envirosuite

Appendix 4E

Summary Financial Report

Results for Announcement to the Market
For the financial year ended 30 June 2017

	2017	2016	Variance to prior year	
	$'000	$'000	$'000	%
Operating revenue	**16,211**	**17,809**	**(1,598)**	**(8.9)**
Revenue – continuing operations	161	-	161	()
Revenue – discontinued operations	16,050	17,809	(1,759)	(10)
Attributable (loss)/profit after tax	**(4,336)**	**(1,606)**	**(2,730)**	**(170)**
(Loss)/profit from continuing operations after tax	(2,272)	(54)	(2,218)	(4,107)
Loss from discontinued operations	(2,064)	(1,552)	(512)	(33)
Net margin (%)	(26%)	(9%)	-	(20.7)
Basic (loss)/earnings per share (cents)	(2.0)	(1.1)	(0.9)	(81)
Net operating cash inflows	(1,922)	774	(2,696)	(348)
Dividends per share	-	-	-	-
Net tangible assets / (liabilities) per security (cents)	0.1	1.0	-	-

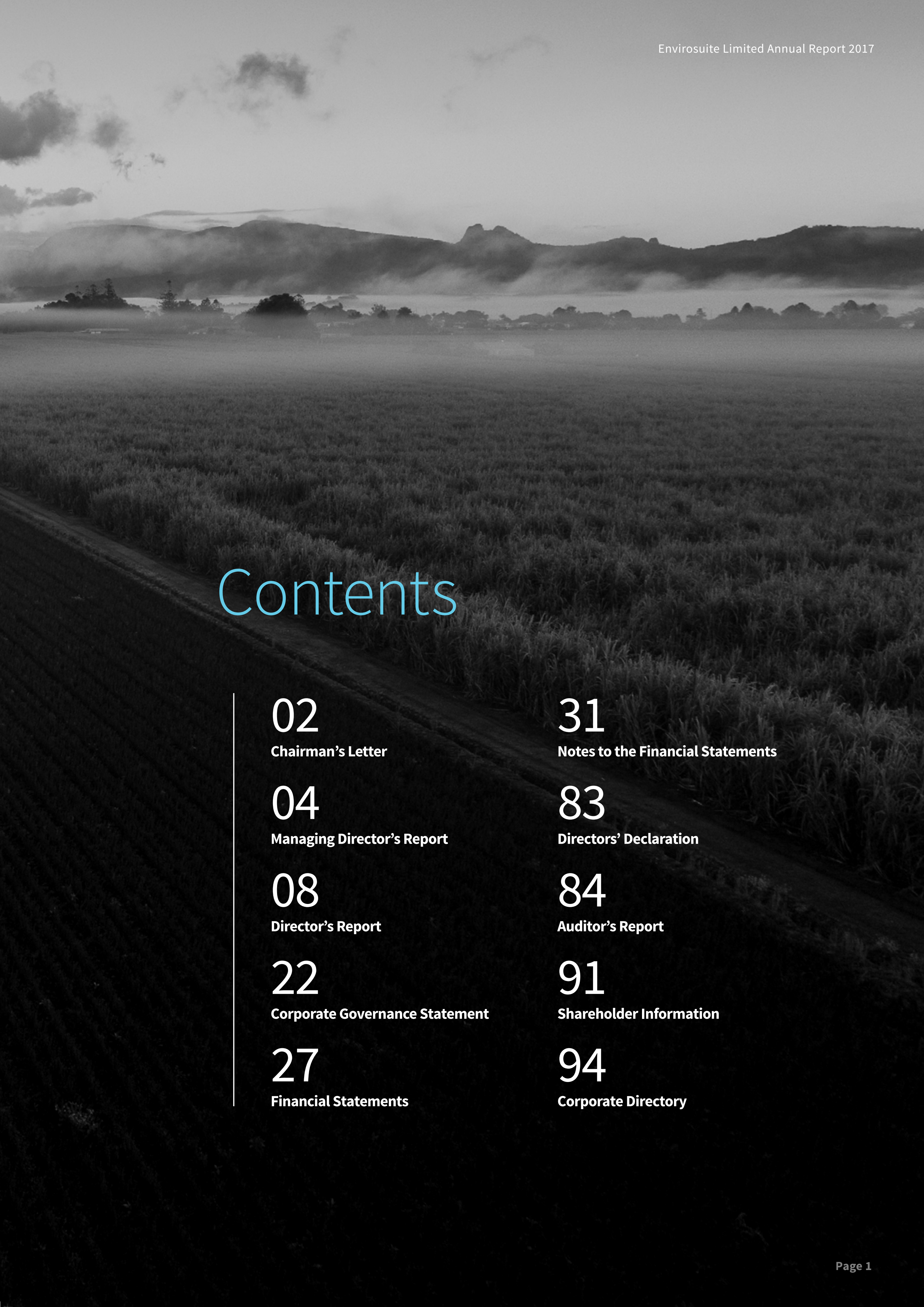
Additional Appendix 4E disclosure requirements can be found in the notes to the 2017 Envirosuite Limited Consolidated Financial Statements included in the Annual Report.

This report is based on the consolidated financial statements that have been audited by WPIAS Pty Ltd with the Independent Auditor's Report included in the financial statements.

envirosuite

2017 Annual Report

ABN: 42 122 919 948



Contents

Chairman's Letter

Dear Shareholder,

I am pleased to present the Annual Report for Envirosuite Limited and its subsidiaries (the Group) for the 2017 Financial Year.

The completion of the sale of our consulting practice in June this year completes a long journey for the Group to become a focused, global, world leading Software-as-a-Service (SaaS) Technology company.

Since the smarts of our boutique air consulting business began progressively producing a unique software application well over a decade ago, our Group has been an increasing hybrid of traditional consulting services and a developing technology business. In mid-2014, with the commencement of the re-build of Envirosuite, this process accelerated with significant investment to produce a world-leading, scalable platform ready for global deployment, which is now our central focus.

Our strategic vision has long been to bulk up the consulting business through organic growth and acquisition and to realise the value through a sale to catapult the technology business with a strong balance sheet. Over the period from 2012 to 2016 we increased the size of the consulting practice by nearly 200% and with the technology having proved itself domestically and abroad we felt that the timing was right to divest our consulting practice inclusive of Waste Solutions Australia and DLA Environmental Services that we acquired through the course of the 2014 calendar year.

With the help of our advisors we ran a competitive process in which we sought an acquirer that would not only provide the desired financial outcome and present a good fit for our consulting teams, but also a strong global partner that would dedicate real resources, structure and energy to assist us in securing new Envirosuite clients globally. The selected purchaser, Environmental Resources Management (ERM) is an excellent partner for Envirosuite with a global reach into our key target markets, through more than 160 offices in over 40 countries and territories, 4,500 staff, and a client list that boasts more than 50 per cent of the Global Fortune 500 companies.

Since completing the transaction at the end of the 2017 financial year, we are no longer a hybrid group with two distinct business models, we are now a well-funded and highly focused technology business with a proprietary platform offering excellent industry solutions in a rapidly growing global space, with blue chip clients and global distribution partners. We are very excited about our future prospects and we're working extremely hard on multiple fronts to pursue the opportunities that we have in front of us.

We are very pleased to welcome back Mr Peter White to the role of Chief Executive Officer and Executive Director. Peter played a formative role in the successful development and commercialisation of the Envirosuite platform and his return to the company is valuable and timely. Working together with our Co-Founder and Managing Director, Mr Robin Ormerod we believe we have the key pillars of leadership covered in regard to the knowledge and experience required across commercial, IT, and the science that drives our technology. Our scientific expertise is, and will continue to be our key differentiator. We have decades of industry knowledge and practical experience embedded in the Envirosuite platform that cannot be easily or quickly replicated.

Our teams in the USA and Europe have quickly built an impressive pipeline in a relatively short time from a standing start. We are confident in the pipeline conversion going forward with recent new sales that have emerged in each of our key markets. The opportunity in the USA particularly, cannot be underestimated with the level of interest and very early sales we have seen from the various regulatory bodies that we are working with. Gaining significant traction in this market is one of our key commercial goals for the 2018 financial year.

Our overriding focus from this point is the global commercialisation of the Envirosuite platform. All of our resources are focused on developing new business and we move forward with strong market knowledge and multiple opportunities. Key opportunities that we've disclosed to the market in the past, including Thames Water, South Coast Air Quality Management District and others, are all progressing well. Larger organisations and particularly government feature a longer sales cycle however the prize is big and worth chasing. It is also key to note that while these larger opportunities are progressing, they provide significant reference cases for other prospective clients, and we have seen several new sales and other opportunities emerge as a result.

As part of the key focus on business development, our development team is continually cycling the learnings from our customers back into the evolution of the Envirosuite platform to ensure it continues to lead the market.

The consulting sale process necessarily required a significant focus for the majority of the 2017 financial year, as did the management of the consulting team and the establishment of our Envirosuite people in Europe and the USA. With those major items now successfully completed we have only one concentrated focus in the growth of our technology business.

I sincerely thank my fellow Directors that have worked extremely hard to bring about and complete the sale transaction and the co-operation agreement with ERM, which is nothing less than transformational for the Group and sets us up for a very bright future. I would also like to thank our people, both our consulting teams that have now joined with our valued partner ERM, and our Envirosuite team that have demonstrated their talents and commitment to the group through their efforts in the last year. The ultimate reward is ahead of us as we endeavor to grow the value of the company in multiples.

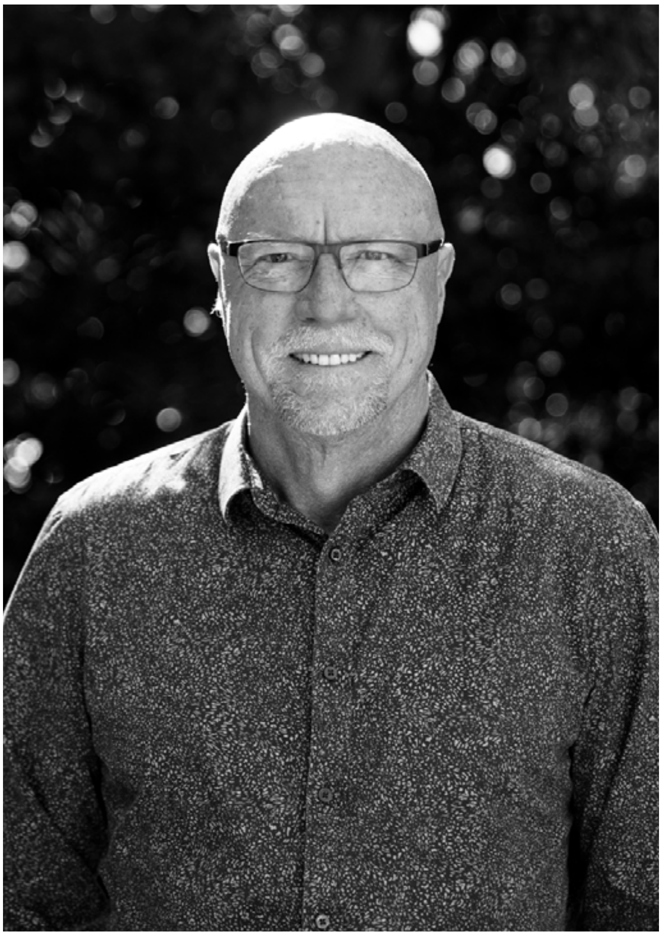
We also thank all of our shareholders both our longer term and those that have supported us in the capital raisings completed in recent years. We are intent on delivering significant shareholder value from our efforts going forward and effectively communicating our progress to the market.

David Johnstone

Chairman

31 August 2017

Managing Director’s Report



Dear Shareholder,

I believe we are now reaching a positive tipping point from which we will quickly reach new heights. It has been a long journey, with more hard work to be done however, after the many years of hard work that we’ve undertaken to transform a consulting business to a SaaS model, it is now difficult to appreciate the potential heights of the opportunities before us.

On track

In the 2016 Annual Report I related our plans for the 2017 financial year, to establish key people in the US and Europe and develop our partner network. Our people are now established in those regions, having hit the ground permanently early this calendar year. They have built out since then with a handful of very targeted and key appointments.

We held our first global team conference in July this year to pull the whole team together. This meeting was a very worthwhile exercise that we’ve never previously undertaken, having had far more people and two quite distinct businesses in consulting and technology. Now as a pure play SaaS business with a strong, unified team, we have the core elements for success: a proven product, a receptive global market with gateway reference clients and sales, and a skilled, experienced team across the key business functions.

Our Team

We have a product development team of around ten people including programmers, implementation specialists, technical support and product development management. Envirosuite has been a ground-up, in-house development phenomenon that embeds a huge amount of scientific and industry expertise combined with some outstanding IT smarts. The team continues to work hard to evolve the platform with ever-increasing capability aligned to our target industries.

We maintain a vigilant eye on the competitive landscape and see no direct competition emerging as yet on a whole product basis, but with some partial competitors who sell a small part of our offering. We know that our success will create followers. However, any imitator would encounter many huge challenges and would take a considerable time to overcome them as there are so many layers of deep knowledge that cannot be easily or quickly acquired and incorporated into a new platform.

Indeed, we have competed and won against some of the world’s largest and best known software providers to gain some of our largest wins to date. We do see, particularly in Australia, a handful of small operators developing value-add style applications to supplement their core consulting work, which is how we essentially started nearly 15 years ago. However, we believe we have a solid multi-year head start on these operators with respect to the depth, breadth and capacity for reliable, rapidly implemented global roll-out that we have worked so hard and long to develop.

Our front line direct sales efforts are led by three individuals, two of whom I introduced in last year’s report. Those two are Matt Scholl and Chaim Kolominskas. Matt is now full-time in the US, based near Silicon Valley, running a team of three in direct sales, including himself, and working also with regional partners. Chaim is working with our partners in Europe and is also engaged in strategic direct sales.

In the US, Matt has made some great headway with regulators in a relatively short time. It speaks volumes about where our offering sits in the market that an Australian consulting-turned-technology business can enter the US, in what is perceived to be one of the most technologically advanced, rules-driven and competitive markets globally, and go straight to the front row in the main arena.

I was present at initial meetings with some of the state and regional regulatory bodies in California. Dedicated career executives and technical specialists had never seen anything quite like Envirosuite and were effusive in their praise and excitement about how they can bring our product into the heart of their operations across multiple functions. The California Air Resources Board itself has an annual operating budget of USD $1.8bn and it is just one of the groups that we’re now working with. As well as the regulatory organisations, our US team is also making inroads into wastewater treatment, open cut mining and oil refineries.

In Europe, beginning with Thames Water in 2016, we have sought to capitalise on this success by pursuing other wastewater treatment plant (WWTP) clients in Europe and with great success to date such that we believe this is an emerging key market vertical for us. We are now working with industry to push our offering further into the operational requirements for WWTP operators. By increasing the relevance of our offering at the operational level as well as environmental, we believe that we'll both capture a far larger market and be in a position to justify an upward revision of our pricing.

In the Asia Pacific region, incorporating Australia and New Zealand, we are working with our existing customers in the region to grow out from the individual sites held with global groups. The initial reach and track record of successful operations provides the basis to broaden the roll-out within those groups. In addition, we are steadily bringing on new opportunities across new sectors. For example, we are looking at new applications in landfill gas to optimise both the environmental performance and the production of electricity from gas emissions harvested from landfills. There are a number of global groups in this space that account for the majority of the power generation sites globally and we are seeking to partner with these groups to develop another strong vertical for Envirosuite.

Each region now reports directly to CEO Peter White under whose stewardship we have great confidence in pursuing and procuring the larger business connections that we wish to make at this point in our growth. Peter is already working closely with our partners in each region, many of whom he has had prior contact with, as well as others such as ERM with whom he is already making good headway. Peter has a career history of closing major enterprise and government deals in the ICT space and is the right person to lead the team to capitalise on the many doors of opportunity that are now open for us.

Our Products

The Envirosuite software platform is a proprietary cloud-based, monitoring, management and reporting platform that is offered on a SaaS basis. Decades of environmental, engineering and mathematical expertise are embedded in the platform. Clients traditionally employ consulting groups to obtain reports developed from field monitoring projects and modelling. The traditional method is slow, relatively labour-intensive, expensive, and retrospective in nature. It remains the industry standard for a particular type of deliverable, often used for planning, impact assessment, auditing and investigative activities.

On the other hand, Envirosuite offers the type of analytical power provided by consultancy engagements, but generated at the click of a button in real-time. It provides instant insights into past, present and future conditions affecting the user's decision space, guiding actions that are better informed and faster. The predictive capability, in particular, well demonstrates the great value of our offering as it can be used to manage future operations to optimise environmental, regulatory, operational and financial outcomes for our clients. 'Prevention is better than cure' and to that effect we offer a tool that our clients use to prevent unwanted outcomes such as regulatory breaches and the resulting fines, community backlashes from unwanted pollutants, noise and odours, while also creating efficiencies and optimising production outcomes.

With our assistance the client selects the functionalities that they want from the Envirosuite platform and the various features are switched on or off by our implementation team according to the client specifications. From the client perspective, we describe the platform as modular, depending on the chosen functionalities that may include monitoring, modelling, analysis (such as back-tracking to identify pollution sources), forecasting and various reporting formats. Generally, a combination of these functions is implemented for each client. The platform is designed for rapid implementation which can take from a few hours to a few days depending on the degree of configuration required.

The Envirosuite platform sits between the data feeds and the user. The data feeds for environmental monitoring are provided by hardware devices that are positioned in the field to capture data on the air quality indicators of interest. Many of our clients already have a hardware network in place, and in those cases we can simply implement the Envirosuite platform remotely and maintain it without even having to physically visit the site. Where a client requires a turnkey solution including hardware we can facilitate that through our panel of external hardware providers and local experts whom we contract in as required. Going forward, we are looking at packaging the hardware together with the maintenance and Envirosuite licence fees as a single monthly Saas fee. This would increase our overall margins and augment the relationship with the client. We believe that this approach could bring another significant step-up in group revenues and opportunities in the next phase of our growth.

To illustrate the application for Envirosuite, it is useful to gain an appreciation of what we call the 'Incident Intelligence' module. This module ties together the various features noted above and employs the backtracking functionality to pinpoint the source of the pollutant or nuisance agent (such as odour or dust) that has led to a complaint from the community.

Complaints, or 'nuisance complaints' as they are known in the industry, are complaints from members of the public about odour, dust, noise or other pollutants that cause nuisance to them. The person complaining may cite a particular operator nearby as the culprit, be it a refinery, wastewater treatment plant, agricultural facility or other likely suspect. The regulator then may send an investigating officer out to the area to try to confirm the problem and find its source. Often the problem has gone by the time they arrive and so there is significant time and cost wasted. This can occur many times over.

The regulator may seek answers from the operator(s) in question to help establish the background to the complaint as a step towards corrective action or prosecution. This may involve an investigation that results in loss of production time, fines or increased operating restrictions which translates to loss of production and significant financial cost. Tasked with this project, a traditional consultant could form an opinion for a particular operator or regulator about an isolated event or series of events but it could take weeks depending on the complexity of the situation.

Envirosuite on the other hand can provide an answer comprehensively and immediately for each event, thus saving all stakeholders the trouble and cost that would ensue otherwise, and coming quickly to a clearer picture. The Incident Intelligence function also sets up a work flow ticket each time to ensure that there is an accountable set of actions aimed at resolving the problem.

Importantly, Envirosuite can establish which operator, in an area where there are multiple operators, most likely caused the complaint to occur. Sometimes one operator is suspected while it is actually another operator in the area that is to blame. The parties are generally held to be guilty or suspect unless they can prove otherwise, and with Envirosuite they can substantially do that very easily.

Envirosuite can show the levels of the relevant elements – dust, noise etc., at that time to determine if the operator was complying with their operating parameters. Furthermore, using Envirosuite's predictive capability, operators can anticipate when complaints are more likely to occur and if possible, modify their forward operating schedules to limit their impact or notify regulators or the community in advance. In conjunction with some of our clients, such as operators of multiple wastewater treatment sites, we have conducted comprehensive cost-benefit analysis showing that Envirosuite yields a return of 400-600%. This is based on the direct cost of operating odour control systems with and without the benefit of Envirosuite's prediction of community complaint risk, and does not include indirect benefits such as improved stakeholder relations. The word is now starting to get around in the industry and we are receiving more and more enquiries from wastewater operators across Europe and the US. We're focusing on this vertical and looking at adding simple features to our platform that will monitor corrosive factors and other elements critical to plant operators, thus embedding Envirosuite further into our clients' operations.

It is important to note as a heads up for the future strategic directions of the product that any data feed, regardless of whether it is environmental in nature or not, can potentially be an input to be processed by the Envirosuite platform and incorporated into the monitoring, predictive, visualisation and reporting functionalities.

This point leads us to our many and varied opportunities with the different regulators in the US. The US Environmental Protection Agency and the various state and district regulators that operate in league with it, constitute a huge and powerful system involving hundreds of organisations. We have started on the West Coast, forming relationships in California, Arizona and Oregon. We are working at the state and regional levels to firstly create awareness of Envirosuite and secondly develop initial projects that we can work on to demonstrate our capabilities. We are at the second stage now and we have no less than twenty different projects that we are either currently working on or have been asked to quote on. Some of these opportunities include replacing existing in-house dashboards with Envirosuite, which is seen as a far more powerful and user-friendly platform for data visualisation, in addition to forecasting, investigation and reporting features. Some other applications we are working on are aimed at predicting forest fire hazards and other natural events that are novel for Envirosuite though well within our existing capabilities to deliver.

We are working with government, which is traditionally slow, though we are seeing some rapid pockets of uptake already. This bodes well for the broader roll-out that we are seeking. We certainly aim to push hard in this sector, and now with the help of our well-connected and influential partners, we are looking to move this groundswell of Envirosuite enthusiasm across the US with a compelling offering that will entrench itself in this regulatory market.

Our Partners

Over the past twelve months we have added very significantly to our partnership base, which now includes large global consulting groups including HDR and ERM, as well as smaller consulting groups such as Odournet and software resellers GlobeOwl and others. All partners contribute to sales and broader awareness of Envirosuite through their respective client and contact networks.

At the very end of the 2017 financial year, ERM - the world's largest environmental consultancy - became a key strategic partner, expressing strong interest in including Envirosuite in its offering of third party technologies to a global clientele. The strategy is backed by an existing internal structure for introducing new technologies to their consulting projects. ERM's global leadership is committed to a working partnership and regional representation dedicated to our joint efforts. We are now implementing a joint business plan for Asia Pacific as well as working with ERM representatives in the US.

We are receiving an increase in inbound partnering enquiries from groups wishing to run with Envirosuite in their respective territories. We recently signed a new partner in Sweden that we believe will generate a number of wins in the 2018 financial year. With increased interest we have reviewed and tightened our selection criteria to ensure that the time and effort investment we make in procuring, orientating and maintaining any prospective partner will produce a strong financial return for the business.

We will continue to select new partners and deepen our engagement with existing partners which is a key strategic objective for the 2018 financial year and beyond. Our direct sales resources will have a two-pronged approach – firstly to get the most out of our partners, and secondly to pursue the more complex, higher-value enterprise sales. We expect with this strategy to create run-rate wins while we work on the big fish deals that will deliver the great leaps forward in company value.

Our Clients

Our current client list is an impressive resume that includes all of the world's largest miners, several global services groups and the largest and most well-known groups in environmental regulation and wastewater treatment. Like any other IT startup, we've done the hard yards of development, initial pilot launch, securing a handful of trials, converting those to initial sales, and developing further site-based sales with global groups. Now we're at the point where we are pursuing the global roll-outs. We are a startup that has now reached the critical expansion stage where sales start to go exponential. During the 2018 financial year we are confident that we can sign up more Envirosuite revenues than the total in the last five financial years since the pilot launch in 2011. We have not before had the luxury of focus, resources, market knowledge, product maturity and partners that we now possess. We believe the combination of these elements together with our dedicated, incentivised and hard-working team will deliver the outcomes we seek.

Related parties

Some comment has been made in the past about the payments that go to members of my family, as per the annual financial reports. I acknowledge that there has probably been less detail disclosed in the past about the true nature of the situation than might be helpful for us. The disclosure in the reports has been strictly limited to that required by statute. In this section, I would like to provide some background that I trust is helpful.

Kristin Zeise and I founded Pacific Air & Environment in the mid-1990s. Kristin is a chemical engineer and I am a meteorologist. We built the company up over 12 years, along the way starting an R&D project which has evolved to become today's Envirosuite product. Until September last year, Kristin and I had charged the company jointly through our personal services business. We are now contracted individually as employees.

We have five children between us, two of whom work for Envirosuite. Kristin's son Ian Edgehill is our Communications Manager and is highly skilled and experienced in this area, having a background in journalism and digital marketing with globally known companies in Europe. His efforts to promote the company globally through conferences, print media and online channels have led to significant awareness of Envirosuite and the realisation of direct returns through the generation of client and partner leads.

My son Alex Ormerod runs his own graphic design and photography business that on occasion services a number of private and ASX listed companies. He employs a talented team that is responsible for Envirosuite's branding, website development and maintenance, marketing collateral, statutory reports and announcements. Until the divestment in June 2017, the team did the same for Pacific Environment and DLA. His business invoices Envirosuite at standard market rates with a substantial discount due to the ongoing work. His business issues monthly itemised, time-based invoices which the Chairman of our Remuneration Committee reviews before payment is made.

Notwithstanding the legitimacy and quality of the work that these family members do, the company is very mindful of related party transactions. Kristin and I are kept at arm's length from these engagements, particularly in the process of determining their remuneration.

With our family's wealth, career, reputation and legacy defined by, and dependent on, this business and its future value, I would argue that the incentive for me and my family to perform is intense. My family invested heavily in saving the company from impending insolvency 7 years ago, with my debts still to be repaid to the bank. Kristin and I have never received any more than token cash payment for the sale of our consulting business to Pacific Environment Ltd at the initial rollup phase, which coincided with the global financial crisis and a squeeze on investment funds. We are highly driven, and expect the highest standards of performance from the team, and above all ourselves, as we work towards much-needed gains for all shareholders.

Special thanks

While I have paid some homage to certain individuals noted above there are several people who I would like to sincerely thank for their efforts in the last twelve months for putting us in this tremendous position for realising our true potential. They include my fellow directors David Johnstone and Adam Gallagher. These two gentlemen have stood by the group and persisted to act in the best interests of all shareholders through some very trying times in the past. Their guidance and direct efforts through the divestment period, and here I particularly praise Adam for his huge dedication, were of immense and critical value and we are largely here today because of their commitment to the Group.

My partner in life and business, Kristin Zeise. Kristin as co-founder of the group continues to push us all forward and also lead from the front. The exercising of her connections and knowledge of the US market, particularly with the regulatory regime, has guided and provided access to the highest levels which has set us up for our great future in that vertical.

I would also like to thank our Envirosuite team which has historically played second fiddle to the high touch business that is (or 'was' in our case) environmental consulting. It is wonderful that our product development, marketing and sales teams now have centre stage. We have a very talented team. In particular, I want to mention two people who were at the initiation of the R&D project in 2004 that led to today's Envirosuite. They are Dr Peter D'Abreton and Mitchell Farquhar, who have stayed with the project over all those years. Peter is a meteorologist and our R&D intellectual powerhouse driving many of the technical ideas and techniques that are so valuable to the product. Mitch is a chemical engineer who cut the first code many years ago and is now a highly valued implementation expert for the team. The dedication shown by Peter and Mitch through many trying times is a testament to their character and to the compelling nature of the professional challenge we have thrown down with Envirosuite.

I would like to thank ERM for a well-run transaction process and a mutually rewarding outcome which I see as a great starting point for our joint pursuits in future. Our consulting team, including Pacific Environment Pty Ltd and DLA Environmental Services Pty Ltd, is also deserving of much praise, having built up the respective companies over two decades to collectively become one of the best environmental consultancy businesses in the southern hemisphere. I wish all team members the very best in their careers with the world's leading environmental consulting group, ERM.

Thank you to CCZ Statton Equities for leading the successful capital raisings and their on-going support over the last two financial years. We look forward to repaying those efforts by providing significant return to the investors who have come into the group over that period. We also thank our capital markets advisors TMT Partners and our legal advisors Addisons Lawyers, particularly for their guidance and efforts to complete the sale transaction.

Thank you to all shareholders, and if you've come this far on the journey, I strongly encourage you to join me in seeing what's around the corner.

Robin Ormerod

Managing Director & Founder
31 August 2017

Directors' Report

Your directors present their report, together with the financial statements of the consolidated entity (referred to hereafter as the Group) consisting of Envirosuite Limited (ABN: 42 122 919 948) (referred to hereafter as the Company) and its controlled entities, for the financial year ended 30 June 2017.

Directors

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

David Johnstone (Non-executive Director for the full year and appointed as Non-executive Chairman 1 September 2016)
Robin Ormerod (Managing Director)
Adam Gallagher (Director and Company Secretary)
Murray d'Almeida (resigned 1 September 2016)
Peter White (Appointed 10 July 2017)

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

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

Principal activities and significant changes in nature of activities

During the year the principal continuing activities of the Group consisted of the provision of environmental consulting and technology services. On 26 June 2017 the sale of the Group's consulting practice was completed and the company is now exclusively focused on the development and sale of its technology platform.

Dividends paid or recommended

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

Operating results and review of operations for the year

Operating Results

As the main operating business formed part of the consulting sale transaction that completed on 26 June 2017 and as such all revenues including those denoted to technology sales were treated as discontinued operations in the annual accounts. The annualised subscription revenues that relate to technology as at 30 June were $1,574,476. Net loss after tax from continuing operations was $2,272,000 compared to $54,000 in the prior year. Significant expenditure items affecting operating results for the 2017 financial year include advisor fees, redundancies and other one-off payments relating to the sale transaction, and the establishment costs associated with setting up the respective teams in the USA and Europe.

Financial Position

The net assets of the consolidated Group have decreased from $14,807,000 at 30 June 2016 to $13,852,000 as at 30 June 2017. Cash at bank was $11,470,504 with an additional $565,000 held in escrow, pending finalisation of post-completion items, that the Directors expect to receive in full through the course of the 2018 financial year.

Further discussion is contained in the Chairman's Statement and Managing Director's Report of this Annual Report.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

1. On 26 June 2017 the Group sold its 100% equity interests in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental Services Pty Ltd for the gross amount of $15 million to Environmental Resource Management (ERM). This divestment of the entire consulting practice means the company is now a pure Software-as-a-service (SaaS) technology business. The consulting practice accounted for the majority of historical group revenues. For further details refer to note 8 to the financial statements.
2. At settlement $500,000 from the gross proceeds were directed to ERM for allocation to their identified partners in the Pacific Environment consulting practice, bank debt was repaid and other amounts relating to the transaction were settled.
3. The convertible note that was held by Mr Robin Ormerod was finalised through full and final conversion of the remaining balance on 10 October 2016.
4. 83 staff left the group as part of the sale of the consulting practice. The headcount is currently circa 30 people.
5. Expenditure of investment monies raised from the Institutional Placement completed in October 2016 included the establishment of business development teams in Europe and the USA.

Events after the reporting period

1. The post-transaction completion accounts that determine the mutually agreed net working capital figure as at the completion date (26 June 2017) are currently being finalised between the Company and ERM. The Company will either pay or receive an amount in respect to the difference between this net working capital figure and the net working capital figure stated in the sale contract. The Directors do not anticipate that the amount will be material and expect to finalise this process in accordance with the terms of the sale contract.
2. Mr Peter White was appointed as Chief Executive Officer and Director on 10 July 2017.

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

Likely developments and expected results of operations

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

Additional comments on expected results of certain operations of the Group are included in this annual report under the Chairman's Statement and Managing Director's Report.

Environmental regulation

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

Information on Directors

David Johnstone
Chairman

Experience and expertise

Mr. Johnstone is an experienced executive who has been actively involved in business for more than 31 years. He has successfully started, owned and operated a vast range of businesses. With experience gained nationally and internationally in selling, licensing, merging and acquiring businesses he has arranged significant funding for management buy outs, leveraged buyouts along with the successful placement/listing of companies on the London Stock Exchange and the Australian Stock Exchange. Mr. Johnstone, whilst consulting to ASX listed Centrepoint Alliance Ltd, was previously Group Head of Corporate Development and prior to that CEO of Centrepoint Alliances' largest subsidiary Professional Investment Services Ltd. He was also CEO of Bartercard Ltd after he successfully sold and merged Trade Ltd, a business he founded with Bartercard Ltd. Mr. Johnstone is a past Chairman of the International Reciprocal Trade Association, a Global Industry Association, which is based in the USA. He continues to provide consulting and non-executive director services to medium to large businesses in the financial services, IT, property development, and franchising sectors.

Mr. Johnstone's specialties include: Financial Services, Funding, Investment, Corporate Development, Mergers & Acquisitions, Negotiations, Resolution of Company Disputes, Leadership Mentoring, and Non-Executive Directorships

Other current directorships of listed companies

None

Former directorships of listed companies in last 3 years

None

Special responsibilities

Member of the Audit and Risk Management Committee
Chairman of the Remuneration and Nomination Committee

Interest in shares and options

1,250,000 ordinary shares held by an associated entity.

4,000,000 unlisted options held by an associated entity to subscribe for ordinary shares in Envirosuite Limited.

Robin Ormerod – B Sc (Hons)
Managing Director

Experience and expertise

Mr. Ormerod co-founded Pacific Air & Environment (PAE), the foundation business of Envirosuite, in 1995 and helped lead it to a successful and respected position among air quality consultancies in Australia. He directed PAE's research and development activities, which created the precursor to Envirosuite's Envirosuite technology. He has developed a wide national and international network of business and scientific contacts over his 36 years doing business in the environmental space. He was Envirosuite Limited's Director of Innovation and R&D and the company's Air Quality & Meteorology Practice Leader. He now leads the R&D group and is active in promoting Envirosuite to businesses, government and research organisations.

Mr. Ormerod is a Certified Consulting Meteorologist, accredited by the American Meteorological Society, and is well known in his profession. In 2004 he was presented with the Distinguished Service Award and Life Membership by the Clean Air Society of Australia & New Zealand for contributions over many years.

He was twice (1985 and 1988) elected to local government (Logan City Council, Queensland) where he served on finance, planning, health and environment committees.

Other current directorships of listed companies

None

Former directorships of listed companies in last 3 years

None

Special responsibilities

None

Interest in shares

56,683,589 shares comprising:

(i) 29,942,535 held by R. Ormerod (both legally and beneficially);

(ii) 26,741,054 held by Zeise Ormerod Superannuation Fund (registered holders: Robin Ormerod, K. Zeise) of which R. Ormerod is beneficially entitled to 13,370,527.

Interest in shares and options

2,000,000 unlisted options to subscribe for ordinary shares in Envirosuite Limited.

Adam Gallagher –B Econ, M Com, Grad Dip Info Sys, Grad Dip Applied Corp Gov.
Director and Company Secretary

Experience and expertise

Adam has strong Technology sector knowledge and experience across M&A transactions, finance and capital markets operations through nearly twenty years of commercial, IT and investment experience. Adam has worked in major banks, early stage businesses, stock exchanges, digital media, communications, private equity and listed companies. For the last ten years he has predominantly worked with expansion stage technology businesses both listed and unlisted as an officeholder, advisor and investor. In addition to his roles with Envirosuite Limited, Adam is a Director of CCP Technologies Limited (ASX:CT1) that he helped bring to market and he also has seven years of funds management experience as a microcap investment manager.

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

Other current directorships of listed companies

Director of CCP Technologies Limited (ASX:CT1)

Former directorships of listed companies in last 3 years

None

Special responsibilities

Chairman of the Audit and Risk Management Committee
Member of the Remuneration and Nomination Committee

Interest in shares and options

250,000 ordinary shares held by an associated entity.

6,500,000 unlisted options held by an associated entity to subscribe for ordinary shares in Envirosuite Limited.

Company Secretary

Mr. Gallagher is the Company Secretary and held the position at the end of the financial year.

Meetings of directors

The numbers of meetings of the Company's Board of directors and committees of the Board held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

	Full Meetings of Directors		Audit and Risk Management Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Murray d'Almeida	0	4	-	-	-	-
Adam Gallagher	18	18	2	2	1	1
David Johnstone	18	18	2	2	1	1
Robin Ormerod	18	18	-	-	-	-

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

Shares under option

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

Expiry date	Issue price of shares ($)	Number under option
12-Nov-18	0.03	5,000,000
12-Nov-20	0.05	1,000,000
09-Apr-20	0.06	2,000,000
19-Apr-18	0.06	6,025,000
12-Nov-19	0.07	2,000,000
31-Oct-18	0.08	1,000,000
14-Jul-20	0.09	600,000
01-Apr-20	0.09	1,000,000
04-Feb-21	0.11	4,600,000
31-Oct-18	0.12	1,500,000
09-Dec-19	0.12	3,000,000
31-Oct-18	0.15	1,500,000
31-Oct-18	0.16	2,000,000
10-Nov-20	0.16	1,000,000
09-Dec-19	0.18	3,000,000
31-Oct-18	0.20	2,000,000
10-Feb-18	0.55	100,000
05-Feb-18	0.75	250,000
10-Feb-18	0.75	780,000
05-Feb-18	1.00	150,000
10-Feb-18	1.00	100,000
05-Feb-18	1.25	150,000
05-Feb-18	1.50	100,000
		Total 39,855,000

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

Shares issued on the exercise of options

No shares have been issued on the exercise of options during the financial year. No amounts are unpaid on any of the shares.

Lapse of options post balance date

8,726,666 lapsed on 4 July 2017 in accordance with their terms of issue. The details were announced to the ASX on 4 July 2017.

Indemnification and insurance of officers or auditor

During the financial year, Envirosuite Limited paid a premium of $43,752 (2016: $34,813) to insure the directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

Proceedings on behalf of the Company

During the financial year a claim was made against the Company by RFC Ambrian Limited (RFC) in relation to an alleged services contract. The Company lodged a defence strongly disputing the claim including the validity of the contract and the work that was alleged to have been undertaken by the claimant. The parties mediated the dispute and a decision was made by the directors to resolve the claim commercially to avoid further costs. The matter has now been resolved on a final basis for payment of $150,000.

No other person has applied for leave of the Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Other than described above, the Company was not a party to any such proceedings during the year.

Non audit services

During the year ended 30 June 2017 WPIAS Pty Ltd provided non-audit services to the Company in regard to assisting the company with due diligence enquiries in relation to the sale of the consulting practice. No other non-audit services were provided by WPIAS Pty Ltd during the financial year.

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 84.

Legislative Instrument 2016/191 - Rounding of amounts

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

Remuneration report (audited)

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

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

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

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

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

(i) Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

The directors have received incentive share options subject to certain terms and conditions determined by the Board.

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

Base fees (net of GST)

Chair	$90,000
Other directors	$60,000

Directors appointed to chair a board committee are paid an additional fee of $10,000 per committee. No additional fees are paid to non-chair members of the committees.

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

(ii) Retirement allowances for directors

There are no retirement allowances for directors of the Group.

(iii) Executive pay

The executive pay and reward framework generally has three components:

- base pay and benefits, including superannuation;
- short-term incentives linked to the attainment of performance targets; and
- long-term incentives through participation in various Envirosuite Limited Employee Share and Option schemes.

The combination of these comprises an executive's total remuneration.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards.

There are no guaranteed base pay increases included in any executives' contracts.

Superannuation

Retirement benefits are delivered under the Australian superannuation legislation at 9.5% of base salary for the financial year ended 30 June 2017, up to the maximum superannuation contribution base.

Short-term incentives

Short-term incentives are provided to certain executives, where payment is dependent on the satisfaction of performance conditions.

Long-term incentives

Long-term incentives have been provided from time to time to certain executives via various allotments of options to subscribe for ordinary shares in the Company.

As there are only a very small number of executives in the Group, during the 2017 financial year, when required, the Directors collectively determined each individual remuneration package taking into account their role, duties, capacity to add value and alignment to shareholder value. Going forward the CEO (appointed 10 July 2017) will work with the Remuneration Committee and the full board to develop appropriate terms for new and re-contracting employees.

(iv) Managing Director's remuneration

The Managing Director, Mr Robin Ormerod was paid under an Independent Contract with a related entity, ROKZAir Pty Ltd, operated by Mr Robin Ormerod and Ms Kristin Zeise. The fee was $33,333 per month plus GST and was based on two people (Personnel: Robin Ormerod and Kristin Zeise) full time, pro rata for part time work. For the year ended 30 June 2017 an amount of $133,332 had been paid to ROKZair Pty Ltd during the financial year.

Mr Ormerod was paid through ROKZAir Pty Ltd up until 31 October 2016. From 1 November 2016, Mr Ormerod became an employee of the Company on a base salary of $300,000 plus superannuation at the standard capped rate of $19,615.60. In addition he is eligible to receive a cash bonus that is based on the share price appreciation over each financial year as follows:

20% of base salary for each 100% increase in the 30 day VWAP (Volume Weighted Average Price) as at 30 June 2016 as compared to the 30 day VWAP as at 30 June 2017 and so on for subsequent financial years. No bonus is payable for the year ended 30 June 2017 under this provision.

A notice period of three months applies on termination.

Mr Ormerod also received interest on an interest bearing convertible loan (refer note 19 to the financial report). The convertible note was finalised on 10 October 2016 by full conversion of the outstanding balance to fully paid ordinary shares.

(vi) Company Secretary

From 1 September 2016 the Company Secretary fee was set at $7,500 per month on a contract basis. The role includes a number of additional accountabilities beyond what is generally expected from a Company Secretary including managing corporate transactions together with the Company's advisors, investor relations, and undertaking various executive and management duties as required by the business that are within the incumbent's skill-set.

As a relatively small company the Directors believe that it is beneficial to have a hard-working and multi-disciplined team of officeholders to support and guide management.

B. Details of remuneration

(i) Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of the Company and the Group are set out in the following tables.

The key management personnel of the Group are the Directors and Company Secretary of Envirosuite Limited.

(ii) Changes since the end of the reporting period

Mr Peter White was appointed to the board as an Executive Director on 10 July 2017. Mr White was also appointed to the role of Chief Executive Officer, the details of which are set out in the announcement released to the ASX on 10 July 2017. Mr White does not receive any additional remuneration in relation to his Directorship.

No other changes to the Board have been made since the end of the reporting period.

(iii) Key management personnel of the Group and other executives of the Company and the Group

2017	**Short-term employee benefits**				**Long term benefits**	**Share-based payments**		
	Cash Salary and fees $	Non-monetary benefits $	Other $	Super-annuation $	Long service Leave $	Shares $	Options $	Total $
Directors								
Murray d'Almeida (resigned 1 September 2016)	15,000	-	-	-	-	-	802	15,802
David Johnstone	93,337	-	-	-	-	-	26,113	119,450
Managing director								
Robin Ormerod	200,000	-	-	13,077	-	-	23,534	236,611
Director and company secretary								
Adam Gallagher	143,333	-	-	-	-	-	23,534	166,867
Other key management personnel								
Peter White	-	-	-	-	-	165,000*	-	165,000
Total key management personnel compensation	**451,670**	**-**	**-**	**13,077**	**-**	**165,000**	**73,983**	**703,730**

*Amount includes the cash value of shares issued to Peter White on 12 September 2016.
In addition to the above Key Management Personnel received consulting fees per the table contained in section G.

2016	**Short-term employee benefits**				**Long term benefits**	**Share-based payments**		
	Cash Salary and fees $	Non-monetary benefits $	Other $	Super-annuation $	Long service Leave $	Shares $	Options $	Total $
Directors								
Murray d'Almeida	60,000	-	-	-	-	-	55,215	115,215
David Johnstone	55,000	-	-	-	-	-	40,684	95,684
Managing director								
Robin Ormerod	-	-	-	-	-	-	32,947	32,947
Director and company secretary								
Adam Gallagher	60,000	-	-	-	-	-	35,312	95,312
Other key management personnel								
Peter White (left the company 27 May 2016)*	344,318	-	-	36,901	-	*150,000	3,607	534,826
Total key management personnel compensation	**519,318**	**-**	**-**	**36,901**	**-**	**150,000**	**167,765**	**873,984**

*Amount does not include the cash value of shares issued to Peter White on 12 September 2016.

No portion of remuneration for directors Mr d'Almeida, Mr Johnstone and Mr Gallagher was linked to performance during the financial year. Mr Ormerod's remuneration includes short and long term incentives linked to performance as detailed above in Section A(iv) of the Remuneration Report.

C. Service Agreements

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

Remuneration and other terms of employment for other key management personnel are also formalised in service or employee agreements. Each of these agreements provides for the provision of performance related cash bonuses, when eligible.

All current appointments for key management personnel are listed below. All service agreements are reviewed annually by the directors.

Name	Commencement date *	Annual base salary including superannuation **
Key management personnel		
Peter White – Chief Executive Officer & Executive Director	10 July 2017	$300,000
Robin Ormerod - Managing Director	1 November 2016	$319,615.60

* Mr Ormerod entered into an employment agreement for his Managing Director's role on 1 November 2016 having previously contracted through an associated entity.

D. Share based compensation

(i) Options

All of the Directors and several of the senior management personnel hold options in the company.

There are no current Share or Option schemes in place. No options were issued during the 2017 financial year.

The options issued in prior financial years were designed to provide long-term incentives for employees to deliver value to shareholders by aligning interests and conserving cash reserves. Option allotments were at the Board's discretion and no individual had a contractual right to receive options or to receive any guaranteed benefits.

All options granted, once converted to ordinary shares, carry standard dividend and voting rights available to ordinary shareholders.

Details of options over ordinary shares in the Company provided as remuneration to each director of Envirosuite Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share in Envirosuite Limited. Further information on the options is set out in Note 35 to the financial statements.

2017

	Balance at start of the year	Granted as compensation	Exercised	Forfeited	Balance at end of the year	Vested and exercisable	Unvested
Directors of Envirosuite Limited							
Murray d'Almeida (resigned 1 Sept 2016)	10,000,000	-	-	5,500,000	10,000,000	4,500,000	-
David Johnstone	4,000,000	-	-	-	4,000,000	4,000,000	-
Robin Ormerod	2,000,000	-	-	-	2,000,000	2,000,000	-
Adam Gallagher	6,500,000	-	-	-	6,500,000	6,500,000	-

2016

	Balance at start of the year	Granted as compensation	Exercised	Forfeited	Balance at end of the year	Vested and exercisable	Unvested
Directors of Envirosuite Limited (formerly Pacific Environment Limited)							
Murray d'Almeida	7,000,000	3,000,000	-	-	10,000,000	5,000,000	5,000,000
David Johnstone	2,000,000	2,000,000	-	-	4,000,000	-	4,000,000
Robin Ormerod	-	2,000,000	-	-	2,000,000	-	2,000,000
Adam Gallagher	4,500,000	2,000,000	-	-	6,500,000	4,500,000	2,000,000
Other key management personnel of the Group							
Peter White (left the company 27/5/2016)*	7,050,000	-	-	-	7,050,000	7,050,000	-

*Peter White rejoined the company as Chief Executive Officer and Director on 10 July 2017 and as at 30 June 2017 held 7,050,000 options as per the 2016 table above.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No options granted to key management personnel were exercised during the 2017 financial year.

(ii) Shares

To finalise the Company's contractual obligations to Mr Peter White under his previous employment agreement it was agreed that Mr White be issued shares at an acquisition value of $165,000 at the last closing share price prior to the date of issue. On 12 September 2016 this agreement was settled by the issue of 1,987,952 ordinary shares. No other shares were granted to key management personnel during the year.

E. Shareholdings of Key Management Personnel

The numbers of shares in the Company held during the financial year by each director of Envirosuite Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2017	Balance at start of the year	Granted as compensation	Other changes during the year	Balance at end of the year
Directors of Envirosuite Limited				
Murray d'Almeida (resigned 1 Sept 2016)	-	-	-	-
David Johnstone	-	-	*1,250,000	1,250,000
Robin Ormerod	40,489,947		*16,193,642	#56,683,589
Adam Gallagher	-	-	*250,000	#250,000

*Changes arose during the year through off market transactions.
Note that the members register maintained by an external share registry provider is yet to be updated for this transfer. During the year 1,250,000 shares were acquired by Scintilla Strategic Investments Limited, a company of which Adam Gallagher was a director and shareholder. Mr Gallagher subsequently resigned as director and remains a minority holder through a related party.

2016	Balance at start of the year	Granted as compensation	Other changes during the year	Balance at end of the year
Directors of Envirosuite Limited				
Murray d'Almeida	-	-	-	-
David Johnstone	-	-	-	-
Robin Ormerod (refer Robin Ormerod Interest in Shares)	24,378,720		16,111,227	40,489,947
Adam Gallagher	-	-	-	-
Other key management personnel of the Group				
Peter White (left the company 27 May 2016) *	220,447	1,200,000	-	1,420,447

*Peter White rejoined the company as Chief Executive Officer and Director on 10 July 2017 and as at 30 June 2017 Mr White held 1,988,399 shares.

F. Loans to key management personnel

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

G. Other transactions with key management personnel

Managing Director, Mr Robin Ormerod, and employee, Ms Kristin Zeise, are directors and shareholders of ROKZair Pty Ltd. This entity provided the Group with consultancy services during the reporting period. As noted in section A (iv) this contract ended on the 31 October 2016 and was superceded by new employment agreements for Mr Ormerod and Ms Zeise.

Mr Adam Gallagher is a Director and the Company Secretary of the Company. His fees are paid to Famile Pty Ltd, a related party. In addition to his core Directorship and Company Secretary functions, Mr Gallagher provided additional services to the Company in relation to corporate transaction management, strategic partnerships, equity and debt funding management and procurement, market communications and fulfilling executive duties as required by the business that were within his skill-set and experience. This contract ended on 31 August 2016 and was superseded by a new company secretarial agreement that incorporated the provision of these existing services (refer Section A (v)).

Murray d'Almeida was a Director and Chairman of the Company until 1 September 2016. His fees were paid to MC Consultancy Pty Ltd an associated entity.

In July 2017 the Directors resolved (with Mr Gallagher abstaining) to award a one-off payment of $35,000 (plus GST) to Mr Gallagher or his nominated entity, in acknowledgement of his efforts relating to the management and completion of the sale of the consulting practice to ERM as well as undertaking a number of additional executive and management duties beyond the scope of his existing services contract as were required by the Group during the financial year.

The Directors also resolved (with Mr Ormerod abstaining) to award a one-off payment of $25,000 (plus GST) to Mr Ormerod or his nominated entity, in respect to procuring the purchaser and his efforts in relation to completing the transaction.

Aggregate amounts of each of the above types of other transactions with key management personnel of Envirosuite Limited:

	2016 **$**	**2015** **$**
Amounts recognised as expense		
Consultancy fees - ROKZair Pty Ltd*	133,332	197,748
Consultancy fees - Famile Pty Ltd	16,000	96,000
Consultancy services - MC Consultancy Pty Ltd	30,000	120,000
	179,332	413,748

* Refer to Managing Director's Remuneration for further information. From 1 November 2016 Mr Ormerod and Ms Zeise entered into employment contracts with the group and no further fees were paid during the 2017 financial year to ROKZair Pty Ltd.

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

David Johnstone
Chairman
31 August 2017

Corporate Governance Statement

Envirosuite Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless otherwise stated in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2014 amendments) as well as current standards of best practice. The Corporate Governance statement is current as at 30 June 2017 and has been approved by the Board.

Envirosuite Limited (the Company) and its board of directors (the Board) are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as "the Group" or "the Company" in this statement.

Information about the Company and its governance can be found on the company's website at www.envirosuite.com.

Principle 1

Lay solid foundations for management and oversight

The Company's Board of Direct ors ("the Board") has adopted a Corporate Governance Charter ("the Corporate Governance Charter") which details the functions reserved to the Board. A copy of the Corporate Governance Charter is published on the Group's website.

The Board's broad functions are to:

- chart strategy and set financial targets for the Group;
- monitor the implementation and execution of strategy and performance against financial targets;
- appoint and oversee the performance of executive management; and
- generally take an effective leadership role in relation to the Group.

The Company's senior executives are charged with the day to day management of the Company.

The Company's process for evaluating the performance of its senior executives is set out in Section 2.8 of the Corporate Governance Charter.

A formal performance evaluation of senior executives in accordance with the procedure provided for in the Corporate Governance Charter took place during the reporting period. In addition, on-going informal evaluation is undertaken by the Company's Chairman and Managing Director.

There are written agreements with each director and senior executives setting out the terms of their appointment.

Principle 2

Structure the Board to add value

A majority of the Board were not independent directors (as defined in the guidance notes to the Recommendations) for the reporting period. David Johnstone who is the Chairman of the Board, is the sole independent director of the Company. Adam Gallagher is not independent as he holds the role of Company Secretary.

The Board believes that the number of directors and composition of the Board is appropriate given the size of the Company and the nature of the Company's operations. As the Company continues to grow the composition of the Board will be reviewed and further appointments may be made as appropriate.

During the reporting period the roles of Chairman and Managing Director were not exercised by the same individual.

The Company's process for evaluating the performance of the Board, its committees and individual directors is set out in Section 2.8 of the Corporate Governance Charter.

The tenure, interests, relevant skills, experience and expertise possessed by each of the Company's directors are set out in the Directors' Report. The Board considers that during the reporting period only David Johnstone was an independent director. The Board has adopted the definition of "Independent Director" in Section 2.4 of the Corporate Governance Charter. The Board considers that Adam Gallagher is not an independent director because he is a material supplier of company secretarial and advisory services to the Company. Robin Ormerod is not considered an independent director as he is a substantial shareholder and is employed in an executive capacity. Murray D'Almeida resigned as a Director on 1 September 2016. He held the title of Executive Chairman until 14th June 2016 when he became a Non-Executive Chairman.

On the grounds that he held an executive role in the Company during the past 3 years, he was not considered as independent.

The period of office held by each director is set out in the Directors' Report.

Informal performance evaluations of the board, its committees and directors took place during the reporting period. The nature and appropriateness of the performance evaluation processes will be reviewed periodically in line with the growth of the Group.

The procedure for the selection and appointment of new directors and the re-election of incumbent directors, and the Board's policy for the nomination and appointment of directors, is contained in Section 2.7 of the Corporate Governance Charter.

Principle 3

Promote ethical and responsible decision-making

A code of conduct for the Company's directors is contained in Section 3 of the Corporate Governance Charter. The stated objective of the Code is to give the Company's directors mandatory directions to follow when performing their duties, to enable them to achieve the highest possible standards in meeting their obligations, and to give them a clear understanding of best practice in corporate governance.

The Company has a general code of conduct for employees that is reviewed and updated to ensure it is current, appropriate and effective in assisting and guiding employees to feel safe, respected and empowered in their roles.

The Company has a Diversity Policy which is contained in Section 5 of the Corporate Governance Charter. The Diversity Policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity or for the Board to assess annually both the objectives and progress in achieving them. The Diversity Policy states however that:

- the Group is committed to employing and retaining the best technical and non-technical staff based on their capacity to perform well for the Group;
- all employment decisions within the Group will be based upon choosing the best person for the position irrespective of race, religion, gender, age, or any other irrelevant point of difference; and
- all advancement and reward decisions within the Group will be based upon what is best for each individual person taking into account the needs of the Company, irrespective of race, religion, gender, age, or any other irrelevant point of difference.

The Diversity Policy further states that:

- The Board considers that:
    - i. it is satisfied that current employment, advancement and reward decisions regarding staff within the Group are made irrespective of race, religion, gender, age, etc., therefore no measureable objectives have been put in place at this time to specifically change or increase staff diversity, and;
    - ii. since gender is one of a large number of attributes that the Board considers when appointing new Directors and with a small Board at present no measureable objectives are to be put in place at this time to specifically change or increase gender diversity on the Board.

The Board reviews the group diversity periodically, and:

- i. if there is any noticeable decrease in diversity of staff at any level across the Company, or;
- ii. the size of the Board increases to five or more members, then;

measureable diversity objectives will be put in place. During the reporting period there were no women on the board. The proportion of females in the Group is 16% and in senior executive positions is 20%. In addition to gender diversity, the Group also employs staff from a number of ethnic backgrounds and different age groups.

As mentioned above, a copy of the Corporate Governance Charter is published on the Group's website.

Principle 4

Safeguard integrity in financial reporting

The Board had an Audit and Risk Management Committee and a charter for that committee during the period. A copy of that charter is published on the Group's website. Names of the members of the Audit Committee and the number of times they met throughout the period are contained in the Directors' Report. The Audit and Risk Management Committee, contrary to Recommendation 4.1, was not chaired by an independent Director however the Chair of the Committee is not chair of the Board;

To the extent that the composition of the Audit and Risk Management Committee did not comply with the Recommendations the Board believes this is justified due to the small size of the Company and the Board and the relevant qualifications and experience of the Committee members.

The Board appointed the auditor (Williams Partners Independent Audit Specialists) at the 2012 AGM. The firm became a corporate entity and now operates as WPIAS Pty Ltd ("WPIAS"). WPIAS's policy is to rotate the audit engagement partner and quality control reviewer at least every five years for a period of at least two years.

Given its small size the Company does not have a formal internal audit function. The audit and risk management functions are performed by a combination of the management risk committee that meets monthly, or otherwise as required, and reports to the Audit and Risk Management subcommittee of the Board.

In regard to Recommendation 4.3, the Company relies on the provisions in the Corporations Act for the auditor's (or their representative's) attendance at the Annual General Meeting. Their active participation in the meeting is encouraged by the notice of meeting and Chairman's script that both identifies the auditor and invites security holders to ask the auditor questions relevant to the audit.

Principle 5

Make timely and balanced disclosure

Requirements relating to ASX continuous disclosure are contained in paragraph 2.16(a) of the Corporate Governance Charter. The Company's directors have each entered into a contract with the Company pursuant to which they have undertaken to advise the Company of all dealings by them in the Company's securities and of interests in contracts relating to the Company's securities.

Principle 6

Respect the rights of security holders

The Company has a policy regarding informing shareholders of all major activities affecting the Company. That policy is contained in Section 2.16 of the Corporate Governance Charter. Essentially Section 2.16 covers continuous disclosure, preparation and dissemination of the annual report to shareholders, and conduct of the Company's annual general meeting.

Principle 7

Recognise and manage risk

The Board's policy in relation to risk management is set out in Section 2.15 of the Corporate Governance Charter.

Section 2.15 provides that:

- the Audit and Risk Management Committee reports to the Board on material business risks and mitigation strategies. Contrary to Recommendation 7.1 the committee is comprised of only 2 directors. The Chair is not an independent director however they are not the Chairman of the Group;
- the Board reviews the Audit and Risk Management Committee's reports;
- the Company's management is charged with implementing any risk mitigation strategies identified; and
- the Group's Managing Director, Company Secretary and Chief Financial Officer are charged with ensuring the Group's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects, and must report to the Board on any matters incidental to the preparation of the Group's annual financial accounts.

The Group's Managing Director (MD) and Chief Financial Officer (CFO) have provided a declaration to the Board in accordance with section 295A Corporations Act.

Envirosuite is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board structure and composition. Given its size the Company considers that it does not have exposure to economic, environmental or social sustainability risks.

The Board has reviewed the entity's risk management framework during the reporting period to satisfy itself that it continues to be sound.

Principle 8

Remunerate fairly and responsibly

The Board has a Remuneration and Nomination Committee and a copy of the Remuneration and Nomination Committee charter is published on the Company's website. Due to the small size of the company the Remuneration Committee consists of only two board members which the board acknowledges is contrary to Recommendation 8.1. The Chair of the committee is an independent director in accordance with the recommendation.

The Committee's responsibilities include making recommendations to the Board on appropriate remuneration, both the amount and its composition, for executive and non-executive directors, the Chairman, and the Managing Director, as well as reviewing the recommendations of the Managing Director in relation to appropriate remuneration for direct reports to the Managing Director.

The Group's senior executives are remunerated by a combination of salary and performance-based incentive options.

The company's directors have each been issued with incentive options, subject to shareholder approval as required. The Board recognises that the grant of options to directors is contrary to the guidelines in Recommendation 8.3 of the ASX Corporate Governance Council's Principles and Recommendations. However:

- the issue of options as part of the remuneration packages of directors is an established practice of junior public listed companies, and provides those companies with a means of conserving cash whilst attracting and properly rewarding directors; and
- the exercise prices for the options issued to directors are designed to align any return to those directors with enhanced shareholder value in the form of an increased price of the Company's shares.

Details of the Group's remuneration policies are set out in the Remuneration Report contained in the Directors' Report.

No schemes exist for retirement benefits for non-executive directors, other than statutory superannuation.

The Company has a policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. This is contained in section 4.14 of the Corporate Governance Charter.

Names of the members of the Remuneration and Nomination Committee and the number of times they met throughout the reporting period are contained in the Directors' Report. The remuneration and nomination committee charter provides for two meetings to be held each year although the committee only met once formally this year, the Committee is active throughout the year and the members meet informally on a regular basis to review and discuss matters within the charter.

ENVIROSUITE LIMITED ABN 42 122 919 948
AND CONTROLLED ENTITIES

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WPIAS Pty Ltd
Authorised Audit Company No. 440306

ROB ST CLAIR BCOM FCA RCA
ASSOCIATE

Dated this 31st day of August, 2017.

4 Helensvale Road
HELENSVALE QLD 4212

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Consolidated Group	
Continuing Operations	**Notes**	**2017 $'000**	**2016 $'000**
Revenue	4	161	-
Interest income		6	2
Client and project related costs		(83)	-
Employee benefits expense		(888)	(13)
Consultants expense	6	(658)	(478)
Travel expense		(63)	(2)
Rental expense	6	(26)	-
Directors' expense		(173)	(155)
Over provision of prior year R&D Tax Incentive		(93)	1,705
Depreciation and amortisation expense	6	(11)	(17)
Write off of software		(226)	-
Finance costs	6	(80)	(118)
Net Foreign Exchange loss		(2)	-
Other expenses		(278)	(499)
(Loss)/profit before income tax		**(2,414)**	**425**
Income tax (expense)/benefit	7	142	(479)
(Loss)/profit for the year from continuing operations		**(2,272)**	**(54)**
Discontinued Operations			
Loss from discontinued operations after tax	8	(2,064)	(1,552)
Net profit/(loss) for the year		**(4,336)**	**(1,606)**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		**(4,336)**	**(1,606)**
Net (loss)/profit attributed to:			
Equity holders of Envirosuite Limited	23	**(4,336)**	**(1,606)**
Total comprehensive (loss)/income attributable to:			
Equity holders of Envirosuite Limited	23	**(4,336)**	**(1,606)**
(Loss)/earnings per share from continuing and discontinued operations attributable to the ordinary equity holders of Envirosuite Limited		**Cents**	**Cents**
Basic (loss)/earnings per share from continuing and discontinued operations	34	(2.0)	(1.1)
Diluted (loss)/earnings per share from continuing and discontinued operations	34	(2.0)	(1.1)
Basic (loss)/earnings per share from continuing operations	34	(1.1)	0.1
Diluted (loss)/earnings per share from continuing operations	34	(1.1)	0.1
Basic loss per share from discontinued operations	34	(0.9)	(1.2)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2017 — Consolidated Group

	Notes	2017 $'000	2016 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	11,471	1,338
Trade and other receivables	10	866	4,258
Other assets	11	146	112
Inventories	12	-	340
Total current assets		12,483	6,048
Non-current Assets			
Property, plant and equipment	13	13	2,442
Deferred tax asset	20	246	489
Intangible assets	14	3,782	12,997
Total non-current assets		4,041	15,928
Total Assets		**16,524**	**21,976**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	2,403	3,062
Borrowings	16	-	1,656
Provisions	17	237	998
Total current liabilities		2,640	5,716
Non-current Liabilities			
Trade and other payables	18	-	-
Borrowings	19	-	1,314
Deferred tax liabilities	20	-	-
Provisions	21	31	139
Total non-current liabilities		31	1,453
Total liabilities		**2,671**	**7,169**
Net assets		**13,853**	**14,807**
EQUITY			
Issued capital	22(b)	26,281	22,828
Reserves	23(a)	700	772
Retained losses	23(b)	(13,129)	(8,793)
Total equity attributable to equity holders of Envirosuite Limited		**13,853**	**14,807**

The accompanying notes form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Consolidated Group	**Ordinary shares $'000**	**Reserves $'000**	**Retained losses $'000**	**Total Equity $'000**
At 1 July 2015	**19,820**	**503**	**(7,187)**	**13,136**
Comprehensive income				
Profit for the year	-	-	(1,606)	1,606)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(1,606)**	**(1,606)**
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued on partial conversion of Convertible Loan	810	-	-	810
Shares issued to employees on exercising of options	18	-	-	18
Issue of shares (Institutional Placement)	2,150	-	-	2,150
Transaction costs of capital raising	(120)	-	-	(120)
Shares to be issued to employees	150	67	-	217
Employee share options – value of employee services	-	202	-	202
Total transactions with owners and other transfers	**3,008**	**269**	**-**	**3,277**
At 30 June 2016	**22,828**	**772**	**(8,793)**	**14,807**
Comprehensive income				
Loss for the year	-	-	**(4,336)**	**(4,336)**
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	**(4,336)**	**(4,336)**
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued on partial conversion of Convertible Loan	450	-	-	450
Shares issued to employees on exercising of options	-	-	-	-
Issue of shares (Institutional Placement)	3,000	-	-	3,000
Transaction costs of capital raising	(162)	-	-	(162)
Shares issued/to be issued to employees	165	(165)	-	-
Employee share options – value of employee services	-	93	-	93
Total transactions with owners and other transfers	**3,453**	**(72)**	**-**	**3,381**
At 30 June 2017	**26,281**	**700**	**(13,129)**	**13,852**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		Consolidated Group	
	Notes	**2017 $'000**	**2016 $'000**
Cash flows from operating activities			
Receipts from customers		17,865	20,654
Payments to suppliers and employees		(21,217)	(20,817)
		(3,352)	(163)
Other revenue		1,570	1,180
Interest received		11	14
Interest paid		(151)	(257)
Net cash provided by operating activities	33(a)	**(1,922)**	**774**
Cash flows from investing activities			
Payments for property, plant and equipment		(213)	(359)
Payments for acquisition of business	30	(992)	(948)
Payments for intangible assets		(1,615)	(1,267)
Proceeds from sale of property, plant and equipment		18	-
Proceeds from sale of business	8	15,000	-
Payments for sale of business		(222)	-
Net cash used in investing activities		**11,976**	**(2,574)**
Cash flows from financing activities			
Proceeds from borrowings		-	570
Repayment of borrowings		(2,690)	(1,145)
Proceeds from issue of shares		3,000	2,168
Share issue transaction costs		(210)	(150)
Net cash provided by financing activities		**100**	**1,443**
Net (decrease)/increase in cash and cash equivalents		10,154	(357)
Decrease in cash from sale of business		(21)	-
Cash and cash equivalents at the beginning of the financial year		1,338	1,695
Cash and cash equivalents at the end of the financial year	9(a)	**11,471**	**1,338**

The accompanying notes form part of these financial statements.

Contents

Notes to Financial Statements

For the Financial Year Ended 30 June 2017

These consolidated financial statements and notes represent those of Envirosuite Limited (previously known as Pacific Environment Limited) and controlled entities (the "Consolidated Group" or "Group").

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

The financial statements were authorised for issue on 31 August 2017 by the directors of the company.

1. Summary of significant accounting policies

Basis of preparation

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

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

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

(a) Principles of consolidation

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

A list of subsidiaries is contained in note 31 to the financial statements.

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

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

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

Business Combinations

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

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

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

Goodwill

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

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

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

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

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

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

(b) Segment reporting

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

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services;
- nature of the production processes;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and if applicable
- nature of the regulatory environment.

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

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Prebilled activities

Where the subscription is required to be provided over multiple periods, the contract is prebilled and revenue is recognised on a monthly basis over the term of the subscription.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Government grants and rebates

Grants and rebates from the government are recognised at their fair value where there is a reasonable assurance that the grant or rebate will be received and the Group will comply with all the attached conditions.

Government grants and rebates relating to costs are deferred and recognised as income over the period necessary to match them with the costs that they are intended to compensate.

Government grants and rebates relating to the purchase of property, plant and equipment and the development of IT and software capital costs are included in non-current liabilities as deferred income and are credited to income on a straight line basis over the expected lives of the related assets.

(e) Income tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases (note 28). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is expensed over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight line basis over the period of the lease.

(g) Impairment of assets

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

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

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 - 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(j) Inventories

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

(k) Investments and other financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the consolidated statement of financial position.

(ii) Recognition and de-recognition

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

(iv) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(l) Plant and equipment

Plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer Note 1(g) for details of impairment).

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

Depreciation is calculated using the straight line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- vehicles 3 - 8 years
- furniture, fittings and equipment 2 - 20 years
- leased plant and equipment 3 - 11 years

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.

(m) Intangible assets other than Goodwill

(i) Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 20 years.

(ii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over 10 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which is currently 10 years.

(n) Trade and other payables

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

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Provisions

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

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

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

(r) 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 currency.

Transactions and balances

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

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

Group companies

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

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;

– income and expenses are translated at average exchange rates for the period; and

– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

(s) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Share based payments

Share based compensation benefits are provided to employees and directors via the Envirosuite Limited Employee Share Option Plan and the Envirosuite Limited Employee Share Plan. Information relating to these schemes is set out in note 35.

The fair value of options granted under the Envirosuite Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

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

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

(iv) Termination benefits

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

(t) Contributed equity

Ordinary shares are classified as equity.

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

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

(u) Dividends

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

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(w) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows included in receipts from customers or payments to suppliers.

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

(x) Rounding of amounts

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

(y) Critical accounting estimates and judgements

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

Key estimates

– *Impairment of goodwill and other intangible assets*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1(g). The recoverable amounts of subsidiaries have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

– *Income taxes*

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

– *Fair value of share options*

In calculating the fair value of the director and employee share options, the Company has made a number of assumptions in determining the inputs for the Black-Scholes option pricing module. Refer to note 35(i) for details of these assumptions.

– *Fair value of convertible instruments*

In calculating the fair value of the convertible instruments, the Company has made a number of assumptions in determining the inputs for the fair value discount model. The discount rate applied was 11%, which was assessed as being an appropriate representation of the rate at which funds would have been borrowed had the Company been required to borrow the funds in the market, as well as the various risks and rewards associated with the convertible instruments.

After determining the fair value of the convertible instruments issued, the excess of the principal was treated as an additional equity instrument, representing the fair value of the option to convert associated with the convertible instruments. In accordance with AASB 139, the fair value of the option to convert is required to be unwound over the period on which the instruments are on offer. During the year, $13,697 (2016: $109,686) was recognised as an interest expense in the consolidated statement of comprehensive income of the Group.

– *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences if management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Sufficient management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Key Judgements

Provision for impairment of receivables

A provision for impairment of receivables of nil was considered necessary as at the end of the 2017 reporting period (2016:$66,000).

(z) New accounting standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – effective date of AASB15).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB15); or recognise the cumulative effect of retrospective application of incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(aa) Parent entity financial information

The financial information for the parent entity, Envirosuite Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

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

(ii) Tax consolidation legislation

Envirosuite Limited and its wholly-owned Australian controlled entities except Envirosuite Holdings Pty Ltd have implemented the tax consolidation legislation.

The head entity, Envirosuite Limited, accounts for tax of the consolidated group as if it was a single entity.

In addition to its own current and deferred tax amounts, Envirosuite Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

All tax assets or liabilities arising under tax funding agreements with the tax consolidated entities are assumed by the parent entity. The group does not allocate to each subsidiary its tax assets or liabilities.

2. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and other related parties, and borrowings in the form of convertible notes, bank loans and leases.

The totals for each category of financial instruments, measured in accordance with AASB139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
	Note	**2017 $'000**	**2016 $'000**
Financial assets			
Cash and cash equivalents	9	11,471	1,338
Trade and other receivables	10(d)	866	4,258
Loans receivable	10(d)	-	-
Total financial assets		12,337	5,596
Financial liabilities			
Trade and other payables	15(b)	2,403	3,062
Current borrowings	16	-	1,656
Non-current borrowings	19	-	1,314
Total financial liabilities		2,403	6,032

Financial risk management policies

The Managing Director and Chief Financial Officer are responsible for managing financial risk exposures of the Group.

Specific financial risk exposures and management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and ageing analysis for credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group does not have any material exposure to foreign exchange risk.

(ii) Price risk

The Group is not exposed to equity securities price risk. The Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

Historically the Group's main interest rate risk arose from bank deposits, bank overdrafts and long term borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk if the borrowings are carried at fair value. The Group had a finance facility at variable interest rates and long-term borrowings in the form of convertible notes at fixed interest rates, thus exposing the Group to cash flow interest rate risk and fair value interest rate risk.

Borrowings were paid out on the sale of the consulting practice to ERM and therefore the only remaining interest rate risk at reporting date arises from bank deposits as follows:

	2017		2016	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	2%	11,471	1%	1,338
Bank loans		-	3%	(937)
Convertible instruments (interest bearing) – face value			11%	(450)
Other loans – current	-	-	-	-
Other loans – non-current	-	-	-	-
Lease liabilities			6%	(1,600)
Net exposure to cash flow interest rate risk		11,471		(1,649)

The Group manages its interest rate risk by analysing 'what if' scenarios simulated where the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest bearing positions. The simulation is done half yearly to verify that the maximum loss potential is within the limit given by management.

Group sensitivity

At 30 June 2017, if interest rates had decreased by 2% or increased by 2% from the year end rates with all other variables held constant, post-tax profit for the year would have been $160,594 higher / $160,594 lower (2016: changes of -2% / +2%: $5,607 higher / $5,607 lower), mainly as a result of higher / lower interest income from cash and cash equivalents.

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk:

		Interest rate risk			
At 30 June 2017	**Carrying amount $'000**	**-2% Profit $'000**	**Other Equity $'000**	**+2% Profit $'000**	**Other Equity $'000**
Financial assets					
Cash and cash equivalents	11,471	(161)	-	161	-
Trade and other receivables	866	-	-	-	-
Financial liabilities					
Trade and other payables	2,403	-	-	-	-
Borrowings	-	-	-		-
Total (increase) / decrease		(161)	-	161	-

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from credit exposures to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Currently there are no individual credit limits set, however going forward this will be considered by the Audit and Risk Committee and the Board to improve controls over credit risk.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised above. For some trade receivables, given that the customers are generally without external credit ratings, the Group obtains comfort in the form of executed proposal agreements and quotations detailing fees and billing schedules.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about payment history and any default rates.

	Consolidated Group	
	2017 $'000	**2016 $'000**
Trade receivables		
Counterparties without external credit rating		
• A customers (aged 0 – 30 days)	98	1,445
• B customers (aged 31 – 60 days)	92	895
• C customers (aged 61 – 120 days)	1	182
• D customers (aged 120+ days)	-	21
Total trade receivables	191	2,543

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2017 $'000	**2016 $'000**
Floating rate		
Bank overdraft facility	-	750

Financial liability and financial asset maturity analysis

The table below analyses the Group's financial liabilities and assets into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
Consolidated Group	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Financial liabilities due for payment								
Bank facilities and loans	-	511	-	427	-	-	-	938
Trade and other payables	2,403	3,062	-	-	-	-	2,403	3,062
Finance lease liabilities	-	712		887	-	-	-	1,599
Amounts payable to related parties	-	433	-	-	-	-	-	433

Other loans	-	-	-	-	-	-	-	-
Total expected outflows	2,403	4,718	-	1,314	-	-	2,403	6,032
Financial assets – cash flows realisable								
Cash and cash equivalents	11,471	1,338	-	-	-	-	11,471	1,338
Trade and other receivables	866	4,258	-	-	-	-	866	4,258
Other investments	-	-	-	-	-	-	-	-
Amounts receivable from related parties	-	-	-	-	-	-	-	-
Total anticipated inflows	12,337	5,596	-	-	-	-	12,337	5,596
Net inflow/(outflow)on financial instruments	9,934	878	-	(1,314)	-	-	9,934	(436)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3. Segment information

Historically the Group provided superior environmental consulting, advice, solutions and services to help clients comply with environmental regulations, meet corporate responsibilities and improve operations and planning.

On 26 June 2017 the sale of the Group's consulting practice was completed and the company is one segment being the development and sale of its technology platform.

4. Revenue

		Consolidated Group	
	Notes	**2017 $'000**	**2016 $'000**
From continuing operations			
Sales revenue		150	--
Other revenue		11	--
Total revenue		161	-
From discontinued operations			
Sales revenue	8	16,050	17,809
Total revenue		16,050	17,809

5. Other income

		2017 $'000	2016 $'000
Government Grants:			
Research & Development Tax Incentives	5(a)	-	1,663
Under Provision of prior year R&D Tax Incentive		-	42
Other income - Interest		6	2
Total other income		6	1,707

(a) Research and Development Tax Incentives

Research and Development Tax Incentives included for the year ended 30 June 2017 are nil (2016: $1,663,000).

Due to the sale of the consultancy practice, the work to determine the Government rebate for research and development was delayed and therefore a reasonable estimate could not be provided at reporting date. This is intended to be included in the 2017-2018 Financial year.

6. Expenses

(Loss)/profit before income tax from continuing operations includes the following specific expenses:

	Notes	Consolidated Group 2017 $'000	Consolidated Group 2016 $'000
Consultants expense			
Audit and accounting		187	198
Corporate support and company secretarial		78	20
Legal		128	35
Strategic consultancy		265	225
Total consultants expense		658	478
Depreciation			
Plant and equipment		-	-
Plant and equipment under finance leases		-	-
Total depreciation	13	-	-
Amortisation			
Software		11	17
Other		-	-
Total amortisation	14	11	17
Total depreciation and amortisation expense		11	17
Finance costs			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		80	118
Rental expense relating to operating leases			
Minimum lease payments		26	-
Impairment losses			
Defined contribution superannuation expense			874
Share based payment expenses	35(d)		419

7. Income tax expense

	Consolidated Group	
	2017 $'000	2016 $'000
(a) The components of Income tax benefit/(expense) comprise:		
Current tax	-	-
Deferred tax	84	(479)
(Under)/over provision of prior year tax	58	
Income tax benefit/(expense)	142	(479)

	2017 $'000	2016 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax on profit from continuing operations before income tax is reconciled to income tax as follows:		
Prima facie tax payable on profit from continuing operations before income tax at 30% (2016:30%)	(724)	128
Add:		
Tax effect of:		
- non-allowable items (including R&D expenditure)	92	767
- share options expensed during the year	28	125
- revaluation of assets not subject to income tax		
- under-provision for income tax in prior year	(58)	
Less:		
Tax effect of:		
- R&D income non-assessable	28	(511)
- adjustment to equity raising costs		(30)
- capital gain on disposal of PEO		-
- capital gain on disposal of DLA		-
- June 2017 due diligence costs (capital in nature)		
- accounting loss on disposal of business		-
- R&D credit in P&L as govt grant (relates to 2016 ITR)		
- movement on deferred tax asset / (liabilities) for sale on entities		
- Losses not recognised	492	
Income tax (benefit)/expense	(142)	479

8. Discontinued Operations

Envirosuite Limited sold its 100% equity interests (the sale) in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental Services Pty Ltd (collectively known as "the consulting practice") for $15 million to Environmental Resource Management (ERM). The sale of the consulting practice to ERM occurred on 26 June 2017 (the completion date) in accordance with a Share Sale and Purchase Agreement (SPA).

The purchase price is subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment is ongoing and incomplete. Further, there are various post completion steps and ongoing terms and conditions set out in the SPA and related agreements that must be completed, observed or complied with by Envirosuite Limited after completion including, inter alia:-

- the determination of Completion Accounts and Completion Statement in accordance with the SPA;
- the determination and release of amounts in escrow pending certain conditions/events; and
- transfers of various contracts.

The Directors are confident there are no known claims to or against Envirosuite Limited currently which could give rise to a contingent liability and are confident the final settlement adjustment will not be significantly material to the financial statements. However, whether there are outstanding sale matters that could affect the gain on sale of discontinued operations, the Group's operations or the results of those operations in future financial years or the Group's state of affairs in future financial years, is uncertain.

The financial performance of the discontinued operation to the date of sale, which is included in the profit/(loss) from discontinued operations per the statement of comprehensive income is as follows:

	Consolidated Group	
	2017 $'000	**2016 $'000**
Revenue & other income	16,050	17,809
Expenses	(19,005)	(19,615)
Loss before income tax	(2,955)	(1,806)
Income tax benefit	179	254
Loss after tax attributable to the discontinued operation	(2,776)	(1,552)
Gain on sale before income tax	1,219	-
Income tax expense	(507)	-
Gain on sale after income tax	712	-
Total Loss after tax attributable to the discontinued operation	(2,064)	(1,553)

The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:	**2017 $'000**	**2016 $'000**
Net cash outflow from operating activities	(1553)	774
Net cash outflow from investing activities	136	(2,574)
Net cash inflow/(outflow) from financing activities	100	(1,443)

Net cash decrease generated by the discontinued operation	1,517	(357)

9. Current assets – Cash and cash equivalents

	Consolidated Group	
	2017 $'000	2016 $'000
Cash at bank and in hand	11,471	1,338

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of financial year as shown in the statement of cash flows as follows:

	Note	2017 $'000	2016 $'000
Balances as above		11,471	1,338
Balance per statement of cash flows		11,471	1,338

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

10. Current assets – Trade and other receivables

		2017 $'000	2016 $'000
Trade receivables		191	2,609
Provision for impairment of receivables (note (a))		-	(66)
		191	2,543
Research and Development Tax Incentive receivable		-	1,663
Held in Escrow – Sale of consultancy practice (note 8)	8	565	-
Working Capital Receivable (note 8)	8	28	-
Other receivables		82	52
		866	4,258

(a) Impaired Trade Receivables

			Past Due but Not Impaired (Days Overdue)				
	Gross Amount	Past Due and Impaired	< 30	31 – 60	61 – 90	> 90	Within Initial Trade Terms
	$000	$000	$000	$000	$000	$000	$000
2017							
Trade & term receivables	191	-	98	92	1		-

Other receivables	675	-	-	-	-	-	675
Total	866	-	98	92	1	-	675
2016							
Trade & term receivables	2,609	66	895	144	38	21	1,445
Other receivables	1,715	-	-	-	-	-	1,715
Total	4,324	66	895	144	38	21	3,160

(a) Other receivables

These amounts are for rental bonds on leased properties, security deposits on hired equipment and working capital receivables.

(b) Loans to related parties

No loans are outstanding to related parties.

(c) Fair value and credit risk

Due to the short term nature of these receivables, the carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivable is insignificant as is the fair value of any collateral sold or re-pledged. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

(d) Financial assets classified as loans and receivables

		Consolidated Group	
	Note	2017 $'000	2016 $'000
Trade and other receivables - Current		866	4,258
Total **Financial Assets** clarified as loans and receivables		866	4,258

11. Other Assets

	Consolidated Group	
	2017 $'000	2016 $'000
Prepayments	146	112

12. Current assets – Inventories

	2017 $'000	2016 $'000
Work in Progress at cost	-	340

13. Non-current assets – Property, plant and equipment

Consolidated Group	Motor Vehicles $'000	Furniture fittings and equipment $'000	Leased Assets $'000	Total $'000
Year ended 30 June 2016				
Opening net book amount	58	589	1,964	2,611
Additions	-	326	158	484
Disposals	-	(4)	-	(4)
Transfer between classes	72	(72)	-	-
Depreciation charge	(43)	(169)	(437)	(649)
Closing net book amount	87	670	1,685	2,442
At 30 June 2016				
Cost or fair value	199	1,620	2,480	4,299
Accumulated depreciation	(112)	(950)	(795)	(1,857)
Net book amount	**87**	**670**	**1,685**	**2,442**
Year ended 30 June 2017				
Opening net book amount	87	670	1,685	2,442
Additions	-	215	-	215
Disposals	(5)	(131)	-	(136)
Disposals of Assets on sale of subsidiary	(42)	(606)	(1,248)	(1,896)
Depreciation charge	(40)	(135)	(437)	(612)
Closing net book amount	-	13	-	13
At 30 June 2017				
Cost or fair value	-	14	-	14
Accumulated depreciation		(1)	-	(1)
Net book amount	**-**	**13**	**-**	**13**

Total impairment losses recognised in the statement of comprehensive income was nil (2016:nil).

Included in disposals for the year ended 30 June 2017 is nil (2016: nil) of accumulated impairment losses.

Non-current assets pledged as security

Refer to note 19 for information on non-current assets pledged as security by the Group.

14. Non-current assets – Intangible assets

Consolidated Group	Goodwill $'000	Software $'000	Other $'000	Total $'000
At 30 June 2015				
Cost or fair value	10,696	3,913	-	14,609
Accumulated amortisation	-	(1,710)	-	(1,710)
Accumulated impairment	(742)	(359)	-	(1,101)
Net book amount	**9,954**	**1,844**	**-**	**11,798**
Year ended 30 June 2016				
Opening net book amount	9,954	1,844	-	11,798
Acquisition of business	-	-	-	-
Cost capitalised *	-	1,267	-	1,267
Adjustments to goodwill on acquisition of business	316	-	-	316
Disposal of business	-	-	-	-
Amortisation charge **	-	(384)	-	(384)
Reversal of prior year impairment	-	-	-	-
Closing net book amount	10,270	2,727	-	12,997
At 30 June 2016				
Cost or fair value	11,012	5,180	-	16,192
Accumulated amortisation	-	(2,094)	-	(2,094)
Accumulated impairment	(742)	(359)	-	(1,101)
Net book amount	**10,270**	**2,727**	-	**12,997**
Year ended 30 June 2017				
Opening net book amount	10,270	2,727	-	12,997
Cost capitalised *	-	1,612	-	1,612
Write Off	-	(226)	-	(226)
Write off On	(10,270)		-	(10,270)
Amortisation charge **	-	(331)	-	(331)
Impairment charge (note (f))	-	-	-	-
Closing net book amount	-	3,782	-	3,782
At 30 June 2017				
Cost or fair value	-	4,022	-	4,022
Accumulated amortisation	-	(240)	-	(240)
Accumulated impairment	-	-	-	-
Net book amount	**-**	**3,782**	**-**	**3,782**

** Software includes capitalised development costs being an internally generated intangible asset.*

*** Amortisation of $11,000 (2016: $384,000) is included in depreciation and amortisation expense in the consolidated statement of comprehensive income.*

14. Non-current assets – Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the subsidiaries of the Group. A summary of the goodwill allocation is presented below. All goodwill was written off during the year on sale of the consulting practice to ERM.

2017	Pacific Environment Pty Ltd $'000	DLA Environmental Services Pty Ltd $'000	Total $'000
Goodwill	-	-	-
Impairment	-	-	-
	-	-	-

2016	Pacific Environment Pty Ltd $'000	DLA Environmental Services Pty Ltd $'000	Total $'000
Goodwill	8,357	2,655	11,012
Impairment	(742)	-	(742)
	7,615	2,655	10,270

The recoverable amount of each subsidiary was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period were extrapolated using estimated growth rates. The growth rate does not exceed the long term average growth rate for the business in which the subsidiary operates.

(b) Description of the Group's Intangible Assets and Goodwill

Goodwill - After initial recognition, goodwill acquired in a business combination was measured at cost less any accumulated impairment losses. Goodwill was not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Software - Software is carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of ten years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent the recoverable amount is lower than the carrying amount.

(c) Impairment tests for software

The recoverable amount of software is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using estimated growth rates. Cash flows exclude future software development costs as it is expected these will be funded from other sources including R&D tax incentive refunds.

14. Non-current assets – Intangible assets (continued)

(d) Key assumptions used for value-in-use calculations

Following the completion of the sale of the consulting practice, the Group engaged an external valuer to complete a valuation of the intellectual property owned by Envirosuite Holdings Pty Ltd. The valuer concluded a fair value market value of $3,850,000.

In arriving at their valuation conclusion, the valuer considered a number of commonly used: income, cash flow and balance sheet-based valuation methodologies and following discussions with management, considered that the Relief from-Royalty, the Cost Approach, and the Implied Market Value methodologies were the most appropriate approaches to adopt.

i) The Relief-from-Royalty method - This method is based on the theory that the intangible asset owner would be willing to pay a reasonable royalty to use the intangible asset assuming that they did not already own the asset.

ii) The Cost to Replicate Approach is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction costs (often referred to as "build or buy"). The cost to replace the asset would include the cost of constructing a similar asset of equivalent utility at prices applicable at the time of the valuation analysis.

iii) Implied Market Value Approach - For publicly listed companies, the implied value of intangible assets can be calculated by subtracting the fair value of tangible assets and liabilities from the company's market valuation.

Following the application of these three valuation approaches the resulting valuations leading to the concluded valuation is summarised in the table below.

Concluded Value of IP

Valuation Method	Concluded Value ($)
Value-in-use / Royalty Rate	3,813,310
Cost to replicate	3,782,353
Implied Market Value	3,962,927
Average value of IP (rounded)	**3,850,000**

(e) Impairment charge

During the year ended 30 June 2017 and the year ended 30 June 2016 no impairment charges were made against cash generating units.

15. Current liabilities – Trade and other payables

	Consolidated Group	
	2017 $'000	**2016 $'000**
Trade payables	749	1,032
Acquisition deferred settlement (refer note 30)	-	944
Working capital payable (refer note 8)	94	-
Other payables	1,560	1,086
	2,403	3,062

(a) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

(b) Financial liabilities at amortised cost classified as trade and other payables

	Note	Consolidated Group 2017 $'000	2016 $'000
Trade payables – current	15	749	1,032
Working capital payable	8	94	-
Other payables – current	15	1,560	2,030
Financial liabilities		2,403	3,062

16. Current liabilities – Borrowings

	Notes	Consolidated Group 2017 $'000	2016 $'000
Secured			
Bank loans		-	511
Lease liabilities	28	-	712
Total secured current borrowings		-	1,223
Unsecured			
Convertible loan (refer note 19(a))		-	433
Total unsecured current borrowings		-	433
Total current borrowings		-	1,656

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 19.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

17. Current liabilities – Provisions

	Provision for Income tax	Employee Benefits $'000	Deferred Lease Incentive $'000	Total $'000
Opening balance at 1 July 2016	147	851	-	998
Provisions transferred in upon sale	-	237	-	237
Transferred out on sale to ERM	-	(729)	-	(729)
Amounts used	(147)	(122)	-	(122)
Balance at 30 June 2017	-	237	-	237

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed ten years of service. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2017 $'000	2016 $'000
Long service leave obligations expected to be settled after 12 months (refer note 21)	31	139

18. Non-current liabilities – Trade and other payables

	Consolidated Group	
	2017 $'000	**2016 $'000**
Acquisition deferred settlement (refer note 30)	-	-

19. Non-current liabilities – Borrowings

	Consolidated Group	
	2017 $'000	**2016 $'000**
Secured		
Bank loans	-	427
Lease liabilities	-	887
Total secured non-current borrowings	-	1,314
Unsecured		
Convertible loan (note (a))	-	-
Total unsecured non-current borrowings	-	-
Total non-current borrowings	-	1,314

(a) Convertible loan

	Date issued	Face value $'000	Repayment Date
Interest bearing convertible loan			
Robin Ormerod	17/11/2010	-	30/06/2017

In November 2010, the Group secured a loan of $1.8 million. The loan was a fixed rate, Australian-dollar denominated loan.

On 30 December 2012 the Company entered into a new Loan agreement to replace the existing agreement that was due to expire on the 27 November 2013. The new loan expires on 30 June 2017. The loan is in the form of a convertible note arrangement with Mr Robin Ormerod.

The company may repay the loan earlier at its discretion. The effective interest rate of the loan is 11% including a 2% discount that applies while the loan is not in default. The Financier may convert some or all of the loan amount to shares at a share price calculated at the Volume Weighted Average Price for the three months prior to the signing of the Loan deed, subject to any necessary shareholder approval. The number of converted shares that can be traded is restricted to 10% of the issued share capital of the Company per year in each of the first four years.

On 10 October 2016, Robin Ormerod requested the final conversion of his convertible note with the Group. The conversion of $450,000 of outstanding principal into fully paid shares in the

Group was executed on 10 October 2016, which resulted in an issue of 13,353,115 new shares and a reduction in the outstanding loan amount to Nil with an associated reduction in interest charges to the Group.

On 10 May 2016, Robin Ormerod requested a partial conversion of his convertible note with the Group. The conversion of $450,000 of outstanding principal into fully paid shares in the Group was executed on 10 May 2016, which resulted in an issue of 13,353,115 new shares and a reduction in the outstanding loan amount to $433,331 with an associated reduction in interest charges to the Group.

On 20 October 2015, Robin Ormerod requested a partial conversion of his convertible note with the Group. The conversion of $360,000 of outstanding principal into fully paid shares in the Group was executed on 20 October 2015, which resulted in an issue of 10,682,492 new shares and a reduction in the outstanding loan amount to $874,997 with an associated reduction in interest charges to the Group.

The loan is determined to be a compound financial instrument under AASB132 (18), as it combines features associated with both equity instruments and financial liabilities.

The convertible instruments are presented in the consolidated statement of financial position as follows:

	Consolidated Group	
	2017 $'000	**2016 $'000**
Face value of notes issues	1,800	1,800
Other equity securities – value of conversion rights	(109)	(109)
	1,691	1,691
Interest expense*	841	822
Amortisation	109	93
Conversion to equity	(1,800)	(1,350)
Interest paid	(841)	(822)
	-	434
Less: Interest owing (included in other payables)	-	(1)
Less: Convertible note liability included in current borrowings	-	(433)
Total convertible note liability included in non-current borrowings	-	-

* *Interest expense is calculated by applying the effective interest rate of 11% (convertible loan) to the face value of notes issued.*

(b) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated Group	
	2017 $'000	**2016 $'000**
Bank overdraft	-	-
Bank loans	-	937
Lease liabilities	-	1,600
Total secured liabilities	-	2,537

19. Non-current liabilities – Borrowings (continued)

(b) Secured liabilities and assets pledged as security (continued)

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements and revert to the lessor in the event of default.

The current and non-current allocation of the Group's finance leases are as follows:

		Consolidated Group	
	Note	**2017 $'000**	**2016 $'000**
Current			
Finance lease			
Plant and equipment	28(b)	-	712
Non-current			
Finance lease			
Plant and equipment	28(b)	-	887
Total lease liability		-	1,599

(c) Fair value

There is no difference between the carrying amounts and fair values of borrowings at balance date.

(d) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

20. Tax

	Consolidated Group	
	2017 $'000	**2016 $'000**
Current		
Income tax receivable – Research & Development	-	1,663

	Opening Balance $'000	Charged to Income $'000	Charged directly to Equity $'000	Changes in Tax Rate $'000	Exchange Differences $'000	Closing Balance $'000
Deferred tax liabilities						
Balance at 30 June 2016	(92)	(92)				(92)
Other	92	92				
Balance at 30 June 2017	(92)	(92)				(92)

	Opening Balance $'000	Charged to Income $'000	Charged directly to Equity $'000	Changes in Tax Rate $'000	Exchange Differences $'000	Closing Balance $'000
Deferred tax assets						
Provisions	298	118	-	-	-	416
Transaction costs on equity issue	29	-	30	-	-	59
Other	23	(9)	-	-	-	14
Balance at 30 June 2016	350	109	30	-	-	489
Provisions	416	(270)	-	-	-	146
Transaction costs on equity issues	59	-	20	-	-	79
Other	14	7	-	-	-	21
Balance at 30 June 2017	489	(263)	20	-	-	246

The amount of unused tax losses for which no deferred tax assets have been brought to account:

Tax losses: operating losses $2,798,104 (2016: $2,374,493)

Tax losses: capital losses $Nil (2016: $961,807)

The benefits of the above unused tax losses will only be realised if the conditions for deductibility set out in Note 1(e) occur. These amounts have no expiry date.

21. Non-current liabilities – Provisions

	Employee Benefits $'000	Total $'000
Opening balance at 1 July 2016	139	139
Additional provisions	55	55
Transferred on sale to ERM	(163)	(163)
Amounts used	-	-
Balance at 30 June 2017	31	31

22. Issued Capital

	2017 Shares	2016 Shares	2017 $'000	2016 $'000
(a) Share capital				
Ordinary shares (notes (c) and (d)) Fully Paid	230,933,875	182,259,474	26,144	22,691

(b) Other equity securities

Value of conversion rights, convertible loan (note (g))	-	-	109	109
Value of conversion rights, convertible notes	-	-	28	28
Total consolidated contributed equity	230,933,875	182,259,474	26,281	22,828

(c) Movements in ordinary shares

Date	Details	Number of shares	Issue price	$'000
30/06/2015	Balance	132,934,978		19,683
15/09/2015	Shares issued to CEO per contract	1,200,000	0.13	150
22/10/2015	Partial conversion of convertible notes	10,682,492	0.03	360
08/12/2015	Conversion of employee options	200,000	0.09	18
09/05/2016	Institutional Placement	23,888,889	0.09	2,150
10/05/2016	Partial conversion of convertible notes	13,353,115	0.03	450
	Less: Transaction costs of capital raising			(120)
30/06/2016	Balance	182,259,474		22,691
12/09/2016	Shares issued to ex-employee	1,987,952	0.08	165
10/10/2016	Final conversion of convertible notes	13,353,115	0.03	450
26/10/2016	Institutional Placement	33,333,334	0.09	3,000
	Less: Transaction costs of capital raising (inc. tax effect)			(162)
30/06/2017	**Balance**	**230,933,875**		26,144

(i) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

As part of the termination agreement with former CEO Peter White ordinary shares to the value of $650,000 were to be issued. On 12 September 2016, 1,987,952 ordinary shares were issued valued at 8.3 cents per share. The total charge to Statement of Profit or Loss and other Comprehensive Income for these shares occurred in FY2016.

The final tranche of the convertible notes was converted on 10 October 2016, 13,353,115 ordinary shares were issued to the value of $450,000.

During the year ended 30 June 2017, 33,333,334 shares were issued at 9 cents per share through an institutional placement raising $3,000,000. Transaction costs for the capital raisings were a net of $147,000 ($210,000 adjusted for tax effect of $63,000) There were also additional tax effect adjustments on capital raising costs to total $162,000 in Transaction costs.

During the year ended 30 June 2016, 1,200,000 ordinary shares valued at 12.5 cents per share were issued to the Chief Executive Officer as part of his employment contract for no consideration. The total charge to the Statement of Profit or Loss and Other Comprehensive Income in relation to these shares was $51,600 (FY2015 $98,400 was charged to the Statement of Profit or Loss and Other Comprehensive Income in relation to these shares).

During the year ended 30 June 2016, 24,035,607 shares were issued upon partial conversion of the convertible note to the value of $810,000.

During the year ended 30 June 2016, 200,000 shares were issued upon exercise of employee options to the value of $18,000.

During the year ended 30 June 2016, 23,888,889 shares were issued at 9 cents per share through an institutional placement raising $2,150,000. Transaction costs for the capital raisings were a net of $120,000 ($150,000 adjusted for tax effect of $130,000).

(ii) Options

There were no options issued to directors during the year ended 30 June 2017 (2016: 9,000,000). There were no options issued to employees for the year ended 30 June 2017 (2016: 1,000,000) Information relating to the options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 35.

(iii) Share based payments

Certain shares were issued for no cash consideration for the provision of services, details of which are shown in note 35.

(iv) Other equity securities

The amount shown for other equity securities is the value of the conversion rights relating to the convertible instruments, details of which are shown in note 19(a).

(v) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and ‘trade and other payables' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘total equity' as shown in the statement of financial position (including minority interest) plus net debt.

The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

		Consolidated Group	
	Note	**2017 $’000**	**2016 $’000**
Total borrowings	15,16,18,19	2,403	6,032
Less: cash and cash equivalents	9	(11,471)	(1,338)
Net debt (cash)/debt		(9,068)	4,694
Total equity		14,096	14,807
Total capital		5,028	19,501
Gearing Ratio		N/A	24%

23. Reserves and retained losses

	Consolidated Group	
(a) Reserves	**2017 $’000**	**2016 ’000**
Employee shares reserve (a)	-	165
Share-based payments reserve (b)	700	607
	700	772

Movements (a) :		
Balance 1 July	165	98
Recognition of employee shares to be issued	-	165
Transfer to equity	(165)	(98)
Balance 30 June	-	165

Movements (b) :		
Balance 1 July	607	405
Option expense	93	202
Transfer to retained losses	-	-
Balance 30 June	700	607

(b) Retained losses	**2017 $'000**	**2016 $'000**
Movements		
Opening retained losses	(8,793)	(7,187)
Net profit/(loss) for the year	(4,336)	(1,606)
Balance 30 June	(13,129)	(8,793)

(c) Nature and purpose of reserves

(i) Employee shares reserve

The employee shares reserve is used to recognise the fair value of employee shares that are granted but not yet issued.

(ii) Share based payments reserve

The share based payments reserve is used to recognise the grant date fair value of options issued to employees and directors but not exercised.

24. Dividends

The Group has not paid or declared any dividends during the period (2016: nil). Franking credits available for subsequent financial years based on a tax rate of 30% amount to Nil (2016: nil).

25. Key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017.

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

	2017 $'000	**2016 $'000**
Short-term employee benefits	452	519
Post-employment benefits	13	37
Other long term benefits	-	-

Share-based payments	74	318
Total KMP compensation	539	874

(i) Short-term employee benefits

These amounts include fees and benefits paid to the Chair and directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

(ii) Post-employment benefits

These amounts are the current year's estimated cost of providing for the Group's superannuation contributions made during the year together with salary sacrifice superannuation.

(iii) Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

(iv) Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted during the year.

Further information in relation to KMP remuneration can be found in the directors' report.

26. Remuneration of auditors

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

(a) WPIAS Pty Ltd	2017 $	2016 $
Audit and other assurance services		
Audit and review of financial reports		
- current year	100,000	100,000
- prior year		60,000
Other assurance services	2,538	-
Total auditors remuneration	102,538	160,000

27. Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2017 in respect of:

(i) Guarantees

The Group has potential exposure to guarantees it has issued to third parties in relation to the performance and obligation of controlled entities with respect to property lease rentals amounting to $84,000 (2016: $238,592).

No liability has been recognised by the Group in relation to these financial guarantees as the guarantees are in the event of default on the property leases' terms and conditions.

(ii) Escrows

Envirosuite Limited sold its 100% equity interests (the sale) in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental

Services Pty Ltd (collectively known as "the consulting practice") for $15 million to Environmental Resource Management (ERM). The sale of the consulting practice to ERM occurred on 26 June 2017 (the completion date) in accordance with a Share Sale and Purchase Agreement (SPA).

The purchase price is subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment is ongoing and incomplete. Further, there are various post completion steps and ongoing terms and conditions set out in the SPA and related agreements that must be completed, observed or complied with by Envirosuite Limited after completion including, inter alia:-

- the determination of Completion Accounts and Completion Statement in accordance with the SPA;
- the determination and release of amounts in escrow pending certain conditions/events; and
- transfers of various contracts.

The Directors are confident there are no known claims to or against Envirosuite Limited currently which could give rise to a contingent liability and are confident the final settlement adjustment will not be significantly material to the financial statements. However, whether there are outstanding sale matters that could affect the gain on sale of discontinued operations, the Group's operations or the results of those operations in future financial years or the Group's state of affairs in future financial years, is uncertain.

(iii) Litigation

There are no litigation proceedings in process at the reporting date.

28. Commitments

(a) Capital commitments

The Group has no capital expenditure contracted for at the reporting date but not recognised as liabilities in the reporting period.

(b) Lease commitments:

(i) Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within two to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2017 $'000	**2016 $'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	179	494
Later than one year but not later than five years	350	373
	529	867

Included in the above is a lease of the Brisbane Office held in the name of Pacific Environment Operations Pty Ltd. A transfer of that lease from Pacific Environment Operations Pty Ltd was a condition of the sale contract with ERM and is required to retain the tenancy post the sale to ERM. The transfer is currently in the process of being finalised with the assistance of the Company's legal representatives and is expected to be completed by the end of the September quarter 2017.

(ii) Finance leases

	Note	2017 $'000	2016 $'000
Commitments in relation to finance leases are payable as follows:			
Within one year		-	789
Later than one year but not later than five years		-	957
Later than five years		-	-
Minimum lease payments		-	1,746
Less: Future finance charges		-	(147)
Present value of minimum lease payments		-	1,599
Representing lease liabilities:			
Current	16	-	712
Non-current	19	-	887
		-	1,599

All remaining finance leases were required to be paid out on settlement on the sale of the consulting practice to ERM. The remaining leases at reporting date were for assets owned by the discontinued operations and as such the payout amount of $71,203.95 has been included in Trade and Other payables and subsequently paid out on 7th August 2017.

29. Related party transactions

i. Parent entities

The parent entity within the Group is Envirosuite Limited (previously known as Pacific Environment Limited).

ii. Subsidiaries

Interests in subsidiaries are set out in note 31.

iii. Key management personnel

Disclosures relating to key management personnel are set out in note 25.

iv. Transactions with other related parties

The following transactions occurred with other related parties:

	Consolidated Group	
	2017 $'000	2016 $'000
Purchases of services		
Consultancy services – ROKZair Pty Ltd	133	395
Consultancy services – DG Capital Partners	-	72
Consultancy services – Famile Pty Ltd	16	24
Creative services – Soliton Creative	355	157
Consultancy services - MC Consultancy Pty Limited	30	120
Marketing services - Ian Edgehill	12	59

Other transactions		
Interest paid on convertible loan – R Ormerod	14	109
Final conversion of convertible note	450	810

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties, unless otherwise stated.

v. Outstanding balances arising from transactions with other related parties

The following balances are outstanding at the reporting date in relation to transactions with other related parties:

	2017 $'000	2016 $'000
Current payables		
Purchase of services	63	95

vi. Borrowings from related parties

	2017 $'000	2016 $'000
Beginning of the year	433	1,227
Loans repaid	(450)	(810)
Other - Amortisation	17	16
End of the year	-	433

There is no allowance for impaired receivables in relation to any outstanding balances from related parties. During the year no expense has been recognized in respect of impaired receivables due from related parties.

30. Business combinations

Acquisition of Business – DLA Environmental Services

On 1 October 2014, DLA Environmental Services Pty Ltd, a wholly owned subsidiary of Pacific Environment Limited, acquired the assets of DLA Environmental (DLA) as a going concern.

		Fair value $'000
Purchase consideration:		
	- Cash	1,021
	- Deferred consideration (i)	1,654
		2,675
Less:	Property, plant and equipment	101
	Employee benefits	(81)
	Identifiable assets acquired and liabilities assumed	20
Goodwill (ii)		2,655

(i) The consideration paid to acquire DLA consisted of deferred payments if maintainable profits targets were met. In November 2015 based on reaching profit targets, total payment due less adjustment was $853,078. The difference between the estimated first payment of $826,883 and the actual first payment was recognised in the profit and loss.

In November 2016 a final payment of $891,829 was made. The difference between the estimated payment of $826,883 as disclosed in the 30/6/2016 financial report and the actual payment made of $891,829 was a profit-target adjustment and was recognised in the profit and loss.

Acquisition of Business – Waste Solutions Australia

On 1 May 2014, Pacific Environment Operations Pty Ltd acquired the assets of Waste Solutions Australia (WSA) as a going concern.

	Fair value $'000
Purchase consideration:	
- Cash	220
- Deferred consideration (i)	350
	570
Less:	
Property, plant and equipment	63
Employee benefits	(42)
Identifiable assets acquired and liabilities assumed	21
Goodwill (ii)	549

(i) The consideration paid to acquire WSA consisted of deferred payments if maintainable profits targets are met.

In June 2016, a payment of $82,907 was made in relation to the first deferred payment. The difference between the estimated first payment of $116,667 and the actual first payment was recognised in the profit and loss.

In May 2015, a payment of $50,000 was made in relation to the first deferred payment. The difference between the estimated first payment of $116,667 and the actual first payment was recognised in the profit and loss.

On 23 June 2017 a final payment of $110,192 was made. The difference between the estimated payment of $116,667 was disclosed in the 30/6/2016 financial report and the actual payment made of $110,192 was a profit-target adjustment and was recognised in the profit and loss.

31. Interest in Subsidiaries

(a) Information about Controlled Entities

Controlled Entities Consolidated	Note	Country of incorporation	Percentage Owned ($) * 2017 %	2016 %
Parent Entity				
Envirosuite Limited	(i)	Australia	100	100
Subsidiaries of Envirosuite Limited				

Envirosuite Operations Pty Ltd	(ii)	Australia	100	100
Envirosuite Holdings Pty Ltd	(iii)	Australia	100	-
Envirosuite Corp	(iv)	United States of America	100	100
Pacific Environment Pty Ltd	(v)(vi)	Australia	-	100
Pacific Environment Holdings Pty Ltd	(v)	Australia	-	100
DLA Environmental Services Pty Ltd	(v)	Australia	-	100

* Percentage of voting power in proportion to ownership

(i) Previously known as Pacific Environment Limited.

(ii) Previously known as Envirosuite Pty Ltd

(iii) Incorporated 31 March 2017

(iv) Previously known as Metriqa Corp

(v) These companies were sold to a third party, Environmental Resource Management (ERM) on 26 June 2017. Refer Note 8.

(vi) Previously known as Pacific Environment Operations Pty Ltd.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

(b) Significant Restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities of the Group other than those imposed by the financier(s).

32. Events occurring after the reporting period

The financial statements were authorised for issue by the Board of Directors on 31 August 2017.

Below are items outstanding on the sale to ERM that could affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

i. Set out in the Share Purchase Agreement are related agreements that must be completed, observed or complied with by the company after Completion occurs, including the preparation and determination of the Completion Accounts and Completion Statement.

   The total Purchase Price of the sale to ERM of $15,000,000 was paid by ERM on 26 June 2017. The purchase price is subject to a net debt and working capital adjustment that involves a payment between the two parties for the difference between the agreed working capital figure set out in the Share Purchase Agreement and the actual figure given by the Completion accounts. The process to determine and agree on the amount of the adjustment is due to be completed between the two parties in accordance with the sale contract. Although the exact amount will still be unknown as at the signing date of the accounts, the Company does not expect the amount to be significantly material.

ii. As per the Solicitor's representation letter, there are no known claims to or against Envirosuite that would give rise to a contingent liability. Any known amounts payable to ERM at 30 June 2017 have been recognised in Trade and Other payables (refer to notes 8 and 27)

iii. Mr Peter White was appointed as Chief Executive Officer and Director on 10 July 2017.

33. Cash flow statement reconciliation

(a) Reconciliation of net profit after tax to net cash flows from operations

	2017 $'000	2016 $'000
(Loss)/profit for the year	(4,336)	(1,606)
Depreciation and amortisation	1,226	1,033
Non cash employee benefits expense – share based payments	93	419
Accrued interest - receivable	(4)	-
Amortised interest on convertible note rights	17	16
Acquisition earn out expense target not met	-	(63)
Net loss on sale of non-current assets	-	(4)
Sale of business	(3,818)	-
Loan forgiveness	18	-
Tax effect share transaction costs in equity		30
Due Diligence Costs Sale of Business	1,187	-
Changes in operating assets and liabilities		
Decrease in trade and other debtors	3,525	1,143
Decrease/(increase) in inventories	340	(33)
Increase in deferred tax asset	243	(139)
(Decrease)/increase in deferred tax liabilities	-	(92)
(decrease)/Increase in trade creditors	(114)	(88)
(decrease)/Increase in other operating liabilities	569	(101)
(decrease)/Increase in provision for income taxes payable	(147)	147
(decrease)/Increase in other provisions	(722)	104
Net cash inflow from operating activities	(1,922)	774

(b) Non-cash financing and investing activities

(i) Share issues

During the year ended 30 June 2017, 13,353,115 ordinary shares to the value of $450,000 were issued as the final conversion of the convertible notes at 3.37 cents per share. In addition 1,987,952 shares to the value of $165,000 were issued to the former Chief Executive Officer on termination of his employment contract at 8.3 cents per share.

During the year ended 30 June 2016, 24,035,607 ordinary shares to the value of $810,000 were issued as partial conversion of the convertible note at 3.37 cents per share. In addition 1,200,000 shares were issued to the Chief Executive Officer as per his employment contract at 12.5 cents per share.

(ii) Finance leases

During the year the Group did not acquire any plant and equipment by means of finance leases 2017:Nil (2016: $106,000).

(iii) Credit standing arrangements with banks

	2017 $'000	2016 $'000
Credit facility	184	6,591
Amount used	84	2,434

Undrawn facility	100	4,157

During 2016, the ANZ facility was increased to $6,591,050 incorporating an increase to the facility for the earn out on the acquisition of the DLA Environmental Services business.

Note 33(b) As a result of the sale of the consulting practice (refer note 8) and repayment of various facilities, the ANZ facility was reduced in June 2017 to $184,000 being a Standby Letter of Credit or Guarantee Facility of $84,000 and a commercial card facility of $100,000.

34. Earnings / (losses) per share

(a) Basic earnings / (losses) per share

	2017 cents	2016 cents
Basic earnings / (losses) per share attributable to the ordinary equity holders of the Company		
From continuing operations	(1.4)	0.1
From discontinued operations	(0.6)	(1.2)
	2.0	1.1

(b) Diluted earnings / (losses) per share

The diluted earnings / (losses) per share is equal to the basic earnings / (losses) per share, as per AASB 131.

(c) Reconciliation of earnings used in calculating earnings / (losses) per share

	2017 $'000	2016 $'000
Benefits/(losses) attributable to the ordinary equity holders of the Company used in calculating basic earnings / (losses) per share		
From continuing operations	(3,033)	200
From discontinued operations	(1,303)	(1,806)

(d) Weighted average number of shares used as the denominator

	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(losses) per share	215,566,333	146,700,414

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the Envirosuite Limited Employee Share Option Plan are not considered to be potential ordinary shares, as including such securities in the calculation would result in a decreased earnings per share. The options have not been included in the determination of basic earnings per share.

(ii) Convertible instruments

Convertible instruments issued are not considered to be potential ordinary shares, as including such securities in the calculation would result in a decreased earnings per share. The instruments have not been included in the determination of basic earnings per share.

35. Share based payments

(a) Employee share option plan

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

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

(b) Executive share option scheme

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

Set out on the following pages are summaries of options granted.

(c) Employee share plan

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

2017 Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
Directors and Company Secretary of Envirosuite Limited								
27/11/2012	08/05/2017	$0.05	500,000	-	-	500,000	-	-
1/11/2013	31/10/2018							
Tranche 1		$0.08	1,000,000	-	-	-	1,000,000	1,000,000
Tranche 2		$0.12	1,500,000	-	-	-	1,500,000	1,500,000
Tranche 3		$0.16	2,000,000	-	-	-	2,000,000	2,000,000
1/11/2013	31/10/2018							
Tranche 1		$0.10	1,000,000	-	-	-	1,000,000	1,000,000
Tranche 2		$0.15	1,500,000	-	-	-	1,500,000	1,500,000
Tranche 3		$0.20	2,000,000	-	-	-	2,000,000	2,000,000
27/11/2014	31/10/2019							
Tranche 1		$0.10	1,000,000	-	-	1,000,000	-	-
Tranche 2		$0.15	1,000,000	-	-	1,000,000	-	-
27/11/2014	12/11/2019	$0.07	2,000,000	-	-	-	2,000,000	2,000,000
25/11/2015								
Tranche 1	09/12/2019	$0.12	4,500,000	-	-	1,500,000	3,000,000	3,000,000
Tranche 2	09/12/2019	$0.18	4,500,000	-	-	1,500,000	3,000,000	3,000,000
Former directors of Envirosuite Limited								
14/01/2008	10/02/2018	$0.75	250,000	-	-	-	250,000	250,000
04/02/2008	05/02/2018							
Tranche 1		$0.75	150,000	-	-	-	150,000	150,000
Tranche 2		$1.00	50,000	-	-	-	50,000	50,000
Tranche 3		$1.25	50,000	-	-	-	50,000	50,000
04/12/2009	05/02/2018							
Tranche 1		$0.75	50,000	-	-	-	50,000	50,000
Tranche 2		$1.00	50,000	-	-	-	50,000	50,000
Tranche 3		$1.25	50,000	-	-	-	50,000	50,000
Tranche 4		$1.50	50,000	-	-	-	50,000	50,000
04/02/2008	05/02/2018							
Tranche 1		$0.75	50,000	-	-	-	50,000	50,000
Tranche 2		$1.00	50,000	-	-	-	50,000	50,000
Tranche 3		$1.25	50,000	-	-	-	50,000	50,000
Tranche 4		$1.50	50,000	-	-	-	50,000	50,000
27/11/2012	08/05/2017							
Tranche 1		$0.03	300,000	-	-	300,000	-	-
Other employees								
04/02/2008	10/02/2018	$0.75	330,000	-	-	-	330,000	330,000
12/09/2008	10/02/2018							
Tranche 1		$0.75	100,000	-	-	-	100,000	100,000
Tranche 2		$1.00	100,000	-	-	-	100,000	100,000
12/12/2008	10/02/2018							
Tranche 1		$0.55	100,000	-	-	-	100,000	100,000
Tranche 2		$0.75	100,000	-	-	-	100,000	100,000
09/04/2012	09/04/2020							
Tranche 1		$0.06	500,000	-	-	-	500,000	500,000
Tranche 2		$0.06	500,000	-	-	-	500,000	500,000

Tranche 3		$0.06	500,000	-	-	-	500,000	500,000
Tranche 4		$0.06	500,000	-	-	-	500,000	500,000
12/11/2012	12/11/2018							
Tranche 1		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
Tranche 2		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
Tranche 3		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
12/11/2012	12/11/2020							
Tranche 1		$0.05	500,000	-	-	-	500,000	500,000
Tranche 2		$0.05	500,000	-	-	-	500,000	500,000
01/04/2013	19/04/2018							
Tranche 1		$0.06	1,287,500	-	-	-	500,000	500,000
Tranche 2		$0.06	1,287,500	-	-	-	500,000	500,000
Tranche 3		$0.06	1,725,000	-	-	-	1,725,000	1,725,000
Tranche 4		$0.06	1,725,000	-	-	-	1,725,000	1,725,000
01/04/2014	01/04/2020							
Tranche 1		$0.09	500,000	-	-	-	500,000	500,000
Tranche 2		$0.09	500,000	-	-	-	500,000	500,000
14/07/2014	14/07/2020							
Tranche 2		$0.09	200,000	-	-	-	200,000	200,000
Tranche 3		$0.09	200,000	-	-	-	200,000	-
Tranche 4		$0.09	200,000	-	-	-	200,000	-
04/02/2015	04/02/2021							
Tranche 1		$0.11	1,337,500	-	-	-	1,337,500	1,337,500
Tranche 2		$0.11	1,087,500	-	-	-	1,087,500	1,087,500
Tranche 3		$0.11	1,087,500	-	-	-	1,087,500	-
Tranche 4		$0.11	1,087,500	-	-	-	1,087,500	-
11/11/2015	10/11/2020							
Tranche 1		$0.16	333,333	-	-	-	333,333	333,333
Tranche 2		$0.16	333,333	-	-	-	333,333	-
Tranche 3		$0.16	333,334	-	-	-	333,3334	-
Total		45,655,000	-		-	5,800,000	39,855,000	36,613,333
Weighted average exercise price		$0.13	-		-	$0.13	$0.13	$0.13

2016 Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
12/11/2012	12/11/2018							
Tranche 1		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
Tranche 2		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
Tranche 3		$0.03	1,666,666	-	-	-	1,666,666	1,666,666
12/11/2012	12/11/2020							
Tranche 1		$0.05	500,000	-	-	-	500,000	500,000
Tranche 2		$0.05	500,000	-	-	-	500,000	500,000
01/04/2013	19/04/2018							
Tranche 1		$0.06	1,287,500	-	-	-	1,287,500	1,287,500
Tranche 2		$0.06	1,287,500	-	-	-	1,287,500	1,287,500
Tranche 3		$0.06	1,725,000	-	-	-	1,725,000	1,725,000
Tranche 4		$0.06	1,725,000	-	-	-	1,725,000	1,725,000
01/04/2014	01/04/2020							
Tranche 1		$0.09	500,000	-	-	-	500,000	500,000
Tranche 2		$0.09	500,000	-	-	-	500,000	500,000
14/07/2014	14/07/2020							
Tranche 2		$0.09	200,000	-	-	-	200,000	200,000
Tranche 3		$0.09	200,000	-	-	-	200,000	-
Tranche 4		$0.09	200,000	-	-	-	200,000	-
04/02/2015	04/02/2021							
Tranche 1		$0.11	1,337,500	-	-	-	1,337,500	1,337,500
Tranche 2		$0.11	1,087,500	-	-	-	1,087,500	1,087,500
Tranche 3		$0.11	1,087,500	-	-	-	1,087,500	-
Tranche 4		$0.11	1,087,500	-	-	-	1,087,500	-
11/11/2015	10/11/2020							
Tranche 1		$0.16	333,333	-	-	-	333,333	333,333
Tranche 2		$0.16	333,333	-	-	-	333,333	-
Tranche 3		$0.16	333,334	-	-	-	333,334	-
Total			45,655,000	-	-	5,800,000	39,855,000	36,613,333
Weighted average exercise price			$0.13	-	-	$0.13	$0.13	$0.13

2016 Grant date	Expiry date	Exercise price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
Directors and Company Secretary of Pacific Environment Limited								
27/11/2012	08/05/2017	$0.05	500,000	-	-	-	500,000	500,000
1/11/2013	31/10/2018							
Tranche 1		$0.08	1,000,000	-	-	-	1,000,000	1,000,000
Tranche 2		$0.12	1,500,000	-	-	-	1,500,000	1,500,000
Tranche 3		$0.16	2,000,000	-	-	-	2,000,000	2,000,000
1/11/2013	31/10/2018							
Tranche 1		$0.10	1,000,000	-	-	-	1,000,000	1,000,000
Tranche 2		$0.15	1,500,000	-	-	-	1,500,000	1,500,000
Tranche 3		$0.20	2,000,000	-	-	-	2,000,000	2,000,000
27/11/2014	31/10/2019							
Tranche 1		$0.10	1,000,000	-	-	-	1,000,000	-
Tranche 2		$0.15	1,000,000	-	-	-	1,000,000	-
27/11/2014	12/11/2019	$0.07	2,000,000	-	-	-	2,000,000	-
25/11/2015								
Tranche 1	09/12/2019	$0.12	-	4,500,000	-	-	4,500,000	-
Tranche 2	09/12/2019	$0.18	-	4,500,000	-	-	4,500,000	-
Former directors of Pacific Environment Limited								
14/01/2008	10/02/2018	$0.75	250,000	-	-	-	250,000	250,000
04/02/2008	05/02/2018							
Tranche 1		$0.75	200,000	-	-	-	200,000	200,000
Tranche 2		$1.00	100,000	-	-	-	100,000	100,000
Tranche 3		$1.25	100,000	-	-	-	100,000	100,000
Tranche 4		$1.50	50,000	-	-	-	50,000	50,000
04/12/2009	05/02/2018							
Tranche 1		$0.75	50,000	-	-	-	50,000	50,000
Tranche 2		$1.00	50,000	-	-	-	50,000	50,000
Tranche 3		$1.25	50,000	-	-	-	50,000	50,000
Tranche 4		$1.50	50,000	-	-	-	50,000	50,000
27/11/2012	08/05/2017	$0.03	300,000	-	-	-	300,000	300,000
Other employees								
04/02/2008	10/02/2018	$0.75	330,000	-	-	-	330,000	330,000
12/09/2008	10/02/2018							
Tranche 1		$0.75	100,000	-	-	-	100,000	100,000
Tranche 2		$1.00	100,000	-	-	-	100,000	100,000
12/12/2008	10/02/2018							
Tranche 1		$0.55	100,000	-	-	-	100,000	100,000
Tranche 2		$0.75	100,000	-	-	-	100,000	100,000
09/04/2012	09/04/2020							
Tranche 1		$0.06	500,000	-	-	-	500,000	500,000
Tranche 2		$0.06	500,000	-	-	-	500,000	500,000
Tranche 3		$0.06	500,000	-	-	-	500,000	500,000
Tranche 4		$0.06	500,000	-	-	-	500,000	500,000

2016 **Grant date**	**Expiry date**	**Exercise price**	**Balance at the start of the year** **Number**	**Granted during the year** **Number**	**Exercised during the year** **Number**	**Forfeited during the year** **Number**	**Balance at the end of the year Number**	**Vested and exercisable at the end of the year Number**
12/11/2012	12/11/2018							
Tranche 1		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
Tranche 2		$0.03	1,666,667	-	-	-	1,666,667	1,666,667
Tranche 3		$0.03	1,666,666	-	-	-	1,666,666	1,666,666
12/11/2012	12/11/2020							
Tranche 1		$0.05	500,000	-	-	-	500,000	500,000
Tranche 2		$0.05	500,000	-	-	-	500,000	500,000
01/04/2013	19/04/2018							
Tranche 1		$0.06	1,287,500	-	-	-	1,287,500	1,287,500
Tranche 2		$0.06	1,287,500	-	-	-	1,287,500	1,287,500
Tranche 3		$0.06	1,725,000	-	-	-	1,725,000	1,725,000
Tranche 4		$0.06	1,725,000	-	-	-	1,725,000	-
01/04/2014	01/04/2020							
Tranche 1		$0.09	500,000	-	-	-	500,000	500,000
Tranche 2		$0.09	500,000	-	-	-	500,000	-
Tranche 3		$0.09	500,000	-	-	500,000	-	-
Tranche 4		$0.09	500,000	-	-	500,000	-	-
14/07/2014	14/07/2020							
Tranche 1		$0.09	200,000	-	200,000	-	-	-
Tranche 2		$0.09	200,000	-	-	-	200,000	-
Tranche 3		$0.09	200,000	-	-	-	200,000	-
Tranche 4		$0.09	200,000	-	-	-	200,000	-
04/02/2015	04/02/2021							
Tranche 1		$0.11	1,337,500	-	-	-	1,337,500	1,337,500
Tranche 2		$0.11	1,337,500	-	-	250,000	1,087,500	-
Tranche 3		$0.11	1,337,500	-	-	250,000	1,087,500	-
Tranche 4		$0.11	1,337,500	-	-	250,000	1,087,500	-
11/11/2015	10/11/2020							
Tranche 1		$0.16	-	333,333	-	-	333,333	-
Tranche 2		$0.16	-	333,333	-	-	333,333	-
Tranche 3		$0.16	-	333,333	-	-	333,333	-
Total			37,605,000	10,000,000	200,000	1,750,000	45,655,000	25,567,500
Weighted average exercise price	$0.12	$0.15	$0.09	$0.10	$0.13	$0.14		

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.45 years (2016: 2.21 years).

(i) Fair value of options granted

The assessed fair value at grant date of options granted is allocated equally over the period from the grant date to the vesting date. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

During financial year 2017, no options were issued to directors and no options were issued to employees. In financial year 2016, 9,000,000 options were issued to directors and 1,000,000 options were issued to employees.

(d) Shares issued to employees - value of services

During the year ended 30 June 2017, 13,353,115 ordinary shares to the value of $450,000 were issued as the final conversion of the convertible notes at 3.37 cents per share. In addition 1,987,952 shares to the value of $165,000 were issued to the former Chief Executive Officer on termination of his employment contract at 8.3 cents per share.

35. Share based payments (continued)

(e) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 $'000	2016 $'000
Options issued under employee share option plan	93	202
Shares issued to employees – value of services	-	52
Shares to be issued to employees – value of services	-	165
Total purchase consideration	93	419

(f) Liabilities arising from share based payment transactions

Total payables at reporting date arising from share based payment transactions are as follows:

	2017 $'000	2016 $'000
Shares to be issued to employees – value of services	-	165

36. Parent entity financial information

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Australian Accounting Standards.

(a) Statement of financial position

	2017 $'000	2016 $'000
Assets		
Current assets	634	1,662
Non-current assets	15,463	9,626
Total assets	16,111	11,288
Liabilities		
Current liabilities	1,617	794
Non-current liabilities	-	53
Total liabilities	1,617	847
Equity		
Investment in subsidiaries	-	-
Issued Capital	26,281	22,828
Reserves	700	772
Retained losses	(12,501)	(13,159)
Total equity	14,480	10,441

Non-current assets and non-current liabilities in the parent entity include intercompany payables and receivables. Legacy balances in these intercompany accounts were written off during the year ended 30 June 2017 as part of the sale of the consulting businesses, in accordance with Deeds of Forgiveness entered into between the relevant entities. There was no impact to the financial statements of the Consolidated Group as a result of these transactions.

(b) Statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
(Loss)/profit for the year	-	(200)
Total comprehensive (loss)/profit for the year	657	(200)

(c) Guarantees entered into by the parent entity

The parent entity has potential exposure to guarantee it has issued to third parties in relation to its performance and obligations with respect to property lease rentals amounting to $84,000 (2016: $217,325)

(d) Contingent liabilities of the parent entity

Envirosuite Limited sold its 100% equity interests (the sale) in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental Services Pty Ltd (collectively known as "the consulting practice") for $15 million to Environmental Resource Management (ERM). The sale of the consulting practice to ERM occurred on 26 June 2017 (the completion date) in accordance with a Share Sale and Purchase Agreement (SPA).

The purchase price is subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment is ongoing and incomplete. Further, there are various post completion steps and ongoing terms and conditions set out in the SPA and related agreements that must be completed, observed or complied with by Envirosuite Limited after completion including, inter alia:-

- the determination of Completion Accounts and Completion Statement in accordance with the SPA;
- the determination and release of amounts in escrow pending certain conditions/events; and
- transfers of various contracts.

The Directors are confident there are no known claims to or against Envirosuite currently which could give rise to a contingent liability and are confident the final settlement adjustment will not be significantly material to the financial statements. However, whether there are outstanding sale matters that could affect the gain on sale of discontinued operations, the Group's operations or the results of those operations in future financial years or the Group's state of affairs in future financial years, is uncertain. The parent entity did not have any other contingent liabilities as at 30th June 2017 (2016:Nil)

(e) Contractual commitments

The parent entity did not have any other contingent liabilities as at 30 June 2017 (2016:nil)

Directors Declaration

For the financial year ended 30 June 2017

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

(a) the financial statements and notes set out on pages 27 to 82 are in accordance with the *Corporations Act 2001*, and:

(i) comply with Australian Accounting Standards, and

(ii) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the Consolidated Group; and

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

David Johnstone
Chairman
31 August 2017

ENVIROSUITE LIMITED ABN 42 122 919 948
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENVIROSUITE LIMITED

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of Envirosuite Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 other explanatory information, and the directors' declaration.

Except for the effects, or possible effects, of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial report of Envirosuite Limited and Controlled Entities 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 2017 and of its financial performance for the year then ended; and

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

Basis for Qualified Opinion

1. We have not been provided with sufficient appropriate supporting documentation, or where same was provided, it has not been provided in time to allow us to complete our review thereof in accordance with the statutory reporting deadline, in relation to the following:

a. Loss from discontinued operations after tax of $2,064,000 (refer Note 8 and 33 to the financial statements);
b. Income tax benefit of $142,000, deferred tax asset of $246,000, deferred tax liabilities of $nil ((refer notes 7 and 20 to the financial statements);
c. Sales Revenue from discontinued operations of $16,050,000 (refer notes 4 and 8 to the financial statements);
d. Loan Forgiveness expense of the parent entity of $549,941 included within the loss for the year of $657,000 (refer note 36(b);
e. Gain on disposal of business of the parent entity of $3,817,627 included within the loss for the year of $657,000 (refer note 36(b);
f. Income tax expense of the parent entity of $618,708 included within the loss for the year of $657,000 (refer note 36(b) and deferred tax asset of the parent entity of $245,773 included within non-current assets of $15,463,000 (refer note 36(a).

Accordingly, we are unable to form an opinion on same including the accuracy and completeness of related notes to the financial statements. Furthermore given, inter alia, the matters as described in the paragraphs above, and the effect of such adjustments, if any, on the retained losses (parent and group) and the cash flows for the year we are unable to form an opinion on the accuracy of the closing retained losses as at 30 June 2017 and the Statement of Cash flows and related notes (refer notes 8, 33 and 35).

We understand some of the information, not yet provided, has been requested by the company from the purchaser of the consulting practice.

2. The carrying value of software as at 30 June 2017 is $3,782,000 (refer Note 14 to the financial statements). We understand the software was transferred between various entities within the group prior to the sale. As set out in Note 14 (c) to the Financial Statements, the value-in-use calculations performed in assessing the recoverable amount of the software is based on certain key assumptions regarding growth in estimated future cash flows. An impairment loss against software may need to be recognised if these key assumptions do not eventuate. We are unable to form an opinion on the carrying value of Intangible Assets as at 30 June 2017 nor on the disclosures included in Note 14(d).

3. We have not been provided with management accounts subsequent to balance date. Accordingly, we have been unable to review all events subsequent to reporting date pursuant to Australian Auditing Standard ASA 560 'Subsequent Events and are unable to form an opinion on the accuracy and completeness of Note 32.

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 (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of Matter – Material Contingencies in relation to Sale of Subsidiaries

Attention is drawn to Notes 8, 27 and 31 of the financial statements which describes that:-

Envirosuite Limited sold its 100% equity interests (the sale) in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental Services Pty Ltd (collectively known as "the consulting practice") for $15 million to Environmental Resource Management (ERM). The sale of the consulting practice to ERM occurred on 26 June 2017 (the completion date) in accordance with a Share Sale and Purchase Agreement (SPA).

The purchase price is subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment is ongoing and incomplete. Further, there are various post completion steps and ongoing terms and conditions set out in the SPA and related agreements that must be completed, observed or complied with by Envirosuite Limited after completion including, inter alia:-

- the determination of Completion Accounts and Completion Statement in accordance with the SPA;
- the determination and release of amounts in escrow pending certain conditions/events; and
- transfers of various contracts.

Our opinion is not modified in respect of these matters.

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. In addition to the matters described in the basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN OUR AUDIT
Discontinued Operations **Refer to Notes 8, 27, 31, 32 and 33 to the financial statements** On 26 June 2017 (the "completion date"), Envirosuite Limited completed the sale of its consulting business operations by selling its shares in three wholly owned entities. Envirosuite Limited sold its 100% equity interest (the sale) in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental Services Pty Ltd (collectively known as "the consulting practice") for $15 million, to Environmental Resource Management (ERM). The sale of the consulting practice to ERM occurred on 26 June 2017 (completion date) in accordance with the seller's payment directions dated 23rd June 2017 contained in the Share Sale and Purchase Agreement (SPA). We considered the accounting treatment in the financial statements of this event to be a key audit matter because of the size and complexity of the transaction and effect on various accounts and disclosures in the financial report. • The sale price is subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment is ongoing and incomplete as at the date of this audit report. There are various post completion steps and ongoing terms and conditions set out in the SPA and related agreements that must be completed, observed or complied with by Envirosuite Limited after completion including, inter alia:- • the determination of Completion Accounts and Completion Statement in accordance with the SPA; • the determination and release of amounts in escrow pending certain conditions/events; • transfers of various contracts.	Our procedures included, inter alia:- • Obtaining solicitor confirmation as to the terms of sale. • Evaluation of the adequacy of the disclosure of the sale in the financial statements. • Review of the appropriateness of the group's disclosures in the financial report in relation to the sale terms, discontinuance of operations, and contingent liabilities. Refer Notes 8, 27, 31, 32 and 33 to the financial statements. • **Refer to the Basis for Qualified Opinion included in our Audit Report above.**

Repayment or transfer of bank loans, borrowings and other financing facilities. **Refer to Notes 2, 16, 19, 22(h), 28 and 36 to the financial statements.** Given the sale referred to above, we considered the risks of undisclosed continuing finance liabilities relating to sold entities to be a key audit matter.	Our procedures included, inter alia:- • Obtaining direct external confirmation from the company's existing financier as to the repayment of facilities, transfer of facilities and current facilities.
Disputes and potential litigations **Refer to notes 27 and 32 to the financial statements** Given the sale referred to above, we considered the risk of the completeness of disclosures and completeness of provisions in relation to litigation and disputes.	Our procedures included, inter alia:- • Obtaining external confirmations directly from the company's legal advisor/s. • Making further enquiries with management in relation to the response from the legal advisor/s. • Reviewing the minutes of Board meetings. • Reviewing provisions recorded in the accounts. • Reviewing the financial report disclosures for completeness.
Tax Matters and Deferred Tax Asset **Refer to Notes 7 and 20 to the financial statements** Given the sale referred to above, we considered the risk of accuracy and completeness of amounts booked for tax. We identified the recoverability of deferred tax asset as a key audit matter. The recognition of this asset involves judgment by the directors that future profits will be sufficient to fully recover the deferred tax asset.	Our procedures included, inter alia:- • Requesting management's assessment of the generation and sufficiency of future taxable profits in support of the recognition of the deferred tax asset by reviewing management's forecasts of future profits and evaluating the assumptions used in those forecasts. • Requesting tax workpapers and making enquiries in relation to same. • Requesting a tax agent representation letter • Reviewing the appropriateness of the group's disclosures in the financial report. • **Refer to the Basis for Qualified Opinion included in our Audit Report above.**
Valuation of Intangible Asset - Software **Refer to note 14 in the financial statements.** Given the sale referred to above, the sale of software is now the principal business activity of the Group. The group has booked an amount for Intangible Assets which comprises software under development. The value in use of the software depends on achievement of forecasts and there are inherent uncertainties involved in the forecasting of profits and cashflows.	Our procedures included, inter alia: • Reviewing the group's assessment of impairment. • Reviewing the group's draft cash flow forecast and draft budget. • Assessing management's key assumptions used to estimate values in use. • Considering the potential impact of reasonably possible downside changes in these key assumptions. • Checking, on a sample basis, the accuracy and relevance of additions to the assets.

	• **Refer to the Basis for Qualified Opinion included in our Audit Report above.**
Intercompany Loans In the process of the sale referred to above various intercompany loans were forgiven. Intercompany loans are eliminated on consolidation of the Group, but are noted in the parent entity disclosure in the notes to and forming part of the financial statements.	Our procedures included, inter alia:- • Requesting a loan confirmation statement from the Group. • Requesting the general ledger list of transactions for the intercompany loans to determine the amounts and rationale of transactions that had been recorded between entities via the loan accounts. • **Refer to the Basis for Qualified Opinion included in our Audit Report above.**

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 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Envirosuite Limited and Controlled Entities for the year ended 30 June 2017, intended to be included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of the company's website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the website.

Responsibility 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report should we identify any during the audit.

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

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

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

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

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bare on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 7 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Envirosuite Limited for the year ended 30 June 2017 complies with s300A 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 s300A 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.

WPIAS Pty Ltd
Authorised Audit Company No. 440306
Yours faithfully,

ROB ST CLAIR BCOM FCA RCA
ASSOCIATE

Dated this 31st day of August, 2017.

4 Helensvale Road
HELENSVALE QLD 4212

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2017.

1. Distribution of equity securities

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

	Class of equity	
	Ordinary shares	
Holding	Shares	Options
1 – 1,000	15	-
1,001 – 5,000	157	-
5,001 – 10,000	170	-
10,001 – 100,000	580	3
100,001 and over	295	33
	1,217	36

2. Equity security holders

(a) Twenty largest quoted equity security holders

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

	Ordinary shares	
Name	Number held	Percentage of issued shares
Robin Ormerod	30,192,535	13.07%
Robin Ormerod & Kristin Zeise	26,741,054	11.58%
National Nominees Limited	15,670,561	6.79%
Radell Pty Ltd	5,007,579	2.17%
Austral Capital Pty Ltd	5,000,000	2.17%
HSBC Custody Nominees	4,773,222	2.07%
Mrs Jean Ellen Vincent & Mr Anthony	4,301,050	1.86%
Coterie Nominees Pty Ltd	3,000,000	1.30%
WS Dobson Pty Ltd	2,748,333	1.19%
Mr Peter James White & Mrs Eva Maria	1,988,399	0.86%
Northstar Global Pty Ltd	1,900,000	0.82%
Mr Ziou Fang	1,870,000	0.81%
HSBC Custody Nominees	1,805,714	0.78%
Meis Supertee Pty Ltd	1,800,000	0.78%
Scintilla Strategic	1,625,000	0.70%
Mrs Christine Quye	1,501,949	0.65%
Amma Fep Pty Ltd	1,500,000	0.65%
Cryptogenix Services Pty Ltd	1,470,429	0.64%
Herft Accounting Australia	1,468,149	0.64%
Hawgood Pty Ltd	1,375,000	0.60%
	115,738,974	50.12%

(b) Unquoted equity securities

	Number held
EnviroSuite Limited unlisted options	39,855,000

(c) Substantial holders

Substantial holders in the Company are set out below:

Ordinary Shares	Number held	Percentage
Robin Ormerod & Kristin Zeise	30,192,535	13.07%
Robin Ormerod & Kristin Zeise	26,741,054	11.58%

3. Voting rights

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

(a) Ordinary shares

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

(b) Convertible notes

Convertible notes do not carry any voting rights.

(c) Options

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

Corporate Directory

Envirosuite Limited

ABN: 42 122 919 948

Board of Directors

Peter White
CEO & Executive Director

David Johnstone
Chairman

Robin Ormerod
Managing Director

Adam Gallagher
Director

Company Secretary

Adam Gallagher

Registered office and principal place of business

Level 19, 240 Queen Street,
Brisbane, Queensland 4000

Phone: 07 3004 6400

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Phone: 02 9290 9600

Auditor

WPIAS Pty Ltd
4 Helensvale Road
Helensvale, Queensland 4212

Phone: 07 5580 4700

Stock Exchange Listing

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

Website Address

www.envirosuite.com