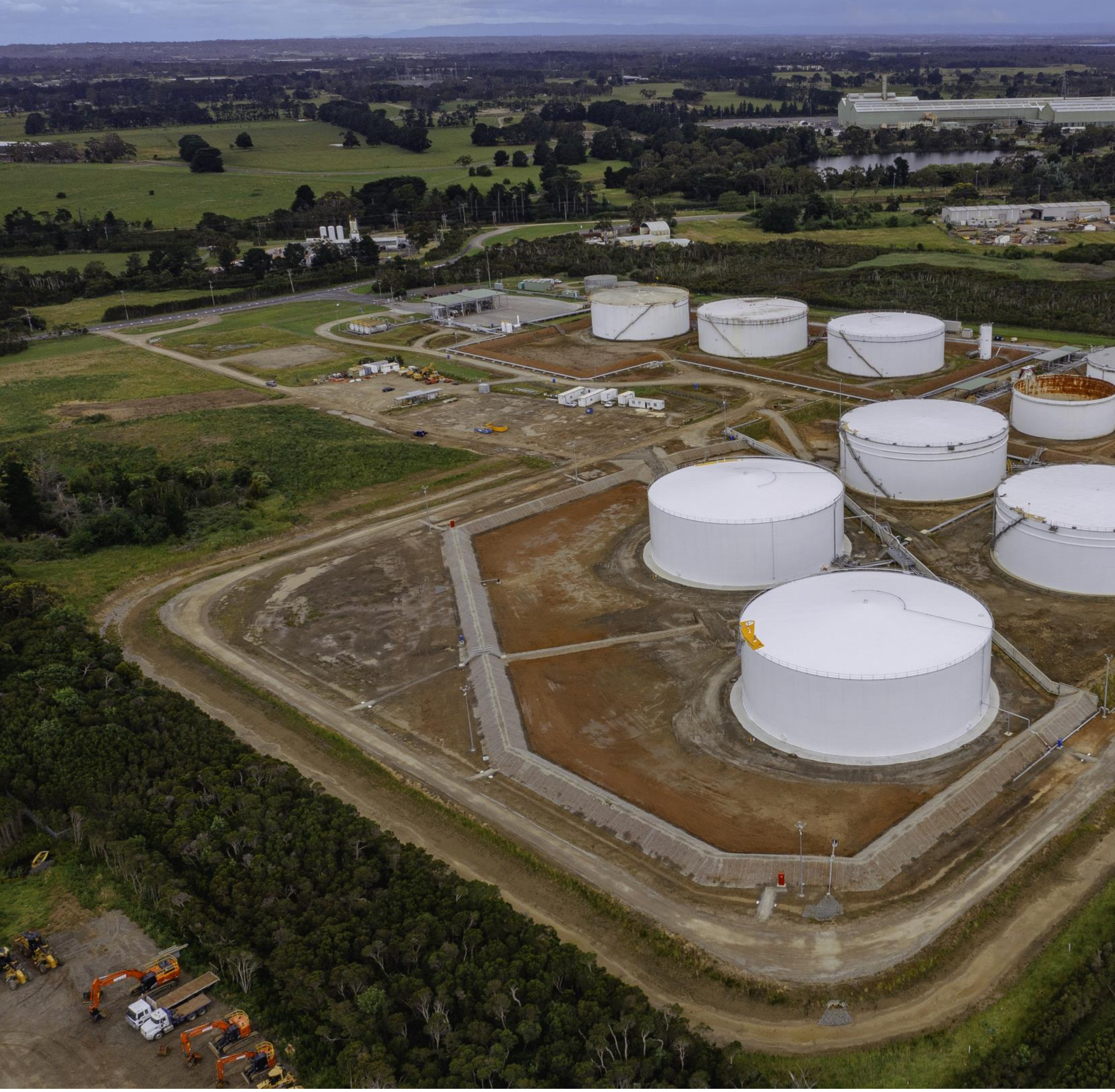

# EVZ Limited

# Annual Financial Report

## For the year ended 30 June 2022

ACN 010 550 357

## Chairman's report

Dear Shareholder,

During the 2022 Financial Year the EVZ Group posted a solid operating profit in changeable but improving economic conditions. The net profit for the Group for the year after income tax expense was $894,680. The Group was successful in securing a significant number of high value new contracts securing the revenue stability for the foreseeable future. The forward order book or backlog at the end of the financial year was more than $100M. As a result, the financial structure of the Group has been further strengthened and it is looking forward to delivering significant growth in revenues and profit across its core markets in the 2023 financial year and beyond.

The Directors provide the following comments for the financial year:

- The Group returned improved operational profits across all operations in Australia and South-East Asia.
- This was achieved despite slower commencement than was expected on recently awarded large new projects in the liquid fuels sector.
- Borrowings were significantly reduced by $1.2M across the year. The remaining term debt of only $0.3M is scheduled to be paid down to zero during the first quarter of FY2023.
- The Group was able to invest in the necessary fixed assets and growth in its core skills base in preparation for delivery of increased revenues during FY2023.

I am pleased to comment on the activities of the three operating divisions. The significant features in all cases are having the right people trained to consistently perform complex tasks, and who are results-driven and aligned to the client's goals.

***Brockman Engineering*** posted an improved operating profit but was unable to exert significant momentum due to the slower than anticipated commencement of recently awarded major projects in the oil and gas sector.

Brockman continues to be a lead player in petrochemical and water tank construction, recurrent maintenance, and piping fabrication sector. Brockman is expecting to grow its revenue in the 2023 financial year as it works to deliver the significant backlog of contracted work which it secured during the FY2022 year.

Brockman is also well positioned to use its competitive advantages of location, skills base, and relationship with major industry companies to secure additional large contract wins during the upcoming financial year.

***Syfon Systems*** consolidated its position as the leading syphonic roof stormwater drainage company in Australia and Southeast Asia. The FY2022 year saw a significant increase in water segment revenues and profits year on year. In addition, the Syfon group has significantly grown its backlog of contracted work which will enable it to further grow revenues during FY2023.

Syfon remains committed to expanding in other key Asian markets to continue its progressive geographic expansion strategy.

***TSF Power*** continues to grow its capability through a focus on skilled staff located and available in its identified markets and extended reach for its power generation breakdown, operational technical support and maintenance services. The 2023 financial year produced a significant improvement in profit and TSF Power is well placed to further grow in revenue and profitability in the 2023 financial year.

The senior management team have, as always, worked tirelessly to uphold the Group's service ethic, its culture of collaboration and innovation, and to support and grow their teams during the year.

Sincerely

Graham Burns
Chairman

## Contents

## Corporate directory

| | |
|---|---|
| **Directors** | G Burns (Non-Executive Chairman)<br>R Edgley (Non-Executive Director)<br>I Luck (Non-Executive Director) |
| **Chief Executive Officer** | S Farthing |
| **Chief Financial Officer & Company Secretary** | P van der Wal |
| **Registered & principal office** | 115 \| 838 Collins Street<br>Melbourne Vic 3008<br>Telephone: (03) 9545 5288<br>Facsimile: (03) 9542 6061<br>Email: pieter.vanderwal@evz.com.au |
| **Share registry** | Computershare Investor Services Pty Ltd<br>452 Johnston Street<br>Abbotsford Vic 3067<br>Telephone: 1300 137 328<br>Facsimile: 1300 137 341 |
| **Auditors** | Grant Thornton<br>Collins Square, Tower 5<br>727 Collins Street<br>Melbourne Vic 3008 |
| **Bankers** | Commonwealth Bank of Australia |
| **Stock exchange listing** | Australian Securities Exchange Limited<br>(Home exchange – Melbourne)<br>ASX Code: EVZ |

## Directors' report

The Directors present their report on the financial statements of the Company and consolidated entity for the year ended 30 June 2022. To comply with the provisions of the Corporations Act, the Directors report as follows:

**Directors**

The following persons were Directors of the Company during the financial year and up to the date of this report:

Graham Burns
Robert Edgely
Ian Luck

**Information on directors**

Details of the Directors of the Company in office at the date of this report are:

**Graham Burns**

Appointed 1 February 2008 – Non-Executive Chairman.
Mr Burns was appointed Chairman on 5 July 2016.
Mr Burns, age 67, has extensive managerial skills and experience in the property, retail and manufacturing sectors. He is currently the Chief Executive of Hunter Land which is a significant industrial developer in regional New South Wales.

Mr Burns holds a Master of Business Administration in Technology from the Australian Graduate School of Management and is a Fellow of the Institute of Australian Company Directors. He is a member of the Remuneration, Audit and Nomination Committees.

| | |
|---|---|
| Interest in EVZ Limited Shares: | 9,989,894 ordinary shares |
| Other current directorships: | None |
| Previous directorships (last 3 years): | None |

**Robert Edgley**

Appointed 26 August 2011 – Non-Executive Director.
Mr Edgley, age 57, has significant experience and skills in strategic planning, performance management and marketing and has proven abilities in building businesses. His career has been predominantly focused in international finance and investment banking in Australia, the UK and throughout Asia.

Mr Edgley holds a bachelor's degree in economics from Monash University together with a second degree in Japanese language.

Mr Edgley is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

| | |
|---|---|
| Interest in EVZ Limited Shares: | 1,236,396 ordinary shares. |
| Other current directorships: | Self Wealth Limited (ASX code: SWF)<br>(Appointed 16 April 2019)<br>Way 2 VAT Ltd (ASX code: W2V)<br>(Appointed 15 September 2021 |
| Previous directorships (last 3 years): | None |

## Directors' report (continued)

### Information on directors (continued)

**Ian Luck**

Appointed 3 July 2017– Non-Executive Director.
Mr Luck, age 70, has significant experience in the engineering and construction sector with 40 years' experience in business leadership in Australia. His career features a balanced blend of complex business leadership, strategy and governance roles that focus on creating high performing teams to deliver outstanding growth and profitability. He currently is a Non-Executive Director of McConnell Dowell, which is an Australian based construction company, operating in Australia, New Zealand and Southeast Asia. McConnell Dowell is a fully owned subsidiary of Aveng Limited, which is listed on the Johannesburg Stock Exchange in South Africa. Previously he has been the Managing Director of Baulderstone and a key manager in Leighton Contractors.

Mr Luck has a B Tech. Civil Engineering, is a Fellow of the Institute of Engineers Australia and is a CPEng (Ret).

Mr Luck is a member of the Audit Committee and Nomination Committee and Chairman of the Remuneration Committee.

| | |
|---|---|
| Interest in EVZ Limited Shares: | 825,000 ordinary shares |
| Other current directorships: | McConnell Dowell Corporation Limited |
| Previous directorships (last 3 years): | None |

### Directors' Meetings

The following table sets out the number of Directors' Meetings (including meetings of any committee of Directors) held during the financial year and the number of meetings attended by each Director (whilst they were a Director or Committee member):

**Directors' Meetings**
**Total number of meetings held: 17**

| | ***No. Attended*** | ***No. Held Whilst a Director*** |
|---|---|---|
| G Burns | 17 | 17 |
| R Edgley | 17 | 17 |
| I Luck | 17 | 17 |

**Remuneration Committee Meetings**
**Total number of meetings held: 1**

| | ***No. Attended*** | ***No. Held Whilst a Member*** |
|---|---|---|
| G Burns | 1 | 1 |
| R Edgley | 1 | 1 |
| I Luck | 1 | 1 |

## Directors' report (continued)

**Audit committee meetings**
**Total number of meetings held: 4**

| | No. Attended | No. Held Whilst a Member |
|---|---|---|
| R Edgley – Chairman | 4 | 4 |
| I Luck | 4 | 4 |
| G Burns | 4 | 4 |

There were no meetings of the Nomination Committee held during the year.

**Company secretary**
The Company Secretary is Pieter van der Wal. He was appointed 4 September 2017. Mr van der Wal has a Bachelor of Business and is a Chartered Accountant with company secretarial experience.

**Principal activities**
The Group operates in the engineering and energy services sectors and its principal activities are:

- Design, manufacture, service and maintenance of large steel tanks for use in the water, petrochemical and chemical industries.
- Design, construction, on-site installation, maintenance and shutdown engineering services to the mining, wood chip, petrochemical, aluminium, glass, cement, defence and agriculture industries.
- Design and installation of syphonic roof drainage systems to major buildings including airports, shopping centres and sporting venues throughout Australia and South East Asia.
- Design, installation and maintenance of clean energy solutions, base and back-up power generation equipment, communications equipment, marine installations and provision of mobile generation capabilities.

**Operating results**
The net profit for the Group for the year after income tax expense was $894,680.

The Directors provide the following comments for the financial year:

- The Group returned improved operational profits across all of its operations in Australia and Malaysia (South-East Asia).
- This was achieved despite slower commencement than was expected on recently awarded new larger projects in the liquid fuels sector.
- Borrowings were significantly reduced by $1.2M across the year. The remaining term debt of only $0.3M is scheduled to be paid down to nil during the first quarter of FY2023.
- The Group was able to invest in the necessary fixed assets and growth in its core skills base in preparation for delivery of increased revenues during FY2023.

**Dividends**
No dividends were declared or paid during the year.

## Directors' report (continued)

### Changes in state of affairs
There was no change in the state of affairs.

### Subsequent events
There have not been any matters or circumstances, than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years after the financial year.

### Future developments and outlook
The Group will continue its focus on investing in growth across all its businesses and looking for opportunities to acquire businesses that fast track the growth of the Company.

### 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.

### Environmental regulation
The Group is not subject to any significant environmental regulations under a Commonwealth, State or Territory Law.

### Insurance of officers
During the financial year the Company insured the Directors and Officers of the Company against legal costs that may be brought against the Directors and Officers in their capacity as Officers of the Company. The policy provides for confidentiality with respect to its premium.

### Non-audit services
During the current year there was $Nil (2021: $Nil) of non-audit services provided by the Company's auditors.

### Auditors' independence declaration
As required under Section 307C of the Corporations Act 2001, EVZ Limited has obtained an Independence Declaration from its auditors, Grant Thornton. This is included on page 32 of this financial report.

# Directors' report (continued)

## Remuneration report (audited)

This report details the nature and amount of remuneration for Key Management Personnel.

Key Management Personnel are the non-executive directors and employees who have authority and responsibility for planning, directing and controlling the activities of the Company.

**Remuneration policy**
The remuneration policy of the Company has been designed to align Director and Executive remuneration with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and Executives to govern and manage the Group, as well as to create goal congruence between Directors, Executives and Shareholders.

**Executive remuneration**
The Board's policy for determining the nature and amount of remuneration for key senior Executives for the Group is as follows:

- The remuneration policy, setting the terms and conditions for Executive officers, was developed by the Remuneration Committee and approved by the Board after seeking professional advice where appropriate from independent external consultants.
- All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and where appropriate performance incentives.

The Remuneration Committee reviews Executive remuneration packages annually with reference to the Group's performance, each Executive's performance and comparable information from industry sectors and listed companies in similar industries. The performance of each Executive is measured against criteria agreed and is predominantly measured by comparing actual growth against forecast growth of the Group's profits and shareholders' value. Bonuses and incentives will be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The Remuneration Committee set certain key performance indicators for the key Executives in the Group to determine eligibility for short term incentive payments. The key performance indicators were both quantitative and qualitative measures. Short term incentives paid/payable for the year were $337,150 (2021: $105,766).

Long term incentives, also linked to key performance indicators for the key Executives in the Group, were issued under the Company's' Directors' and Employees' Benefits Plan. The amount of performance rights for EVZ Limited shares that vested for the year was: 476,000 which based on the grant price of $0.19 equates to $90,440 (2021: nil).

Executives receive a superannuation guarantee contribution as required by the Government and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Executives is valued at the cost to the Company and expensed.

**Director remuneration**
The Board's policy is to remunerate Non-Executive Directors at appropriate market rates. The Remuneration Committee recommends the fee structure for Non-Executive Directors which will be determined by reference to market practice, duties performed, time, commitment and accountability. Director fees are reviewed annually by the Remuneration Committee.

## Directors' report (continued)

## Remuneration report (continued)

The Remuneration Committee may seek independent advice in determining appropriate fee structures for Directors.

The maximum aggregate amount of fees payable to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may be able to participate in any employee share/option plan introduced.

All remuneration paid to Directors is valued at the cost to the Company and expensed.

**Shares and options Issued as part of remuneration**
Shareholders had previously approved the EVZ Directors' and Employees' Benefits Plan (the "Plan") which allows employees, Directors and others ("Eligible Persons") to be granted shares, options and performance rights in the Company. The object of this Plan is to help the Company recruit, reward, retain and motivate its employees and Directors.

Such shares, options and performance rights would be offered only to those Eligible Persons entitled to receive an invitation. Those Eligible Persons would be:
- a Director or Secretary of a Group Company;
- an employee in permanent full-time or permanent part-time employment of a Group Company; or
- a contractor to a Group Company who is selected by the Board to participate in the Plan.

Invitations to Eligible Persons will be made by the Board and may be made subject to such conditions and rules as the Board determines, including:
- In the case of Options, the exercise period, the exercise price and the exercise conditions.
- In the case of Shares, the issue price payable on acceptance of the application by the Company and issue of the shares and any other specific terms and conditions of issue.
- In the case of Performance Rights, the performance criteria and the performance period in which those performance criteria must be satisfied.

The issue of any securities (including options or performance rights) issued to any Director or their associates will still require shareholder approval under ASX Listing Rule 10.14.

The maximum number of shares issued pursuant to the Plan would be not more than 5% of the equity interests in the Company.

An amount of $90,440 which is based on the grant price of $0.19 has been accrued relating to 476,000 share-based rights granted to key management for the year. There were no share-based payments granted, vested or allotted during the prior FY2021 year.

**Performance based remuneration**
During the year to 30 June 2022, performance-based remuneration of $109,256 was paid to key management relating to the 2021 financial year performance. This amount had been accrued in the prior year. An amount of $281,705 has been accrued and is payable relating to the 2022 financial year performance.

Short term performance-based payments were based on achieving certain key performance indicators which were quantitative measures based on business profitability and improvement in forward work in hand. Both measures are considered to be drivers of shareholder value.

# Directors' report (continued)

## Remuneration report (continued)

**Company performance, shareholder wealth and directors' and executives' remuneration**
The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and Executives.

**Details of remuneration for the year ended 30 June**
The remuneration, paid or payable, for each Director and each of Key Management Personnel of the Group during the year was as follows:

| Directors | Short-term employee benefits | | Post-employment benefits | | |
|---|---|---|---|---|---|
| | Salary | Fees | Superannuation Contributions | Other | Total |
| **2022** | **$** | **$** | **$** | | **$** |
| G Burns | - | 80,000 | - | - | 80,000 |
| R Edgley | - | 50,000 | - | - | 50,000 |
| I Luck | - | 50,000 | - | - | 50,000 |
| | **-** | **180,000** | **-** | **-** | **180,000** |
| **2021** | | | | | |
| G Burns | - | 72,000 | - | - | 72,000 |
| R Edgley | - | 45,000 | - | - | 45,000 |
| I Luck | - | 45,000 | - | - | 45,000 |
| | **-** | **162,000** | **-** | **-** | **162,000** |

## Directors' report (continued)

## Remuneration report (continued)

| Key management personnel | Short-term benefits | | | Post-employment benefits | | Long-term benefits | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2022 | Salary | Cash bonus (i) | Non cash benefits | Superannuation Contributions | Termination benefits | Equity setttled share based payments | Total remuneration | Percentage of remuneration related to performance | Cash bonus as a percentage of maximum achievable |
| | $ | $ | $ | $ | | | $ | | |
| **S Farthing** | | | | | | | | | |
| *(Chief Executive Officer)* | 408,280 | 114,369 | - | 23,568 | - | 38,000 | 584,217 | 26.1% | 66% |
| **P van der Wal** | | | | | | | | | |
| *(Chief Financial Officer & Secretary)* | 230,934 | 37,715 | - | 23,093 | - | 31,920 | 323,662 | 21.5% | 74% |
| **A Bellgrove** | | | | | | | | | |
| *(General Manager, Syfon Systems)* | 295,267 | 47,203 | 31,617 | 23,568 | - | 9,120 | 406,775 | 13.8% | 67% |
| **C Bishop** | | | | | | | | | |
| *(General Manager, Brockman Eng.)* | 289,385 | 37,994 | - | 24,324 | - | 11,400 | 363,103 | 13.6% | 61% |
| **J Hughes** | | | | | | | | | |
| *(General Manager, TSF Power)* | 216,699 | 44,424 | - | 25,493 | - | - | 286,616 | 15.5% | 100% |
| | **1,440,565** | **281,705** | **31,617** | **120,046** | **-** | **90,440** | **1,964,373** | | |

| Key management personnel | Short-term benefits | | | Post-employment benefits | | Long-term benefits | | | |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | Salary | Cash bonus (i) | Non cash benefits | Superannuation Contributions | Termination benefits | Equity setttled share based payments | Total remuneration | Percentage of remuneration related to performance | Cash bonus as a percentage of maximum achievable |
| | $ | | $ | $ | | | $ | | |
| **S Farthing** | | | | | | | | | |
| *(Chief Executive Officer)* | 416,772 | 53,289 | - | 21,694 | - | - | 491,756 | 10.8% | 63% |
| **P van der Wal** | | | | | | | | | |
| *(Chief Financial Officer & Secretary)* | 235,944 | 10,522 | - | 21,690 | - | - | 268,155 | 3.9% | 82% |
| **A Bellgrove** | | | | | | | | | |
| *(General Manager, Syfon Systems)* | 297,402 | 15,658 | 29,265 | 21,694 | - | - | 364,020 | 4.3% | 69% |
| **C Bishop** | | | | | | | | | |
| *(General Manager, Brockman Eng.)* | 283,445 | 21,700 | - | 25,000 | - | - | 330,145 | 6.6% | 35% |
| **J Hughes** | | | | | | | | | |
| *(General Manager, TSF Power)* | 220,036 | 8,087 | - | 18,020 | - | - | 246,143 | 3.3% | 88% |
| | | - | - | | | - | | | |
| | **1,453,599** | **109,256** | **29,265** | **108,098** | **-** | **-** | **1,700,218** | | |

i. The short-term and long-term incentives are determined based on the measures and results of a balanced scorecard analysis for each of key managements contribution to the business during the financial year. The measures are determined by the Board and all incentive awards are at the discretion of the Board.

## Directors' report (continued)

### Remuneration report (continued)

Remuneration and other terms of employment for key Executives are formalised in employment service agreements. Each of these agreements may provide for the provision of other benefits including car allowances. These agreements have no fixed term. There are no other standard termination provisions excluding notice periods. Notice periods are generally between three and six months.

**Additional disclosures relating to key management personnel**

In relation to FY2022 performance, 476,000 share rights were awarded to key management. There were no share options or rights held by key management personnel during the prior financial year. The number of ordinary shares held by key management personnel of the Group during the financial year is as below:

| 2022 | Balance at beginning of year | Granted as remuneration | Purchased or (Sold) | Balance at end of year |
|---|---|---|---|---|
| G Burns | 9,489,894 | - | 500,000 | 9,989,894 |
| R Edgley | 2,295,715 | - | (1,059,319) | 1,236,396 |
| I Luck | 625,000 | - | 200,000 | 825,000 |
| S Farthing | 1,616,840 | - | 200,000 | 1,816,840 |
| P van der Wal | 100,000 | - | 100,000 | 200,000 |
| C Bishop | - | - | - | - |
| A Bellgrove | 1,369,171 | - | - | 1,369,171 |
| J Hughes | - | - | - | - |
| | **15,496,620** | **-** | **(59,319)** | **15,437,301** |

| 2021 | Balance at beginning of year | Granted as remuneration | Purchased or (Sold) | Balance at end of year |
|---|---|---|---|---|
| G Burns | 9,489,894 | - | - | 9,489,894 |
| R Edgley | 2,295,715 | - | - | 2,295,715 |
| I Luck | 625,000 | - | - | 625,000 |
| S Farthing | 1,616,840 | - | - | 1,616,840 |
| P van der Wal | 100,000 | - | - | 100,000 |
| C Bishop | - | - | - | - |
| A Bellgrove | 1,369,171 | - | - | 1,369,171 |
| J Hughes | - | - | - | - |
| | **15,496,620** | **-** | **-** | **15,496,620** |

## Directors' report (continued)

### Remuneration report (continued)

The following table summarises the value of performance rights granted during the financial year to key management personnel as part of their remuneration:

| Key management personnel<br><br>2022 | Performance rights granted during FY2022<br>Fair Value<br>$ | Performance rights forfeited during FY2022<br>Fair Value<br>$ | Performance rights vested during FY2022<br>Fair Value<br>$ |
|---|---|---|---|
| **S Farthing**<br>*(Chief Executive Officer)* | 38,000 | - | - |
| **P van der Wal**<br>*(Chief Financial Officer & Secretary)* | 31,920 | - | - |
| **A Bellgrove**<br>*(General Manager, Syfon Systems)* | 9,120 | - | - |
| **C Bishop**<br>*(General Manager, Brockman Eng.)* | 11,400 | - | - |
| **J Hughes**<br>*(General Manager, TSF Power)* | - | - | - |
| | **90,440** | **-** | **-** |

Fair value is based on the share price at grant date. Performance rights which have been granted expire at the end of the financial period to which they relate if the targeted performance objectives are not met. The performance rights were granted on 1 August 2021 and vested on award date of 12 August 2022. The company plans to allot the shares within 60 days of the date of this report. The exercise price will be based on the preceding a 7-day volume weighted average price (VWAP) of the shares prior to the allotment

Performance rights are granted as part of the long-term incentive scheme and are determined based on the measures and results of a balanced scorecard analysis for each of key managements' contribution to the business during the financial year. The measures are determined by the Board and all incentive awards are at the discretion of the Board.

This concludes the remuneration report, which has been audited.

## Directors' report (continued)

Signed in accordance with a resolution of the Board of Directors.

Director – Graham Burns

Signed at Melbourne this 26th day of August 2022.

## Corporate governance statement
**For the year ended 30 June 2022**

**Introduction**
The Board of the Company is committed to protecting shareholders' interests and ensuring investors are fully informed about the performance of the Company's business. The Directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of corporate governance.

The policies and practices of the Company are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 4th Edition".

Unless otherwise indicated, the best practice principles of the ASX Corporate Governance Council and suggested disclosures, have been adopted by the Company for the year ended 30 June 2022 as relevant to the size and complexity of the Company and its operations.

The Corporate Governance Statement is current at the date of approval of the annual report and has been approved by the Board of Directors.

**Principle 1: Lay solid foundations for management and oversight**

***Recommendation 1.1: Board charter and the respective roles and responsibilities of the Board and management.***

The Board charter sets out the function and responsibilities of the Board. The Directors of the Company are accountable to shareholders for the proper management of business and affairs of the Company.

The key Board functions and responsibilities include:
- demonstrating leadership;
- defining the Company's purpose and setting its strategic objectives, including general and specific goals and reviewing actual results against those objectives, which are aimed at meeting stakeholders' objectives and managing business risk;
- overseeing management in its implementation of the Company's strategic objectives, instilling the Company's values and monitoring performance generally;
- establishing and maintaining policies directed to ensuring that the Company complies with the law and conforms to the highest standards of financial and ethical behaviour;
- ensuring that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- assessing the necessary and desirable competencies of Board members, review Board succession plans, evaluate its own performance and consider the appointment and removal of Directors;
- considering executive remuneration and incentive policies, the Company's recruitment, retention and termination policies and procedures for senior management and the remuneration framework for non-executive directors;
- monitoring financial performance;
- approving decisions concerning the capital, including capital restructures, and dividend policy of the Company; and
- monitoring the effectiveness of the Company's governance practices.

The Board delegates responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO), subject to certain financial limits. The CEO must consult the Board on matters that are sensitive, extraordinary, of a strategic nature or matters outside the permitted financial limits.

***Recommendation 1.2: Director and senior management appointments***

Non-Executive Directors appointed during the year hold office until the next annual general meeting, where they must stand for re-election. Each year one third of the Board of Directors (excluding the Managing Director) must retire and if they wish seek re-election at the annual general meeting. Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance.

Appropriate background checks are undertaken before a Director is nominated. At the annual general meeting shareholders are provided with all material information concerning the Director seeking election or re-election.

***Recommendation 1.3: Terms of appointment***

The Company has written agreements with all senior executives setting out the terms of their appointment. Written agreements have now been implemented for all new director appointments. The duties of the Directors as detailed above were provided to all directors.

**Recommendation 1.4: Company secretary**

The appointment and removal of the Company Secretary is a decision of the Board. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters relating to the proper functioning of the Board and is responsible for ensuring compliance with Board procedures and governance matters. All Directors have direct access to the Company Secretary.

**Recommendation 1.5: Diversity policy**

The Group's ultimate success is under-pinned by its employees. To maximise success, the Group encourages a diverse population of employees within its operations.

Diversity is defined to include race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, skill levels, family status, religious, political and other beliefs and work styles. The Group recognises that differences in ideas, backgrounds, patterns of thinking and approaches to work can generate value for the Group's stakeholders: its customers, shareholders, personnel and the communities in which it operates. It is the Group's policy to promote these differences within a productive, inclusive and performance-based environment in which everybody feels valued, where their skills are fully utilised, their performance is recognised, professional accountability is expected and organisational goals are met.

The Group's approach to diversity is based on the following objectives:

- retain, promote and hire the best people possible, focusing on actual and potential contribution in terms of performance, competence, collaboration and professional accountability;
- foster an inclusive culture and ensure that current and future employee opportunities are based on competence and performance, irrespective of race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, family status, religious, political and other beliefs and work styles. This includes being intolerant of behaviour that denigrates or otherwise diminishes such attributes or that discriminates on the basis of such attributes;
- create and manage appropriate human resource processes which take a unified and talent-based approach to recruitment, training and development, performance management, retention and succession planning;
- provide a fair level of reward in order to attract and retain high calibre people – and build a culture of achievement by providing a transparent link between reward and performance; and
- be compliant with all mandatory diversity reporting requirements.

**The Group's measurable objective and current gender profile:**
The Group's measurable objective for increasing gender diversity is to increase the representation of women at all levels of its organisation over time. The Group's progress towards achieving that objective, along with the proportion of women employees within the Group, women in senior Executive positions and women non-executive directors, is set out in the table below:

| Measure | 2022 No. | 2022 % | 2021 No. | 2021 % |
|---|---|---|---|---|
| Women employees | 23 | 6 | 23 | 8 |
| Women senior executives * | - | - | - | - |
| Women non-executive directors | - | - | - | - |

* This includes both employees and specific contractors engaged by the Group.

**Recommendation 1.6: Board and committee performance**
The Board and its committees undertook self-assessment in accordance with their relevant charters during the financial year. The Chairman conducts annual one-on-one personal performance discussions with each of the individual Directors.

The Board was provided with all company information it needed in order to effectively discharge its responsibilities and were entitled to, and did, request additional information when considered necessary or desirable.

**Recommendation 1.7: Senior executive performance**
Reviews of the performance of Senior Executives are undertaken annually against established key performance indicators. At the same time goals and targets for the coming year are discussed and implemented. The annual evaluation of the CEO's performance is a specific function of the Remuneration Committee.

**Principle 2: Structure the board to be effective and add value**

**Recommendation 2.1: Nomination committee**
The Company has a duly appointed nomination committee. The committee operates pursuant to a nomination committee charter. The charter sets out the responsibilities of the committee including reviewing Board succession plans to ensure an appropriate balance of skills and expertise, developing policies and procedures for the appointments of Directors and identifying Directors with appropriate qualifications to fill Board committee vacancies. The term of Non-Executive Directorships is set out in the Company's constitution.

Given the size of the Board, the Board has determined it appropriate for the nomination committee to consist of the full Board of Directors.

**Recommendation 2.2 and 2.3: Board composition**
The Company's Board is comprised of Non-Executive Directors.

## Corporate governance statement (continued)
**For the year ended 30 June 2022**

Details of Directors and skills are detailed in the following tables:

| Director | Term in office | Qualifications | Status |
|---|---|---|---|
| **Graham Burns** | Appointed 1 February 2008 | MBA (Tech), FAICD | Independent |
| **Robert Edgley** | Appointed 26 August 2011 | B Ec | Independent |
| **Ian Luck** | Appointed 3 July 2017 | B Tech. Civil Engineering, FIE Australia, CPEng (Ret). | Independent |
| | | | |

Areas of competence and skills of the board of directors are as follows:

| Area | Competence and skills |
|---|---|
| **Leadership** | Business leadership |
| | Public listed company experience |
| **Business & Finance** | Accounting expertise |
| | Business strategy |
| | Corporate turnarounds |
| | Corporate financing |
| | Mergers and acquisitions |
| | Risk management |
| | Commercial agreements |
| **Sustainability and Stakeholder management** | Corporate governance |
| | Remuneration |
| **Market and Industry** | Financial services expertise |
| **International** | Geographical experience |
| | International business management |

**Recommendation 2.4: Director independence**
All directors including the chairman, are non-executive and independent directors. Profiles of the directors are set out in this annual report. All directors are subject to retirement by rotation in accordance with the Company's constitution but may stand for re-election by the shareholders. The composition of the board is determined by the board and, where appropriate, external advice is sought. The board has adopted the following principles and guidelines in determining the composition of the board:

To be independent, a director ought to be non-executive and:
- not a current executive of the Company;
- ideally not held an executive position in the Company in the previous three years;
- not a nominee or associate of a shareholder holding more than 10% of the Company's shares;
- not significantly involved in the value chain of the organisation, either upstream or downstream; and
- not a current advisor to the Company receiving fees or some other benefit, except for approved director's fees.

Directors are encouraged to be long term shareholders in the Company. Directors shareholdings are disclosed in the annual report. Any change in directors' shareholdings are disclosed in accordance with ASX Listing Rules. The Company's policies allow directors to seek independent advice at the Company's expense.

**Recommendation 2.5: Independence of chairman**
The chairman, Graham Burns, is an independent director. He is responsible for the leadership of the board and he has no other positions that hinder the effective performance of this role. The role of chairman is independent to the role of CEO, which is held by Scott Farthing. There is a clear division of responsibility between these roles.

**Recommendation 2.6: Induction and training**
Any new director will receive a letter of appointment. Directors are provided access to the Company's policies including the board's charter. At board meetings directors receive regular updates and also undertake site visits, attend customer and financier meetings as required. These assist directors to keep abreast of relevant market and industry developments.

**Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

**Recommendation 3.1: Articulation and disclosure of values**
The Company has formulated core values which all directors, senior executives and employees are expected, at a minimum, to follow. The core values are included in the corporate governance section of the Company's website.

**Recommendation 3.2: Code of conduct**
The Company has developed a code of conduct to guide all of the Company's employees, particularly directors, the CEO, the CFO and other senior executives, in respect of ethical behaviour. These codes are designed to maintain confidence in the Company's integrity and the responsibility and accountability of all individuals within the Company for reporting unlawful and unethical practices.

These codes of conduct embrace such areas as:
- conflicts of interest
- corporate opportunities
- confidentiality
- fair dealing and trade practices
- protection of assets
- compliance with laws, regulations and industry codes
- security trading
- commitment to and recognition of the legitimate interests of stakeholders

**Recommendation 3.3: Whistleblower policy**
The Company has a Whistleblower protection policy in place (Whistleblower Policy), a copy of which is available on its website.

The Whistleblower Policy Encourages all employees to speak out if they have concerns about unethical, unlawful, or irresponsible behaviour within the Company. The Company has established an external helpline to assist reporting, which can be done online and anonymously if preferred. The CEO and CFO are informed of all incidents reported under the Whistleblower policy. The CEO and CFO will inform the board of any material incidents reported under the Whistleblower policy.

**Recommendation 3.4: Anti-bribery and corruption policy**
The Company has established an anti-bribery and corruption policy which is disclosed on the Company's website. This policy is a particular focus for the Board, as the company operates across multiple divisions and has exposure to foreign markets and cultures outside of Australia. It is a requirement of the policy that the board of directors be informed of any material breaches of the policy.

## Corporate governance statement (continued)
**For the year ended 30 June 2022**

### Principle 4: Safeguard the integrity of corporate reports

**Recommendation 4.1: Audit committee**
The Board-appointed audit committee operates in accordance with the audit committee charter. The details of the committee meetings held during the year and attendance at those meetings are detailed in the directors' meeting schedule in the directors' report.

The audit committee consists of:
- Robert Edgley - Chairperson
- Ian Luck
- Graham Burns

Each of the members of the committee is an independent, Non-Executive Director and the Chairman of the committee is not the Chairman of the Board. The CEO and the CFO/Company Secretary may attend the meetings at the invitation of the committee. All members of the committee are financially literate (i.e. they are able to read and understand financial statements) and have an understanding of the industry in which the Company operates.

The audit committee provides an independent review of:
- financial information produced by the Company;
- the accounting policies adopted by the Company;
- the effectiveness of the accounting and internal control systems and management reporting which are designed to safeguard company assets;
- the quality of the external audit functions;
- external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary; and
- identifying risk areas.

**Recommendation 4.2: CEO and CFO assurance**
The CEO and CFO have provided to the Board formal declarations that the integrity of the financial statements is founded on a system of risk management and internal control which supports the policies adopted by the Board and that the Company's risk management and internal control system is operating effectively in all material respects to manage the Company's material business risks.

**Recommendation 4.3: Integrity of corporate reports**
The Company's periodic corporate reports are subject to comprehensive review and auditing. The process ensures that the Company is satisfied that any reports that are issued by the Company are materially accurate, balanced and provide investors with appropriate information to make informed investment decisions.

### Principle 5: Make timely and balanced disclosure

**Recommendation 5.1: Continuous disclosure**
The board recognises that the Company, as an entity listed on the ASX, has an obligation to make timely and balanced disclosure in accordance with the requirements of the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The board also is of the view that an appropriately informed shareholder base and market is essential to an efficient market for the Company's securities. The board is committed to ensuring that shareholders and the market have timely and balanced disclosure of material matters concerning the Company.

In demonstration of this commitment, the Company has adopted a continuous disclosure policy which can be accessed under the corporate governance section of the Company's website.

**Recommendation 5.2: Board to receive copies of material market announcements**
The Company secretary ensures that the board receives timely copies of all material market announcements made in accordance with the continuous disclosure requirements. The Company's continuous disclosure policy can be accessed under the corporate governance tab of the Company's website.

**Recommendation 5.3: Investor / Analyst presentations**
As documented in the Company's continuous disclosure policy, when the Company gives a new and material investor or analyst presentation, a copy of the presentation materials are provide to the ASX ahead of the presentation. The Company's continuous disclosure policy can be accessed under the corporate governance tab of the Company's website.

**Principle 6: Respect the rights of security holders**

**Recommendation 6.1: Company website**
The Company provides information about itself and its governance procedures to its investors via its website. The corporate governance policies are disclosed on the website through a specific corporate governance tab, as are copies of annual reports, and biographies for directors and key management.

**Recommendation 6.2: Investor relations program**

*Investor updates:*
The Company provides regular investor updates via the ASX website to communicate the Company's performance and strategies. These updates typically focus on the Company's financial performance and strategies.

*Annual general meeting and annual reports:*
The Company's Annual General Meeting enables security holders to engage directly with the board and key management. The CEO and Company Secretary also meet with security holders upon request and respond to any inquiries that may be made from time to time. The Company's annual report and associated investor presentation are released to the ASX and copies are available on the Company's website.

*Regular release of financial information:*
The Company financial results are announced every 6 months with full year results released via the ASX in August and half year results in February. In between full and half year results, the Company also releases material information on contract wins and other relevant information to the ASX throughout the year as events occur.

**Recommendation 6.3: Participation at meetings by security holders**
The Company's AGM provides shareholders with the opportunity to vote on resolutions recommended by the board, hear directly from the board and CEO and ask questions of the board.

The Company's AGM is usually held in November. The Chairman and CEO's AGM presentations and voting results are released to the ASX on the day of the meeting.

The Company elected to conduct a webcast of its AGM's in 2020 and 2021 as it was not possible to conduct an AGM in person. Shareholders were able to ask live questions of directors and management during the meeting.

The Company is expecting to return to a face to face traditional meeting for its 2022 AGM.

**Recommendation 6.4: Substantive resolutions decided by poll**
All substantive resolutions are decided by poll, rather than by a show of hands.

**Recommendation 6.5: Electronic communication**
The Company provides security holders with the option to receive communications from the entity and its security registry, such as notice of meetings, explanatory memorandums, proxy forms and annual reports electronically. A corporate email address is provided via the Company's website to allow security holders to communicate with the Company. The Company's share registry provider remains Computershare.

Since 2020, the Company has ceased producing hard printed copies of its annual report for environmental reasons. Shareholders who have registered to receive electronic communication from the Company's share register will receive access to an electronic copy of the annual report together with the notice of annual general meeting.

Arrangements for hard copy annual reports can be made by request via the corporate email address on the Company's website.

**Principle 7: Recognise and manage risk**

**Recommendation 7.1: Risk committee**
Overall risk management is the responsibility of the Audit Committee and covered within that committee's charter.

The board has overall responsibility to all stakeholders for the identification, assessment, management and monitoring of the risks faced by the Company. The Company currently has informal policies and procedures for risk management and the audit committee seeks to ensure compliance with regulatory requirements. The operational risks are managed at the senior management level and escalated to the board for direction where the issue is exceptional, non-recurring or may impose a material financial or operational burden on the Company. The relatively small size of the Company means that communication and decision-making is predominantly centralised allowing early identification of risks by senior management. It also allows senior management to respond to each risk as appropriate without the need for a written risk management policy. In addition, a monthly risk report is tabled at the board meeting for consideration.

**Recommendation 7.2: Risk management framework**
Given the relatively small and centralised management team, the nature of the business of the Company and that a majority of independent Directors sit on the audit committee, the Board is continuously kept informed of the effectiveness of the Company's internal control systems. In addition, a monthly risk report is tabled at the Board meeting for consideration.

**Recommendation 7.3: Internal audit**
The Company does not currently have any internal audit function. The Board considers that given the Company's current size there is no benefit in having an internal audit function. Independent advice will be sought as necessary. The Board has overall responsibility for the identification, assessment, management and monitoring of the risks faced by the Company.

**Recommendation 7.4: Environmental and social risks**
EVZ is committed to maintaining a strong and mature health and safety, environment and social culture. Nevertheless, in conducting its business, the Company takes commercial and business risks to achieve its objectives and deliver shareholder value. The Company is exposed to various risks in its day to day operations, including strategic, operational, contracting, financial, compliance, health, safety, environmental, human resources and technology risks. The Company considers it is exposed to the following material risks:

| Risk type | Identified material risk |
|---|---|
| **Economic sustainability risks** | Demand |
| | Project delivery |
| | Contractual and Contract pricing |
| | Competition |
| | Liquidity |
| | Compliance with laws and regulations |
| | Innovation and technology |
| | Cyber security and IT business continuity |
| **Social sustainability risks** | Employee attraction, retention and development |
| | Health and safety |
| | Pandemic |
| | Industrial Relations |
| | Reputation |
| **Environmental sustainability risks** | Harm to environment |
| | Climate |

The ability of the Company to achieve its objectives and long-term sustainable growth is impacted by the effective management of the risks to which it is exposed. Material risks which have been identified above are discussed in more detail below:

***Economic sustainability risks:***

**Demand -** The Company operates in the oil and gas, water and energy sectors. The demand for EVZ's services can vary greatly as a result of changes in market conditions, including the timing and award of projects, project deferrals and cancellations, changes in political, economic and environmental conditions, commodity prices and the demand for customers' goods and services. While EVZ operates in a diverse range of industries which is a mitigating factor, demand can nevertheless be impacted by any changes in market conditions. In response to these risks, the EVZ board has a continuous growth and diversification strategy to further diversify the business across additional markets, services and geographies.

**Project delivery –** At any time, EVZ is involved in planning, constructing, and executing a range of projects of different scale and complexity. If projects are not executed as planned, there could be financial and/or reputational damage to the Company. In addition, if contractual claims or variations are not appropriately recorded and substantiated, the Company is exposed to the risk of financial loss. EVZ operates a robust project management system which effectively manages projects from inception to completion and employs experienced, capable employees that are familiar with the Company's execution processes and methodologies. Projects are reviewed on an ongoing basis, including reviews by project, general and executive management and the Board. EVZ recruits and employs suitably qualified and experienced personnel for the work that it undertakes, and provides them with the necessary resources to effectively execute their responsibilities in an efficient manner.

**Contractual -** EVZ is typically contracted under the clients proposed terms and conditions. These contractual agreements may vary significantly and expose the Company to the risk of financial loss should it enter into an agreement with unfavourable terms and conditions. The Company identifies, analyses and treats contractual risk at the time of tender and employs suitably qualified and experienced contractual and legal personnel to undertake contractual negotiation and agreement, in accordance with the Company's prescribed tolerance limits for contractual terms and conditions.

**Contract pricing -** EVZ undertakes a variety of fixed price lump sum, schedule of rates or cost plus contracts, or a combination thereof. If EVZ underestimates the cost to complete a project, or applies an inadequate pricing strategy, there is a risk that the Company's financial performance may be negatively impacted. Inaccurate or inadequate pricing may result in reduced margin and financial liability. To mitigate this, the Company is selective in the work that it tenders and undertakes a thorough review process for all tenders prior to submission. The Company has an established tender risk management system involving capable, experienced subject matter experts, historical data and productivity metrics and appropriate authority and approval levels, to ensure effective identification and assessment of risk at the tender stage.

**Competition –** EVZ operates in markets which are competitive by nature. The Company undertakes a comprehensive opportunity identification and selection process when tendering for projects. Increased levels of competition and competitors' particular strategic objectives may result in the Company unsuccessfully tendering for projects. The Company regularly reviews its competitive market position and competitive advantage, as well as that of competitors, to ensure that it is well placed to secure opportunities as they arise.

**Liquidity -** In the normal course of business, EVZ is exposed to liquidity risks. Customers may extend payment terms beyond those contractually agreed and contractual variations or claims may take extended periods of time to resolve. In addition, certain contracts require the Company to provide security in the form of bank guarantees, performance bonds or cash retentions. To ensure the Company maintains an effective and appropriate level of working capital, the Company regularly reviews cash flow forecasts including project cash flows, closely monitors cash collections and payment obligations and undertakes appropriate credit verification procedures on customers. The Company also regularly reviews its facility levels and compliance with banking covenants.

**Compliance with laws and regulations -** The Company is subject to a wide variety of legal and regulatory requirements in the jurisdictions in which it operates. Non-compliance with relevant laws and regulations may result in criminal prosecution, significant penalties, reputational damage and ultimately impact the Company's ability to operate. The Company manages its compliance with these requirements through the implementation of systems and controls, employing suitably qualified subject matter experts and engaging region specific legislation experts where required. The Company also monitors changes in legislation and updates its procedures as required to ensure ongoing compliance. If non-compliance with laws and regulations is identified, it is notified to the appropriate level of management or the Board for remediation.

**Innovation and technology –** The use of technology and innovative solutions in the provision of construction and maintenance services and administrative functions, can deliver improvements in quality, safety, productivity, sustainability and environmental performance, and enable growth in new markets. The failure to identify and act on threats or opportunities presented by new technology can have a negative impact on the business in terms of reduced competitiveness, attractiveness as an employer and reputation among customers and industry more broadly. The Company drives innovation across the business by leveraging ideas from employees, systematically implementing improvements, and strategically monitoring the external technology landscape, and actions of customers and competitors with respect to technology adoption. Successfully implemented ideas are communicated across the business to drive replication and standardisation where appropriate.

**Cyber security and IT business continuity -** The ever-increasing sophistication and frequency of cyber-attacks heightens the risk of associated financial or reputational damage to the Company. The Company may also encounter significant business disruption should there be a failure of its critical IT systems. Recognising the constantly changing cyber security landscape, EVZ invests in systems, equipment and resources to mitigate the risks associated with maintaining the confidentiality, integrity and availability of its systems, IT equipment and data. Additionally, the Company ensures its systems are appropriately maintained and supported to meet agreed performance expectations and that contingency plans exist and are tested regularly to minimise downtime and data loss in the event of a system fault or failure.

***Social sustainability risks:***

**Employee attraction, retention and development –** EVZ's intellectual property resides in its people and systems. The failure to retain, attract and develop highly competent people who live the Company's values may impact its ability to achieve its strategic vision and deliver value for stakeholders, resulting in financial loss and reputational damage. The Company focuses on attracting people who desire to have a long-term career at EVZ, whose experience demonstrates proven capability and whose behaviours exhibit cultural alignment. Focus is placed on developing the skills and leadership capability required to enable the Company's growth and diversification objectives. Employees are encouraged to grow within areas they are motivated and able. Through its employee management practices, EVZ aims to retain all those who are aligned to the Company's culture and who contribute to the long-term success of the Company.

**Health and safety -** EVZ is subject to occupational health and safety regulations and there is a high degree of operational risk inherent in the industries in which it operates. There is a risk of injury or loss of life to its people and those people it manages and interacts with. The Company operates under its safety directive 'Safety by choice not by chance', with a goal of zero harm. EVZ has a robust, effective and mature safety management system and is committed to monitoring and improving safety performance, ensuring the provision of safe work practices and providing training and initiatives that ensure the safety of its employees. EVZ is certified to ISO 45001 for occupational health and safety management systems.

**Pandemic** - Rapidly spreading infectious diseases pose a global threat to the health and safety of employees and may create severe disruption to business operations, impacting the Company's ability to deliver for customers. Pandemic events expose the Company to the risk of financial loss and reputational damage and may result in the cancellation or delay of existing contracts, deferment of future works and disruption of supply chains. in response to the threat of pandemics, the Company implements appropriate measures in line with its business continuity plan and risk management framework to ensure the safety of its people and manage any resulting disruption.

**Industrial Relations -** A large percentage of EVZ's workforce operates under industrial agreements. EVZ may therefore be exposed to the risk of employee and industrial unrest associated with the management of employee related matters, which have the potential to damage the reputation of the Company. The Company mitigates this risk by ensuring appropriate processes are in place to effectively manage employees, address grievances and comply with workplace laws. The Company also consults regularly with unions to understand and address any concerns in a cooperative manner.

**Reputation –** EVZ has an enviable reputation for safety, integrity, reliable project performance and delivery. The Company's reputation assists its ability to secure and retain work, retain and attract employees, and build strong supplier relationships.

The Company's reputation may be damaged by safety incidents, poor project performance, industrial unrest, or behaviour in breach of the Company's Code of Conduct. The EVZ code of conduct provides the basis for appropriate standards of behaviour and with the Company's business management system and risk management methodologies, combine to mitigate this risk. The Company aims to maintain a sustainable business for all stakeholders by retaining and attracting a values-aligned and highly competent workforce, ensuring their safety and wellbeing and maintaining strong customer relationships.

***Environmental sustainability risks:***

**Harm to environment -** Environmental risk is the actual or potential threat of harm to living organisms and the environment by effluents, emissions, waste and resource depletion, arising out of the Company's activities. The Company's reputation may be tarnished as a result of environmental damage from its activities, impacting its ability to retain and attract employees, retain and secure future work opportunities, and affecting shareholder value.

EVZ is committed to environmental sustainability through the diligent management of activities, including the identification of risks to the natural environment and the implementation of strategies and actions to mitigate or reduce its environmental impact. Ensuring compliance with customer requirements and environmental legislation and regulation is also critical to maintaining its strong reputation as a contractor of choice. To support this, the Company applies an environmental management system that is certified to AS/NZS/ISO 14001 Environmental Management Systems.

**Climate –** Climate risk is the risk that climate change poses to the Company's strategy and business model. If the Company does not adapt to market conditions, it may be exposed to financial and reputational loss.

The move towards a lower-carbon energy economy will continue to influence change in the industries within which the Company operates. This is particularly so in the liquid fuels industry.

Accordingly, EVZ has undertaken a high- level review of the recommendations of the Financial Stability Boards Task Force on Climate-related Financial Disclosures (TCFD) and an assessment of its exposure to climate risks. The Company is in the early stages of its journey in regard to applying the TCFD in managing climate related risks. Processes will continue to evolve and improve over time as risks change, however EVZ is committed to ensuring that focus is maintained in this critical area. In the risk assessment, EVZ considered each of the climate related risks and opportunities identified by the TCFD and the potential impact to the Company. Whilst the overall exposure to climate risk was not considered to be material in the short term, a number of medium to long term risks and opportunities are outlined in the table below in the interest of transparency.

## Corporate governance statement (continued)
**For the year ended 30 June 2022**

| Transition Risks (TCFD risk type) | Description | Potential Business Impact | Risk Management |
|---|---|---|---|
| Changing client behaviour away from fossil fuels. (Transition – Market) | The move towards a low carbon economy will likely reduce demand for liquid fuels. | Reduced demand for new construction projects and maintenance in the bulk liquid fuels sector. | The bulk liquid fuels sector is currently experiencing a government led uplift in capital expenditure following a COVID-19 impacted decline. EVZ's short to medium term strategy is to take advantage of the current uplift while continuing to focus on growth, and acquisition opportunities in other sectors to move away from the fossil fuel sector over subsequent years. |
| Increased stakeholder concern about a fossil fuel focused business. (Transition – Reputation) | Negative perception of various stakeholders (e.g.: current and potential employees and shareholders) to the Company operating in the fossil fuel industry. | Ability to retain and secure quality workforce.<br><br>Potential investor concerns may impact future investment. | Ensure transparency of the Company's environmental strategy.<br><br>Continue to progress markets and growth strategy non-fossil fuel industries and possibly into green energy. |
| Extreme weather events (Physical – acute and chronic) | Increased frequency and severity of weather events impacting operations and projects and threatening the health and safety of the Company's workforce. | Inability to deliver according to contractual requirements. | Assess contractual requirements and ensure appropriate mitigation strategies are implemented. |

## Corporate governance statement (continued)
**For the year ended 30 June 2022**

| Transition Opportunities (TCFD opportunity type) | Description | Potential Business Impact | Opportunity Management |
|---|---|---|---|
| Expanding markets due to alignment and equilibrium of existing fuel and renewable fuel technologies. (Markets) | The move towards a low carbon economy will provide further opportunities for EVZ the in the Biogas energy market. | EVZ has significant opportunity to grow its existing business servicing the Biogas power generation industry. | Target opportunities with existing and new clients. |
| Changing client behaviour with respect to their climate transition direction and planning. | EVZ has significant experience and intellectual property in the design and construct of liquid and gas bulk storage assets. | Given EVZ's design and construction experience it is well placed to provide advice to clients as to how they might reduce their carbon footprint during and after the transition process. | Target opportunities with existing and new clients. |
| Management and value-add of rain-water resources in South East Asian (SEA). (Markets) | Climate change is already impacting the variability, severity, and unpredictability of weather events. This is likely to be particularly pronounced in the SEA region. | This presents opportunities in our syphonic drainage business to expand both our service offering and geographic presence in the SEA region. | Target opportunities with existing and new clients. |

The specific actions to manage the identified key climate risks and opportunities are noted above.

Through its markets and growth strategy, the Company is consistently investigating opportunities to both migrate and diversify into new markets and industries that will reduce the risk of climate focused market changes on the Company

As EVZ continues on its climate and TCFD journey, it will consider further measures and targets to assess the effectiveness of its climate related strategies.

## Principle 8: Remunerate fairly and responsibly

**Recommendation 8.1 and 8.2: Remuneration committee and policies**
The Company has a duly appointed remuneration committee. The committee operates pursuant to the remuneration committee charter.

The remuneration committee consists of:
- Ian Luck
- Graham Burns
- Rob Edgley

The Company's approach to remuneration is set out in the Remuneration Report contained within this annual report.

The primary responsibilities of the remuneration committee are:
- Establish appropriate remuneration policies for directors, the CEO and other senior executives which are effective in attracting and/or retaining the best directors and executives to monitor and manage EVZ Limited, whilst ensuring goal congruence between shareholders, directors and executives.
- Ensuring appropriate disclosure of remuneration in line with the Corporations Act, ASX Listing Rules and Corporate Governance guidelines.

Non-executive directors are remunerated by way of fees. They may receive options (subject to shareholder approval) but there is no scheme for retirement benefits, other than statutory superannuation. Executives are paid a salary and may be provided, under the directors' and employees' benefits plan, with shares, performance rights and/or options and bonuses as part of their remuneration and incentive package.

There are no executive directors.

**Recommendation 8.3: Equity based remuneration scheme**
There is currently in place an EVZ Directors' and Employees' Benefits Plan (the "Plan") which allows employees, directors and others ("Eligible Persons") to be granted shares, options and performance rights in the Company. The object of this plan is to help the Company recruit, reward, retain and motivate its employees and directors.

Such shares, options and performance rights would be offered only to those eligible persons entitled to receive an invitation. Those eligible persons would be:
- a director or secretary of a group company;
- an employee in permanent full-time or permanent part-time employment of a group company; or
- a contractor to a group company.

Invitations to eligible persons will be made by the board and may be made subject to such conditions and rules as the board determines, including:
- In the case of options, the exercise period, the exercise price and the exercise conditions.
- In the case of shares, the issue price payable on acceptance of the application by the Company and issue of the shares and any other specific terms and conditions of issue.
- In the case of performance rights, the performance criteria and the performance period in which those performance criteria must be satisfied.

The issue of any securities (including options or performance rights) issued to any director or their associates will still require shareholder approval under ASX Listing Rule 10.14.

The maximum number of shares issued pursuant to the plan would be not more than 5% of the equity interests in the Company.

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# Auditor's Independence Declaration

## To the Directors of EVZ Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of EVZ Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 26 August 2022

## Consolidated statement of profit or loss
**For the year ended 30 June 2022**

| | Notes | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | 67,506,919 | 57,852,133 |
| Cost of sales | | (55,086,994) | (47,308,312) |
| Gross profit | | 12,419,925 | 10,543,821 |
| Other Income | 2(a) | 40,208 | 3,546,689 |
| Administration and business development costs | | (9,367,407) | (8,629,334) |
| Corporate costs | | (1,694,097) | (1,441,278) |
| Profit before finance costs and income tax | | 1,398,629 | 4,019,898 |
| Net finance costs | 2(c) | (393,303) | (483,024) |
| Profit before income tax from continuing operations | | 1,005,326 | 3,536,874 |
| Income tax expense | 3 | (110,646) | (133,726) |
| **Profit for the year attributed to members after tax** | | **894,680** | **3,403,148** |

| | Notes | Cents | Cents |
|---|---|---|---|
| **Earnings per share** | | | |
| **Overall operations:** | | | |
| Basic earnings per share | 17 | 0.888 | 3.541 |
| Diluted earnings per share | 17 | 0.884 | 3.541 |
| **Continuing operations:** | | | |
| Basic earnings per share | 17 | 0.888 | 3.541 |
| Diluted earnings per share | 17 | 0.884 | 3.541 |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## Consolidated statement of comprehensive income
**For the year ended 30 June 2022**

| | Notes | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|
| Profit for the year after tax | | 894,680 | 3,403,148 |
| Other comprehensive income: | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences arising on translation of foreign operations | 16(b) | 83,174 | (161,518) |
| **Total comprehensive income for the year attributable to owners of the company** | | **977,854** | **3,241,630** |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position
**As at 30 June 2022**

| | Notes | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 22 | 8,933,485 | 3,959,861 |
| Trade and other receivables | 4 | 18,707,295 | 11,276,032 |
| Contract assets | 5 | 3,860,275 | 1,547,864 |
| Inventories | 6(a) | 2,611,419 | 2,331,644 |
| Financial assets | 6(b) | 230,464 | 237,055 |
| **Total current assets** | | 34,342,938 | 19,352,456 |
| **Non-current assets** | | | |
| Trade and other receivables | 4 | 1,232,301 | 1,168,502 |
| Property, plant and equipment | 7 | 6,163,937 | 6,570,395 |
| Deferred tax assets | 8 | 2,610,870 | 2,610,870 |
| Intangibles | 9 | 12,072,010 | 12,072,010 |
| **Total non-current assets** | | 22,079,118 | 22,421,777 |
| **Total assets** | | **56,422,056** | **41,774,233** |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 12,469,256 | 7,461,992 |
| Contract liabilities | 5 | 8,802,807 | 2,510,806 |
| Tax liabilities | 8 | 83,948 | 112,397 |
| Short-term borrowings | 11 | 300,000 | 1,200,000 |
| Short-term lease liabilities | 11 | 947,494 | 926,981 |
| Provisions | 13 | 3,403,856 | 3,121,115 |
| **Total current liabilities** | | 26,007,361 | 15,333,291 |
| **Non-current liabilities** | | | |
| Long-term borrowings | 12 | - | 300,000 |
| Long-term lease liabilities | 12 | 1,196,821 | 1,559,373 |
| Deferred tax liabilities | 8 | 40,380 | 46,692 |
| Provisions-non current | 13 | 110,201 | 88,024 |
| **Total non-current liabilities** | | 1,347,402 | 1,994,089 |
| **Total liabilities** | | **27,354,763** | **17,327,380** |
| **Net assets** | | **29,067,293** | **24,446,853** |
| **Equity** | | | |
| Issued capital | 14 | 60,009,326 | 56,457,180 |
| Reserves | 16 | (42,004) | (215,618) |
| Accumulated losses | 16 | (30,900,029) | (31,794,709) |
| **Total equity** | | **29,067,293** | **24,446,853** |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

## Consolidated statement of changes in equity
### For the year ended 30 June 2022

| Consolidated entity<br><br><br>**As at 30 June 2022** | Issued capital<br><br><br>$ | Accumulated losses<br><br><br>$ | Share options reserve | Foreign currency translation reserve<br>$ | Total<br><br><br>$ |
|---|---|---|---|---|---|
| **Balance at 30 June 2021** | **56,457,180** | **(31,794,709)** | **-** | **(215,618)** | **24,446,853** |
| **Total comprehensive profit for period** | | | | | |
| Profit for period | - | 894,680 | - | - | 894,680 |
| Foreign currency translation reserve | - | - | - | 83,174 | 83,174 |
| Total comprehensive income for period | - | 894,680 | - | 83,174 | 977,854 |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Shares issued | 3,724,523 | - | - | - | 3,724,523 |
| Share Issue Costs | (172,377) | - | - | - | (172,377) |
| Options issued | - | - | 90,440 | - | 90,440 |
| **Balance at 30 June 2022** | **60,009,326** | **(30,900,029)** | **90,440** | **(132,444)** | **29,067,293** |

| Consolidated entity<br><br><br><br>**As at 30 June 2021** | Issued capital<br><br><br><br>$ | Accumulated losses<br><br><br><br>$ | Share options reserve | Foreign currency translation reserve<br>$ | Total<br><br><br><br>$ |
|---|---|---|---|---|---|
| **Balance at 30 June 2020** | **56,457,180** | **(35,497,857)** | **300,000** | **(54,100)** | **21,205,223** |
| **Total comprehensive profit for period** | | | | | |
| Profit for period | - | 3,403,148 | - | - | 3,403,148 |
| Foreign currency translation reserve | - | - | - | (161,518) | (161,518) |
| Total comprehensive income for period | - | 3,403,148 | - | (161,518) | 3,241,630 |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Options expired | - | 300,000 | (300,000) | | - |
| **Balance at 30 June 2021** | **56,457,180** | **(31,794,709)** | **-** | **(215,618)** | **24,446,853** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated statement of cash flows
**For the year ended 30 June 2022**

| | Notes | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 70,173,977 | 63,811,722 |
| Payments to suppliers and employees (inclusive of GST) | | (65,346,748) | (64,848,664) |
| JobKeeper subsidy received | | - | 3,530,150 |
| Interest received | | 94 | 585 |
| Finance costs | | (393,397) | (521,039) |
| Income tax paid | | (145,407) | (24,261) |
| **Net cash provided by operating activities** | **22** | **4,288,519** | **1,948,493** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of plant and equipment | | - | - |
| Purchase of plant and equipment | 7 | (1,325,002) | (763,239) |
| **Net cash used in investing activities** | | **(1,325,002)** | **(763,239)** |
| **Cash flows from financing activities** | | | |
| Proceeds from equity raising | | 3,724,523 | - |
| Share issue costs | | (172,377) | - |
| Repayment of loans | | (1,200,000) | (2,800,000) |
| Repayment of leases | | (342,039) | (295,072) |
| **Net cash provided by / (used in) financing activities** | | **2,010,107** | **(3,095,072)** |
| Net increase/(decrease) in cash held | | 4,973,624 | (1,909,818) |
| Cash at beginning of the period | | 3,959,861 | 5,869,679 |
| **Cash at end of the period** | **22** | **8,933,485** | **3,959,861** |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## 1. Summary of significant accounting policies

**General information and statement of compliance**
This financial report includes the consolidated financial statements and notes of EVZ Limited and controlled entities ('Consolidated Entity' or 'Group').

The consolidated financial statements of the Group have been prepared in accordance with the requirements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Basis of preparation**
The Group's financial statements have been prepared on an accrual basis and under the historical cost convention. They assume that the Group operates on a going concern basis.

### (a) New accounting standards

i. New accounting standards and interpretations adopted during the year

There were no amended accounting standards and interpretations issued by the Australian Accounting Standards Board effective for the year ended 30 June 2022 that were relevant to the Group.

ii. Accounting standards issued but not yet effective

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferred of Effective Date;
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments;
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates;
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

### (b) Principles of consolidation

A controlled entity is any entity EVZ Limited is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

**1. Summary of significant accounting policies (continued)**

**(b) Principles of consolidation (continued)**

**Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any Non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. 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 a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

**(c) Income tax**

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant tax authority.

## 1. Summary of significant accounting policies (continued)

### (c) Income tax (continued)

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period where the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

EVZ Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and credits which are immediately assumed by EVZ Limited. The current tax liability of each Group entity is then subsequently assumed by EVZ Limited. The Group notified the Australian Taxation Office that it had formed an income tax consolidated Group to apply from 7 June 2004. The tax consolidated Group has entered a tax sharing arrangement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated Group.

### 1. Summary of significant accounting policies (continued)

### (d) Inventories

Inventories are measured at the lower of cost and net realisable value.

The carrying amount of inventories is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

### (e) Plant and equipment

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

Plant and equipment is measured on a cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when probable future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

**Depreciation**
The depreciable amount of all fixed assets and capitalised lease assets, is depreciated on either a straight-line or diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the remaining term of the lease or the estimated useful lives of the improvements.

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

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 5 to 30% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

## 1. Summary of significant accounting policies (continued)

### (f) Leased assets

Measurement and recognition of leases as a leasee:
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included as short-term or long-term lease liabilities.

### (g) Financial instruments

**Recognition, initial measurement and derecognition**
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss (FVPL), which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

## 1. Summary of significant accounting policies (continued)

### (g) Financial instruments (continued)

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification and subsequent measurement of financial assets**
The Group classifies its financial assets in the following measurement category:

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**Impairment of financial assets**
AASB 9's impairment requirements use forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

**Trade and other receivables and contract assets**
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets under AASB 15 and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

**Classification and measurement of financial liabilities**
The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

## 1. Summary of significant accounting policies (continued)

### (h) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss.

Impairment testing for goodwill and intangible assets with indefinite lives is performed annually or more frequently when indicators of impairment are identified.

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

It has been determined that the balances of the goodwill have an indefinite life. The excess of the fair value of net assets over the purchase price of the businesses acquired has been allocated to goodwill rather than be allocated to other intangible assets. The acquisition of the businesses that generate the goodwill was determined on the abilities of the entities, as a whole, to generate future profits and hence other intangibles have not been recognised.

Goodwill is allocated to cash-generating units which coincide with the Group's individual companies. All businesses operate in the engineering services industry sector.

### (i) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill is tested annually for impairment and 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.

### (j) Foreign currency transactions and balances

**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 and presentation currency.

**Transaction 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.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss. Exchange differences arising on the translation of Non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of profit or loss.

## 1. Summary of significant accounting policies (continued)

### (j) Foreign currency transactions and balances (continued)

**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 year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss in the period in which the operation is disposed.

### (k) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Defined contribution plans**
Contributions to defined superannuation plans are expensed when incurred.

**Share based payments**
The Group operates an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense with a corresponding increase to an equity account. The shares issued under the employee share scheme vest immediately.

### (l) Provisions

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

### (m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and which are subject to insignificant risk of changes in value, and bank overdrafts.

## 1. Summary of significant accounting policies (continued)

### (n) Revenue

Revenue is recognised when an entity satisfies a performance obligation by transferring control of a promised good or service to a customer.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price,
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The core principle of AASB 15 is that an entity shall recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

<u>Construction revenue</u>
The contractual terms and the way in which the Group operates its construction contracts is predominantly derived from projects containing one performance obligation. Due to the high degree of interdependence between the various elements of these projects, they are accounted for as a single performance obligation. Contracted revenue is recognised over time by comparing costs incurred with total estimated costs required to deliver the project to measure progress. Estimated costs are reviewed on a monthly basis. The requirements of over time measurement are met as the construction creates assets with no alternative use to the Group and there is an enforceable right to payment for performance completed.

Contract variations are assessed to determine whether they represent a separate contract with the customer or are modifications to the original contract.

Most contracts are billed according to approved monthly progress claim schedules or in some cases according to contracted milestone schedules. When payments received from customers exceed revenue recognised to date on a particular contract, an excess (a contract liability)) is reported in the statements of financial position. Alternatively, where revenue to be recognised exceeds amounts invoiced to customers, the excess (contract asset) is reported.

<u>Services revenue</u>
Services revenue arises from maintenance and other services supplied to infrastructure assets and facilities which may involve a range of services and processes.

Under AASB 15, these are recognised over time with reference to inputs (time and materials) as services are provided. These services have been determined to be one performance obligation as they are highly inter-related and fulfilled over time therefore revenue is recognised over time.

As with construction revenue, contract variations are assessed to determine whether they represent a separate contract with the customer or are modifications to the original.

## 1. Summary of significant accounting policies (continued)

### (o) Other income - Government grants

Government grants are recognised when there is a reasonable certainty that the grant will be received, and all grant conditions are met.

Government grants include amounts received or receivable under the Federal Government's JobKeeper payment scheme, which provides temporary subsidies to eligible businesses significantly affected by COVID-19.

### (p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended used or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

### (q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### (s) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report 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.

**Key estimates**

**Impairment**

The Group assesses the potential for existence of impairment of non-financial assets other than Goodwill at each reporting date by evaluating conditions specific to each asset or cash generating unit that indicates the existence of impairment. Where an impairment trigger exists, the recoverable amount of the cash generating unit is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer Note 9 for key estimates used in the assessment of Goodwill.

## 1. Summary of significant accounting policies (continued)

### (s) Critical accounting estimates and judgments (continued)

**Expected credit losses**
The Group estimates expected credit losses using its historical experience, external indicators and forward-looking information.

At 30 June 2022, a provision for impairment of $574,996 (2021: $430,090) was raised against receivables from continuing operations. There is no provision raised for impairment against work in progress. (2021: $nil).

**Recognition of deferred tax assets**
The Group has recognised deferred tax assets in relation to Provisions and Other payables of $1,414,812 (2021: $1,344,709) and Un-recouped tax losses $1,196,059 (2021: $1,266,161).

The realisation of these deferred tax assets is dependent upon generating sufficient taxable profit in the coming years.

The Group has projected its profits over the next five years and believes that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

**Construction contracts and work-in-progress**
Construction profits and losses are recognised on the stage-of-completion basis and measured by comparing construction contract costs incurred to date against expected final costs and recoveries of the construction contract.

Expected final costs are estimated following an assessment of each contract and a determination of expected costs still to be incurred.

Whilst expected final costs can vary, the Group believes that the expected final costs in its various construction contracts are appropriate at 30 June 2022.

### (t) Going concern

The financial report for the year ended 30 June 2022 has been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business.

In considering the going concern basis for the Group, the director's noted that the following factors are significant:

- The groups bank loan facility, which expires on 31 October 2022, currently has a balance of only $300,000 which is scheduled to be paid down to nil before expiry.
- The groups current backlog of contracted work has grown significantly year on year, and this is expected to enable revenues and profits to increase in FY2023.

## Notes to the consolidated financial statements
**For the year ended 30 June 2022**

| | | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|---|
| **2.** | **Profit/(loss) from continuing operations** | | |
| **(a)** | **Other income** | | |
| | Sundry income | 40,208 | 16,539 |
| | Job keeper subsidy | - | 3,530,150 |
| | | **40,208** | **3,546,689** |
| **(b)** | **Expenses** | | |
| | Impairment - receivables | 144,906 | 102,864 |
| | Total employee costs | 28,103,871 | 27,701,350 |
| | Defined contribution superannuation expense | 2,234,268 | 2,058,325 |
| | Foreign exchange losses / (gains) | (65,401) | (126,536) |
| | Loss / (Profit) on sale of plant and equipment | - | - |
| | Short term and variable lease payments | 26,960 | 17,325 |
| | Depreciation of plant and equipment | 1,749,233 | 1,665,549 |
| **(c)** | **Net finance costs:** | | |
| | Finance costs | 274,442 | 345,079 |
| | Interest expense on lease liabilities | 118,955 | 138,530 |
| | Interest income | (94) | (585) |
| | Net finance costs from continuing operations | **393,303** | **483,024** |
| **3.** | **Income tax** | | |
| **(a)** | The prima facie tax on profit/(loss) before income tax from continuing operations is reconciled to income tax as follows: | | |
| | Profit/(loss) before income tax | 1,005,326 | 3,536,874 |
| | Income tax calculated at 30% (2021: 30%) | 301,598 | 1,061,062 |
| | Tax effect of permanent differences | (99,225) | (145,529) |
| | Utilisation of carried forward tax losses | (202,373) | (915,533) |
| | Current year tax losses not booked | - | - |
| | Taxation expense - offshore subsidiary | 110,646 | 133,726 |
| | Income tax expense | **110,646** | **133,726** |
| | *The applicable weighted average effective tax rates are:* | 11% | 4% |
| **(b)** | The components of tax expense comprise: | | |
| | Current tax | 383,121 | 1,462,563 |
| | Deferred tax | (70,102) | (413,304) |
| | Utilisation of carried forward tax losses | (202,373) | (915,533) |
| | | **110,646** | **133,726** |

| | | Notes | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|---|---|
| **4.** | **Trade and other receivables** | | | |
| | **Current** | | | |
| | Trade receivables | | 18,339,065 | 10,405,099 |
| | Provision for impairment | | (574,996) | (430,090) |
| | | | 17,764,069 | 9,975,009 |
| | Retention receivables | | 671,285 | 659,530 |
| | | | 18,435,354 | 10,634,539 |
| | Other debtors and receivables | | 271,941 | 641,493 |
| | | | **18,707,295** | **11,276,032** |
| | **Non-current** | | | |
| | Retention receivables | | 1,232,301 | 1,168,502 |
| | | | **1,232,301** | **1,168,502** |

All trade and other receivables are classified as financial assets (refer Note 27).

Market practices provide for the retention of monies from progress and final billings on certain construction contracts. The monies are received after a contracted period of time has elapsed following completion of the construction.

Current trade receivables are non-interest bearing and generally on 30 days terms. Non-current trade receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

There are no other balances other than those impaired within trade and other receivables that contain assets that are impaired. It is expected these balances will be received when due. Impaired assets are provided for in full.

**Credit risk – trade and other receivables**
The Group has no significant concentration of credit risk with respect to any single counter party or Group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia and Asia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| Australia | 16,096,433 | 9,374,239 |
| Asia | 4,418,159 | 3,500,385 |
| | **20,514,592** | **12,874,624** |

## 4. Trade and other receivables (continued)

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

| | Gross Amount | Past Due & Impaired | Past Due not Impaired (Days Overdue) | | | Within Trading Terms |
|---|---|---|---|---|---|---|
| **Consolidated entity** | | | <30 Days | 31-60 Days | >61 Days | |
| | $ | $ | $ | $ | $ | $ |
| **2022** | | | | | | |
| Trade & term receivables | 20,242,651 | 549,618 | 3,296,447 | 2,188,184 | 2,256,371 | 11,952,031 |
| Other receivables | 271,941 | - | - | - | - | 271,941 |
| | 20,514,592 | 549,618 | 3,296,447 | 2,188,184 | 2,256,371 | 12,223,972 |
| **2021** | | | | | | |
| Trade & term receivables | 12,233,131 | 439,038 | 1,805,249 | 687,413 | 943,189 | 8,358,242 |
| Other receivables | 641,493 | - | - | - | - | 641,493 |
| | 12,874,624 | 439,038 | 1,805,249 | 687,413 | 943,189 | 8,999,735 |

Trade and other receivables pertaining to the Australian entities in the Group, as disclosed in Note 32, are provided as security against the Group's bank facilities. Also refer Notes 11 and 12.

| | Consolidated entity 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **Provision for impairment of receivables** | | |
| Opening balance as at 1 July | 430,090 | 327,226 |
| Receivables recovered / (written off) | 32,767 | (9,850) |
| Provision recognised | 112,139 | 112,714 |
| Closing balance | **574,996** | **430,090** |

The Group has experienced an increase in aged receivables as revenues have also increased. In addition, the currently economic uncertainties have been factored into the expected credit loss rate. These combined factors have lead to an increase in provision at balance date.

# Notes to the consolidated financial statements
**For the year ended 30 June 2022**

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| **5. Contract assets and contract liabilities** | | |
| Contract assets related to contracts | 3,860,275 | 1,547,864 |
| Contract liabilities related to contracts | 8,802,807 | 2,510,806 |

<u>Contract assets</u>
Contract assets are balances due from customers under long term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the services transferred to date. Amounts are generally reclassified to accounts receivable when there is an unconditional right to receive payment.

<u>Contract liabilities</u>
Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a milestone payment exceeds the revenue recognised to date. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was $2,510,808 (2021: $1,578,399).

Contract assets and contract liabilities are offset where they relate to the same contract.

Contract assets and contract liabilities at the start of the reporting period was $1,547,864 (2021: $2,014,330) and $2,510,808 (2021: $1,578,399). All contracts assets recognised at the start of the reporting period have been reclassified to accounts receivable during the financial year and all contract liabilities have been recognised as revenue during the financial year.

The increase in contract assets is a result of the timing of contracts in progress at 30 June 2022.

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| **6(a) Inventories** | | |
| **Current** | | |
| Raw materials and stores - at cost | 2,611,419 | 2,331,644 |
| | **2,611,419** | **2,331,644** |

Inventories pertaining to the Australian entities in the Group, as disclosed in Note 32, are provided as security against the Group's bank facilities. Also refer Notes 11 and 12.

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| **6(b) Financial assets** | | |
| Funds on deposit | 230,464 | 237,055 |
| | **230,464** | **237,055** |

Funds on deposit represent security deposits covering a guarantee for property lease obligations and contract performance bonds.

## 7. Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

| 2022 | Buildings | Plant and equipment | Total |
|---|---|---|---|
| At cost | 2,790,810 | 15,223,873 | 18,014,683 |
| Accumulated depreciation | (1,529,255) | (10,321,491) | (11,850,746) |
| **Total carrying amount - closing balance** | **1,261,555** | **4,902,382** | **6,163,937** |
| **Movement in carrying amounts** | | | |
| Carrying amount - opening balance | 1,696,859 | 4,873,536 | 6,570,395 |
| Lease modifications during the financial year | - | - | - |
| Additions | (153,709) | 1,478,711 | 1,325,002 |
| Disposals | - | - | |
| Depreciation | (281,595) | (1,467,638) | (1,749,233) |
| Exchange rate movement | - | 17,773 | 17,773 |
| **Carrying amount - closing balance** | **1,261,555** | **4,902,382** | **6,163,937** |

| 2021 | Buildings | Plant and equipment | Total |
|---|---|---|---|
| At cost | 2,944,519 | 14,135,450 | 17,079,969 |
| Accumulated depreciation | (1,247,660) | (9,261,914) | (10,509,574) |
| **Total carrying amount - closing balance** | **1,696,859** | **4,873,536** | **6,570,395** |
| **Movement in carrying amounts** | | | |
| Carrying amount - opening balance | 2,195,057 | 5,327,552 | 7,522,609 |
| Lease modifications during the financial year | - | (14,922) | (14,922) |
| Additions | 151,090 | 612,149 | 763,239 |
| Disposals | - | - | - |
| Depreciation | (649,288) | (1,016,261) | (1,665,549) |
| Exchange rate movement | - | (34,982) | (34,982) |
| **Carrying amount - closing balance** | **1,696,859** | **4,873,536** | **6,570,395** |

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

| | Consolidated entity | |
|---|---|---|
| | 2022 | 2021 |
| Buildings (ROU) | 1,069,060 | 1,505,792 |
| Plant and equipment (ROU) | 143,361 | 72,173 |
| **Right-of-use assets at carrying amount** | **1,212,421** | **1,577,965** |

The depreciation expense attributable to right-of-use assets during the financial year:

| | | |
|---|---|---|
| Buildings (ROU) | (1,520,885) | (1,243,428) |
| Plant and equipment (ROU) | (52,557) | (86,549) |
| **Right-of-use assets depreciation expense** | **(1,573,442)** | **(1,329,977)** |

Other than AASB 16 right of use assets, Plant and equipment, pertaining to the Australian entities in the Group, as disclosed in Note 32, are provided as security against the Group's bank facilities. Also refer Notes 11 and 12.

| | | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|
| **8.** | **Tax assets** | | |
| | Non-current | 2,610,870 | 2,610,870 |
| | **Deferred tax assets** | **2,610,870** | **2,610,870** |
| | Deferred tax assets comprise: | | |
| | Provisions | 1,303,480 | 1,246,491 |
| | Other | 111,332 | 98,218 |
| | Un-recouped tax losses | 1,196,059 | 1,266,161 |
| | | **2,610,871** | **2,610,870** |
| | The movement in deferred tax assets for each temporary difference during the year is as follows: | | |
| | **Provisions** | | |
| | Opening balance | 1,246,491 | 1,192,267 |
| | Credited/(expensed) to income account | 56,989 | 54,224 |
| | Closing balance | 1,303,480 | 1,246,491 |
| | **Other** | | |
| | Opening balance | 98,218 | 94,460 |
| | Credited/(expensed) to income account | 13,114 | 3,758 |
| | Closing balance | 111,332 | 98,218 |
| | **Unrecouped tax losses** | | |
| | Opening balance | 1,266,161 | 1,324,143 |
| | Tax losses recognised/(recouped) | (70,102) | (57,982) |
| | | 1,196,059 | 1,266,161 |
| | **Closing balance of tax assets** | **2,610,871** | **2,610,870** |

The company has considered it appropriate to not recognize in the financial accounts the benefit of all tax losses available to the Company at the end of the financial year.

The company has extrapolated profit projections based on 2% growth for the year ending 30 June 2022 and subsequent years. These projections support the recovery of the carrying value of deferred tax assets at 30 June 2022 of $2,610,870 within a five year time frame. The Directors consider this to be an acceptable timeframe for assessing the recovery of the carrying value of deferred tax assets as probable.

As a result, gross tax losses not recognized as at 30 June 2022 are $4,319,120 (2021: $4,993,696).

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| **8. Tax assets (continued)** | | |
| **Tax liabilities** | | |
| **Current** | | |
| Income Tax | 83,948 | 112,397 |
| **Non-current** | | |
| Provision for deferred tax | 40,380 | 46,692 |
| **Opening balance** | 46,692 | 49,623 |
| Additional / (Reduction) in provisions raised during year | (7,642) | - |
| Exchange rate movement | 1,330 | (2,931) |
| **Closing balance** | **40,380** | **46,692** |
| **9. Intangible assets** | | |
| Goodwill – at cost | 27,889,290 | 27,889,290 |
| Less accumulated impairment | (15,817,280) | (15,817,280) |
| **Total Intangible assets** | **12,072,010** | **12,072,010** |
| **Movements in goodwill carrying amounts:** | | |
| Opening balance | 12,072,010 | 12,072,010 |
| Movement in the year | - | - |
| **Closing Balance** | **12,072,010** | **12,072,010** |
| **Goodwill by cash generating unit (CGU):** | | |
| Water Group - Syfon Systems | 3,282,532 | 3,282,532 |
| Engineering Group - Brockman Engineering | 8,789,478 | 8,789,478 |
| | **12,072,010** | **12,072,010** |

It has been determined that the balances of the goodwill have an indefinite life. The excess of the purchase price over the fair value of net assets of the businesses acquired has been allocated to goodwill.

## 9. Intangible assets (continued)

**Impairment disclosures**

The EVZ Group assesses at each annual reporting date the potential impairment to the carrying value of Goodwill of the relevant cash generating unit (CGU).

The recoverable amount of each CGU (engineering and water) is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period adjusted for the estimated terminal value of the cash generating unit. The cash flows are discounted using a discount rate determined individually for each CGU and reflects current market assessment of the time value of money and segment-specific risk factors. All discount rates are pre-tax.

Budgets use estimated weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the businesses operate. The forecasts used in the value-in-use calculations are based on the management approved budgets with a contingency.

Other key assumptions in the value-in-use calculation include gross margin, additional allowances for potential capital expenditure and normalisation of working capital changes. Due to the correlation of these factors, assumptions for growth rates and discount rates are the most sensitive in the value-in-use calculation.

The following assumptions were used in the value-in-use calculations:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Growth Rates | Discount Rates | Growth Rates | Discount Rates |
| Water (Syfon Systems Group): | | | | |
| Growth year 1 | 13% | 15% | 3% | 12% |
| Growth subsequent years | 2% | 15% | 3% | 12% |
| Engineering (Brockman Eng.): | | | | |
| Growth year 1 | 54% | 15% | 2% | 12% |
| Growth subsequent years | 2% | 15% | 2% | 12% |

The increase in discount rates for 2022 is due primarily to the recent increase in market interest rates. Accordingly, the risk factor has also been increased.

The growth rate of 13% in revenue modelled for Syfon Systems is based on a significant increase in contracted backlog year on year being held at 30 June 2022. Subsequent years are then expected to return to a more modest 2% growth. Gross margin is not expected to be impacted.

For Brockman, contracted backlog year on year has also increased significantly based on the large amount of oil and gas projects awarded during the year. Accordingly, the rebound year which was expected last year is now expected to occur during FY2023. Subsequent years model a more conservative 2% growth rate reflecting the minimum expected growth that is expected in each of the relevant CGUs.

All growth rates consider forward work-in-hand levels, weighted project prospects, consideration of future expected activities, and giving consideration to historical growth rates achieved.

## 9. Intangible assets (continued)

**Key estimates**
The following sensitivity analysis was undertaken with respect to the value in use calculations and the imbedded assumptions and estimates used in performing the impairment testing on the carrying value of goodwill.

In performing impairment testing on the carrying values of goodwill, certain discount rates and growth rates have been assumed as part of the value-in-use calculations.

The following table illustrates sensitivities to changes in those discount rates and growth rates. The discount and growth rates used, and the results of the sensitivity analysis are:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Growth Rates | Discount Rates | Growth Rates | Discount Rates |
| Water (Syfon Systems Group): | | | | |
| Growth year 1 | 0% | 17% | 0% | 14% |
| Growth subsequent years | 0% | 17% | 0% | 14% |
| Engineering (Brockman Eng.): | | | | |
| Growth year 1 | 15% | 17% | 15% | 14% |
| Growth subsequent years | 0% | 17% | 0% | 14% |

| **Value of impairment to carrying value of goodwill based on sensitivity analysis:** | **2022 $** | **2021 $** |
|---|---|---|
| Water (Syfon Systems Group) | - | - |
| Engineering (Brockman Engineering) | - | - |
| | - | - |

The sensitivity discount rate for 2022 has been increased to 17% to reflect the recent increase in market interest rates and conditions. Growth rates for subsequent years have been reduced to nil. As a result, there is no impairment in either Syfon Systems group or Brockman Engineering.

| | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|
| **10. Trade and other payables** | | |
| Trade payables | 8,129,569 | 4,807,962 |
| Sundry payables and accrued expense | 4,339,687 | 2,654,030 |
| | **12,469,256** | **7,461,992** |

| | Notes | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|
| **11. Short-term borrowings** | | | |
| Bank loans - secured | | 300,000 | 1,200,000 |
| Other Loans - unsecured | | - | - |
| Lease liabilities - secured | 24. | 947,494 | 926,981 |
| | | **1,247,494** | **2,126,981** |

**Bank loans - secured**

The Groups bank loan facility expires on 31 October 2022. As the agreement requires quarterly repayments of $300,000, an amount of $300,000 (2021: $1,200,000) is required to be classified as current in accordance with AASB 101 – Presentation of financial statements.

The interest rate on the remaining Bank Loans is variable at balance date. The interest on these loans is charged at the prevailing bank bill rate plus an applicable line fee. Interest is payable monthly in arrears. The current combined interest rate is 5.61% (2021: 4.55%).

The extended loan facility contains the following financial covenants:

- Minimum EBITDA of a rolling $2,000,000 annually, measured quarterly for the duration of the agreement.
- Mandatory repayments on the market rate loan of $300,000 per quarter from 30 September 2021.
- An annual limit on capital expenditure to $1,500,000 without prior bank approval.
- No dividend distributions for the term of the facility without prior bank approval.

| | 2022 $ | 2021 $ |
|---|---|---|
| Current | 300,000 | 1,200,000 |
| 1 to 2 years | - | 300,000 |
| 2 to 3 years | - | - |
| **Total bank loans** | **300,000** | **1,500,000** |

Bank loans are secured by a registered equitable mortgage over the assets and undertakings of EVZ Limited and an unlimited guarantee from EVZ Limited's Australian controlled entities: Syfon Systems Pty Ltd, Syfon International Pty Ltd, Brockman Engineering Pty Ltd, TSF Power Pty Ltd. Also refer to Note 32 for quantification of assets secured by Australian entities.

At 30 June 2022, the Group has $ Nil in undrawn bank loan facilities (2021: Nil).

| | | Notes | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|---|---|
| **12.** | **Long-term borrowings** | | | |
| | Bank loans - secured | | - | 300,000 |
| | Lease liabilities - secured | 24. | 1,196,821 | 1,559,373 |
| | | | **1,196,821** | **1,859,373** |

Also refer to Note 24 leases for further information on lease liabilities, reconciliation and maturity details.

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| **13.** | **Provisions** | | |
| | **Current** | | |
| | Employee benefits | 3,403,856 | 3,121,115 |
| | | **3,403,856** | **3,121,115** |
| | Movement in employee benefits: | | |
| | Opening employee balance | 3,121,115 | 3,184,008 |
| | Provisions created/(utilised) during year | 282,741 | (62,893) |
| | **Closing balance** | **3,403,856** | **3,121,115** |
| | **Non current** | | |
| | Employee benefits | 110,201 | 88,024 |
| | Other non current provisions | - | - |
| | | **110,201** | **88,024** |
| | Movement in employee benefits: | | |
| | Opening employee balance | 88,024 | 55,992 |
| | Provisions created/(utilised) during year | 22,177 | 32,032 |
| | **Closing balance** | **110,201** | **88,024** |

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits are disclosed in Note 1(k).

| | | Notes | 2022 $ | 2021 $ |
|---|---|---|---|---|
| **14.** | **Issued capital** | | | |
| | Issued and paid up | | | |
| | 2022: 120,145,917 ordinary shares | | | |
| | 2021: 96,116,734 ordinary shares | 14(a) | 60,009,326 | 56,457,180 |
| | | | 60,009,326 | 56,457,180 |
| **(a)** | **Issued and fully paid up ordinary shares** | | | |
| | Opening balance | | 56,457,180 | 56,457,180 |
| | Shares issued | | 3,724,523 | - |
| | Share issue costs | | (172,377) | - |
| | **Closing balance** | | **60,009,326** | **56,457,180** |

| | Consolidated entity 2022 | Consolidated entity 2021 |
|---|---|---|
| **14. Issued capital (continued)** | | |
| **(a) Issued and fully paid up ordinary shares (continued)** | **No. of shares** | **No. of shares** |
| Opening balance | 96,116,734 | 96,116,734 |
| Shares issued | 24,029,183 | - |
| **Closing balance** | **120,145,917** | **96,116,734** |

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

| **(b) Share options** | **No. of options** | **No. of options** |
|---|---|---|
| Opening balance | - | 1,500,000 |
| Options issued | 476,000 | |
| Options expired | - | (1,500,000) |
| **Closing balance** | **476,000** | **-** |

During 2017, 1,500,000 Unlisted Options were issued in connection with the Capital Raising during the year. The Unlisted Options were issued for nil cash consideration and vested upon issue. The Unlisted Options were exercisable at $0.20 per share and had an expiry date of 4 years after their issue date (7 June 2017). The options expired in the prior financial year.

During the year 476,000 performance rights were granted to Key Management Personnel. The performance rights vested subsequent to year end.

Performance rights which have been granted expire at the end of the financial period to which they relate if the targeted performance objectives are not met. The company plans to allot the shares within 60 days of the date of this report. The exercise price will be based on the preceding 7-day volume weighted average price (VWAP) of the shares prior to the allotment

Performance rights are granted as part of the long-term incentive scheme and are determined based on the measures and results of a balanced scorecard analysis for each of key managements' contribution to the business during the financial year. The measures are determined by the Board and all incentive awards are at the discretion of the Board.

**(c) Capital management:**

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

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

The Group's gearing ratio is represented as net debt as a percentage of total capital and is determined as follows:

- Net debt is total borrowings less cash and cash equivalents.
- Total capital is total equity and net debt.

As at 30 June 2022 the Group's gearing ratio was -28.8% (2021: 0.1%).

| | | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|---|
| **15.** | **Dividends** | | |
| | Interim fully franked ordinary dividend | - | - |
| | Final fully franked ordinary dividend | - | - |
| | **Total dividends** | - | - |
| | **Balance of franking account** | **1,813,797** | **1,813,797** |

**16. Reserves and accumulated losses**

| | | 2022 $ | 2021 $ |
|---|---|---|---|
| **(a)** | **Accumulated losses:** | | |
| | Accumulated losses at the beginning of the financial year | (31,794,709) | (35,497,857) |
| | Net profit/(loss) attributable to members of the parent entity | 894,680 | 3,403,148 |
| | Transfer of options reserve | - | 300,000 |
| | Accumulated losses at the end of the financial year | **(30,900,029)** | **(31,794,709)** |
| **(b)** | **Reserves:** | | |
| | **Foreign currency translation and share option reserves:** | | |
| | Reserves at beginning of year | (215,618) | 245,900 |
| | Transfer expired share options to retained earnings | - | (300,000) |
| | New performance right share options issued | 90,440 | - |
| | Movement for year - Foreign currency translation reserve | 83,174 | (161,518) |
| | Reserves at end of year | **(42,004)** | **(215,618)** |

**17. Earnings per share**

| | | 2022 | 2021 |
|---|---|---|---|
| **(a)** | Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share | 100,790,904 | 96,116,734 |
| **(b)** | Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share | 101,225,172 | 96,116,734 |

**18. Key management personnel**

Names and positions of Directors and key management personnel in office at any time during the financial year are:

| | |
|---|---|
| Mr G Burns | Non-Executive Chairman |
| Mr R Edgley | Non-Executive Director |
| Mr I Luck | Non-Executive Director |
| | |
| Mr S Farthing | Chief Executive Officer |
| Mr P van der Wal | Chief Financial Officer and Company Secretary |
| Mr A Bellgrove | General Manager of Syfon Systems Group |
| Mr C Bishop | General Manager of Brockman Engineering |
| Mr J Hughes | General Manager of TSF Power |

## 18. Key management personnel (continued)

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| **Remuneration of key management personnel is:** | | |
| Short term employee benefits | 2,024,326 | 1,754,120 |
| Post-employment benefits | 120,046 | 108,098 |
| | **2,144,372** | **1,862,218** |

Refer to disclosures in Note 20 for other transactions with Key Management Personnel.

Key Management Personnel are the non-executive directors and employees who have authority and responsibility for planning, directing and controlling the activities of the Company.

Refer to disclosures in the Directors report for the number of ordinary shares held by each Key Management Personnel of the Group during the financial year.

During the year 476,000 share performance rights were granted to Key Management Personnel relating to performance for the year ended 30 June 2022 (2021: Nil). The share performance rights vested subsequent to year end.

**Remuneration policy**
The remuneration policy of the Company has been designed to align Director and Executive remuneration with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and Executives to govern and manage the Group, as well as to create goal congruence between Directors, Executives and Shareholders.

**Executive remuneration**
The Board's policy for determining the nature and amount of remuneration for key senior Executives for the Group is as follows:

- The remuneration policy, setting the terms and conditions for Executive officers, was developed by the Remuneration Committee and approved by the Board after seeking professional advice where appropriate from independent external consultants.
- All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and where appropriate performance incentives.

The Remuneration Committee reviews Executive remuneration packages annually with reference to the Group's performance, each Executive's performance and comparable information from industry sectors and listed companies in similar industries. The performance of each Executive is measured against criteria agreed with each Executive and is based predominantly on forecast growth of the Group's profits and shareholders' value. Bonuses and incentives will be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

## 18. Key management personnel (continued)

The Remuneration Committee set certain key performance indicators for the key Executives in the Group. The key performance indicators were both quantitative and qualitative measures. During the financial year no Executives met these key performance indicators and therefore the Remuneration Committee did not approve any short term incentive payments (2021: Nil). Long term incentives, linked with performance rights issued under the EVZ Directors' and Employees' Benefits Plan, were not met during the current year and no performance rights, options or shares were issued in respect of the current year.

Executives receive a superannuation guarantee contribution as required by the Government and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Executives is valued at the cost to the Company and expensed.

**Director remuneration**

The Board's policy is to remunerate Non-Executive Directors at appropriate market rates. The Remuneration Committee recommends the fee structure for Non-Executive Directors which will be determined by reference to market practice, duties performed, time, commitment and accountability. Director fees are reviewed annually by the Remuneration Committee.

The Remuneration Committee may seek independent advice in determining appropriate fee structures for Directors.

The maximum aggregate amount of fees payable to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may be able to participate in any employee share/option plan introduced.

All remuneration paid to Directors is valued at the cost to the Company and expensed.

| | Consolidated entity | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| **19. Auditors remuneration** | | |
| Remuneration paid/payable to auditors for: | | |
| Audit or review of financial report | 124,000 | 110,000 |
| | **124,000** | **110,000** |

# Notes to the consolidated financial statements
**For the year ended 30 June 2022**

## 20. Related party disclosures

**(a) The directors of EVZ Limited during the financial year were:**
- Mr G Burns
- Mr R Edgley
- Mr I Luck

**(b) Transactions with director related entities**
- G Burns: Directors fees paid of $80,000 (2021: $69,333) and $20,000 (2021: $20,000) is payable.
- R Edgley: Directors fees paid of $50,000 (2021: $43,333) and $8,333 (2021: $8,333) is payable.
- I Luck: Directors fees paid of $50,000 (2021: $43,333) and $8,333 (2021: $8,333) is payable.

## 21. Segment reporting

**Segment Information**
***Identification of reportable segments***
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:
- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements

***Types of products and services by segment***

**i. *Engineering***
The engineering segment designs, manufactures and installs large steel tanks, silos, cooling towers, pipe spooling, pressure vessels and fabricates structural steel. All products produced are aggregated as one reportable segment as the products are similar in nature, manufactured and distributed to similar types of customers and subject to a similar regulatory environment.

The engineering segment is also involved in the installation process and provides ongoing support and maintenance for its products. Support is provided to existing customers for maintenance required for products under warranty.

**21. Segment reporting (continued)**

**ii. Energy**
The energy segment designs and installs constant load power stations, back-up power generation equipment and sustainable/clean energy solutions. In addition, the segment services, maintains and hires all types of generators and associated equipment.

**iii. *Water***
The water segment designs syphonic roof drainage systems for large and/or complex roof structures, supplies and installs fibreglass panel tanks and prefabricated hydraulic systems.

***Basis of accounting for purposes of reporting by operating segments***

*i. Accounting policies adopted*
Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

*ii. Inter-segment transactions*
Inter-segment sales are based on values that would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

*iii. Segment assets*
Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

*iv. Segment liabilities*
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*v. Unallocated items*
The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other Non-recurring items of revenue or expense
- Income tax expense
- Current tax liabilities
- Other financial liabilities

## 21. Segment reporting (continued)

### (a) Segment reporting - continuing operations

| Twelve months ended 30 June 2022: | Engineering $ | Energy $ | Water $ | Corporate $ | Total $ |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 38,768,250 | 7,485,454 | 21,253,215 | - | 67,506,919 |
| **Total segment revenue** | **38,768,250** | **7,485,454** | **21,253,215** | **-** | **67,506,919** |
| *Reconciliation of segment revenue to group revenue:* | | | | | |
| **Total group revenue** | **38,768,250** | **7,485,454** | **21,253,215** | **-** | **67,506,919** |
| Segment net profit /(loss) before interest and tax | 805,390 | 454,475 | 1,832,861 | (1,694,097) | 1,398,629 |
| *Reconciliation of net profit before interest and tax to group net profit/ (loss) before tax* | | | | | |
| **Unallocated items** | | | | | |
| Net finance costs from continuing operations | | | | | (393,303) |
| **Net profit/(loss) before tax from continuing operations** | | | | | **1,005,326** |
| *Included in segment net profit before interest and tax:* | | | | | |
| Depreciation | 783,597 | 354,311 | 574,019 | 37,307 | 1,749,234 |
| *Impairment:* | | | | | |
| Receivables | (73,857) | 12,689 | 173,307 | - | 112,139 |

## 21. Segment reporting (continued)

### (a) Segment Reporting - continuing operations (continued)

| Twelve months ended 30 June 2021: | Engineering $ | Energy $ | Water $ | Corporate $ | Total $ |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 31,231,402 | 6,183,507 | 20,437,224 | - | 57,852,133 |
| **Total segment revenue** | **31,231,402** | **6,183,507** | **20,437,224** | **-** | **57,852,133** |
| *Reconciliation of segment revenue to group revenue:* | | | | | |
| **Total group revenue** | **31,231,402** | **6,183,507** | **20,437,224** | **-** | **57,852,133** |
| Segment net profit /(loss) before interest and tax | 2,758,942 | 302,425 | 2,399,809 | (1,441,278) | 4,019,898 |
| *Reconciliation of net profit before interest and tax to group net profit/ (loss) before tax* | | | | | |
| **Unallocated items** | | | | | |
| Net finance costs from continuing operations | | | | | (483,024) |
| **Net profit/(loss) before tax from continuing operations** | | | | | **3,536,874** |
| *Included in segment net profit before interest and tax:* | | | | | |
| Depreciation | 777,670 | 338,622 | 512,537 | 36,720 | 1,665,549 |
| *Impairment:* | | | | | |
| Receivables | 73,857 | - | 38,857 | (9,850) | 102,864 |

## 21. Segment reporting (continued)

| Twelve months ended 30 June 2022: | Engineering | Energy | Water | Corporate | Total |
|---|---|---|---|---|---|
| **Segment assets** | | | | | |
| Segment Assets | 32,359,949 | 3,267,222 | 28,963,264 | 4,218,022 | 68,808,457 |
| Inter-segment elimination | | | | | (12,386,401) |
| **Total group assets** | | | | | **56,422,056** |
| *Segment asset increases for the period:* | | | | | |
| Capital expenditure | 995,038 | 24,322 | 305,642 | 0 | 1,325,002 |
| | **995,038** | **24,322** | **305,642** | **0** | **1,325,002** |
| **Segment liabilities** | | | | | |
| Segment liabilities | 23,200,404 | 5,273,140 | 5,883,455 | 888,016 | 35,245,015 |
| Inter-segment elimination | | | | | (7,890,251) |
| **Total group liabilities** | | | | | **27,354,764** |

| Twelve months ended 30 June 2021: | Engineering | Energy | Water | Corporate | Total |
|---|---|---|---|---|---|
| **Segment assets** | | | | | |
| Segment Assets | 19,789,063 | 3,096,218 | 25,482,194 | 3,502,933 | 51,870,408 |
| Inter-segment elimination | | | | | (10,096,175) |
| **Total group assets** | | | | | **41,774,233** |
| *Segment asset increases for the period:* | | | | | |
| Capital expenditure | 188,641 | 92,181 | 474,386 | 8,031.00 | 763,239 |
| | **188,641** | **92,181** | **474,386** | **8,031.00** | **763,239** |
| **Segment liabilities** | | | | | |
| Segment liabilities | 11,165,456 | 5,529,569 | 4,407,240 | 2,076,090 | 23,178,355 |
| Inter-segment elimination | | | | | (5,850,975) |
| **Total group liabilities** | | | | | **17,327,380** |

## Notes to the consolidated financial statements
**For the year ended 30 June 2022**

### 21. Segment reporting (continued)

| (c) | Revenue by category:<br>*All revenue is recognised over time* | Engineering<br>$ | Energy<br>$ | Water<br>$ | Corporate<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| | <u>For the year ended 30 June 2022</u> | | | | | |
| | **Revenue** | | | | | |
| | Construction contracts | 38,768,250 | - | 21,253,216 | - | 60,021,466 |
| | Services revenue | - | 7,485,453 | - | | 7,485,453 |
| | **Total revenue from contracts** | **38,768,250** | **7,485,453** | **21,253,216** | **-** | **67,506,919** |
| | <u>For the year ended 30 June 2021</u> | | | | | |
| | **Revenue** | | | | | |
| | Construction contracts | 31,231,402 | - | 20,437,224 | - | 51,668,626 |
| | Services revenue | - | 6,183,507 | - | | 6,183,507 |
| | **Total group revenue** | **31,231,402** | **6,183,507** | **20,437,224** | **-** | **57,852,133** |

| (d) | Revenue by geographical locations: | Engineering<br>$ | Energy<br>$ | Water<br>$ | Corporate<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| | <u>For the year ended 30 June 2022</u> | | | | | |
| | **Revenue** | | | | | |
| | Australia | 38,768,250 | 7,485,453 | 15,126,455 | - | 61,380,158 |
| | Asia | - | - | 6,126,761 | - | 6,126,761 |
| | **Total revenue from contracts** | **38,768,250** | **7,485,453** | **21,253,216** | **-** | **67,506,919** |
| | <u>For the year ended 30 June 2021</u> | | | | | |
| | **Revenue** | | | | | |
| | Australia | 31,231,402 | 6,183,507 | 14,616,584 | - | 52,031,493 |
| | Asia | - | - | 5,820,640 | - | 5,820,640 |
| | **Total group revenue** | **31,231,402** | **6,183,507** | **20,437,224** | **-** | **57,852,133** |

| (e) | Assets by geographical locations: | Consolidated entity<br>2022<br>$ | <br>2021<br>$ |
|---|---|---|---|
| | Australia | 48,995,131 | 34,861,582 |
| | Asia | 7,426,925 | 6,912,651 |
| | **Total assets** | **56,422,056** | **41,774,233** |

### Major customers
The Group has a number of customers to whom it provides products and services. In the current year, the Group had two major customers in the Engineering segment who account for 31% and 7% respectively (2021: 31% and 15%) of external revenue. There are no other significant client accounts.

| | Consolidated entity 2022 $ | Consolidated entity 2021 $ |
|---|---|---|
| **22. Consolidated statement of cash flows** | | |
| **Cash balances comprise:** | | |
| Cash on hand | 8,933,485 | 3,959,861 |
| **Closing cash balance** | **8,933,485** | **3,959,861** |
| **Reconciliation of the operating profit after tax to net cash flows from operations:** | | |
| Operating profit after tax | 894,679 | 3,403,148 |
| Depreciation - plant & equipment | 1,749,233 | 1,665,549 |
| Gain/(loss) on foreign currency translation | 65,401 | (126,536) |
| **Changes in assets and liabilities adjusted for effects of acquisition/disposal of operations during financial year:** | | |
| Increase/(decrease) in provisions for employee entitlements | 304,918 | (30,863) |
| (Increase)/decrease in inventories | (279,775) | (13,834) |
| (Increase)/decrease in trade and other receivables | (9,800,882) | (156,738) |
| (Increase)/decrease in deferred tax | (6,311) | (2,931) |
| Increase/(decrease) in payables | 11,299,265 | (2,901,699) |
| Increase/(decrease) in tax liabilities | (28,449) | 112,397 |
| **Net cash provided/(used) by operating activities** | **4,288,519** | **1,948,493** |

## 23. Standby arrangements and unused credit facilities

Controlled entities in the Group have Contingent Liability Bank Guarantee facilities and Letter of Credit Facilities totalling $5,000,000 available to them as at 30 June 2022 (2021: $5,000,000). Of this total facility, $4,731,885 has been utilised and $268,115 (2021: $125,681) remained unused and available for the controlled entities use as at 30 June 2022. The facilities are secured by a registered equitable mortgage over the assets and undertakings of all Australian companies in the Group.

In addition to the above facility, the Group has provided cash backed bank guarantees of $111,965 at 30 June, 2022 (2021: $265,000) as performance security on projects. The bank guarantees are secured by term deposits totalling the same amount.

For further information on bank guarantees, please also refer to Note 30, subsequent events.

| | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|
| **24. Leases** | | |
| Lease liabilities recognised in the statement of financial position: | | |
| Current | 947,494 | 926,981 |
| Non-current | 1,196,821 | 1,559,373 |
| **Total lease liability** | **2,144,315** | **2,486,354** |

The lease liabilities are secured by the related underlying assets. Future minimum lease payments are as follows:

| 2022 | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Lease payments | 1,043,338 | 726,876 | 442,225 | 92,703 | 2,676 | - | **2,307,819** |
| Finance charges | (95,844) | (47,862) | (18,315) | (1,472) | (10) | - | **(163,504)** |
| **Net present values** | **947,494** | **679,014** | **423,910** | **91,231** | **2,666** | - | **2,144,315** |

| 2021 | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Lease payments | 1,053,975 | 835,015 | 517,080 | 278,563 | 42,928 | - | **2,727,562** |
| Finance charges | (126,994) | (71,497) | (32,649) | (9,704) | (363) | - | **(241,208)** |
| **Net present values** | **926,981** | **763,518** | **484,431** | **268,859** | **42,565** | - | **2,486,354** |

### 25. Lease payments not recognised as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

| | Consolidated entity 2022 $ | 2021 $ |
|---|---|---|
| Short term leases | 26,960 | 17,325 |
| Leases of low value assets | - | - |
| **Total lease liability** | **26,960** | **17,325** |

## 26. Contingent liabilities

Apart from drawn bank guarantee facilities (refer Note 23), there were no contingent liabilities as at 30 June 2022 (2021: Nil).

**27. Financial instruments**

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bank bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

**(i) Treasury risk management**

The Board of Directors is responsible for monitoring treasury risk. Currency and interest rate exposures are reviewed regularly to ensure any risk associated with these exposures is minimized.

**(ii) Financial risks**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

- *Interest rate risk*
  Of the total consolidated entity's borrowings, $300,000 (2021: $1,500,000) take the form of bank loans. All bank loans are scheduled to mature on 31 October 2022. The interest cost for these bank loans is comprised of a fixed line fee plus the prevailing bank bill rate.

- *Foreign currency risk*
  The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group monitors its foreign exchange exposure on a regular basis.

- *Liquidity risk*
  The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained.

- *Credit risk*
  The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

**(a) Interest rate risk exposures**

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate, assets and liabilities to maturity. The table below shows the Group's interest rate risk exposure as at 30 June.

# Notes to the consolidated financial statements
**For the year ended 30 June 2022**

## 27. Financial instruments (continued)

| Consolidated entity | Floating Interest rate | Fixed Interest < 1 year | Fixed Interest 1 to 5 years | Fixed Interest > 5 years | Non Interest Bearing | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **2022** | | | | | | |
| **Financial assets** | | | | | | |
| Cash & cash equivalents | - | - | - | - | 8,933,485 | 8,933,485 |
| Trade & other receivables | - | - | - | - | 19,939,596 | 19,939,596 |
| Financial assets | - | - | - | - | 230,464 | 230,464 |
| **Total financial assets** | **-** | **-** | **-** | **-** | **29,103,545** | **29,103,545** |
| *Weighted average interest rate* | | | | | *0.00%* | *0.00%* |
| **Financial liabilities** | | | | | | |
| Trade & other payables | - | - | - | - | 9,357,185 | 9,357,185 |
| Borrowings | 300,000 | - | - | - | - | 300,000 |
| **Total financial liabilities** | **300,000** | **-** | **-** | **-** | **9,357,185** | **9,657,185** |
| *Weighted average interest rate* | *5.61%* | | | | *0.00%* | |
| **Net financial assets/(liabiliti** | **(300,000)** | **-** | **-** | **-** | **19,746,360** | **19,446,360** |
| **2021** | | | | | | |
| **Financial assets** | | | | | | |
| Cash & cash equivalents | - | - | - | - | 3,959,861 | 3,959,861 |
| Trade & other receivables | - | - | - | - | 12,444,534 | 12,444,534 |
| Financial assets | - | - | - | - | 237,055 | 237,055 |
| **Total financial assets** | **-** | **-** | **-** | **-** | **16,641,450** | **16,641,450** |
| *Weighted average interest rate* | | | | | *0.00%* | *0.00%* |
| **Financial liabilities** | | | | | | |
| Trade & other payables | - | - | - | - | 5,879,196 | 5,879,196 |
| Borrowings | 1,500,000 | - | - | - | - | 1,500,000 |
| **Total financial liabilities** | **1,500,000** | **-** | **-** | **-** | **5,879,196** | **7,379,196** |
| *Weighted average interest rate* | *4.55%* | | | | *0.00%* | |
| **Net financial assets/(liabiliti** | **(1,500,000)** | **-** | **-** | **-** | **10,762,254** | **9,262,254** |

| | Consolidated entity 2022 | Consolidated entity 2021 |
|---|---|---|
| **Reconciliation of Net Financials Assets/(Liabilities) to Net Assets** | **$** | **$** |
| Net financial assets/(liabilities) | 19,446,360 | 9,262,254 |
| <u>Add/(subtract) Non-financial assets and liabilities:</u> | | |
| Contract Assets | 3,860,275 | 1,547,864 |
| Inventories | 2,611,419 | 2,331,644 |
| Plant and equipment | 6,163,937 | 6,570,395 |
| Deferred tax assets | 2,610,870 | 2,610,870 |
| Intangible assets | 12,072,010 | 12,072,010 |
| Contract Liabilities | (8,802,807) | (2,510,806) |
| AASB 16 Lease Liabilities | (2,144,315) | (2,486,354) |
| Provisions | (3,554,437) | (3,255,831) |
| Accruals | (3,196,019) | (1,695,193) |
| **Net Assets** | **29,067,293** | **24,446,853** |

## 27. Financial instruments (continued)

**(b) Fair value of financial assets and liabilities**

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximate their carrying value.

**(c) Liquidity risk**

Refer to Note 27(a) for a maturity analysis of financial assets and liabilities and to Note 24 Leases for a maturity analysis of lease liabilities. All floating interest rate balances and all non-interest-bearing balances except for retention receivables totalling $1,903,585 (2021: $1,828,032), (refer Note 4) are current and due within 12 months.

**(d) Sensitivity analysis**

The interest rate on bank loans is variable. The Group believes it has minimal exposure to interest rate risk for the remainder of the facility term.

**(e) Foreign currency risk**

Refer Note 21 for a breakdown of revenue and assets by geographic location. Whilst the Group monitors its foreign exchange risk, it does not believe there is any material risk associated with its foreign exchange exposure.

**(f) Price risk**

The Group believes it has minimal exposure to price risk as costs of major materials and components are set at the time of project tender.

## 28. Share based payments

There were no share-based payments in the year ended 30 June 2022.

## 29. Investment in controlled entities

| Name of entity | Country of incorporation | Class of shares | Equity holdings | | Cost of parent entity's investment | |
|---|---|---|---|---|---|---|
| | | | 2022 | 2021 | 2022 | 2021 |
| | | | | | $ | $ |
| Syfon Systems Pty Ltd | Australia | Ordinary | 100% | 100% | 3,700,650 | 3,700,650 |
| Syfon Systems Sdn Bhd | Malaysia | Ordinary | 100% | 100% | 34,504 | 34,504 |
| Syfon Systems Pte Ltd | Singapore | Ordinary | 100% | 100% | - | - |
| Syfon Systems SE Asia, Inc. | Philippines | Ordinary | 100% | 100% | - | - |
| Syfon Systems Vietnam Co Ltd | Vietnam | Ordinary | 100% | 100% | - | - |
| Syfon International Pty Ltd | Australia | Ordinary | 100% | 100% | - | - |
| Brockman Engineering Pty Ltd | Australia | Ordinary | 100% | 100% | - | - |
| Brockman Project Services Pty Ltd | Australia | Ordinary | 100% | 100% | 100 | 100 |
| TSF Engineering Pty Ltd | Australia | Ordinary | 100% | 100% | - | - |
| TSF Power Pty Ltd | Australia | Ordinary | 100% | 100% | - | - |
| | | | | | **3,735,254** | **3,735,254** |

Syfon International Pty Ltd and TSF Engineering Pty Ltd did not trade during the year or the prior year. TSF Engineering Pty Ltd was deregistered during the prior financial year.

### 30. Subsequent events

There have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years after the financial year.

### 31. Construction contracts

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Aggregate amount of contract revenue recognised during the financial year | **60,010,870** | **51,665,960** |
| Aggregate of contract costs incurred and profits recognised (including losses recognised) to date on contracts in progress | 58,984,136 | 51,958,306 |
| Progress billings | (63,926,670) | (52,921,250) |
| Receipts in advance | 8,802,809 | 2,510,808 |
| Amounts due from customers for contract work in progress | **3,860,275** | **1,547,864** |
| Total receivable from customers for contract work in progress as included in Note 4 | **17,103,127** | **9,006,663** |
| Retention receivables as included in Note 4 | **1,903,586** | **1,828,032** |

Construction contacts which have remaining performance obligations at 30 June 2022 total $81,680,315 (2021: $35,136,200). Note that these figures exclude long term service and maintenance contracts also held by the group at 30 June 2022 for $20,322,307.

## 32. Deed of cross guarantee

During the financial year;

A deed of cross guarantee between EVZ Ltd (Parent Entity), and Brockman Engineering Pty Ltd, Syfon Systems Pty Ltd and Syfon International Pty Ltd (Group Entities) existed and relief is obtained from preparing financial statements for those Group Entities under ASIC Class Order 98/1418.

In the 2017 financial year, the EVZ Group gave as security for a loan from TSF Corporation Pty Ltd, the shares and assets of TSF Power Pty Ltd ("TSFP"). A further condition of the loan was the deconsolidation/removal of TSFP from the deed of cross guarantee. TSFP was subsequently removed from the deed of cross guarantee during the 2017 financial year. The loan from TSF Corporation was repaid in full during the 2019 financial year.

Under the deed, EVZ Ltd and the Group Entities jointly guarantee to support the liabilities and obligations of the Group Entities. EVZ Ltd and the Group Entities are the only parties to the deeds of cross guarantee and form the closed group. On the following page are the aggregate totals, for each category, relieved under the deed:

# Notes to the consolidated financial statements
**For the year ended 30 June 2022**

## 32. Deed of cross guarantee (continued)

| | Closed group & parties to deed of cross guarantee | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Financial information in relation to: | | |
| **(i) Statement of profit or loss and other comprehensive income** | | |
| Profit/(loss) before income tax | 1,005,326 | 3,536,874 |
| Deconsolidation of TSF Power P/L & Syfon Systems Sdn Bhd | (785,867) | (437,320) |
| Income tax (expense)/benefit | - | - |
| Profit/(Loss) after income tax | 219,459 | 3,099,554 |
| Profit/(Loss) attributable to members of the parent entity | 219,459 | 3,099,554 |
| **(ii) Retained earnings** | | |
| Retained losses at the beginning of the year | (32,104,155) | (35,203,709) |
| Profit/(Loss) after income tax | 219,459 | 3,099,554 |
| Retained losses at the end of the year | (31,884,696) | (32,104,155) |
| **(iii) Statement of financial position** | | |
| **Current assets** | | |
| Cash and cash equivalents | 7,274,072 | 2,804,056 |
| Trade and other receivables | 18,926,304 | 9,381,350 |
| Inventories | 999,012 | 995,639 |
| **Total current assets** | **27,199,388** | **13,181,045** |
| **Non-current assets** | | |
| Property, plant and equipment | 5,117,329 | 5,139,462 |
| Deferred tax asset | 2,610,870 | 2,610,870 |
| Other receivables | 5,384,597 | 5,740,977 |
| Intangible assets | 12,072,010 | 12,072,010 |
| **Total non-current assets** | **25,184,806** | **25,563,319** |
| **Total assets** | **52,384,194** | **38,744,364** |
| **Current liabilities** | | |
| Trade and other payables and provisions | 22,205,638 | 11,271,130 |
| Short-term borrowings | 1,247,494 | 2,426,981 |
| **Total current liabilities** | **23,453,132** | **13,698,111** |
| **Non-current liabilities** | | |
| Long-term provisions and other payables | 936,863 | 913,341 |
| **Total non-current liabilities** | **936,863** | **913,341** |
| **Total liabilities** | **24,389,995** | **14,611,452** |
| **Net assets** | **27,994,199** | **24,132,912** |
| **Equity** | | |
| Issued capital | 59,712,159 | 56,468,246 |
| Reserves | 166,736 | (231,179) |
| Accumulated losses | (31,884,696) | (32,104,155) |
| | **27,994,199** | **24,132,912** |

## 33. Parent entity disclosures

Information relating to the parent entity, EVZ Limited, is as follows:

| | Parent Entity 2022 $ | Parent Entity 2021 $ |
|---|---|---|
| **(i) Financial position** | | |
| **Assets** | | |
| Current assets | 768,748 | 511,851 |
| Non-current assets | 3,449,274 | 2,991,081 |
| **Total assets** | **4,218,022** | **3,502,932** |
| **Liabilities** | | |
| Current liabilities | 855,622 | 1,924,120 |
| Non-current liabilities | 122,834 | 151,969 |
| **Total liabilities** | **978,456** | **2,076,089** |
| **Net assets** | **3,239,566** | **1,426,843** |
| **Equity** | | |
| Issued capital | 60,009,326 | 56,759,485 |
| Accumulated losses | (56,769,760) | (55,332,642) |
| **Total equity** | **3,239,566** | **1,426,843** |
| **(ii) Financial performance** | | |
| **Comprehensive income** | | |
| Profit/(Loss) for the year | (1,737,118) | (1,624,243) |
| Transfer from capital profits reserve | - | - |
| **Total comprehensive income/(loss)** | **(1,737,118)** | **(1,624,243)** |

**(iii) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

A deed of cross guarantee between EVZ Ltd (Parent Entity), and TSF Engineering Pty Ltd, Brockman Engineering Pty Ltd, Danum Engineering Pty Ltd, A.C.N. 124919508 Pty Ltd (formerly National Engineering Pty Ltd), Syfon Systems Pty Ltd, NuSource Water Pty Ltd, Syfon International Pty Ltd (previously EVZ Energy Pty Ltd) and EVZ Engineering Pty Ltd (Group Entities) is enacted and relief was obtained from preparing financial statements for those Group Entities under ASIC Class Order 98/1418. Under the deed, EVZ Ltd and the Group Entities jointly guarantee to support the liabilities and obligations of the Group Entities. EVZ Ltd and the Group Entities are the only parties to the Deeds of Cross Guarantee and form the Closed Group.

There are no contingent liabilities of the Parent Entity or commitments for the acquisition of property, plant and equipment by the Parent Entity.

### 34. Company details

The registered office and principal place of business of:

**EVZ Limited** is
115/838 Collins Street, Docklands, Victoria 3008
Australia

The principal place of business of:

**Brockman Engineering Pty Ltd** is:
87 St Georges Road,
Norlane, Victoria, 3214, Australia

**Syfon Systems Pty Ltd** is:
22 Hargreaves Street,
Huntingdale, Victoria, 3166, Australia

**Syfon Systems Sdn Bhd** is:
6 & 8, Jalan Angklung 33/20, Shah Alam Technology Park
40460 Shah Alam, Selangor Darul Ehsan
Malaysia

**Syfon Systems Pte Ltd** is:
10 Anson Road, #18-17, International Plaza
Singapore 079903

**Syfon Systems SE Asia, Inc.** is:
30/F Burgundy Corporate Tower
Sen. Gil Puyat Avenue, Makati City
Philippines

**Syfon Systems Vietnam Co Ltd** is:
No. 20, Street No. 7, Tan Kieng Ward
District 7, Ho Chi Minh City
Vietnam

**TSF Engineering Pty Ltd**
The company was deregistered on 5th of August 2020.

**TSF Power Pty Ltd** is:
Unit 3, 74 Glendenning Rd,
Glendenning, New South Wales, 2761, Australia

## Directors' declaration

The Directors of EVZ Limited declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
(b) the financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
(c) in the Directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and
(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Corporations (Wholly owned companies) instrument 2016/785 applies, as detailed in Note 32 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

SIGNED in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the Corporations Act 2001.

Director – Graham Burns

Signed at Melbourne this 26th day of August 2022.

**Grant Thornton Audit Pty Ltd**
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Melbourne VIC 3001

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# Independent Auditor's Report

## To the Members of EVZ Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of EVZ Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

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

*b* complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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.

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

## 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. These matters were 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 these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue from contracts with customers (Notes 5 and 21)** | |
| For the year ended 30 June 2022, the Group recognised revenue from construction contracts of $67,506,919. Revenue from these contracts is recognised over time and calculated using the input method.<br><br>In accordance with AASB 15 *Revenue from Contracts with Customer,* revenues from goods and services are recognised based on the completion of performance obligations under each contract.<br><br>Determining the appropriate timing of revenue recognition requires estimating the inputs (costs) remaining in the contract and the expected margins earned on the contracts, which requires significant management judgement and estimation.<br><br>This area is a key audit matter due to the high level of estimation uncertainty and management judgement required to determine the revenue recognised from each contract. | Our procedures included, amongst others:<br>• Obtaining an understanding of the nature of revenue transactions and the processes and internal controls at each subsidiary;<br>• Testing a sample of revenue transactions and obtaining the contract or agreements to evaluate whether the revenue has been calculated and recognised appropriately;<br>• Testing debtors at 30 June 2022 to assess the validity of balances and whether amounts have been recovered subsequent to the period end;<br>• Performing analytical analysis of revenue and gross margin across the Group;<br>• Reviewing material work-in-progress at 30 June 2022 to assess the appropriateness of the calculations and the reasonableness of related inputs;<br>• Reviewing project margins within the 30 June 2022 work-in-progress accounts and comparing to actual margins achieved by the business throughout the financial year;<br>• Discussing material projects performance with General Managers and obtaining signed confirmations from Project Managers ensuring respective project status agrees with the Work-in-progress ledger; and<br>• Assessing the adequacy of financial report disclosures. |
| **Goodwill impairment (Note 9)** | |
| As at 30 June 2022, the Group has goodwill of $12,072,010 across two cash-generating units ("CGUs"). The Group is required to perform an annual impairment test of goodwill in accordance with AASB 136 *Impairment of Assets*.<br><br>The Group estimates the recoverable of its CGUs by employing a value in use model and, in doing so, must determine the following key inputs and assumptions:<br>• forecast cash flows from operations;<br>• working capital adjustments;<br>• capital expenditure estimates;<br>• discount and growth rates; and<br>• a terminal value<br><br>This area is a key audit matter due to management estimation and judgement in the assessment. | Our procedures included, amongst others:<br>• Assessing management's determination of the Group's CGUs based on our understanding of the nature of the Group's business;<br>• Obtaining management's value in use model and evaluating the key assumptions for reasonableness by obtaining corroborating evidence, including consideration of the reasonableness of the revenue and cost forecasts against historical actuals;<br>• Performing sensitivity analysis on the key assumptions;<br>• Testing the mathematical accuracy of the model;<br>• Considering internal valuation expert advice to assess the reasonableness of the model and discount rates utilised; and<br>• Assessing the adequacy of financial report disclosures. |

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, 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.

### Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 10 to 15 of the Directors' report for the year ended 30 June 2022.

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

## Responsibilities

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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 26 August 2022

# Additional shareholder information
## As at 13 July 2022

**1. Substantial shareholders (More than 5% of total shares held)**

| Rank | Name | Units Held | % of Total held |
|---|---|---|---|
| 1 | UBS NOMINEES PTY LTD | 23,807,384 | 19.82% |
| 3 | BOND STREET CUSTODIANS LIMITED <SALTER - D64848 A/C> | 15,022,747 | 12.50% |
| 2 | AIRLIE BEACH INVESTMENTS P/L AND SIROCCO ASSETS P/L | 9,989,894 | 8.31% |
| | | **48,820,025** | **40.63%** |

**2. Distribution of shareholding**

| Range of Holding | | | No of Shareholders | Units Held | % of Units |
|---|---|---|---|---|---|
| 1 | to | 1000 | 1,137 | 328,811 | 0.27% |
| 1,001 | to | 5,000 | 306 | 744,725 | 0.62% |
| 5,001 | to | 10,000 | 89 | 658,113 | 0.55% |
| 10,001 | to | 100,000 | 160 | 5,536,806 | 4.61% |
| 100,001 | and | over | 92 | 112,877,462 | 93.95% |
| **Company totals** | | | **1,784** | **120,145,917** | **100.00%** |
| Unmarketable shareholder parcels of less than $500 at $0.1800/unit | | | 1,338 | 673,628 | 0.56% |

**3. Names of 20 largest shareholders**

| Rank | Name | Holding | % Held |
|---|---|---|---|
| 1 | UBS NOMINEES PTY LTD | 23,807,384 | 19.82% |
| 2 | BOND STREET CUSTODIANS LIMITED <SALTER - D79836 A/C> | 15,022,747 | 12.50% |
| 3 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 7,189,623 | 5.98% |
| 4 | AIRLIE BEACH INVESTMENTS PTY LTD | 6,489,894 | 5.40% |
| 5 | BOND STREET CUSTODIANS LIMITED <RSALTE - D62375 A/C> | 4,500,000 | 3.75% |
| 6 | SIROCCO ASSETS PTY LTD <ABI SUPERANNUATION FUND A/C> | 3,500,000 | 2.91% |
| 7 | BOND STREET CUSTODIANS LIMITED <RSALTE - V38514 A/C> | 2,896,915 | 2.41% |
| 8 | ONMELL PTY LTD <ONM BPSF A/C> | 2,643,462 | 2.20% |
| 9 | MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C> | 2,545,754 | 2.12% |
| 10 | H&C TRUONG PTY LTD <TRUONG FAMILY SUPER FUND A/C> | 2,314,379 | 1.93% |
| 11 | BOND STREET CUSTODIANS LIMITED <RSALTE - V39117 A/C> | 2,272,096 | 1.89% |
| 12 | BOND STREET CUSTODIANS LIMITED <RSALTE - V37466 A/C> | 2,120,351 | 1.76% |
| 13 | TAYCO INVESTMENTS PTY LTD | 2,087,815 | 1.74% |
| 14 | BT PORTFOLIO SERVICES LIMITED <THE AL'N'ALL A/C> | 2,032,482 | 1.69% |
| 15 | STF ENTERPRISES PTY LTD | 1,816,840 | 1.51% |
| 16 | H&G HIGH CONVICTION LIMITED | 1,800,990 | 1.50% |
| 17 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,661,744 | 1.38% |
| 18 | MR ADAM BELLGROVE + MRS ANDREA BELLGROVE <BELLGROVE SUPER FUND A/C | 1,368,621 | 1.14% |
| 19 | ARCHWIN PTY LTD <SHARP RETIREMENT FUND A/C> | 1,294,798 | 1.08% |
| 20 | MR WAYNE STEPHEN GLYNNE + MRS CAROL-ANNE GLYNNE <TUNCURRY SUPER A/C> | 1,150,000 | 0.96% |
| **Total top 20 holders of ordinary fully paid shares** | | **88,515,895** | **73.67%** |
| **Total remaining holders balance** | | **31,630,022** | **26.33%** |
| **Total ordinary shares** | | **120,145,917** | **100.00%** |

## Additional shareholder information (continued)

**4. Voting rights**

A registered holder of shares in the Company may attend general meetings of the Company in person or by proxy and on a poll may exercise one vote for each share held. There are no voting rights attached to options for ordinary shares until the options have been exercised.

**5. General**

The name of the company secretary is Pieter van der Wal.

The address of the principal registered office is:
115 / 838 Collins Street,
Docklands Vic 3008
Telephone: (03) 9545 5288
Email: pieter.vanderwal@evz.com.au

A register of securities is kept at:
Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford, Victoria, 3067
Telephone Number: 1300 137 328

**6. Stock exchange listing**

The Company's ordinary securities are listed on the Australian Securities Exchange Limited.

EVZ

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