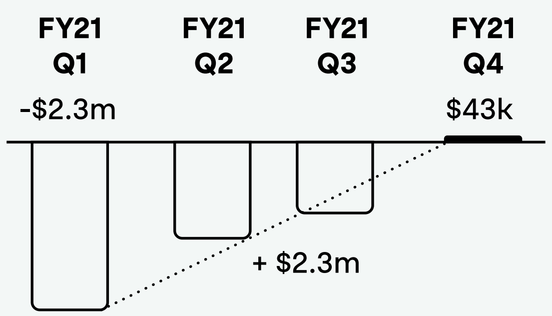
TOTAL SITES



GROSS PROFIT %



ADJUSTED EBITDA POSITIVE IN Q4



[1] Annual Recurring Revenue represents the monthly recurring revenue at the reporting date that the company expects to receive from customers based on sales orders received net of any churn.
[2] Prior year includes only 4 months of revenue from the EMS Bruel & Kjaer business which was acquired on 28 February 2020

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

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

Envirosuite's proprietary software combines leading-edge science and innovative technology with industry expertise to help businesses unlock value beyond compliance, allowing them to engage with communities and to make real-time decisions to minimise costs and optimise 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 & Air Quality
- Vibration

and harness the power of:
- Machine learning
- Decades of experience
- Proven data algorithm
- 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

Chairman's Letter

David Johnstone
Chairman

Dear Fellow Shareholders,

At the outset, I would like to personally thank all our employees. The impact globally brought about by the COVID-19 pandemic has been relentless and our people have been tireless in their efforts in making sure our customers come first.

This month the Intergovernmental Panel on Climate Change (IPCC) startled the world with the accelerated warnings on the impacts of climate change and the UN has labelled it a 'code red for humanity', saying that immediate actions need to be taken to avert climate catastrophies. We then saw public reactions around the world targeting the perceived insufficient actions of governments and industry.

We see here another catalyst in the shift in the global psyche towards acknowledging the increasingly unavoidable need for practical action by industry and government with intensifying pressures descending from all sides of community, regulators, investors and customers.

An awareness is setting in for government, industry and community that climate change issues must be practically addressed on the frontline. A critical element of this is that each industry participant must do their part to sustain their business and brand.

The community also has a vested interest in the actions that industry take both as a neighbour, though also as a stakeholder on other levels such as a customer, and a shareholder of industry. It is the latter that provides a common objective in ensuring that 'productivity', expressed in the broadest sense, is maximised for all parties. This includes the productivity of business, the natural environment and of the community.

This is central for Envirosuite; a technology platform that seeks to serve the productive interests of all stakeholders.

This is Envirosuite's time. We are in the sweet spot of the most critical and mainstream themes in industry, government, community and capital markets: Climate Change, Environmental Social Governance (ESG) and digital transformation.

Envirosuite moves into the new financial year with a funded strategic plan to grow its global business and it continues to expand its technology platform that has launched into the water space to complement the strong position that it already holds in air and noise.

During the latter months of the second half year 2021, we achieved adjusted EBITDA positivity. This was a key milestone for the company demonstrating a backdrop of business sustainability. While acknowledging this milestone we are conscious that we will be prioritising strategic investment in platform development and market offerings, new sectors and accelerating in key geographies to sustain our first-mover advantage.

Our annualised recurring revenues (ARR) are now $46.5m, which is more than 8x from where they were just 2 years ago when we reported $5.6m of ARR. As a testament to industry recognition of our mature product solutions, we have seen customers entering into longer term contracts with Envirosuite with terms of 3 to 7 years with the portfolio currently having an average contractual life of 2.25 years.

Our EVS Water solutions that have been commercialised in the last twelve months are already seeing strong market acceptance and we are confident this will convert into new sales.

Our platform is utilised by many of the largest international brand names in each of our chosen industry sectors that now includes the world's most recognised aeronautics technology leader – NASA. Envirosuite joins a consortium to support NASA's X-59 quiet supersonic flight community response program.

Going forward there is a determined commitment by the Board and CEO to ensure that we keep the market well informed of the key value points in the business including across our platform, commercial relationships, industry sectors and geographies.

While the last twelve months have seen a great deal of transformational progress across all key parts of the business, the Board has heard and acknowledges that much of this has been challenging for our shareholders to follow and appreciate based on the nature and frequency information is released by the Company.

We will be releasing 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.

I take this opportunity to recognise the tenure and achievements of Peter White who has led the early formation and growth of the company for many years, and I sincerely thank him for all his efforts as well as working with the Board on the recruitment and orderly transition to his successor Jason Cooper. Jason is exceptionally placed to take the company through its next levels of growth and in the few short months to date has already started to put his positive stamp on the business.

Jason is highly energised and determined to drive a strong and sustained uplifts in the Company's value. He brings vast international technology experience, knowledge and contacts in our key geographic markets and is quickly developing productive relationships with our commercial and investor stakeholders.

I have never been more excited to be part of Envirosuite. The historical macro tailwinds of environmental management being at the forefront are with us once again, as the global challenges due to the COVID-19 pandemic of the last year are abating. We are already seeing that climate change will resume its priority place with renewed intensity that at the practical level, speaks very directly to the adoption of Envirosuite's market offerings.

We have shown that we can execute on strategic M&A and we have set strong organic growth targets with each new contract adding to our compound growth story. We are achieving a critical mass commercially and operationally that is increasingly allowing us to approach the higher levels of corporate connections in our target sectors. On this point I note the recent addition of one of the world's most senior resources executives, Alberto Calderon, joining as a key sector advisor on an all-incentive basis.

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

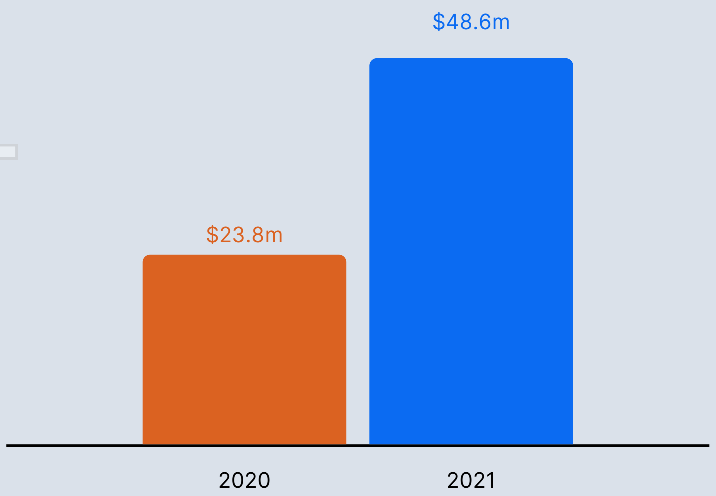
Jason Cooper
CEO

I would like to start by thanking our employees for their amazing efforts over the last year, working through incredibly challenging conditions brought about by COVID-19. Across all of our offices globally, our people have constantly adapted to the changing situation and remained focused on providing the best possible service to all of our stakeholders.

In these extraordinary circumstances we witnessed many global transformational trends evolving, with the Environmental, Social and Governance (ESG) agenda continuing to gain significant momentum, against a backdrop of accelerating focus on digital transformation across all industries.

It is testament to the value and solutions that we have created for our customers by enabling clients to operate their assets at optimum levels in an increasingly important, complex and regulated environment. We have proven that we have a stable business model as well as the emerging importance of environmental intelligence (EI) that has underpinned our growth in all sectors. In these rapidly evolving times, Envirosuite remained resilient and continued to grow.

Total revenue of $48.6m for FY21 of which 83% was recurring, more than doubling the revenue reported in the prior year



Since I moved into the role of CEO, we have followed two simple principles to drive success - **focus and discipline**. I have been impressed with how our people, also known as Environauts, around the world have united and supported the vision of the company – to help industries grow sustainably and communities thrive - and executed on the strategy.

This year we achieved some remarkable records that I look forward to exceeding in FY22. I am proud of the exceptional results of our EVS Omnis SaaS product that achieved 24% growth as well as our EVS Aviation business that achieved a 2% growth in ARR in what was an incredibly challenging environment for our customers around the world.

I am particularly proud of some of the key financial metrics that we were able to achieve this year. We achieved an Adjusted EBITDA positive result in Q4 in line with our guidance. Ending the year at $46.5M ARR was a significant milestone that shows that we have a strong revenue base that we are determined to grow. We continue to focus on improving the gross margin, which increased to 42.4% in FY21, up from 31.0% in the prior year.

The teams have evolved through the year and we have added some incredible talent to our organisation which has helped achieve these results and positioned us well to grow in the future.

The company has now completed its integration of EMS Bruel & Kjaer (EMS) and has accelerated its transformation to set up for a strong period of growth and leverage its scale, with a foundation that we believe is now the global leader in providing technology solutions for EI.

ENVIRONMENTAL INTELLIGENCE

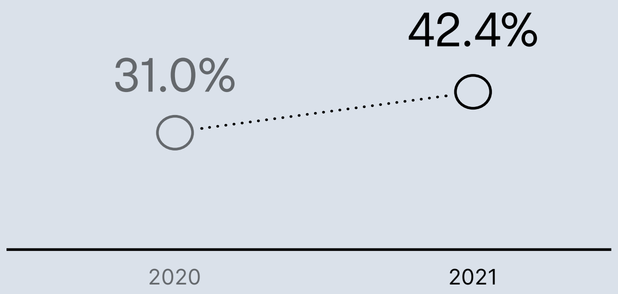
During this transition year, the leadership team has evaluated what long term success looks like for our business and set in place a 3-year strategy that will ensure we deliver long term value for our customers, our staff, and our shareholders. As we accelerate our evolution as a company, we are well positioned to leverage the growing importance of environmental intelligence and the appropriate solutions to support our customers and communities.

Part of our evolution is the emergence of our new brand. This renewed brand enables us to more accurately reflect the relationships our customers have with their boundaries and the people in those surroundings, while positioning us as the leading technology provider in solving environmental issues through our EI offering. Our new brand provides a platform to communicate who we are and what do more clearly than ever before. It captures the 3-dimensional geographic space that our customers operate within and our direction as a company driving forward.

This reflects into our purpose, vision, and mission. By having a strong mission statement, we are all united behind one common theme that ensures as a company we are moving as one. It is with this focus we can continue to build a globally significant technology company, driven by the success of all our stakeholders.

In June, we completed a successful capital raise where we raised $14M to support the investment into the development team, the acceleration of our EVS Water product suite and to support the growth agenda that we see in North America.

Gross profit % continues to improve with gross profit % of 42.4% compared with 31.0% in prior year



We would like to thank all of our shareholders for their continuing support.

Our strategy is simple. To leverage the enormous opportunity that is in front of us, we need three things: 1) we must continue to drive **growth**, 2) we must accelerate our investment into **product**, and 3) we must continue to focus on our **customer**. The Board and the Envirosuite leadership are driven to act now with a sense of urgency, with an unrelenting focus on our target segments and a discipline in our business to ensure we meet our high targets.

GROWTH

Growth has remained a key focus in FY21, and we have been able to leverage our global footprint to accelerate our rate of customer acquisition. We have focused on refining our target customer segments and where we can drive the most value in a highly scalable and repeatable manner. We have ensured that our unique value proposition drives customer value that will translate to a strong revenue and profit growth trajectory for many years to come.

This year we have upgraded to a more focused sales and marketing strategy which is about maximising our reach in the region, through a more targeted customer acquisition journey. We already have some of the most significant customers in our target sectors, however, we still have opportunity to maximise our enterprise relationships and expand our installation base. This year we launched a formal **Land, Expand and Scale** program which is focused on creating a higher level of customer penetration and usage.

Experience has shown us that when we win with a customer, we can continue providing more value to them year on year. Our EVS Omnis platform is now used at over 200 sites around the world and helps some of the most significant Mining, Waste and Wastewater companies drive their operations with the assistance of our environmental solutions. Last year we added 38 sites to the platform which reflected a 22% increase in platform expansion. This increase in customer acquisition reflected in a 24% increase in ARR to achieve a $14.6M ARR at year end.

Two significant market innovation achievements this year was the successful consortium engagements with NASA for the research into the impact of supersonic travel on communities, as well as the selection for the Urban Air Mobility (UAM) ecosystem in Paris.

We were incredibly pleased with the results of our EVS Aviation business, growing at a rate of almost 2% last year, in what was an extraordinarily challenging time for our Airport customers. We were able to support our customers through this period re-signing contracts, launching new product features and focusing on innovative value creation.

While the launch of our EVS Water product suite did not have meaningful impact to our growth in FY21 it importantly laid the foundation for a truly unique solution for our current and future water customers. This new product suite has enormous potential and is well positioned for considerable growth in the coming years.

Our growth agenda in the future is centred on adding new customers to our software platform to drive value creation and provide solutions for our customers. We are focused on collecting and analysing EI data across multiple segments to drive our success and innovation engine.

PRODUCT

As we transitioned to a **Product-led, Sales Focused** organisation we introduced a new structure and added new leadership roles into the Product group. This has resulted in a closer relationship with our product and development teams, and this is now driving a clear strategic roadmap and ensuring we hit specific product related milestones that achieve better client outcomes.

Innovation is a core part of our DNA, and we are driving innovative thinking at all levels of our organisation. Additionally, we have developed a closer link into our customer and ideation development. We also have in place a number of arrangements with world class universities around world. It is through these engagements that we are listening to our market opportunities, the macros trends and geographic investment cycles to identify, prioritise and implement these technology improvements.

We successfully completed the acquisition of technology delivering innovative artificial intelligence (AI) and deterministic modelling approaches to the water sector. This technology combined with the commercialisation of IP licenced from The University of Queensland's Advanced Water Management Centre focussed on management of corrosion and odour within sewer networks. These products comprise our newest product segment: EVS Water. Early wins for Envirosuite in this space included the selection of EVS Water by Singapore PUB, the country's national water agency, in their Global Innovation Challenge.

In Aviation we launched several new products: ANOMS X and Carbon Emissions, the latter helping Airports to assess and communicate about Aviation carbon footprint. Furthermore, we invested into Amazon Web Services (AWS) to drive functionality improvement, strengthen our security posture, reduce complexity, and improve time to deploy and support.

Two significant market innovation achievements this year were the successful consortium engagements with NASA for the research into the impact of supersonic travel on communities, as well as the selection for the Urban Air Mobility (UAM) ecosystem in Paris that will research the environmental impact of air mobility on local communities. It's these achievements that demonstrate the breadth of the EVS Aviation solutions beyond Airports and into innovation projects to measure the impact on communities and inform the future of travel.

In EVS Omnis we have been working intensely to include Noise and Vibration technology from the EMS acquisition into our EI platform. Our scientific models were further enhanced, and we have improved the accuracy of our predictive, risk-based forecasts while efforts have been made to upgrade our modelling technology ultimately increasing our modelling performance.

As a technology leader, we have continued to drive the importance of product differentiation and innovation. Following the capital raise completed in June, we have increased the amount of investment into product development to ensure that we are able to continue to deliver a strong road map that supports our customers current and future needs. Our teams around the world are actively engaged in building our products that align with our vision and mission – thus continuing to create value and solutions for our customers and communities that we serve.

CUSTOMER

In FY21 we focused heavily on our customer engagement and retention. Knowing that many of our airport customers were experiencing significant challenges, we turned this into our strategic focus and supported them through the use of our technology to further support Airport optimisation.

Our churn rate of approximately 2% for the year across EVS Aviation and EVS Omnis was remarkably low, demonstrating that customers who select Envirosuite typically stay with our solutions. This low churn was a fundamental pillar in our focus on customer engagement and retention strategy.

By consolidating the regions from five into three: APAC, EMEA and Americas, we attained cost reductions, and introduced a support structure that allowed our customers to engage with a regional business model in the right time zone, the right language and with intimate knowledge of the customers assets and their unique requirements. This was supported through a global process and support function that actively reduced the number of tickets raised and reduced the time to respond to customer needs.

We also introduced a customer success program that was focused on ensuring our customers were maximising the software platforms capabilities in delivering value and solutions. This resulted in an increase in usage of the products and the level of satisfaction and benefits that we were able to create for our customers.

PEOPLE

It is a huge privilege in being chosen to lead Envirosuite. Envirosuite has an immensely talented and diverse group of people around the world. We will continue to invest in our people to further increase our capability as we accelerate our growth in the coming years. This year we have made some critical hires in our Product and Sales and Marketing teams. These appointments are already providing a significant positive influence on our business. We have been delighted with the quality of the people we are now attracting to join Envirosuite and look forward to the benefits of their energy, creativity, and passions.

A key addition to the Envirosuite team this year was the appointment of Alberto Calderon as my advisor. Alberto has been a significant support for me as I became the CEO this year and has worked tirelessly with the broader team around the importance of extracting value for the customer and being able to communicate this. His wealth of knowledge within the Mining sector has assisted us with rapidly developing our Mining offering and we are already starting to see the benefits from increased customer engagement, a pipeline that has grown and ideation into the future of the product.

There is a significant opportunity for Envirosuite, an Australian technology company, to set the global standard for environmental intelligence and continue to add world class innovative products for our customer base. Environmental intelligence will be one of the most significant areas of value creation for our customers, helping to keep their business running, many which are crucial for society to function, such as Airports, Mines, Industrial facilities, and Wastewater Treatment plants.

As a company we are prepared for the continued challenges and volatility by creating greater flexibility and adaptability in our business. Our key priority has been our commitment to the health and safety of our people and customers through the pandemic, and we will continue this focus.

OUTLOOK

Our focus in 2022 will be centred on value creation for our customers. Providing actionable insights from our world leading EI platforms for our existing customers and our new customers that we will be engaging with this year. As we build out the capabilities of the sales team around the world, we will remain focused on customer acquisition and rapidly building our capability in our environmental platforms. The pace of EI innovation and use case acceleration will further support our technological leadership.

Our product and technology differentiation are at the core of our future growth strategy. The growing capability, scalability and security of our platform will position us for further value creation within our rapidly growing customer base. This will improve our speed, efficiency, and quality of our customer deployments. We will continue the excellent work that we have started in FY22 in transforming the operating model and aggressively improving the gross margin to our target of above 50% as we move into FY23.

We are highly encouraged by the early market interest in EVS Water products and are expecting to deliver reference sales in each product area and geographical region, deliver a meaningful contribution to new ARR, and consolidating a new important area of growth for Envirosuite.

We will continue to work with strategic partners that will support our focus segments, geographic coverage, accelerate deployment and complement our technology to ensure we are able to accelerate the adoption of EI for industries and communities around the world.

We are optimistic about the prospects for FY22 due to the strong tailwinds in the environmental intelligence market, our world leading technology position, the breadth of our global coverage and our proven ability to rapidly evolve with market needs.

We look forward to the coming year and the challenges and opportunities that it presents. This will be another year of focus and discipline where we are delivering significant growth through new customer acquisition and expanding existing customers use of our platform on current and additional sites.

On behalf of the entire senior leadership team, I would like to take this opportunity to thank everyone in the Envirosuite team for their ongoing support and commitment. I would like to thank the Board and executive team for their continued support, stewardship, and governance over the past year.

Lastly, I would like to thank our valued customers and shareholders for being a key part of the success and growth of this amazing business.

Jason Cooper
CEO

A global leader in Environmental Intelligence

Over the last 12 months we have created one of the most exciting environmental intelligence (EI) technology portfolios in the world. The products offer us a unique capability to deliver our mission statement to our customers – we harness the power of environmental intelligence, so industries grow sustainably, and communities thrive. Our product investment and focus continue to grow – as we look to ensure we create products that are going to be unique, drive innovation and deliver long-term value for our customers.

As we shifted the momentum to become a Product-led organisation, we have organised our critical teams in Engineering, Research, DevOps, and Product Management under a united product strategy group. We accelerated the transition to be Product-led by driving extensive collaboration around our customers, their problems, and our opportunities to innovate and address them most effectively today, tomorrow and into the future.

The Product-led strategy provides a platform for significantly improved focus on delivering valuable, science-based and market-leading products. This strategy enables newfound collaboration between Product Strategy, Product Marketing, Marketing, Sales, and Technology to efficiently bring products to market. Stronger patterns across the organisation are already emerging: new opportunities for collaboration between our Product Managers and our customers, earlier and more in-depth inclusion of Product Marketing in the ideation phase, the implementation of platform user analytics to inform strategies based on user behavior and trends, and regular product strategy and roadmap feedback sessions bringing customer stories together.

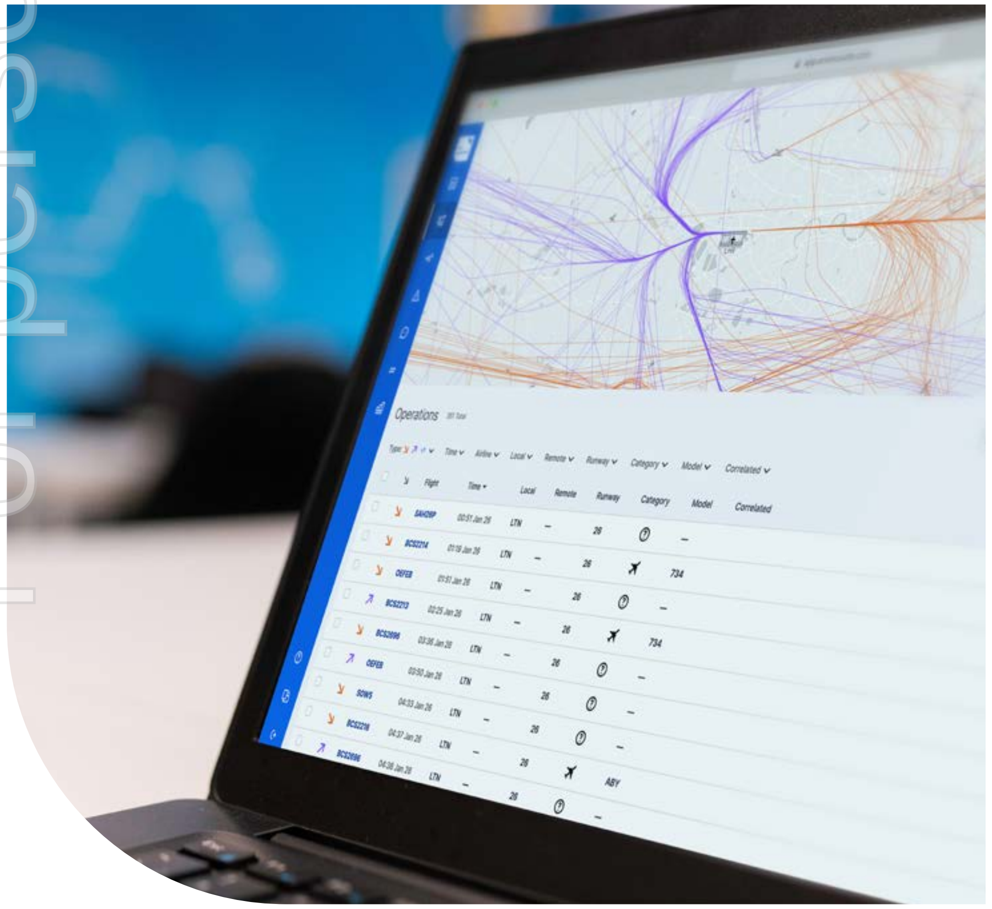
Our customer problems continue to evolve at an accelerating pace; our Aviation customers are burdened by compliance while experiencing expert staff loss and cost pressures, our Industrial customers are being held to a higher than ever standard of environmental consciousness and operational pressures, respect for the communities neighboring operations continues to make headlines around the world. These pressures are driving the urgency for environmental intelligence solutions to help industries to unlock value beyond compliance and optimise their operations.

After significant multi-year development, leveraging a combination of our decades of industry leadership and modern design thinking, we launched our new EVS Aviation platform ANOMS X - our comprehensive next generation web-based platform. ANOMS X will be the consolidated platform for our aviation products and seeks to be the go-to portal for all our Aviation customers for noise, airfield operations, community engagement and modules like Carbon Emissions and Airport Metrics.

Market: Aviation
163 Sites

Market: Mining & Industrial, Waste & Wastewater
207 Sites

Market: Water
3 Sites
Launched November 2020



EVS Technology

Product-led growth

Focus on product as the main vehicle to acquire, activate, and retain customers

Power of Machine Learning

Embedded in our software to provide customers actionable insights

Technology creates value

Turning data into EI to help reduce risk, optimise operations and create a sustainable future

Science built-in

Highly complex scientific modelling across our technology

Results-driven workflows

Operational processes are embedded and automated enabling operational efficiencies

Innovation through expertise

In-house domain experts help drive innovation with real world EI experience

ANOMS X seeks to deliver insights and analytics in an efficient and accessible way never experienced before in the sector. Designed to be powerful enough for expert users to inform their stakeholders through to casual users to derive insights. This coincides with the changing of our user base off the back of COVID-19, which sees a reduced number of experts retained at airports. ANOMS X is already in use by over 30 customers including Heathrow airport. ANOMS X will be the future of Aviation environmental intelligence.

We have partnered with the Cranfield Universities Digital Aviation Research & Technology Centre (DARTeC) in their Unmanned Aerial Vehicle (UAV, e.g., Drones) noise study, informing future regulatory considerations for the future of unmanned flight.

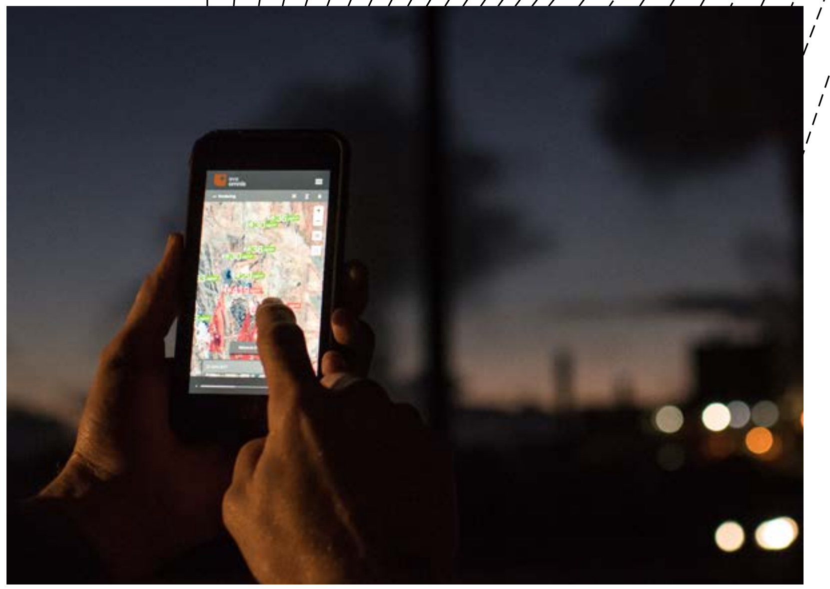
In our Industrial space we have combined the EVS and EMS products into one suite named EVS Omnis. Overlapping technology solutions were consolidated to realise cost savings. To support and improve the growing adoption of the platform globally, new platform scaling solutions were developed. Work on the new EVS Omnis platform is ongoing and seeks to leverage the unique capabilities of EVS, both technically and scientifically across noise, vibration, air quality, meteorology, hyper-localised modelling and predictive capabilities. EVS Omnis delivers an operational overlay informing industries and communities alike to derive operational efficiencies and respect the surrounding communities and environment.

In combination with the EVS Omnis platform, we launched the next generation eNose Ambient odour and air quality IoT device. The eNose Ambient allows customers to quickly identify and respond to potential emission concerns immediately. The low-cost nature of the device also allows the facility to deploy a network of devices to work with their surrounding community quickly and effectively to pin-point areas of concern.

In EVS Omnis, our science-based forecast accuracy grew with considerable progress made to correctly model the impacts of cloud cover and cloud heights, improving confidence in decisions that can be made from our forecast information.

We continue to make ambitious bets on new technology across Envirosuite to evolve our products. FY21 saw the initiation of one of the biggest digital transformation initiatives seen in our company's history - our Aviation cloud transformation project. An initiative which will see the migration of a vast majority of our customers from individually managed systems to a consolidated set of centrally managed Amazon Web Services (AWS) clusters. This transformation will put our customers on world-leading infrastructure, allowing EVS to rapidly deploy new capabilities to all customers, improve product quality and do so with much more scalable tools. This will provide improvements to not only to our customers, but also quality and efficiency across numerous EVS departments including engineering and operations, enabling gross margin improvements. Furthermore, it provides exciting future technology opportunities leveraging the vast array of contemporary tools AWS provide, from artificial intelligence (AI), machine learning (ML), deployment tools, database technologies, security tools and other platform tools.

With the acquisition of AqMB digital twin technology and licensing of SeweX, we created the EVS Water portfolio. The portfolio targets the dynamic global water processing and treatment market. The market is faced with higher regulation, increasing chemical and power costs, whilst being significantly asset restrained, resulting in the need for expensive capital projects to meet the aforementioned issues. The initial focus of EVS Water has been to extend the product foundations, working closely with the first customers to model implementation processes and system scalability, whilst actively growing the repeatability of the combined deterministic and ML led solvers.



Our product strategy and delivery capability has never been more experienced, structured, aligned, focused, or funded to deliver exceptional products. As we continue to entrench advanced Product-Led techniques across our teams, 2022 will see greater understanding our of customers, their value drivers – and allow us to translate them into even more exciting products and solutions.

As we look forward to 2022, we will continue to build a world-leading, outcome driven, and customer focused product organisation. Our main strategies for FY22 are:

1. Grow our R&D investment across Research, Product, and Engineering to deliver deeper science-based innovation to win in our chosen market sectors.

2. Implement best practices to intimately understand our customers and users challenges to directly inform our product plans.

3. Drive a culture of innovation and scientific excellence across our business to grow our capabilities and value for our customers.

evs omnis

VALUE PROPOSITION

EVS Omnis is a cloud-based platform designed to be used by specialists and non-specialists alike to easily interpret complex environmental data. The platform provides easily understood information to help operators address environmental challenges and build trust with stakeholders and surrounding communities.

PROGRESS

- Improved forecasting accuracy with new computation of cloud cover and height impacts
- System and operational scalability to support accelerated platform adoption
- Next generation eNose Ambient IoT device launched and over 100 devices shipped, allowing customers to deploy a network of sensors to respond rapidly and accurately to potential emission concerns
- Technology consolidation for EMS and EVS to realise cost savings
- New EVS Omnis platform under development seeking to leverage the unique capabilities of the EVS and EMS organisations, both technically and scientifically across noise, vibration, air quality, meteorology, hyper-localised modelling, and predictive capabilities

Key Stats	207 client sites ~$1.2b SAM (ARR) $14.6m ARR 4.2% Churn $70,531 ARPS $716k CLTV
Marquee Customers	Anglo American Thames Water Fortescue Metals Group Vale Veolia BHP

evs aviation

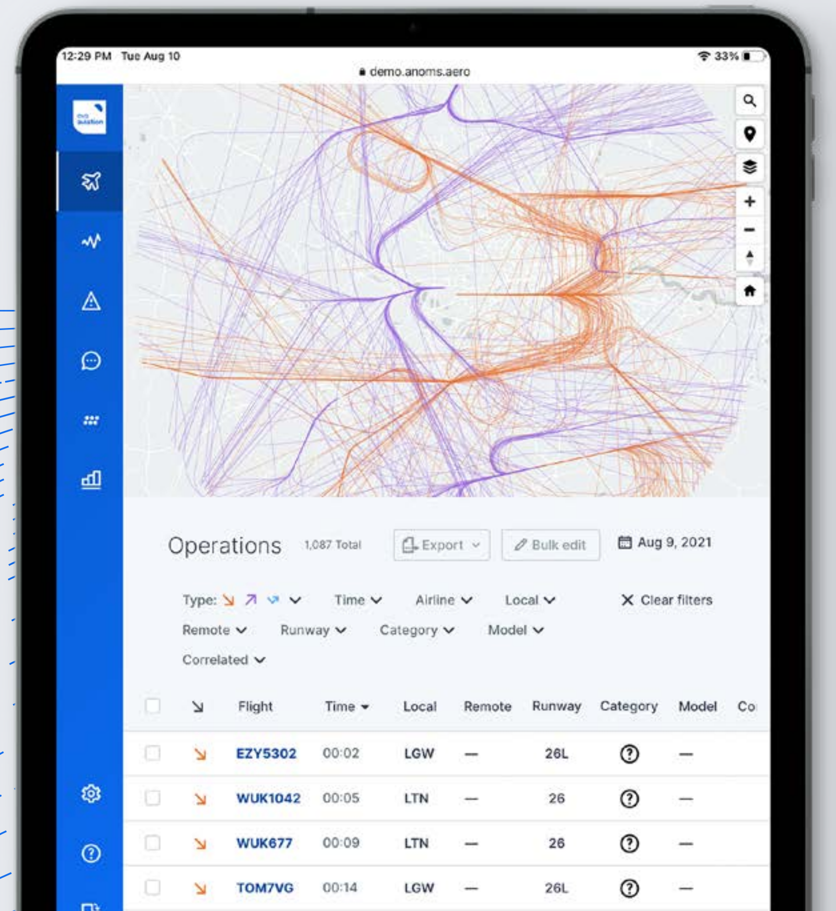
VALUE PROPOSITION

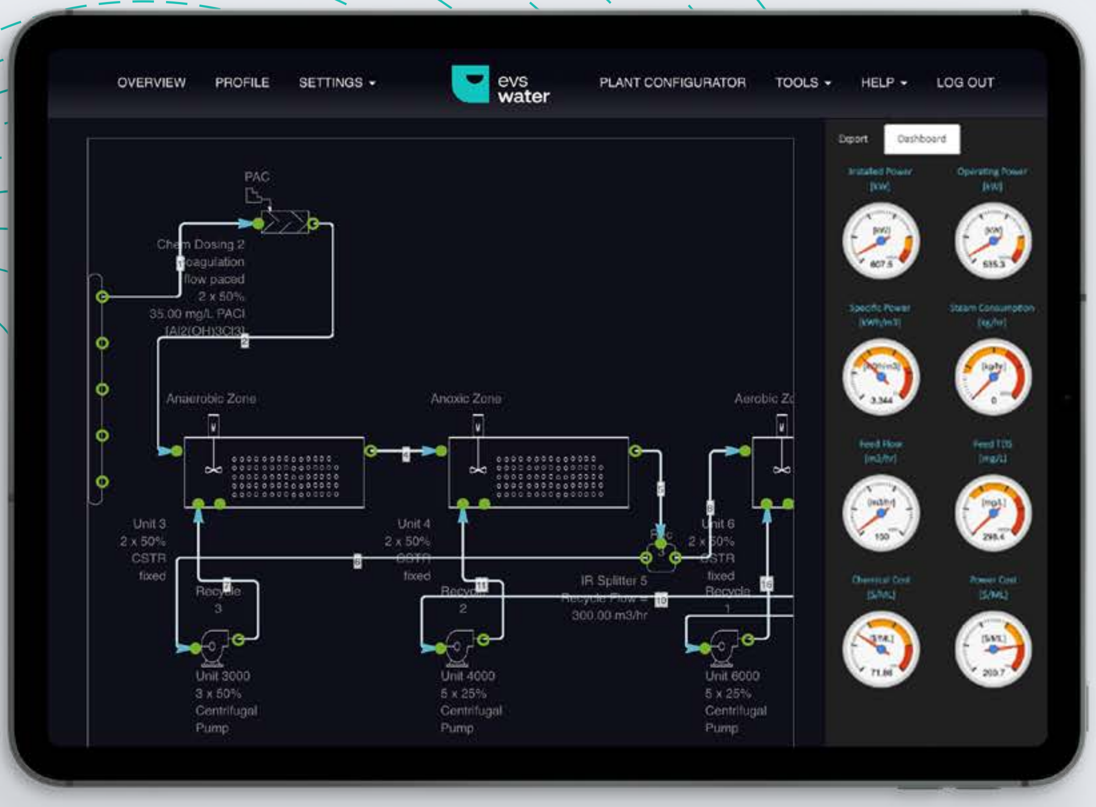
EVS Aviation products make up the world's leading comprehensive airport environmental management solution. Deep analytics on top of rich data sets deliver insights to reduce environmental impact and demonstrate compliance to key stakeholders, while improving operational efficiency.

PROGRESS

- ANOMS X platform launched to deliver aviation insights and analytics in an efficient and accessible way never experienced before in the sector
- Carbon Emissions launched on ANOMS X platform
- Cloud transformation initiative underway
- Partnership with Cranfield Universities Digital Aviation Research & Technology Centre (DARTeC) in their Unmanned Aerial Vehicle research project

Key Stats	163 client sites ~$194m SAM (ARR) $31.8m ARR 1.4% Churn $195,092 ARPS $5,798k CLTV
Marquee Customers	Port Authority of New York and New Jersey Los Angeles World Airports Aena Airservices Heathrow Airport Amsterdam Airport Schipol





evs water

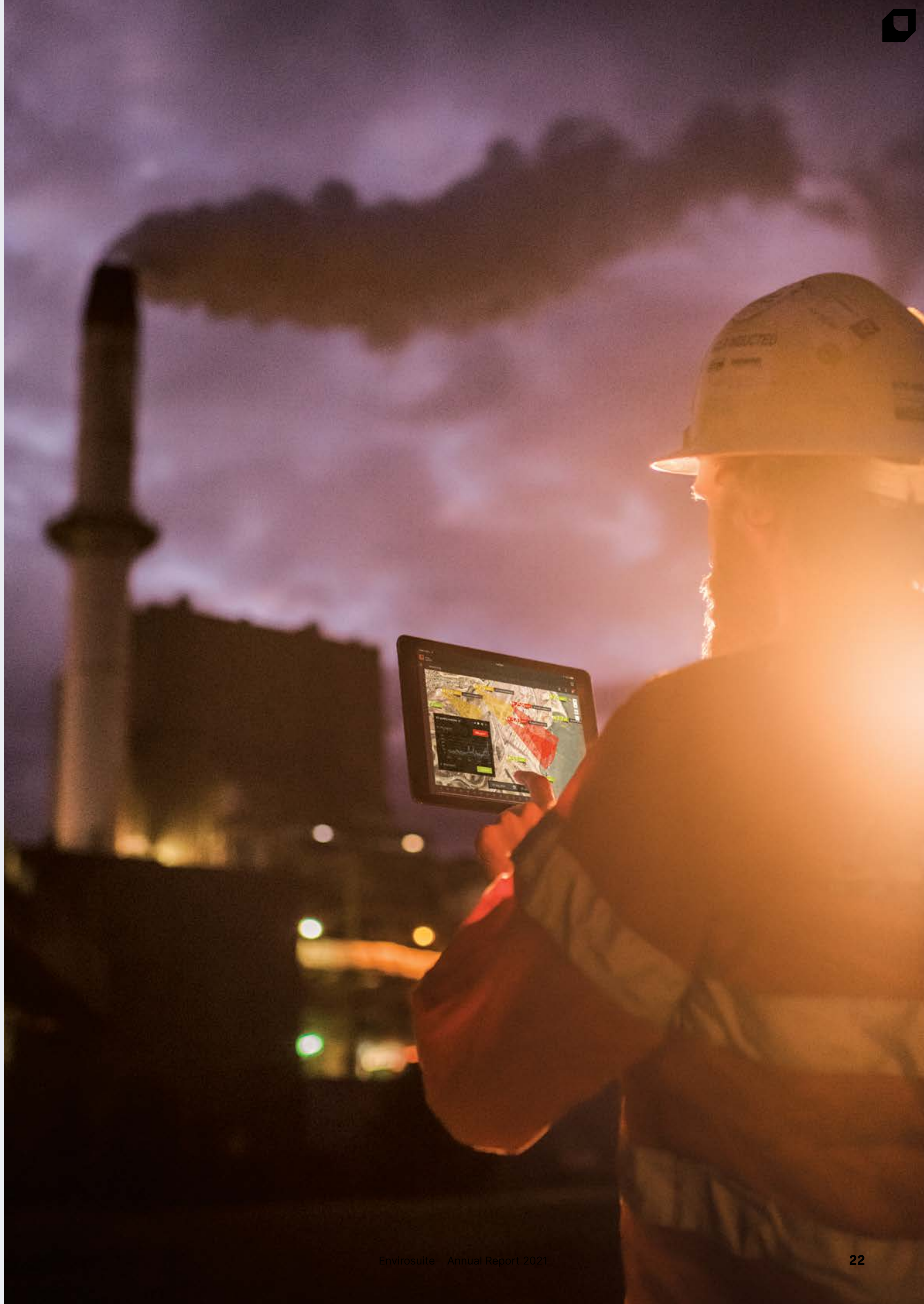
VALUE PROPOSITION

EVS Water is a cloud-based engineering solution which interprets complex process model information, providing predictive and real-time advice to design new infrastructure, avoid water quality incidents, reduce operating costs and achieve regulatory targets with pinpoint accuracy.

PROGRESS

- Acquired AqMB and created "EVS Water" portfolio
- Developed product foundations including security, automated deployment tools, monitoring platform, user account management
- Recruited additional scientific modelling expertise
- Developed functional SeweX solver system
- Modeled implementation processes and system scalability with initial customers
- Grew the repeatability of the combined scientific deterministic and Machine Learning led solvers

Key Stats	Launched November 2020 2.8b SAM (ARR) $0.1m ARR $21,800 ARPS
Customers & Innovation Partners	GHD WaterWorks Engineers Universidad Metropolitana Queensland University of Technology UNSW Sydney



Our aim is to make a positive contribution with everything that we do.

Creating a sustainable future is one of today's greatest challenges. As a leading environmental intelligence company, we want to positively contribute to society and industry, and be part of the solution.

We believe EI will have the greatest impact when everyone can benefit from it.

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 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, work collaboratively as a team, while focusing on innovation to deliver value to our customers. To drive unity and action, we refreshed our company values from accountability, innovation and customer centricity. 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 DIFFERENCE

We are the only environmental intelligence technology provider that solves complex environmental challenges across air, water, noise and vibration with our suite of software products and IoT.

OUR BUSINESS ADVANTAGES

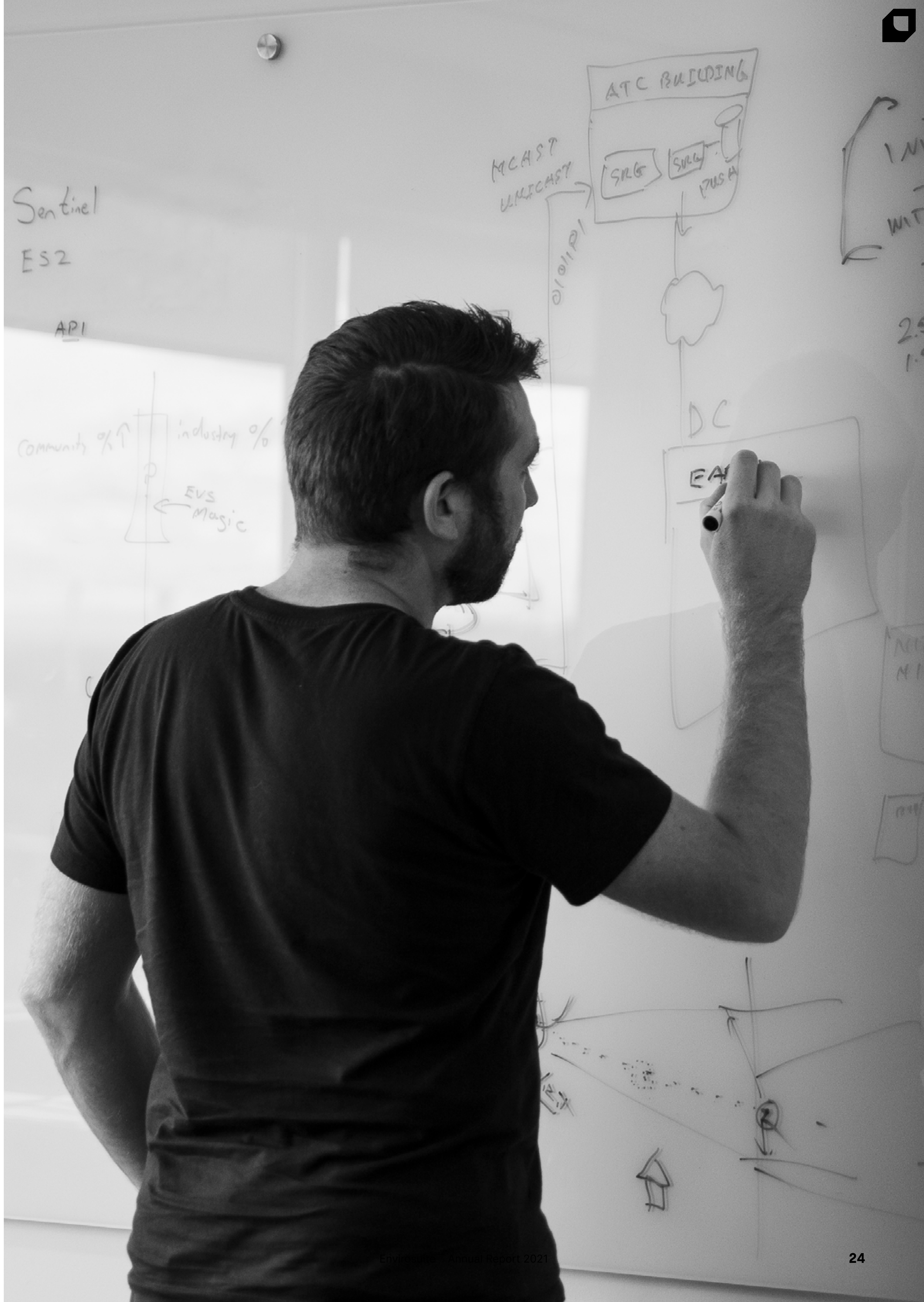
First mover – a global first mover in environmental intelligence software and IoT

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



OUR GROWTH DRIVERS

We recognise that there is a growing interdependence between society and the natural environment. We believe that building technology that supports ESG criteria and advances the SDG agenda serves the interest of all stakeholders, including our shareholders.

GLOBAL TRENDS SUPPORT OUR BUSINESS FOCUS

Global trends such as urbanisation, digitalisation and the growing environmental concerns benefit Envirosuite's choice of segments and support the focus on products and solutions for better sustainability.

Over the last decade, there has been an accelerated focus towards solving global environmental challenges.

Environmental risks are peaking

3 out of the top 5 global risks are led by extreme weather [1]

Coexistence is the new norm

By 2025, there will be 33 mega cities and 21 mega regions globally [2]

Global water infrastructure is critical

USD $1.9 Trillion required to address shortages by 2030 [3]

Air pollution kills ~7 million per year

9 out of 10 people breathe air that contains high levels of pollutants [4]

1 World Economic Forum, The Global Risks Report 2021
2 Frost & Sullivan 2020 report, Environmental Intelligence: Driving growth in a changing climate
3 World Economic Forum, The Global Risks Report 2019
4 World Health Organisation, Air Pollution
5 Deloitte, Value Beyond Compliance in Australia

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Envirosuite operates in market segments where there is potential to achieve favourable and leading positions due to the accelerating pressures for industries to align to ESG. As the intersection of society and industry grows, so does the importance of environmental adaptation.

ESG is becoming business imperative and placing greater expectation on organisations and leaders to reframe their role in society. This shift is creating urgency for industries to adopt technologies such as environmental intelligence – turning it from a nice to have to a must have.

ENVIRONMENTAL

This includes energy consumption, waste discharge, resources, carbon emissions, climate change and a company's affect on the environment and its surroundings.

SOCIAL

Addresses the relationships a company has and the reputation it fosters with people, institutions and the communities where it does business, plus employee relations, diversity and inclusion.

GOVERNANCE

The internal system of practices, controls, and procedures a company adopts in order to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

The SDGs are designed to be a "blueprint to achieve a better and more sustainable future for all". This is central to Envirosuite's purpose. We are focused on delivering practical solutions to improve the environment and for those doing business who want to minimise emissions and impact. SDGs are helping to set the global agenda and commitment to the environment, people and the planet. Envirosuite supports the following SDGs:

SOCIAL LICENCE TO OPERATE (SLO)

According to Deloitte[5], this is the number one concern for Mining operators for the second year in a row. Social licence to operate refers to the ongoing acceptance and approval of a facility by the neighbouring community and other stakeholders that can affect its operations and ultimately their profitability. SLO is focused on community acceptance being addressed alongside commercial considerations. SLO is not only impacting Mines but also Airports and other facilities that create an impact on the community it operates within.

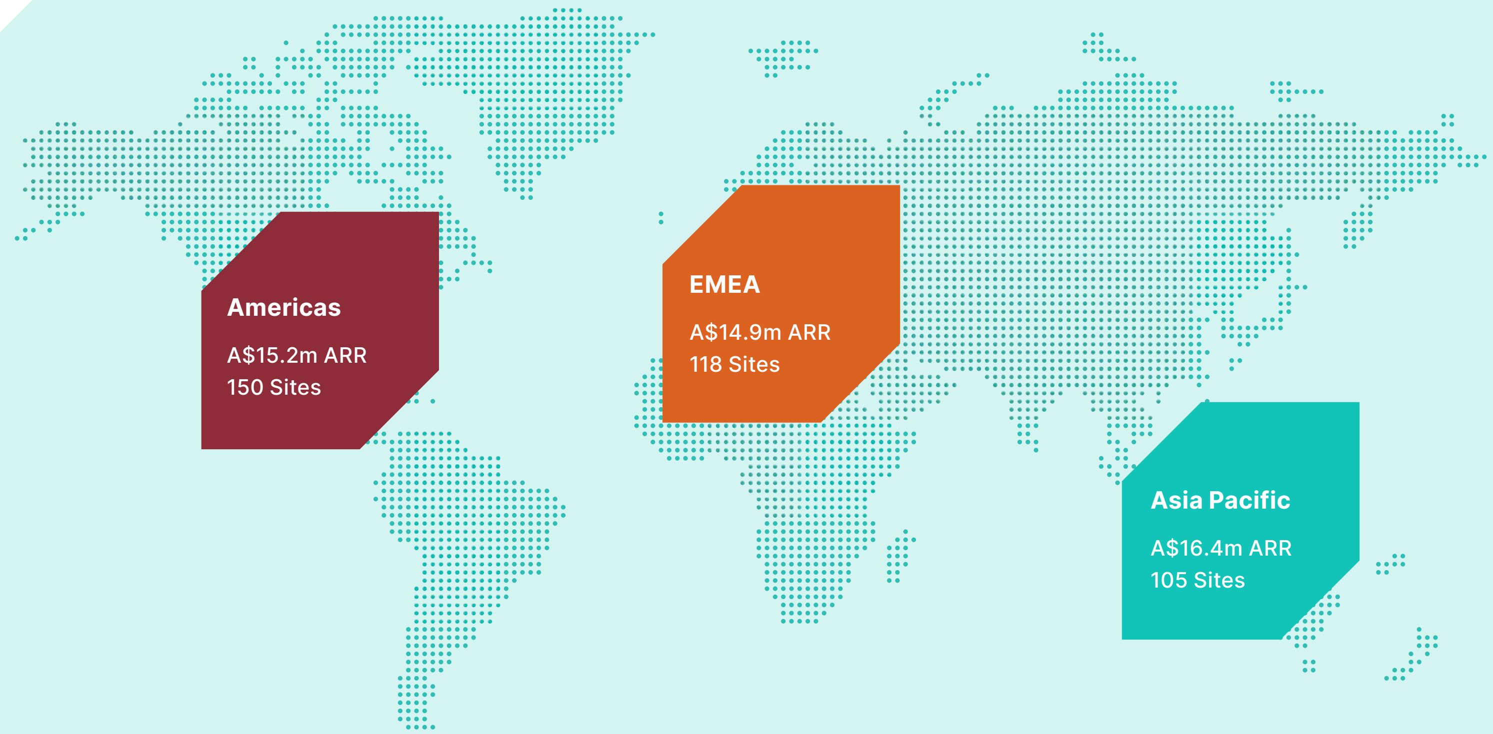
OUR OPERATIONS

In 2020, the global pandemic presented us with unprecedented challenges. It was a year of change, for the world and Envirosuite.

These changes presented us with the opportunity to redefine our strategy which was underpinned by two words - **focus and discipline**. Changes were made across the company to create sustainable growth, improve performance and build scalable practices for profitability.

OUR ORGANISATION

Focus and discipline were crucial factors behind our earnings resilience in FY21. Implementing a clear direction with a reorganisation at the executive level to support our strategic pillars of growth, product, customer and continuous improvement. Driving meaningful change is core to our leadership. Our team brings experience from global organisations and management practices, agility and scale from building billion-dollar tech companies and a desire to grow Envirosuite into the number one Environmental Intelligence company.



GEOGRAPHIC CONSOLIDATION

From Australia to the world. We combine global resources with local presence to provide greater value to our customers through a more consistent approach to sales and operations. In FY21, we refined our regional approach from five to three regions: Americas, APAC and EMEA.. This has resulted in reduced structural costs and increased efficiency. Continuous efforts to improve geographic balance, optimise the portfolio, improve structures and strive for excellence will help yield consistent and positive results.

LAND, EXPAND AND SCALE

To develop robust profitability, our sustainable long term growth strategy is to **Land**, **Expand** and **Scale**. Envirosuite is focused on developing long term customer relationships, growing from single site to multi-site, expanding our value with customers, and ultimately shifting to enterprise agreements.

This strategy will reduce our cost of acquisition and focus the team on creating and communicating long term value to our customers.

In addition to this customer-oriented business strategy, our long-standing commitment to putting the customer first has ensured that we have remarkably low churn rates and are well placed to capitalise on upsell and cross-sell opportunities across all sectors.

An example of this is our relationship with Teck Resources (Mining).

Q4, FY20 →
Won 1st site in Canada

FY21 →
2nd site added and currently proposing additional sites in Canada

FY22 →
Exploring global opportunities

Reimagining the brand and employee experience to see us through our next phase of growth.

OUR PEOPLE

Our global team is made up of talented and passionate people. Our team are driven by our collective purpose to bring environmental intelligence and Envirosuite to the world – to help people and the planet.

Our people are our greatest asset and have shown remarkable resilience, passion and determination over the past year. COVID-19 prompted us to reflect on our culture and the opportunity to adapt to the changing environment.

We have seen our people at their best - committed and purposeful.

Strength in our talent

We strive to retain our best talent through internal promotions and training opportunities, while attracting new talent and promoting diversity through initiatives such as our pilot internship program. We believe that a diverse pool of talents creates added value for our business.

Cultivating a strong culture

The past year taught us the value of a strong, renewed and engaged culture.

We focused on building an environment where everyone can feel safe, valued, included and where every person can offer their unique contribution - no matter where they are in the world.

In our first employee engagement survey, we gave every Environaut an opportunity to be heard and to help us build a better employee experience. As a result of the survey, we introduced a variety of activities and programs to improve engagement with our teams including fireside chats, social communication channels and virtual events.

Supporting our people through COVID-19

With the ongoing COVID-19 uncertainties and rolling lock downs across the globe, we initiated programs to engage our teams, to keep them connected and support their mental health and wellbeing during these challenging times. We will continue to focus on our Environauts wellbeing and listen to their needs to enhance the support we provide.

OUR BRAND

Over the years Envirosuite has evolved from serving Mining, Industrial, Waste and Wastewater, to the inclusion of Aviation and now Water.

With a strong focus on the future, our purpose and our customers, it was time for us to take the natural step forward with our brand to reflect the company that we've become and to set the foundations for the next chapter for Envirosuite.

Our new logo and brand were inspired by our customers. It reflects the intersection between industry and the boundaries in which they operate, and the forward movement of change. The fresh colour palette evokes the natural elements of the different environments.

Over time you will see more of the brand come to life with our new corporate website launching in late 2021. In the meantime, our brand story is best told on our micro site at www.envirosuite.com/brand

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) (referred to hereafter as the Company) and its controlled entities, for the financial year ended 30 June 2021.

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:

David Johnstone (Non-executive Chairman)

Peter White (Non-executive Director)

Hugh Robertson (Non-executive Director)

Adam Gallagher (Director and Company Secretary) – Resigned 31 July 2020

Zhigang Zhang (Non-executive Director) – Resigned 27 November 2020

Sue Klose (Non-executive Director) - Appointed 1 December 2020

Peter White was CEO and Executive Director of the Group through to 1 March 2021 and Managing Director from 12 October to 1 March 2021 at which time he retired as CEO and Managing Director and became a Non-executive Director. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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 year the principal activities of the Group consisted of the development and sale of environmental intelligence technology solutions. On 17 August 2020, the Group completed its acquisition of AqMB Pty Ltd, a water modelling R&D technology software company that assists in the design stage of wastewater treatment plants and allows the plant to optimise chemicals and electricity usage while maintaining compliance with strict local regulations around water quality and discharge.

In November 2020, EVS Water was launched, which combines the AqMB technology acquired with EVS's exclusive license over SeweX algorithms to monitor and prolong the operational life of water collection and distribution infrastructure. The offering aims to significantly improve the economics and environmental outcomes for water asset operators. In December 2020, EVS Water was selected to the final 2 grant nominees of 104 applicants in Singapore Public Utility Board's (PUB) Global Innovation Challenge, in the category 'Seamless Coagulation Control'. As a global leader in the space, Singapore PUB is focused on the constant pursuit of innovation to transform into a Smart Utility of the Future. The Directors strongly believe that EVS Water presents the Group with an additional path to material revenue growth through a pure Software as a Solution offering that provides a meaningful return on investment to its customers.

In May 2021, EVS announced that it was consolidating its products into three product suites, being EVS Aviation, EVS Omnis and EVS Water. EVS also announced that it was consolidating its regional management structure from 5 regions into 3 regions being Asia Pacific, Americas, and EMEA. China was consolidated into Asia Pacific while North and South America were merged to form the Americas region. As part of this restructure, management have reduced the level of investment and industry focus in China to ensure that the business focuses on customers and contracts that utilise Envirosuite solutions through its recurring revenue model.

In June 2021, EVS raised $14,025k of equity ($13,096k net of transaction costs) through an institutional placement and Accelerated Non-renounceable Entitlement Offer with the funds broadly to be used to accelerate growth in EVS Water and the North American market, as well as to fund transformation initiatives and strengthen the balance sheet.

Operating results and review of operations for the year

Operating Results

A$000	FY21	FY20	Movement $	Movement %
Recurring revenue	40,391	17,915	22,476	125%
Non-recurring revenue	8,154	5,418	2,736	50%
Other revenue	25	524	(499)	(95%)
Total revenue	**48,570**	**23,857**	**24,713**	**104%**
Cost of revenue	(27,980)	(16,463)	(11,517)	(70%)
Gross profit	**20,590**	**7,394**	**13,196**	**179%**
Operating expenses[1]	(31,955)	(25,616)	(6,339)	25%
Other income/(expense)	(377)	(155)	(222)	(143%)
Operating deficit	**(11,742)**	**(18,377)**	**6,635**	**36%**
Net Loss after tax	**(12,497)**	**(18,236)**	**5,739**	**32%**
Adjusted EBITDA	**(4,492)**	**(10,220)**[2]	**5,728**	**56%**
Other Key Metrics[3]				
# Sites	373	329	44	13.4%
ARR $	46,472	42,990	3,482	8.1%
Churn %	2.2%	2.1%	0.1%	3.6%
Recurring revenue %	83.2%	75.1%	8.1%	10.7%
Gross profit %	42.4%	31.0%	11.4%	36.8%

1 Includes transaction and integration costs connected with the EMS acquisition of $0.6m (FY20: $2.3m) and share-based payments of $0.9m (FY20: $3.2m)

2 Amount has been restated for revised definition of Adjusted EBITDA to include R&D capitalisation. See page 35 for further discussion and reconciliation to net loss after tax.

3 Key Metrics provided as at 30 June 2021 and 2020 other than Recurring revenue % and gross profit % which are for the year ending 30 June 2021 and 2020.

Key Highlights

- Total revenue of $48.6m for FY21 of which 83% was recurring, more than doubling the revenue reported in the prior year
- Gross margin continues to improve with gross margin of 42.4% compared with 31.0% in prior year
- Operating expenses increased 25% over prior year but represented 66% of revenue compared with 107% in prior year
- Adjusted EBITDA loss of $4.5m with the Group generating a positive Adjusted EBITDA in the 4th quarter,

The following pages provide further commentary around the result and includes Annual Recurring Revenue (ARR), and Revenue on a Constant Currency Basis. ARR is the recurring revenue of the Group based on existing contracts, including new sales orders where services may not yet be turned on. Revenue on a Constant Currency Basis is provided in this report to facilitate comparability of Envirosuite's revenue between reporting periods excluding the impacts of foreign currency fluctuations and to demonstrate the impact that fluctuations in exchange rates have had on the reported revenue of the Group. Revenue on a Constant Currency Basis has been calculated by translating the results for the year ended 30 June 2021 at the average effective exchange rates for the year ending 30 June 2020. Details on the calculation of Adjusted EBITDA are provided below. ARR and Revenue on a Constant Currency Basis, as well as Adjusted EBITDA, are non-GAAP measures that are key financial measures used by management to assess the performance of the underlying business.

Revenue

A$000	FY21	FY20	Movement $	Movement %
Recurring revenue	40,391	17,915	22,476	125%
Non-recurring revenue	8,154	5,418	2,736	50%
Other revenue	25	524	(499)	(95%)
Total Operating revenue	**48,570**	**23,857**	**24,713**	**104%**
Revenue on a Constant Currency Basis	51,033	23,857	27,176	114%

Revenue was materially higher in FY21 than the prior year, which was primarily attributable to FY21 being the first reporting period with a full 12 months of the EMS Bruel & Kjaer (EMS) business which was acquired in February 2020. While materially up as a result of the acquisition, revenue was negatively impacted by the appreciating AUD on Envirosuite's foreign currency income as well as discounts offered to some of its airport customers who were impacted by COVID-19 restrictions on air travel.

It is estimated that the appreciation of the AUD had a negative impact of $1.9m on the recurring revenue reported and $0.6m on non-recurring revenue. This is shown by presenting Revenue on a Constant Currency Basis, which is the revenue for the period ending 30 June 2021 translated using the average exchange rate for the financial year ending 30 June 2020.

Revenue by Region

A$000	FY21	FY20	Movement $	Movement %
Recurring revenue				
Asia Pacific	14,980	6,470	8,510	132%
Americas	12,565	5,904	6,661	113%
EMEA	12,846	5,541	7,305	132%
Total Recurring revenue	**40,391**	**17,915**	**22,476**	**126%**
Non-Recurring revenue				
Asia Pacific	2,593	3,725	(1,132)	(30%)
Americas	3,588	1,261	2,327	185%
EMEA	1,973	432	1,541	356%
Total Non-Recurring revenue	**8,154**	**5,418**	**2,736**	**51%**
Total Trading revenue				
Asia Pacific	17,573	10,195	7,378	72%
Americas	16,152	7,165	8,987	125%
EMEA	14,820	5,973	8,847	148%
Total Trading revenue	**48,545**	**23,333**	**25,212**	**108%**
Other revenue	25	524	(499)	(95%)
Total operating revenue	**48,570**	**23,857**	**24,713**	**104%**

Regional revenue was up across all three regions with the exception of non-recurring revenue in Asia Pacific which was down 30% on FY20 as the prior year result included $3.4m of large one-off projects in China that were not repeated in FY21. The projects in China were primarily sold at single digit margins and, therefore, the impact on the operating result was immaterial.

EVS Aviation

The EVS Aviation product suite includes the market-leading ANOMS environmental monitoring software that allows Envirosuite's Airport customers to monitor and manage compliance with noise regulations, engage with community members and provide deep insights into carbon emissions and tarmac management. ANOMS is the #1 noise monitoring software used in the Airport sector[4].

A$000	FY21	FY20	Movement $	Movement %
EVS Aviation				
Recurring revenue	29,050	10,723	18,327	171%
Non-Recurring revenue	3,017	759	2,258	298%
Total Trading revenue	**32,067**	**11,482**	**20,585**	**179%**
Other Key Metrics				
# Sites	163	160	3	1.9%
ARR $	31,770	31,202	568	1.8%
Churn %	1.4%	1.5%	0.2%	n/a
Recurring revenue %	90.5%	93.4%	(2.8%)	-3%

The Aviation business continued to be impacted by COVID restrictions on travel as well as the appreciating AUD. Despite these factors, the business was still able to grow with ARR increasing 1.8% over the prior year.

EVS Omnis

The EVS Omnis product family includes the market-leading Envirosuite environmental monitoring software that provides customers with real-time actionable insights around managing the environmental impacts on communities in relation to dust, odour, air quality, water quality as well as noise. The Omnis solution works across a wide range of industries with the Group currently focusing on the Waste & Wastewater and Mining industries while also supporting customers in the Construction industry as well as Ports and cities around the world.

A$000	FY21	FY20	Movement $	Movement %
EVS Omnis				
Recurring revenue	11,298	7,191	4,107	57.1%
Non-Recurring revenue	5,134	4,660	474	10.2%
Total Trading revenue	**16,432**	**11,851**	**4,581**	**38.7%**
Other Key Metrics				
# Sites	207	169	38	22.5%
ARR $	14,637	11,788	2,848	24.2%
Churn %	4.2%	3.8%	0.4%	n/a
Recurring revenue %	68.8%	60.7%	8.1%	13.3%

While the increase in revenue in the prior year is partially attributed to FY21 being the first reporting period with 12 months of the EMS business, EVS Omnis was able to grow ARR by 24.2% during FY21 and increase recurring revenue as a percentage of total revenue from 60.7% to 68.8%.

[4] Based on market share of airports with passenger volumes greater than 2m per year

EVS Water

The EVS Water product family includes the pure SaaS Plant Designer and Plant Optimiser products. Plant Designer is sold on a per user basis primarily to engineering services businesses that operate in the Water sector, while Plant Optimiser is sold on a per-site basis to water utilities or operators of water and wastewater treatment plants. Plant Designer has been estimated to reduce the time to design a water treatment facility by up to 70% while desktop studies have shown that Plant Optimiser can reduce operating costs (primarily electricity and chemical usage) by 20-30%.

A$000	FY21	FY20	Movement $	Movement %
EVS Water				
Recurring revenue	43	-	n/a	n/a
Non-Recurring revenue	3	-	n/a	n/a
Total Trading revenue	**46**	**-**	**n/a**	**n/a**
Other Key Metrics				
# Sites	3	-	3	n/a
ARR $	65	-	65	-
Churn %	0%	-	n/a	n/a
Recurring revenue %	93.4%	-	n/a	n/a

EVS Water was launched in November 2020 and has so far signed up 3 customers. As part of the recent capital raise completed in June 2021, the Group is looking to accelerate its sales focus on EVS Water.

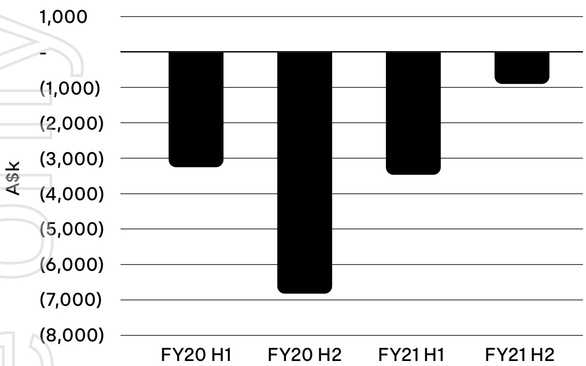
Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA 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, and transaction and integration costs connected with acquisitions which are seen as non-recurring. Adjusted EBITDA excludes the impacts of adopting AASB 16 as the application of the standard results in operating expenses being excluded from EBITDA. In the FY20 Annual Report, Adjusted EBITDA also added back capitalised internally developed software costs. This adjustment has been removed in the current reporting period to align Envirosuite's reporting of EBITDA and Adjusted EBITDA to industry standard. Prior year comparatives have been restated to align with the current year presentation. EBITDA and Adjusted EBITDA are non-GAAP measures that are key financial measures used by management to assess the performance of the underlying business.

A$000	FY21	FY20	Movement $
Net loss after tax	**(12,497)**	**(18,236)**	**5,739**
Add back: Tax expense / (benefit)	468	(230)	698
Add back: Net finance expense / (income)	287	89	198
Add back: Depreciation and amortisation	6,996	3,241	3,755
EBITDA	**(4,746)**	**(15,136)**	**10,390**
Less: AASB 16 Depreciation & interest	(1,578)	(656)	(922)
Add back: Share-based payments	946	3,154	(2,208)
Add back: Foreign currency losses/(gains)	293	155	138
Add back: Transaction and integration costs	593	2,263	(1,670)
Adjusted EBITDA	**(4,492)**	**(10,220)**	**5,728**

Adjusted EBITDA materially improved in FY21 partially as a result of revenue growth, gross margin improvement, and the impacts of cost reductions that were implemented during the year.

Adjusted EBITDA



The Group continued to reduce the Adjusted EBITDA loss in the 2nd half of FY21 to a loss of less than $1m and was able to deliver a positive Adjusted EBITDA result in the 4th quarter.

Envirosuite raised capital in June 2021 in order to accelerate its product development, growth in EVS Water and in the North American market, as well as fund transformation projects. Off the back of this capital raise, the Group expects to invest into product development as well as sales and marketing to assist with this accelerated growth of product and revenue during FY22.

Financial Position

The net tangible assets of the consolidated Group increased from $15.8m at 30 June 2020 to $17.5m as at 30 June 2021.

A$000	FY21	FY20	Movement $
Cash and cash equivalents	17,640	24,385	(6,745)
Current assets	33,665	39,412	(5,747)
Current liabilities	(16,082)	(23,791)	7,709
Net current assets	**17,583**	**15,621**	**1,962**
Total tangible assets	40,034	46,881	(6,847)
Net tangible assets	17,491	15,796	1,695
Net cash from / (used in) operating activities	(8,510)	(10,699)	2,189

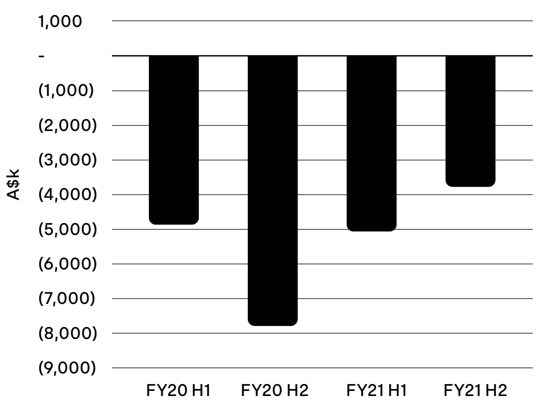
In June 2021, the Company raised $14m of additional equity ($13m net of transaction costs). However, overall cash and cash equivalents decreased by $6.7m as a result of the following:

- $8.5m of cash used in operating activities (FY20: $10.7m), which included $3.5m of cash payments made to redundant staff as part of the integration of the EMS business;
- $3.1m (FY20: $2.4m) cash used in acquisition of intangible assets which includes $2.4m (FY20: $1.9m) of capitalised product development costs;
- $0.7m cash used in acquisition of property, plant and equipment;
- $1.5m on repayment of lease liabilities; and
- $5.6m cash used in acquisition of businesses (including the final $4.3m paid for EMS Bruel & Kjaer Holdings and $1.2m paid for AqMB)

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), and excluding integration cash flows connected with the acquisition of EMS Bruel & Kjaer ("Adjusted Operating Cash Flow") was an outflow $8,946k (FY20: $12,538k). The Directors note that the Adjusted Operating Cash Flow for 2H FY21 was an outflow of $3,882k compared with an outflow of $5,064k in H1 FY21 and $7,697k in H2 FY20, showing the improving operating position of the Group.

Noting the additional cash raised during the financial period, the lack of debt on the balance sheet other than lease liabilities, combined with the continuing improvement of the Adjusted EBITDA and Adjusted Operating Cash Flow, 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.

Adjusted Operating Cash Flow



Significant changes in the state of affairs

On 17 August 2020, the group completed the acquisition of AqMB Pty Ltd, a water modelling R&D technology software company. The acquisition is 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.

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

No other matters or circumstances other than those disclosed in this report have arisen since the end of the financial year that significantly affected, or could significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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. Additional comments on expected results of certain operations of the Group are included in this annual report under the Chairman's Letter and CEO's 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, Chairman (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 has experience gained nationally and internationally in tech start-ups, selling, licensing, merging and acquiring businesses, having also arranged funding for management buy outs along with the successful placement/ listing of companies on the London Stock Exchange and the Australian Stock Exchange. David is a keen investor, chairman and advisor to various technology companies in the communications, finance, insurance, risk management and sporting sectors, which are investing and advancing technology to the forefront of their respective industries. David joined the Board as a non-executive Director in February 2014 and was appointed Chairman in September 2016.

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

Peter White, Director (Appointed 10 July 2017)

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. During his time at Envirosuite, Mr White 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 32 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 30 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.

His more recent directorships include AMA Group Limited (ASX:AMA), Centrepoint Alliance Limited (ASX:CAF),TasFoods Limited (ASX:TFL), Hub24 Limited (ASX:HUB) and is currently on the board of Maggie Beer Holdings Ltd (ASX: MBH).

Committee Member of the Audit and Risk Management Committee (effective 1 August 2020 through 1 December 2020)

Zhigang Zhang, Director (Appointed 6 December 2019 / Resigned 27 November 2020)

Mr Zhang has worked in the water remediation and the environmental protection industry in China and overseas for over 30 years. Since 2014, Mr Zhang has held the role of General Manager of Beijing BHZQ Environmental Engineering Technologies Co., Ltd. Prior to his current role, he held Senior Management positions at a number of environmental protection companies including: Standard Waters Co. Ltd where he was an Executive Director and the CEO; China Water Holdings Limited (Singapore) where he held the position of Chairman and General Manager; Beijing Herocan Environmental Engineering Technology Co., Ltd where he was the Chairman and General Manager; and Beijing Bi-Leaf Environmental Engineering Co., Ltd where he was the Chief Engineer and General Manager.

Adam Gallagher, Director and Company Secretary (Appointed 18 October 2012 / Resigned 31 July 2020)

Adam has strong technology sector knowledge and experience across corporate transactions, sales management, finance and capital market operations through nearly 20 years of commercial, IT and investment experience. Adam is a strategist who is known for his corporate problem solving acumen, to both resolve impediments to, and optimise opportunities for, true shareholder value creation. His particular passion for technology arises from a career interest in the convergence of applied creative, commercial and scientific efforts that bring about positive change. Adam has worked in corporate banking, private equity, early stage technologies, stock exchanges, digital media, communications and listed companies. For the last ten years he has predominantly worked with expansion stage technology businesses both listed and unlisted as an officeholder, advisor and investor. In addition to his roles with Envirosuite Limited, Adam was also an Executive Director of Constellation Technologies Limited (ASX:CT1).

Adam holds a Bachelor of Economics, Masters in Commerce, Graduate Diploma in Information Systems and a Graduate Diploma in Applied Corporate Governance.

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

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. She is currently a non-executive director of Nearmap (ASX: NEA), a provider of aerial imagery and location intelligence; Pureprofile (ASX: PPL), a digital consumer data and research firm; Stride, one of Australia's largest mental health care providers; and Honan Insurance Group, an insurance, risk and financial solutions provider.

Previously the Head of Digital and Chief Marketing Officer (CMO) of GraysOnline, Ms Klose was responsible for digital product strategy, brandy strategy and marketing operations. In prior roles in digital and media companies including 12WBT and News Ltd, Ms Klose led strategic planning and development. As Director of Digital Corporate Development for News Ltd, Ms Klose screened hundreds of potential investments, leading multiple acquisitions, establishing the CareerOne and Carsguide joint ventures, and held multiple board roles in high-growth digital and SaaS businesses.

Ms Klose 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)

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.

Executive Directors	Ordinary Shares	Options
David Johnstone	7,033,106	5,000,000
Peter White	9,237,681	5,000,000
Hugh Robertson	19,269,933	5,000,000
Sue Klose	500,000	2,000,000

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 2021, 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 (*)	
2021 Meetings	A	B	A	B	A	B
David Johnstone	12	12	4	4	3	3
Peter White	12	12	-	-	-	-
Hugh Robertson	11	12	1	2	-	-
Zhigang Zhang	3	5	-	-	-	-
Sue Klose	7	7	2	2	-	-
Adam Gallagher	2	2	2	2	3	3

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 provides for 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.

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
23-Oct-18	11-May-22	0.10	2,000,000
25-Oct-18	30-Oct-22	0.16	750,000
25-Nov-19	5-Dec-21	0.40	22,500,000
25-Nov-19	31-Mar-22	0.15	26,250,000
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	29-Apr-25	0.20	10,000,000
Total			**159,500,000**

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 333,333 of shares lapsed without being exercised. An additional 500,000 options were issued and 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 2021 (2020: $112,724). Amounts paid or payable to PKF and its related practices for non-audit and other assurance work totaled $4,504 (2020: $198,207).

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 issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 49.

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 2021 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.

Executives	Position	Term
Peter White	Chief Executive Officer and Managing Director	Retired 28 Feb 2021
Jason Cooper	Chief Executive Officer	Effective 1 Mar 2021
Jason Cooper	Chief Operating Officer	1 Jul 2020 - 28 Feb 2021
Matthew Patterson	Chief Financial Officer	Full Year
Adam Gallagher	Company Secretary and Director	Resigned 31 July 2020
Non-Executive Directors		
David Johnstone	Independent Chair	Full Year
Peter White	Non-Executive Director	Effective 1 March 2021
Hugh Robertson	Non-Executive Director	Full Year
Zhigang Zhang	Non-Executive Director	Resigned 27 Nov 2020
Sue Klose	Non-Executive Director	Effective 1 Dec 2020

Mr White was Chief Executive Officer and Director of Envirosuite and was appointed as the Managing Director from October 2020. On 28 February 2021, Mr White retired as Chief Executive Officer and Managing Director but remained on the Board of Directors, becoming a Non-Executive Director from 1 March 2021. Remuneration disclosures in this report for Mr White are split between his role as an Executive Director and his role as a Non-Executive Director.

Mr Gallagher resigned from the Board on 31 July 2020 at which point he ceased to be a KMP. He stepped down as Company Secretary on 31 August 2020 and the Company agreed to retain his services for a monthly fee of $15,000 plus GST from 1 August to 31 December 2020. From 1 August to 31 December 2020, Mr Gallagher continued to serve on the Audit and Risk Management Committee and on the Remuneration and Nomination Committee as a non-Board member.

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 conforms to market practice for delivery of reward.

The Board seeks to ensure that executive reward satisfies the following key criteria for good 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 9.5% of base salary for the financial year ended 30 June 2021, 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 30% of their base pay, where payment is dependent upon satisfaction of certain performance conditions • The performance conditions are based on a combination of new ARR contracts awarded (1/3), Adjusted EBITDA (1/3) and personal targets (1/3).
Long-term incentives (LTI)	• Executive KMP are awarded LTIs upon entering into an employment contract with the Company where vesting conditions are split between remaining employed by the Company and share price performance. Details of these awards to Executive KMP are discussed further below. • Executive KMP may also be entitled to an LTI of 10% of their base pay after a period of 2 years from their commencement date.

Remuneration and other terms of employment for executive key management personnel are formalised in service or employee agreements. The agreements provide for the provision of performance related cash bonuses, when eligible. All service agreements are reviewed annually by the directors.

Overview of FY21 Remuneration

	Fixed Remuneration	STI Entitlement	LTI Entitlement
Peter White	$300,000	30%	4,000,000 Performance Rights
Jason Cooper	$300,000	30%	4,000,000 Performance Rights
Matthew Patterson	$280,000	30%	2,000,000 Performance Rights
Adam Gallagher	$90,000	n/a	n/a

Mr Gallagher resigned from the Board effective 31 July 2020 at which point he ceased to be a KMP. The fixed remuneration provided above represents the annual fee he was entitled to under his contract with the Company as company secretary.

Mr White received the following Performance Rights as an LTI covering the period 1 July 2020 and expiring 30 June 2023:

- 1,000,000 fully paid ordinary shares, in the event that the Company's share price as listed on the Australian Securities Exchange (ASX) reaches $0.50 per share and remains at or above $0.50 per share for a continuous period of 30 days thereafter;
- 1,000,000 fully paid ordinary shares if the Company's 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;
- 1,000,000 fully paid ordinary shares if the Company's 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;
- 500,000 fully paid ordinary shares upon the Executive remaining in the Company's employment as at 30 June 2021, and a further 500,000 fully paid ordinary shares upon the Executive remaining in the Company's employment as at 30 June 2022.

A termination payment of six months applies in the event of change in control and a notice period of three months applies on termination. As part of his retirement from the CEO position, Mr White forfeited his right to the LTI noted above and instead received an entitlement to a cash payment of $100,000. On 1 July 2021, Envirosuite Operations Pty Ltd and Equilateral Consulting Pty Limited, a company controlled by Mr Peter White, entered into a consulting agreement whereby Envirosuite agrees to pay Equilateral Consulting Pty Limited a consulting fee of $21,666 per month for a period of 6 months. The contract can be terminated by either party providing 1 months notice.

Matthew Patterson was appointed the Chief Financial Officer (CFO) on 2 June 2020 and Jason Cooper was appointed the Chief Operating Officer (COO) on 1 July 2020. The CFO and COO were each issued 2,000,000 Performance Rights that vest and convert to fully paid ordinary shares as follows:

- 1,000,000 fully paid ordinary shares of which 50% vest on the first anniversary of their employment with the Company and 50% vest on the second anniversary;
- 500,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the Australian Securities Exchange (ASX) reaches $0.25 per share and remains at or above $0.25 per share for a continuous period of 30 days thereafter; and
- 500,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the Australian Securities Exchange (ASX) reaches $0.40 per share and remains at or above $0.40 per share for a continuous period of 30 days thereafter.

On 1 March 2021, Mr Cooper and the Company entered into a new agreement as part of his appointment as Chief Executive Officer of the Group under which Mr Cooper is entitled to the following additional Performance Rights as an LTI covering the period 1 March 2021 and expiring 28 February 2024:

- 1,000,000 fully paid ordinary shares if the Company's 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;
- 1,000,000 fully paid ordinary shares if the Company's 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;

A termination payment of six months applies in the event of change in control and a notice period of three months applies on termination.

(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. Non-executive directors' fees and payments are reviewed annually by the Board.

Non-executive director's fees are determined within an aggregate directors' fee pool limit. The current pool limit is $400,000 per annum which is unchanged from the prior year. The following fees apply:

Fees per Annum	FY21	FY20
Chair	$90,000	$90,000
Other Directors	$60,000	$60,000
Committee Chair	$10,000	$10,000
Committee Member	nil	nil

No fees as described above are paid to Directors who hold an employment 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 the 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 acquire one ordinary share in Envirosuite Limited subject to the relevant vesting rights being met. Options and Performance Rights carry no voting rights or entitlements to receive dividends.

Mr Johnstone, Mr White and Mr Robertson each hold options in the Company that were issued in prior financial years following shareholder approval.

During the 2021 financial year:

- 2,000,000 options were issued on 1 December 2020 to Ms Sue Klose with an exercise price of $0.40 per share
- 2,000,000 performance rights were issued on 1 July 2020 to Mr Jason Cooper with an additional 2,000,000 performance rights granted on 1 March 2021 and subject to shareholder approval.

The options 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.

All options granted, once converted to ordinary shares, carry 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 KMP of the Company and the Group are set out below. When exercisable, each option is convertible into one ordinary share in Envirosuite Limited. Further information on the options is set out in Note 16 to the financial statements.

Options	Finan-cial Year	Balance at Start of Year	Granted	Exercised	Forfeited / Other	Balance at End of Year	Vested and Exercisable	Unvested
Executive Director								
P. White (retired 28 Feb 2021)	2021	5,000,000	-	-	(5,000,000)**	-	-	-
	2020	2,000,000	5,000,000	(2,000,000)	-	5,000,000	5,000,000	-
A. Gallagher (resigned 31 July 2020)	2021	7,500,000	-	-	(7,500,000)*	-	-	-
	2020	4,000,000	7,500,000	(4,000,000)	-	7,500,000	7,500,000	-
C. Lander (departed 29 May 2020)	2021	-	-	-	-	--	-	-
	2020	2,000,000	-	-	(2,000,000)*	-	-	-
Non-Executive Director								
D. Johnstone	2021	5,000,000	-	-	-	5,000,000	5,000,000	-
	2020	4,000,000	5,000,000	(4,000,000)	-	5,000,000	5,000,000	-
P. White (From 1 March 2021)	2021	-	-	-	5,000,000**	5,000,000	5,000,000	-
	2020	-	-	-	-	-	-	-
H. Robertson (appointed 1 Nov 2018)	2021	5,000,000	-	-	-	5,000,000	5,000,000	-
	2020	-	5,000,000	-	-	5,000,000	5,000,000	-
Z. Zhang (appointed 6 Dec 2019), resigned 28 Nov 2020	2021	12,500,000	-	-	(12,500,000)*	-	-	-
	2020	-	12,500,000	-	-	12,500,000	-	12,500,000
S.Klose (appointed 1 Dec 2020)	2021	-	2,000,000	-	-	2,000,000	2,000,000	-
	2020	-	-	-	-	-	-	-

* - 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 February 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	Finan-cial Year	Balance at Start of Year	Granted	Vested	Forfeited / Other	Balance at End of Year	Vested and Exercisable	Unvested
Executives								
J. Cooper (appointed 1 Jul 2020)	2021	-	4,000,000	-	-	4,000,000	–	4,000,000
	2020	-	-	-	-	-	-	-
M. Patterson (appointed 2 Jun 2020)	2021	2,000,000	-	-	-	2,000,000	500,000	1,500,000
	2020	-	2,000,000	-	-	2,000,000		2,000,000
C. Lander (departed 29 May 2020)	2021	-	-	-	-	-		
	2020	2,049,180	-	(2,049,180)	-	-		

(ii) Shares

No shares were granted to key management personnel during the year.

D. Details of remuneration

The table below sets out Executive and Non-Executive KMP remuneration for the financial year ending 30 June 2021 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.

		Short Term			Long Term	Share-Based Payments		
Remuneration ($)	Financial Year	Salary and fees	STI	Other Short Term Benefits	Superannuation	Performance rights	Options	Total
Executive Director								
P. White[1]	2021	200,000	25,830	121,161	21,694	-	-	**368,685**
	2020	279,003	73,446	-	21,003	-	371,210	**744,662**
A. Gallagher[2]	2021	12,500	-	-	-	-	-	**12,500**
	2020	160,000	-	-	-	-	556,815	**716,815**
J. Cooper[3]	2021	286,667	42,291	-	21,694	106,707	-	**457,359**
	2020	-	-	-	-	-	-	-
M.Patterson[4]	2021	280,000	41,307	-	21,694	97,240	-	**440,242**
	2020	22,256	-	-	2,114	9,001	-	**33,372**
C.Lander[5]	2021	-	-	-	-	-	-	-
	2020	275,133	24,762	41,538	20,977	47,445	5,794	**415,648**
Non-Executive Director								
D. Johnstone	2021	109,167	-	-	-	-	-	**109,167**
	2020	100,000	-	-	-	-	371,210	**471,210**
P.White[1]	2021	20,000	-	-	-	-	-	**20,000**
	2020	-	-	-	-	-	-	-
H.Robertson	2021	60,000	-	-	-	-	-	**60,000**
	2020	60,000	-	-	-	-	371,210	**431,210**
Z.Zhang[6]	2021	25,000	-	-	-	-	(526,881)	**(501,881)**
	2020	35,000	-	-	-	-	526,881	**561,881**
S.Klose[7]	2021	41,500	-	-	-	-	123,000	**164,500**
	2020	-	-	-	-	-	-	-

1 Mr White was CEO for all of FY2020 and was CEO and Managing Director from 2 August 2020 to 28 February 2021 when we retired from CEO and Managing Director and became a Non-Executive Director. Payments that were paid or payable to Mr White as part of his retirement are disclosed in 'Other'. Mr White was entitled to Performance Rights during FY21 but forfeited those rights upon his retirement. Amounts paid or payable to Mr White in his role as Non-Executive Director are presented separate to those in his role as an Executive.

2 Mr Gallagher ceased to be a KMP on the 31st July 2020 when he resigned from the Board of Directors. His remuneration includes fees charged for his role as Company Secretary as well as Director fees up to this date.

3 Mr Cooper was appointed COO on 1st July 2020 at which point he became a KMP. Mr Cooper was appointed the CEO effective 1st March 2021.

4 Mr Patterson was appointed CFO on 2 June 2020

5 Mr Lander was CFO until his departure date of 29th May 2020

6 Mr Zhang was appointed as a Non-executive Director on 6th December 2019 and resigned on 28th November 2020. The options issued to Mr 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 December 2021. The probability of this occurring was assessed to 0% as at 30 June 2021 which resulted in the reversal of the option expense recognised in the prior year.

7 Ms Klose was appointed as a Non-executive Director on 1st December 2020.

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 KMP of the Group, including their personally related parties, are set out below. Where an individual is no longer deemed KMP the Group during the year, their shareholdings are removed through the 'other changes during the year' column.

Options	Financial Year	Balance at Start of Year	Granted as compensation	Exercise of options granted as compensation	Other changes during the year	Balance at end of the year
Executive Director						
P. White (retired 28 Feb 2021)	2021	9,237,681	-	-	(9,237,681)**	-
	2020	7,091,340	-	2,000,000	2,146,341	9,237,681
A. Gallagher (resigned 31 Jul 2020)	2021	4,639,526	-	-	(4,639,526)*	-
	2020	602,941	-	4,000,000	36,585	4,639,526
M. Patterson (appointed 2 Jun 2020)	2021	-	-	-	847,253	847,253
	2020	-	-	-	-	-
C. Lander (departed 29 May 2020)	2021	-	-	-	-	-
	2020	650,000	2,049,180	-	(2,699,180)*	-
Non-Executive Director						
D. Johnstone	2021	6,815,459	-	-	217,647	7,033,106
	2020	3,339,118	-	(4,000,000)	(523,659)	6,815,459
P. White (from 1 Mar 2021)	2021	-	-	-	9,237,681**	9,237,681
	2020	-	-	-	-	-
H. Robertson	2021	18,935,279	-	-	1,485,939	20,421,209
	2020	9,157,620	-	-	9,777,659	18,935,279
Z. Zhang (appointed 6 Dec 2019, resgined 28 Nov 2020)	2021	25,292,682	-	-	(25,292,682)*	-
	2020	-	-	-	25,292,682	-
S.Klose (appointed 1 Dec 2020)	2021	-	-	-	500,000	500,000
	2020	-	-	-	-	-

* - departed Envirosuite during the year, shares not included as part of balance at end of year.

** - Mr White retired as CEO and Managing Director on 28th February 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.

F. Loans to key management personnel

There were no loans to key management personnel during the reporting period

G. Other transactions with key management personnel

Mr David Johnstone is a Director and Chairman of the Company. His fees were paid to DOAK Pty Ltd, a related party.

Mr Adam Gallagher was a Director and the Company Secretary of the Company. His fees were paid to Famile Pty Ltd, a related party. Mr Gallagher resigned as a Director on 31 July 2020 and resigned as Company Secretary effective from 31 August 2020. The Company entered into a consulting arrangement with Famile Pty Ltd to 31 December 2020.

There were no transactions with key management personnel of Envirosuite Limited, other than those disclosed above, during this reporting period.

END OF REMUNERATION REPORT

This Director's report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

David Johnstone
Chairman

17 August 2021

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 2021, 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
17 AUGUST 2021

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021		Consolidated Group	
	Notes	2021 $'000	2020 $'000
Trading revenue		48.545	23,333
Other revenue		25	524
Total operating revenue	**4**	**48,570**	**23,857**
Cost of revenue	5	(27,980)	(16,463)
Gross profit		**20,590**	**7,394**
Operating expenses			
Sales and marketing		(12,143)	(8,078)
Product development		(5,679)	(3,235)
General and administrative		(14,133)	(14,303)
Total operating expenses	**5**	**(31,955)**	**(25,616)**
Other income and expense		(377)	(155)
Operating deficit		**(11,742)**	**(18,377)**
Net finance income / (expense)		(287)	(89)
Net loss before tax		**(12,029)**	**(18,466)**
Income tax (expense) / benefit		(468)	230
Net loss after tax		**(12,497)**	**(18,236)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(278)	(464)
Other comprehensive income for the year, net of tax		**(278)**	**(464)**
Total comprehensive income/(loss) for the year		**(12,775)**	**(18,700)**
Net (loss)/profit attributed to:			
Equity holders of Envirosuite Limited		**(12,497)**	**(18,236)**
Total comprehensive (loss)/income attributable to:			
Equity holders of Envirosuite Limited		**(12,775)**	**(18,700)**
		Cents	**Cents**
Basic earnings / (loss) per share	23	**(1.22)**	**(2.94)**
Diluted earnings / (loss) per share	23	**(1.22)**	**(2.94)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021	Notes	Consolidated Group 2021 $'000	2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	17,640	24,385
Trade and other receivables	8	11,555	10,730
Other assets	10	1,996	1,195
Inventories	9	2,474	3,102
Total current assets		**33,665**	**39,412**
Non-current Assets			
Property, plant and equipment	11	3,047	3,304
Right of use assets	12	3,253	3,743
Deferred tax assets	6	878	1,250
Intangible assets	13	108,931	108,939
Other assets	10	69	422
Total non-current assets		**116,178**	**117,658**
TOTAL ASSETS		**149,843**	**157,070**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	7,973	13,010
Revenue in advance		2,686	3,230
Employee benefit provisions	15	3,894	6,203
Lease liabilities and other borrowings	12	1,530	1,348
Total current liabilities		16,083	23,791
Non-current Liabilities			
Employee benefit provisions	15	141	230
Lease liabilities and other borrowings	12	2,472	3,059
Deferred tax liabilities	6	3,847	4,005
Total non-current liabilities		**6,460**	**7,294**
TOTAL LIABILITIES		**22,543**	**31,085**
NET ASSETS		**127,300**	**125,985**
EQUITY			
Issued capital	16	169,520	155,908
Reserves	17	11,928	11,740
Retained losses	17	(54,148)	(41,663)
TOTAL EQUITY		**127,300**	**125,985**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2019	**36,060**	**132**	**(23,863)**	**12,329**
Comprehensive income				
Loss for the year	-	-	(18,236)	(18,236)
Other comprehensive income for the year	-	(464)	-	(464)
Total comprehensive loss for the year	**-**	**(464)**	**(18,236)**	**(18,700)**
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	121,617	-	-	121,617
Transaction costs of capital raising (inc. tax effect)	(2,992)	-	-	(2,992)
Shares issued / to be issued to employees	1,223	(427)	420	1,216
Employee share options - value of employee services	-	3,202	-	3,202
Share options issued – EMS acquisition	-	9,313	-	9,313
Shares options expired	-	(16)	16	-
Total transactions with owners and other transfers	**119,848**	**12,072**	**436**	**132,356**
At 30 June 2020	**155,908**	**11,740**	**(41,663)**	**125,985**
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 expired	-	(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**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated Group June 2021 $'000	Consolidated Group June 2020 $'000
Cash flows from operating activities			
Receipts from customers		48,482	29,043
Payments to suppliers and employees		(56,674)	(40,076)
		(8,192)	(11,033)
Other revenue		180	504
Taxes paid		(482)	(197)
Interest received		1	110
Interest paid		(17)	(83)
Net cash (used in) operating activities	21	**(8,510)**	**(10,699)**
Cash flows from investing activities			
Payments for property, plant and equipment		(741)	(176)
Payments for acquisition of business		(5,599)	(65,394)
Payments for intangible assets		(3,116)	(2,398)
Net cash (used in) / provided by investing activities		**(9,456)**	**(67,968)**
Cash flows from financing activities			
Repayment of borrowings		(58)	(3)
Proceeds from issue of shares		14,025	98,001
Share issue transaction costs		(929)	(2,149)
Repayment of lease liabilities		(1,521)	(560)
Net cash provided by financing activities		**11,517**	**95,289**
Net (decrease) / increase in cash and cash equivalents		(6,449)	16,622
Effects of exchange rate changes on cash and cash equivalents		(296)	199
Cash and cash equivalents at the beginning of the financial year		24,385	7,564
Cash and cash equivalents at the end of the period		**17,640**	**24,385**

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

These consolidated financial statements and notes represent those of Envirosuite Limited 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 17 August 2021 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 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(g). 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 of these assumptions.
- *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. Sufficient management 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 (continued)

- *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 either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavorably 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.

(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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, which also describes the change in segments during the year.

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.

(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 or 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 of 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (continued)

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 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.

(ii) 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 provision for employee benefits. All other short-term employee benefit obligations are presented as 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 provision for employee benefits 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.

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, 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 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits (continued)

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 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

- 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.

Measurement of ECLs

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Property, plant and equipment (continued)

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 (3 - 5 years)
- Monitors and sensors — 5 years
- Right-of-use assets — lower of economic or lease life

(n) 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(q)) less any lease incentives received, and including direct costs and restoration-related costs. Right of use assets include leased buildings and data centers and are depreciated over the life of the lease which is 5 – 7 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.

(o) 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

Research and development

The Company develops software which it uses for sale to its customers through monthly license revenue. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) 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.

(r) 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.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options 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.

(t) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

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. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

(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 2021 was $13,641k (2020: $12,813k) 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, which includes the historical period during which the EMS businesses operated prior to the acquisition in February 2020.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. As at 30 June 2021, the Group had cash and cash equivalents of $17,640k (2020: $24,385k).

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 $8,946k (FY20: $12,538k). However, the Adjusted Operating Cash Flow for 2H FY21 was an outflow of $3,882k compared with an outflow of $5,064k in H1 FY21.

In June 2021, the raised additional equity of $14,025k ($13,096k net of transaction costs). Noting the additional cash raised during the financial period, the lack of debt on the balance sheet (other than lease liabilities recognised under AASB 16), combined with the continuing improvement of the Adjusted Operating Cash Flow, 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

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 69% of the Group's revenue for the period ended 30 June 2021 was earned in foreign currency (2020: 67%). 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").

	2021			**2020**		
$'000	**Expoure (in AUDe)**	**-10%**	**+10%**	**Expoure (in AUDe)**	**-10%**	**+10%**
CAD	117	13	(11)	580	64	(53)
EUR	1,962	218	(178)	(220)	(24)	20
GBP	659	73	(60)	576	64	(52)
RMB	1,043	116	(95)	1,914	213	(174)
USD	3,367	374	(306)	957	106	(87)
Other	2,344	260	(213)	1,927	214	(175)
Total	**9,492**	**1,055**	**(863)**	**5,734**	**637**	**(521)**

3. SEGMENT INFORMATION

In May 2021, the Group announced that it was consolidating its products into three product families, being EVS Aviation, EVS Omnis and EVS Water. EVS also announced that it was consolidating its regional management structure from 5 regions into 3 regions being Asia Pacific, Americas, and EMEA. China was consolidated into Asia Pacific while North and South America were merged to form the Americas region. As part of this restructure, management have reduced the level of investment and industry focus in China to ensure that the business focuses on customers and contracts that utilise Envirosuite solutions through its recurring revenue model.

As a result of consolidation of the regional management structure, the Group has updated its operating segments into the 3 geographic operating segments: Asia-Pacific, America's & EMEA (Europe, Middle-East and Africa) 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) 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 chief operating decision makers.

Regional

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 income/(expense)	(56)	(64)	(257)	-	(377)
Operating deficit before tax	**877**	**4,319**	**5,101**	**(22,039)**	**(11,742)**
Net finance income/(expense)	(31)	(6)	(45)	(205)	(287)
Net loss before tax	**846**	**4,313**	**5,056**	**(22,244)**	**(12,029)**

2020 $'000	Asia Pacific	EMEA	America	Corporate	Total
Recurring revenue	6,470	5,540	5,904	-	17,914
Non recurring revenue	3,725	433	1,261	-	5,419
Other revenue	9	-	-	516	525
Total operating revenue	**10,204**	**5,973**	**7,165**	**516**	**23,858**
Cost of revenue	(7,438)	(2,962)	(4,626)	(1,437)	(16,463)
Gross profit	**2,765**	**3,011**	**2,539**	**(921)**	**7,395**
Operating expenses	(3,448)	(1,136)	(1,810)	(19,222)	(25,616)
Other income/(expense)	-	-	-	(155)	(155)
Operating deficit before tax	**(683)**	**1,875**	**729**	**(20,298)**	**(18,377)**
Net finance income/(expense)	(22)	-	(1)	(66)	(89)
Net loss before tax	**(705)**	**1,875**	**728**	**(20,364)**	**(18,466)**

3. SEGMENT INFORMATION (continued)

For FY21, the Group also has adopted a secondary operating segment which is each Product family, being Aviation, Omnis and EVS Water. Chief operating decision makers are provided with reporting on the recurring and non-recurring revenue for these secondary operating segments.

Product family

2021 $'000	Aviation	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**

2020 $'000	Aviation	Omnis	EVS Water	Corporate	Total
Recurring revenue	10,723	7,191	-	-	17,914
Non recurring revenue	759	4,660	-	-	5,419
Other revenue	-	-	-	525	525
Total operating revenue	**11,482**	**11,851**	**-**	**525**	**23,858**

4. REVENUE

	2021 $'000	2020 $'000
Recurring revenue	40,391	17,915
Non recurring revenue	8,154	5,418
Trading revenue	**48,545**	**23,333**
Research and development tax incentives	6	357
Other revenue	19	159
Profit on sale of fixed assets	-	9
Other revenue	**25**	**525**
Total revenue	**48,570**	**23,857**

The Group generated 66% of its revenues for the current reporting period from customers in the Airport industry (FY20: 49%). In addition, the Group generated 20% of its total income and 23% of its recurring income from the Australian government and companies controlled by the Australian government (FY20: 15% and 19%).

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.

	2021 $'000	2020 $'000
Cost of revenue and operating expenses		
Cost of revenue	(27,980)	(16,463)
Total operating expenses	(31,955)	(25,616)
Total cost of revenue and operating expenses	**(59,935)**	**(42,079)**
Total cost of revenue and operating expenses is comprised of:		
Employment costs	(33,358)	(20,618)
Share based compensation	(946)	(3,154)
Consultants and contractors	(1,886)	(2,613)
Professional fees	(2,479)	(2,060)
Computer expenses	(2,352)	(2,453)
Equipment costs	(3,546)	(4,682)
Building costs	(957)	(567)
Director's fees	(277)	(265)
Audit and audit related fees	(299)	(216)
Depreciation and amortisation (excl intangible asset – software amortisation)	(5,515)	(2,154)
Other operating expenses	(9,142)	(4,003)
Sub-total	**(60,757)**	**(42,865)**
Software development cost - capitalised	2,301	1,873
Intangible asset – software amortisation	(1,479)	(1,087)
R&D costs capitalised, net	**822**	**786**
Total cost of revenue and operating expenses	**(59,935)**	**(42,079)**

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

	2021 $'000	2020 $'000
Audit and review of financial reports	299	216
Other assurance services	-	113
Other non-audit services	5	85
Total remuneration of auditors	**304**	**414**

6. TAX

	2021 $'000	2020 $'000
(a) Income tax expense / (benefit)		
Current tax expense / (benefit)	243	770
Deferred tax expense / (benefit)	225	(1,000)
Total income tax expense / (benefit)	**468**	**(230)**
(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax expense on operating profit at 26.0% (2020: 27.5%)	(3,128)	(5,078)
Tax effects of items which are non-deductible / (non-assessable) in calculating taxable income:		
Non-allowable items (including R&D expenditure)	(25)	516
Non-assessable R&D income		(98)
Share options expensed during the year	246	867
Difference in offshore tax rates	169	131
Add / (less):		
Under/(over) provision for income tax in prior year	(640)	-
Equity raising costs		(95)
Revaluation of Deferred tax balances due to change in tax rate	(174)	-
Deferred tax valuation allowance increase	4,020	3,527
Total income tax expense / (benefit)	**468**	**(230)**

(c) Deferred income tax

2021	Opening Balance $'000	Acquired in business combination $'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)**	**-**	**(223)**	**14**	**(3)**	**878**	**(3,847)**

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6. TAX (Continued)

2020	Opening Balance $'000	Acquired in business combination $'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	-	(22)	142	-	-	120	-
Inventory	-	-	92	-	-	92	-
Property, plant and equipment	-	-	(42)	-	-	-	(42)
Right of use asset and Lease liability	-	-	184	-	-	184	-
Intangible asset	-	(4,188)	(1,503)	-	-	-	(5,692)
Trade and other payables	(24)	-	116	-	2	94	-
Revenue in advance	-	-	166	-	-	166	-
Employee provisions	325	-	1,059	-	-	1,384	-
Issued capital	152	-	-	412	-	564	-
Net DTA / (DTL)	-	-	-	-	-	(1,729)	1,729
Tax losses	1,251	854	4,034	-	-	6,138	-
Valuation allowance	(1,251)	(854)	(3,660)	-	-	(5,763)	-
Balance as 30 June 2020	**453**	**(4,210)**	**588**	**412**	**-**	**1,250**	**(4,005)**

The Group has unused tax losses of $34,266,606 (2020: $22,105,394) and R&D tax offsets of $1,058,808 for which a valuation allowance has been placed against the related deferred tax asset of $9,797,582 (2020: $6,138,000) and has not been recognised.

7. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash at bank	17,488	20,266
Term deposits	152	4,119
Cash and cash equivalents	**17,640**	**24,385**

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

	2021 $'000	2020 $'000
Trade receivables	10,079	9,550
Provision for impairment	(2,086)	(2,082)
Trade receivables, net	**7,993**	**7,468**
Contract assets	3,552	1,992
Other debtors	10	1,270
Trade and other receivables	**11,555**	**10,730**
Trade receivables, net aging analysis		
Not past due	5,383	4,154
Past due 1-30 days	740	1,077
Past due 31-60 days	435	983
Past due 61-90 days	418	577
Past due more than 91 days	1,017	677
Total	**7,993**	**7,468**

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

	2021 $'000	2020 $'000
Work in progress	371	982
Finished goods	2,103	2,120
Inventories	**2,474**	**3,102**

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

10. OTHER ASSETS

	2021 $'000	2020 $'000
Prepayments	960	924
Finance lease receivables	65	-
Deposits	971	271
Other current assets	**1,996**	**1,195**
Prepayments	51	-
Finance lease receivables	18	-
Deposits	-	422
Other non-current assets	**69**	**422**

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.

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 FY21.

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)**	**(4,543)**	**(228)**	**(5,919)**
Net book value	**194**	**693**	**1,881**	**279**	**3,047**

2020 $'000	Furniture and fixtures	Computer equipment	Monitors and sensors	Leasehold improvements	Total
Cost value					
Balance as at 1 June 2019	110	82	-	194	386
Acquired in business combination	1,035	2,559	8,617	96	12,307
Additions	14	95	-	68	177
Transfer from inventories	-	-	449	-	449
Disposals	(29)	(2)	(95)	-	(126)
Effect of foreign exchange	(24)	(30)	(188)	2	(240)
Balance as at 30 June 2020	**1,106**	**2,704**	**8,783**	**360**	**12,953**
Accumulated depreciation					
Balance as at 1 June 2019	(39)	(25)	-	(46)	(110)
Acquired in business combination	(829)	(2,030)	(6,295)	(12)	(9,166)
Depreciation for the period	(70)	(104)	(439)	(64)	(677)
Disposals	28	-	95	-	123
Effect of foreign exchange	15	23	140	(1)	178
Balance as at 30 June 2020	**(894)**	**(2,133)**	**(6,499)**	**(123)**	**(9,649)**
Net book value	**212**	**571**	**2,284**	**237**	**3,304**

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets	2021 $'000	2020 $'000
Buildings		
Balance at 1 July	3,227	209
Additions	1,161	849
Terminations of leases	(212)	-
Derecognition of right of use asset	(62)	-
Acquired in business combination	-	2,662
Depreciation	(1,043)	(457)
Effect of foreign exchange	(55)	(36)
Balance at end of year	**3,016**	**3,227**
Data centres		
Balance at 1 July	516	-
Acquired in business combination	-	629
Depreciation	(239)	(89)
Effect of foreign exchange	(40)	(23)
Balance at end of year	**237**	**516**
Total Right of use assets	**3,253**	**3,743**

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 Statement of Financial Position. Interest expense on lease liabilities for FY21 was $296,066 (FY20: $158,000) and is included within finance costs on the Income Statement:

Lease liabilities	2021 $'000	2020 $'000
Current	1,530	1,348
Non Current	2,472	3,059
Balance at end of year	**4,002**	**4,407**

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 FY21 and EMS in FY20.

2021 $'000	Goodwill	Internally developed software	Acquired Software	Other Intangibles	Total
Cost value					
Balance as 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 as at 30 June 2021	**89,513**	**11,070**	**11,372**	**5,193**	**117,148**
Accumulated amortisation					
Balance as at 1 July 2020	-	(2,784)	(616)	(315)	(3,714)
Amortisation for the period	-	(1,479)	(2,077)	(946)	(4,503)
Balance as 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**

2020 $'000	Goodwill	Internally developed software	Acquired Software	Other Intangibles	Total
Cost value					
Balance as at 1 July 2019	340	6,896	-	16	7,252
Acquired in business combination	89,043	-	9,233	4,727	103,002
Additions	-	1,873	166	360	2,399
Balance as at 30 June 2020	**89,383**	**8,769**	**9,398**	**5,103**	**112,653**
Accumulated amortisation					
Balance as at 1 July 2019	-	(1,697)	-	-	(1,697)
Amortisation for the period	-	(1,087)	(616)	(315)	(2,017)
Balance as at 30 June 2020	**-**	**(2,784)**	**(616)**	**(315)**	**(3,714)**
Net book value	**89,383**	**5,984**	**8,783**	**4,788**	**108,939**

Impairment tests

The Group has identified that there are three (3) 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. As noted in Note 3, the number of CGUs was consolidated during the year from five (5) in FY20 to three (3) in FY21 as part of a management restructure that occurred in May 2021. Goodwill has been allocated to each CGU as follows:

	2021 $'000
Asia Pacific	37,705
Americas	22,107
EMEA	29,701
Total Goodwill allocated	**89,513**

The Group performed an impairment test on each of the CGUs including the goodwill allocated to them as at 30 June 2021 due to the decrease in the share price between 31 December 2020 and 30 June 2021 being identified as an indicator of impairment. Based on this impairment test, the recoverable value of each CGU, based on their calculated fair value less cost to sell, was identified as being greater than their carrying value and therefore, no impairment was recognised. The fair value was determined based on applying Envirosuite Limited's revenue multiple of 2.0x, as calculated by dividing the broker consensus forecast of the next twelve months (NTM) revenue by the market capitalisation of Envirosuite, and applying this revenue multiple to internal forecasts of NTM revenue for each CGU. The market capitalisation of Envirosuite based on the 30-day VWAP of Envirosuite Limited's closing share price as quoted on the Australian Stock Exchange (ASX).

13. INTANGIBLE ASSETS (continued)

The recoverable amount of internally developed software is determined based on a relief-from-royalty method (value-in-use) method, which is based on the theory that the intangible asset owner would be willing to pay a reasonable royalty to use the intangible asset assuming that they did not already own the asset. These calculations use revenue projections based on financial forecasts approved by management covering a five year period with a terminal value included. A royalty rate of 7% has been applied against these revenue projections to calculate the assumed royalty which is then discounted using a weighted average cost of capital of 9.1% (FY20: 9.1%). Based on this calculation, there was no impairment charge to be recorded against internally developed software (FY20: nil).

14. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Trade payables	3,480	3,478
GST / VAT payable	233	544
Accrued expenses	683	671
Payable for EMS acquisition	-	4,181
Other liabilities	3,577	4,136
Total trade and other payables	**7,973**	**13,010**

15. EMPLOYEE PROVISIONS

Employee benefits	2021 $'000	2020 $'000
Current		
Opening balance 1 July	6,203	625
Acquired in business combination	-	4,058
Additional provisions	267	1,633
Amounts used	(2,576)	(113)
Unused amounts reversed	-	-
Balance at 30 June	**3,894**	**6,203**
Non-current		
Opening balance 1 July	230	63
Acquired in business combination	-	246
Additional provisions	-	-
Amounts used	(89)	(79)
Unused amounts reversed	-	-
Balance at 30 June	**141**	**230**

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	2021	2020
Balance at 1 July	**1,024,685,906**	**370,202,780**
Issue of ordinary shares - exercising of employee and director share options	500,000	10,700,000
Issue of ordinary shares - employee performance rights	3,648,555	4,252,861
Issue of ordinary shares - institutional and share placement	120,178,667	504,530,265
Issue of ordinary shares - accelerated non-renounceable entitlement offer	44,826,299	-
Issue of ordinary shares - acquisition of EMS Bruel & Kjaer	-	135,000,000
Ordinary shares on issue at 30 June	**1,193,839,427**	**1,024,685,906**

Options

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

- 2,000,000 (2020: 22,500,000) issued to Directors with an exercise price of $0.40 each that expire in December 2022.
- 10,000,000 (2020: 26,250,000) issued to investors with an exercise price of $0.20 each that expire in April 2025.
- No options (2020: 1,000,000) issued to employees for the year ended 30 June 2021.

In addition, for the year ended 30 June 2020, a total of 95,000,000 options were issued in relation to acquisition of EMS.

Each option allows the holder to receive 1 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.

At the 2019 Annual General Meeting held on 25 November 2019, shareholders approved the grant of up to 15,000,000 options under the China Employee ESOP. These options are yet to be granted to any named employees so remain a contingent liability. The options are expected to be granted progressively and otherwise not later than 3 years from the date of approval. These options will expire on 31 March 2022 and will 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 December 2021. During FY21, the probability of the options vesting was reassessed as nil, resulting in the reversal of option expense recognised in the prior period.

Share based payments

Executive performance rights issued to employees for the year ended 30 June 2021 totaled 13,596,890 (30 June 2020: 5,405,266). Each Performance Right entitles the holder to receive 1 ordinary share of Envirosuite Limited upon certain vesting conditions being met.

Other equity securities

The amount shown for other equity securities is the value of the conversion rights relating to historic convertible instruments.

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 as at 30 June 2021 was 1.94x (30 June 2020: 1.53x)

As at 30 June 2021, the Group had cash and cash equivalents of $17,640k and no borrowings other than lease liabilities recognised under AASB 16. The Group also has standing credit facility arrangements with banks of $359k (2020: $479k) of which $237k was available as at 30 June 2021 (2020: $181k). The Group generated an operating cash outflow of $8,510k for the year ending 30 June 2021 (2020: $11,259k). 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	2021 $'000	2020 $'000
Foreign exchange translation reserve		
Movements		
Balance 1 July	(647)	(183)
Effects of foreign exchange translation	(278)	(464)
Foreign exchange translation reserve – balance 30 June	**(925)**	**(647)**
Share-based payments reserve		
Movements		
Balance 1 July	12,387	315
Option expense	479	12,515
Transfer to retained losses	(12)	(443)
Share based payment reserve – balance 30 June	**12,854**	**12,387**
Total Reserves	**11,929**	**11,740**

Retained Losses	2021 $'000	2020 $'000
Movements		
Opening retained losses	(41,663)	(23,863)
Transfer from employee shares reserve	12	436
Net profit/(loss) for the year	(12,497)	(18,236)
Balance 30 June	**(54,148)**	**(41,663)**

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.

Dividends
The Group has not paid or declared any dividends during the period (2020: nil). Franking credits available for subsequent financial years based on a tax rate of 26.0% amount to $651,756 (2020: nil).

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 $1,423,305 (30 June 2020: $2,127,863).

19. RELATED PARTY DISCLOSURES

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 2021.

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

	2021 $'000	2020 $'000
Short-term employee benefits	1,266	1,071
Post-employment benefits	65	44
Other long-term benefits	-	-
Share-based payments	(200)	2,260
Total KMP compensation	**1,131**	**3,375**

During FY21, 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 2021 %	30 June 2020 %
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[(2)].	Brazil	100	-
AqMB Pty Ltd[(3)].	Australia	100	-
AqMB Holdings Pty Ltd[(3)].	Australia	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
EMS Bruel & Kjaer Inc	USA	100	100
EMS Bruel & Kjaer Iberica S.A.	Spain	100	100
Envirosuite Denmark Aps	Denmark	100	100
EMS Bruel & Kjaer BV	Netherlands	100	100
Envirosuite UK Ltd	United Kingdom	100	100
EMS Bruel & Kjaer Korea Ltd	South Korea	100	100
EMS Bruel & Kjaer Taiwan Ltd	Taiwan	100	100
EMS Bruel & Kjaer Environmental Monitoring (Beijing) Ltd[(4)]	China	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.
(2) Envirosuite Brazil was established July 2020.
(3) Acquired 100% of the issued capital of AqMB Pty Ltd and AqMB Holdings Pty Ltd in August 2020
(4) EMS Bruel & Kjaer Environmental Monitoring (Beijing) Ltd is deregistered in December 2020

Transactions with other related parties

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

20. BUSINESS COMBINATIONS

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 has obtained control of the company, which primarily represented the rights to the software developed. The acquisition is 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 FY21.

21. CASH FLOW STATEMENT RECONCILIATION

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

	2021 $'000	2020 $'000
Profit/(loss) after tax	**(12,497)**	**(18,236)**
Add back: Depreciation and amortisation	6,994	3,241
Add back: Finance expense / (income)	-	15
Add back: Foreign exchange loss / (gain)	377	155
Add back: Non-cash share based payments	946	3,154
Sub-total	**(4,180)**	**(11,671)**
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other debtors	(825)	(1,986)
(Increase) / decrease in inventories	628	550
(Increase) / decrease in other assets	(801)	(26)
(Increase) / decrease in deferred tax	214	(125)
Increase / (decrease) in trade creditors	(1,317)	717
Increase / (decrease) in other liabilities	169	(158)
Increase / (decrease) in other provisions	(2,398)	1,440
Net cash inflow / (outflow) from operating activities	**(8,510)**	**(11,259)**

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.

Non-cash transactions

Refer to Note 20 for shares issued in the acquisition of AqMB during the financial year.

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, the Company issues performance rights to employees that provide them with the right to acquire shares for no consideration upon certain vesting conditions being met, including remaining employed with the Company, and/or share price performance. There was 13,596,890 Performance Rights issued during the year (2020: 5,405,266).

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 executive 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 2019	**15,333,333**	**0.11**
Granted	144,750,000	0.23
Forfeited	(750,000)	0.11
Exercised	(10,700,000)	0.11
Expired	(800,000)	0.09
Options outstanding as at 30 June 2020	**147,833,333**	**0.23**
Granted	12,000,000	0.23
Forfeited	-	-
Exercised	-	-
Expired	(333,333)	0.16
Options outstanding as at 30 June 2021	**159,500,000**	**0.23**

As at 30 June 2021, there were 133,250,000 options (2020: 121,583,333) that were exerciseable at a weighted average price of $0.24 per share (2020: $0.25 per share). The weighted average remaining life of the options outstanding is 1.46 years (2020: 2.30 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	2021 number	2020 number
Basic earnings per share	**1,027,169,980**	**619,896,792**
Diluted earnings per share	**1,027,169,980**	**619,896,792**

There are 28,250,000 in share options issued and in-the-money, and 12,483,001 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 1,060,320,277.

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	2021 $'000	2020 $'000
Assets		
Current assets	11,604	13,448
Non-current assets	148,207	142,487
Total Assets	**159,811**	**155,935**
Liabilities		
Current liabilities	546	4,639
Non-current liabilities	1,813	-
Total Liabilities	**(2,359)**	**4,639**
Equity		
Issued capital	169,520	155,537
Reserves	12,854	12,388
Retained losses	(24,922)	(16,629)
Total Equity	**157,452**	**151,296**

Income Statement and Statement of Comprehensive Income	2021 $'000	2020 $'000
Profit / (loss) after tax	(8,342)	(5,095)
Total comprehensive profit / (loss)	(8,342)	(5,095)

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 50 to 87 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 2021 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
17 August 2021

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 2021, 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 2021 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 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.

PKF

1. Carrying amount of intangible assets

Why significant

As at 30 June 2021 the carrying value of intangible assets is $108,931,000 (2020: $108,939,000), as disclosed in Note 13.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1(o), 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 the carrying amount of intangible assets through impairment testing utilising a fair value less costs of disposal model in which significant judgements are applied in determining key assumptions. These assumptions include the assessment of the enterprise value or revenue multiple to be applied, forecasted revenue and estimated costs of disposal. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets, and accordingly the amount of any impairment charge, to be recorded in the current financial 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 enterprise value or revenue multiple and forecasted revenue, 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 value in use model by:
  - assessing forecasted revenue set by management in comparison to historical results and future approved budgets
  - evaluating the enterprise value or revenue multiple 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 key assumptions during the year and the change in CGU designation; 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 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 and 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, individual 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 other 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 2021. 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 2021 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
17 AUGUST 2021

NOTES TO FINANCIAL STATEMENTS

The shareholder information set out below was applicable at 12 August 2021

1. SHAREHOLDING

Distribution of equity securities

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

Size of holding	Shares	Options
1 – 1,000	91	-
1,001 – 5,000	559	-
5,001 – 10,000	663	-
10,001 – 100,000	2,136	-
100,001 and over	1,114	17
	4,563	**17**

The number of shareholdings held in less than marketable parcels was 449 with total shares of 1,122,232

Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	Number held	Percentage
National Nominees Limited	88,331,832	7.49%
Macquarie Corporate Holdings	80,000,000	6.71%

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.

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	91,457,434	7.64%
Macquarie Corporate Holdings	80,000,000	6.69%
UBS Nominees Pty Ltd	52,684,459	4.40%
Citicorp Nominees Pty Limited	39,030,605	3.26%
BNP Paribas Noms Pty Ltd	30,801,812	3.27%
HSBC Custody Nominees	28,627,974	2.39%
Rubi Holdings Pty Ltd	27,805,537	2.32%
Mr Robin Omerod & Ms Kristin Zeise	24,904,939	2.08%
Fifty Second Celebration Pty	22,392,058	1.89%
The Adams McLean	21,014,705	1.76%
Coalwell Pty Limited	20,700,000	1.73%
Mr Zhigang Zhang	18,341,253	1.53%
Thirty-Fifth Celebration Pty	16,292,286	1.36%
Bungeeltap Pty Ltd	12,828,279	1.07%
BSD Pty Ltd	12,000,000	1.00%
Mr Robin Ormerod	11,419,342	0.94%
Fordholm Consultants Pty Ltd	10,689,656	0.89%
HSBC Custody Nominees	10,496,962	0.88%
Spectris Group Holdings Ltd	10,000,000	0.84%
The Elsie Cameron Foundation	8,311,156	0.70%
	549,598,457	**49.93%**

Unquoted equity securities

	Number held
Envirosuite Limited unlisted options	159,500,000

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CORPORATE DIRECTORY

Envirosuite Limited
ABN: 42 122 919 948

Board of Directors

David Johnstone
Chairman

Peter White
Director

Hugh Robertson
Director

Sue Klose
Director

Company Secretary

Rachel Ormiston

Registered office and principal place of business

Suite 1, Level 10, 157 Walker St
North Sydney NSW 2060

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)