envirosuite

(ASX: EVS)

Appendix 4E

Summary Financial Report

Results for Announcement to the Market
For the financial year ended 30 June 2018

	Consolidated Group		Variance to prior year	
	2018 $'000	2017 $'000	$'000	%
Operating revenue	**4,577**	**16,211**	**(11,634)**	**(72%)**
Revenue – continuing operations	3,833	161	3,672	2288%
Revenue – discontinued operations	744	16,050	(15,306)	(95%)
Attributable (loss)/profit after tax	**(5,168)**	**(4,336)**	**(832)**	**(19%)**
Profit / (loss) from continuing operation after tax	(5,754)	(2,272)	(3,482)	(153%)
Profit / (loss) from discontinued operations	586	(2,064)	2,651	128%
Net margin (%)	(113%)	(27%)	-	(86%)
Basic (loss)/earnings per share (cents)	(2.2)	(2.0)	(0.2)	(11%)
Net operating cash inflows	(5,961)	(1,922)	(4,039)	210%
Dividends per share	-	-	-	-
Net tangible assets / (liabilities) per security (cents)	1.3	4.3	-	-

The consulting division was divested on 26 June 2017 that included the sale of each of the Group's historical operating subsidiaries and as such effectively all revenues and expenditures were accounted for in discontinued operations. The Group only commenced operating through its current subsidiaries during the completion of the divestment transaction. For further details, please refer to the Financial Statements and accompanying notes contained in the 2018 Annual Report.

Additional Appendix 4E disclosure requirements can be found in the notes to the 2018 Envirosuite Ltd Consolidated Financial Statements included in the Annual Report.

This report is based on the consolidated financial statements that have been audited by PKF Hacketts Audit with the Independent Auditor's Report included in the financial statements.

envirosuite

2018 Annual Report

"The 2018 financial year was a transformative one for the company as we started to define and demonstrate what it means for Envirosuite to be a global environmental technology group."

Peter White CEO

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Chairman’s Letter

Dear Shareholders,

I am very pleased to present the Annual Report for Envirosuite Limited and its subsidiaries (the Group) for the 2018 Financial Year. During the 2018 financial year, we have firmly positioned the Group for the journey ahead. At the outset of the 2018 financial year, we decided to invest the proceeds of the successful divestment transaction that dominated the 2017 financial year and reshape the business to provide a foundation from which we could pursue sustained global growth as a new pure play technology group.

Year in Review

Across the first three quarters, we concentrated on establishing the strategy, human capital and selling tools that we believed we needed to achieve our growth aspirations. We also successfully completed the acquisition of Odotech, a strongly aligned strategic move to bring in new clients, offices and people faster and more cost-effectively than organic growth could otherwise deliver. While all these non-sales activities were underway, it is a great credit to the team that we were still able to hit our 100% Annualised Recurring Revenue (ARR) growth target for the year. As would be expected from a year of set-up, most of this growth occurred in the tail end and has helped to set a trajectory that we are targeting to maintain in the years to come.

In July 2017, we appointed Peter White as Director and Chief Executive Officer. Peter’s career experience and achievements in closing large software sales and leading their implementation are well-aligned to the Group’s growth strategy. After a 13-month intermission through to July 2017, in which we completed the sale of the consulting division, Peter quickly re-engaged with the technology team that he had shaped under his previous tenure and undertook a company-wide review to determine the go-forward strategy.

Our review of Envirosuite initiated two broad steps: firstly, to make the product easier to sell, and secondly, to engage sales professionals to sell it. A comprehensive marketing analysis was completed, led by an external specialist group. This project delivered a new suite of marketing and sales materials and processes with which to equip our sales team to attract and procure new clients.

Following this, the second step involved appointing key region-specific people with strong software sales experience and a knowledge of our target industries and clients. Our sales team grew substantially through to April 2018 and, following the usual lead-in times for new salespeople, we have started to see the results emerging from their efforts in the last quarter of the financial year.

Moving into the 2019 financial year we have an effective and engaged team that we will continue to optimise, and add to incrementally, to ensure that we are capitalising on every market opportunity.

Odotech acquisition

In November 2017, an opportunity arose to cost-effectively acquire the assets of Odotech Inc., a Canadian based supplier of equipment, services and software for odour management. The board had been approached by the Odotech business on two previous occasions and as such was able to move quickly on this opportunity with the benefit of already having conducted partial due diligence. A previous and continued policy of the board in relation to acquisition opportunities is that merit is gauged against the alternative measure of the time and cost of organic growth to achieve the anticipated outcome. With over 100 sites on their current and previous client lists, this was the nature of the opportunity that the Odotech acquisition presented to us.

Although the total cost of the Odotech acquisition shortened our cash runway, we believe that it has brought forward the achievement of our growth objectives and forms part of our consideration in asserting the 100% year on year ARR targets provided to the market. It has also accelerated our regional and sector growth and we believe it will continue to deliver multi-layered benefits in the medium term.

Strategy

We have clearly identified our key regional markets and industry verticals. We are currently active in five broad geographic regions and are actively pursuing new subscriptions that include Europe, the Middle East, Australia and New Zealand, North America and

Latin America. We are also working in other regions such as China, Eastern Europe and Africa, however, our strategic expectation for growth is that these and other regions will be partner led.

Our industry verticals include waste and wastewater management, mining, heavy industry, ports and agriculture. Although we see activity across the board, wastewater and mining are the two leaders at this point, and each new sale stands on the shoulders of the previous wins in those sectors, creating positive referral loops and recognition by increasing numbers of sector operators. This is starting to translate to shorter sales cycles.

We are pursuing a separate approach to the regulatory sector. Our key market is in the USA, where regulation is strong and complex, and regulators very much set the standards for environmental management. Our entry into the US market coincides with substantial changes being driven by regulators. Envirosuite is very well placed to participate in a new wave of innovation centred on the Internet of Things (IoT) technologies and data analytics. We aim to build on initial successes in this sector and adapt to key specific needs of the regulatory agencies.

At a future point, we hope to see Envirosuite moving from pioneering to business-as-usual as the majority of industry participants are compelled by regulatory, community and industry expectations to adopt a best-practice solution.

Team

We have substantially expanded the team during the financial year. I would like to here extend a welcome to all our new people around the globe who have joined us in the past twelve months and I congratulate and thank them for applying their efforts to grow the Group at what is, without doubt, the most exciting time in its history.

With the return of Peter White as CEO in July 2017, founder Robin Ormerod moved from the Managing Director/CEO position he held in Peter's absence to the position of Chief Scientist while remaining on the Board as an Executive Director.

The Chief Scientist role is an important one for the Group, emphasising the fundamental role of scientific expertise in the past and on-going development and credibility of the Envirosuite platform. Robin coordinates the Company's Research and Development program, convenes the Solutions Roadmap committee process in league with the product development team and other parts of the business, and represents the scientific interests of the Group in its communications both internally and externally.

Register

We have had a significant turnover in the Group's share register during the year and I welcome our new shareholders, and as always, thank our existing shareholders for their continued interest and support. I believe that our newer holders are joining us at an exceptional time and I hope that the patience of our longer-term holders is vindicated as we grow. We aim to increase Envirosuite's value in multiples through building strong, sustainable and high margin revenue streams with a world-leading offering that improves the management of air quality and other environmental issues that are rising in the concerns of communities and the conscience of industry.

With more activity internally we now have more to communicate externally, and we are excited to be bringing regular sales updates and sector reports to investors. We're also developing an investor-orientated demonstration of the Envirosuite platform to give investors a deeper understanding of what we do for our clients. In addition to our ASX disclosures, we also have regular information content available through our website and distributed to our email subscribers.

I have invested a significant amount personally in Envirosuite - both on and off market - over the last two years and I join each of the other directors who have meaningful personal stakes in the Group. We believe in the future of Envirosuite and share a passion for improving environmental management that we see is becoming a rising mainstream concern globally. We're looking to grow alongside all of our shareholders and we will continue to work tirelessly every day to do what is needed to maintain our growth trajectory.

David Johnstone
Chairman
22 August 2018

CEO Report

Envirosuite's first year as a pure play technology group

The 2018 financial year was a transformative one for the company as we started to define and demonstrate what it means for Envirosuite to be a global environmental technology group.

The previous financial year finished with the company-defining sale of the 30-year-old environmental consulting business that accounted for over 80% of the historical revenues, the majority of the staff and the origination of the group. At the commencement of the 2018 financial year, Envirosuite was essentially re-formed as a pure play technology company, and during the months that followed our focus was turned to refining the group strategy and resources in this new direction.

Envirosuite is a world leader in its field, though we are not complacent, as competition always emerges wherever a strong market opportunity exists. Our consolidating strategy was based on a first-mover "land-grab" theme to establish ourselves as quickly as possible in the major global markets for our chosen industry vertical sectors. The Envirosuite platform has proven very "sticky" since inception, with our track record proving that if we are able to gain new clients and market share, we can retain it.

Following a comprehensive review of the group in the first quarter of the financial year, a strategic marketing initiative was launched. In the second quarter, Envirosuite also implemented a Client Relationship Management system (Salesforce CRM) and marketing tools (Salesforce Pardot) across the group.

The rate of wins accelerated in the latter half of the financial year, due to both our newly hired salespeople and the migration of clients acquired through Odotech. We finished the year with some very strong wins, including our biggest ever project: a city-wide odour network for a Middle Eastern city-state, and migrations of two Chilean agricultural clients to the Envirosuite platform.

During the year, we doubled our Australian base of approximately 30 people and we now boast offices in six countries, and staff in eight time zones and three different languages.

Against the backdrop of the formational activities that dominated management's focus throughout the 2018 financial year, it is very pleasing that the targeted result of doubling our Annualised Recurring Revenue was delivered.

Regional expansion

Following the engagement of salespeople in our target regions and the acquisition of Odotech and associated support roles, our team has more than doubled in the course of the financial year. The increase was required to service the current market opportunities and develop and drive new business in each of our target verticals. The initial regional target markets were the USA and Europe, and we began building the sales capacity in these regions.

Europe

Leveraging our success with Thames Water, our activities in Europe were focused on the Wastewater sector in which we have been successful in expanding our reach into other water utilities.

Once Envirosuite attracts a critical mass of operators, each new operator has a higher degree of conviction in choosing our solution. Community and regulator expectations adjust to the improved environmental management practices and begin expecting it from all operators. We feel that we are starting to see this future in the wastewater sector where we now have three major UK Water utilities subscribing to the Envirosuite platform. We have also seen high activity in the Middle East market, where we have won a city-wide odour monitoring system and are currently undertaking a city-wide trial in another city.

USA

In the USA we focused on the regulatory sector where we have won subscriptions with two major environmental bodies, the Bay Area (San Francisco) and South Coast (Los Angeles) Air Quality Management Districts. These two Districts are amongst the leaders of governmental regulators in the USA, and we will be targeting similar bodies in the coming year. The team secured multiple wins in the wastewater sector, and are developing opportunities in the oil and gas sector.

Australia & New Zealand

Even though during the year most of our focus was on establishing our overseas offices, we had some encouraging project wins in Australia and New Zealand (ANZ). These included South Australia's Governmental water enterprise SA Water and three clients in New Zealand. During the coming year we will be focusing on re-invigorating our domestic base with some of our newer solutions, and developing larger-scale projects in the mining and government sectors.

Emerging Regions

During the financial year, we also added offices in Canada and Chile through the acquisition of Odotech in December 2017. I have spent some time in each of these regions and we are refining our strategy to expand our activities in North America and Latin America from these established bases.

We are also currently servicing clients in other regions including the Middle-East and Eastern Europe and we're progressing specific opportunities in South Africa and China.

Annualised Recurring Revenue (ARR)

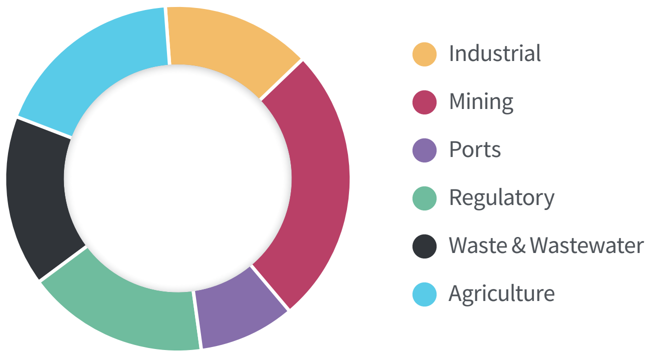
In accordance with the accepted norm for Software-as-a-Service (SaaS) businesses, we have determined that our key measure of performance is our ARR. We will be reporting on our progress in growing the ARR in our quarterly sales updates to the market.

During the year, we achieved our goal of doubling the ARR from $1.5 million to $3.0 million. Our goal is to double this in FY19 to $6 million, and then double it again in FY20 to $12 million.

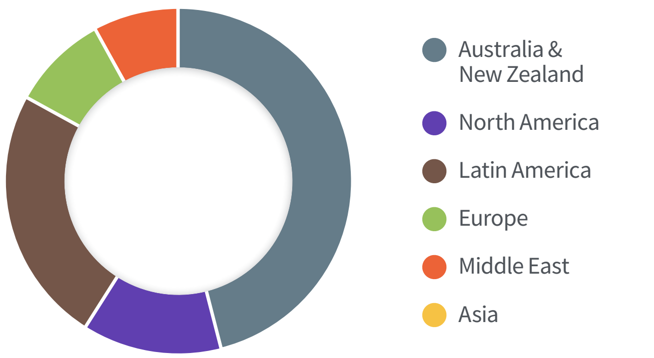
In analysing the current ARR, it is seen that ANZ is still the biggest region by revenue. This is expected to change during FY19 and FY20, and we expect that North America and Europe, the Middle East and Africa (EMEA) will be the biggest regions of our growth and that they will become the regions for highest revenue.

In the vertical sectors, we see mining and waste & wastewater as having the most potential. We expect this will continue with waste & wastewater growing considerably as we migrate the Odotech clients to the Envirosuite platform.

FY18 Annualised Recurring Revenue by Sector



FY18 Annualised Recurring Revenue by Region



Strategic Wins

During the year Envirosuite was awarded some major projects. These wins were strategic due to their size or their relevance as reference sites in a region, providing further credibility to Envirosuite as a market entrant.

Region	Strategic Wins	Vertical	Country/State
EMEA	New Thames Water sites	WWTP	UK
	Welsh Water, Southern Water	WWTP	UK
	Middle East City – odour	Regulatory	ME
	Middle East city – trial	Regulatory	ME
	Veolia Lyon	WWTP	France
	Barcelona	WWTP	Spain
North America	San Francisco Air District (BAAQMD)	Regulatory	USA
	Los Angeles Air District (SCAQMD)	Regulatory	USA
	WWTP – 5 wins	WWTP	USA/Canada
Latin America	Agrosuper	Agriculture	Chile
	Sopraval	Agriculture	Chile
	Cerrejon	Mining/Ports	Colombia
	Goldcorp	Mining	Mexico
ANZ	SA Water	WWTP	SA
	West Coast Ports	Ports	WA

Acquisition of Odotech

In December we acquired a sector competitor, Odotech, and further deepened our understanding of, and market reach in, the odour-related sectors. With the acquisition we gained clients, and teams and offices in Montreal and Santiago.

Odotech was a competitor of Envirosuite's in the wastewater sector and others that are affected by odour including landfills, composting, and livestock intensive agriculture. The existing Odotech clients utilised Odotech's proprietary software platform, Odowatch, and were paying annual maintenance fees. We will be maintaining the Odowatch platform for a transitional period, and during the coming year, we will be working through a process with each client to migrate them to the Envirosuite platform. Each migration involves both a technical and a commercial phase. Once a client is migrated, we will count their software revenue in the reported ARR.

A percentage of the client base also had installed the proprietary Odotech hardware known as "electronic noses" or 'enoses'. Even though we are not a hardware company we will continue to assemble the enoses for clients that require them, as they have a degree of market recognition that is proving to be a valuable indirect source of new client leads for the Envirosuite platform.

The retained staff and offices from Odotech have been integrated into the company and these subsidiaries will be renamed to Envirosuite during this coming year. The acquisition has proven to be very successful, from both client acquisition and financial perspectives.

Market Focus

Our regional strategic focus in FY19 is consolidating within the sectors we consider to have the highest potential based on our experience to date. Our salespeople are becoming specialised in particular sectors, giving them a greater depth of expertise with which to serve our clients and prospects. In most regions, we have also made initial sales in new sectors and we expect to continue to develop these sectors during FY19.

Research and Development

Our Australian-based product development team supports and maintains the platform for our customers, and also evolves the platform along the product roadmap. 'World-leading' is a dynamic term and we are determined to ensure that our offering continues to be the first choice for industry through product superiority and industry orientated solutions.

Our R&D group drives the product roadmap and is headed by our Chief Scientist and Founder, Robin Ormerod. Our R&D activities include early-stage research, and, once an area is proven to be of benefit, it is added to the Solution Roadmap. Other R&D activities are in response to recognised market needs that deepen our current capabilities.

FY19 Sector Focus

Region	Wastewater	Mining	Regulatory	Ports	Oil & Gas	Agriculture
Australia & New Zealand	Initial Sales	Expanding Sales	Emerging opportunities	Expanding Sales		
Europe	Expanding Sales		Emerging opportunities	Emerging opportunities	Future prospects	Future prospects
Middle East	Emerging opportunities		Initial Sales	Emerging opportunities	Future prospects	
North America	Expanding Sales	Emerging opportunities	Initial Sales	Future prospects	Emerging opportunities	Future prospects
Latin America	Expanding Sales	Initial Sales		Future prospects		Initial Sales
Asia	Future prospects	Future prospects		Future prospects	Future prospects	

Future prospects | Emerging opportunities | Initial Sales | Expanding Sales

Current focus areas in activities such as:

- real-time emission source identification
- city- and region-wide visualisation and analytic systems
- monitoring and prediction of corrosion in sewer systems
- emergency response management (real-time and predictive), including wildfire and industrial hazards
- machine learning to improve analytics and forecasting.

Partners

We are continuing to refine our partnership approach with respect to indirect distribution as we learn more about our target markets and as we refine our own sales approach. We are gaining experience with different types of partner groups and evaluating the results of each partner engagement. We are looking to engage with sector-based partners as well as complementary groups such as equipment providers and systems integrators with which we can combine our offerings and mutually benefit.

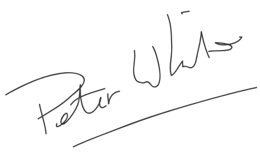
For the FY19 year we are planning to gain enough traction with our indirect channels to provide 15% of this coming year's ARR, moving to 30% in FY20, and providing the bulk of our new ARR within three to five years.

The Coming Year:

To complement our key goals of growing the business in the target sectors by region and achieving our ARR goals, we have set strategic goals by region as follows for the 2019 financial year:

- Double ARR from \$3 million to \$6 million
- Secure a partnership with a multi-national supplier to the Wastewater sector
- Become established in at least two more major UK water utilities
- Win two major clients in the Oil and Gas sector
- Extend our platform functionality in the US Regulatory sector
- Gain traction in the Latin American mining sector
- Secure further city-wide clients in the Middle East
- Expand our existing client base in Australia and New Zealand

We have begun the 2019 financial year with the momentum, foundation and focus that we believe will allow us to maintain our ARR trajectory in the years to come.



Peter White
CEO
22 August 2018

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 2018.

Directors

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

David Johnstone (Non-executive Chairman)
Robin Ormerod (Managing Director and Chief Scientist)
Adam Gallagher (Director and Company Secretary)
Peter White Peter White (Director and Chief Executive Officer, 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 development and sale of environmental management technology solutions.

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

Total trading revenues for the group for the financial year ending 30 June 2018 were $3,152,592 (2017: $149,790). A comparison with the previous year is not relevant to an understanding of the 2018 performance as the group's consulting business that represented the majority of revenues and expenses was divested on 26 June 2017, and all group revenues including the technology-related subscription revenues were treated as 'discontinued', due to the sale of the operating subsidiary that received those revenues being sold in the divestment transaction.

Net loss after tax from continuing operations was $5,754,656 (2017: $2,271,645). Significant expenditure items affecting operating results for the 2018 financial year include costs associated with the acquisition of the assets of Odotech Inc and funding for working capital of the Odotech related entities, advisor fees, redundancies and other one-off payments relating to both the Odotech transaction and the consulting divestment concluded 26 June 2017 that were realised in the 2018 financial year, recruitment costs associated with the engagement of the CEO, CFO and other senior management personnel, and the recruitment and office 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 $13,853,235 at 30 June 2017 to $8,585,852 as at 30 June 2018.

The group recorded a cash balance of $3,648,000 (June 2017: $11,471,000) as at 30 June 2018. However, due to current levels of cash utilisation, management intend to raise further capital in order to support the business during the current growth phase of the group, as the group expands into new geographical territories and new industry sectors and subsequently procures new subscriptions for the Envirosuite platform.

Given the group's budgeted revenue targets, planned expenditures and the current capital raising undertakings, the Directors are of the view that the group will continue to be able to pay its debts as and when they fall due. Based on this view, the Directors have prepared the financial report on a going concern basis. Refer to Events after reporting period in this Directors Report and note 1, for further information on the capital raising.

Should the group not be able to successfully raise capital or achieve budgeted numbers, the group may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial 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. Acquisition of the assets of Odotech Inc in December 2017
2. Number of employees growing from 30 at 30 June 2017 to 55 at 30 June 2018.
3. Appointment of Peter White as Chief Executive Officer and Director.
4. New office opened in Madrid, Spain and offices added in Montreal, Canada and Santiago, Chile through the Odotech acquisition.

Events after the reporting period

On 16 August 2018 the company appointed Bell Potter Securities Limited as Lead Manager and Baillieu Holst Limited as Co-Manager for a two-tranche share placement of up to 133,333,334 ordinary shares to raise up to $10,000,000 at $0.075 per share.

In accordance with ASX Listing Rule 7.1 the Company intends to issue 34,640,080 ordinary shares under its available placement capacity (tranche 1) on or around 28 August 2018. The balance of the placement, being 98,693,254 ordinary shares are intended to be issued immediately following the 2018 Annual General Meeting to be held on or around 28 September 2018, subject to shareholder approval being given for the relevant resolution at the meeting.

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 CEO's Report.

Environmental regulation

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

Information on Directors

David Johnstone
Chairman

Experience and expertise

David is an experienced executive and chairman who has been actively involved in business for more than 35 years, successfully starting, owning and operating a vast range of businesses. With experience gained nationally and internationally in tech start ups, selling, licensing, merging and acquiring businesses, having also arranged funding for management buy outs along with the successful placement/listing of companies on the London Stock Exchange and the Australian Stock Exchange. David is a keen investor, chairman and advisor to various technology companies in the communications, finance, insurance, risk management and sporting sectors, which are investing and advancing technology to the forefront of their respective industries.

Having also gained executive experience in international growth companies as CEO of Professional Investment Services Ltd (ASX:CAF) and Bartercard Ltd,(ASX:BPS) Mr. Johnstone brings immense knowledge and a commercial sensibility to any business or board.

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

1,844,118 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 and Chief Scientist

Experience and expertise

Robin 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 technology platform. 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.

Robin 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.

Robin, as Chief Scientist, guides the Research and Development activities of the Group to ensure that the Envirosuite platform both meets the needs of its clients, and maintains its leading position in the environmental management solutions industry.

Other current directorships of listed companies

None

Former directorships of listed companies in last 3 years

None

Special responsibilities

None

Interest in shares

51,296,550 shares comprising:

(i) 23,909,342 held by R. Ormerod (both legally and beneficially);

(ii) 27,387,208 held by Zeise Ormerod Superannuation Fund (registered holders: Robin Ormerod, K. Zeise) of which R. Ormerod is beneficially entitled to 13,693,604.

Interest in shares and options

Nil

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

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

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

352,941 ordinary shares held by an associated entity.

8,500,000 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.

Peter White –BA Mathematics.
Director and Chief Executive Officer

Experience and expertise

Peter formerly held the role of CEO from April 2012 to May 2016. In this time Peter consolidated the consulting group and increased its scale through organic growth and several successful acquisitions as well as leading the successful development and transition to a cloud-based SaaS offering of the Company's world-class Envirosuite platform.

Peter's interest is in using technology to benefit businesses and his specialty is in growing technology companies and teams, using his deep experience in technology sales and operational management. Over the past 30 years he has held executive and sales management positions in global technology companies including Hewlett Packard, Motorola, Siemens and Tandem Computers. He has extensive global experience gained through international business development roles in Asia, Europe and the USA.

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

Other current directorships of listed companies

None

Former directorships of listed companies in last 3 years

None

Special responsibilities

None

Interest in shares and options

2,091,340 ordinary shares held by an associated entity.

7,000,000 unlisted options held by an associated entity to subscribe for ordinary shares in Envirosuite Limited.

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 2018, 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
David Johnstone	13	13	2	2	2	2
Robin Ormerod	13	13	-	-	-	-
Adam Gallagher	13	13	2	2	2	2
Peter White	13	13	-	-	-	-

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

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

Shares under option

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

Grant date	Expiry date	Issue price of shares ($)	Number under option
12-Nov-12	12-Nov-18	0.03	5,000,000
17-Apr-12	09-Apr-20	0.055	2,000,000
05-Dec-14	12-Nov-19	0.07	2,000,000
01-Nov-13	31-Oct-18	0.08	1,000,000
17-Feb-15	14-Jul-20	0.09	600,000
17-Feb-15	01-Apr-20	0.09	1,000,000
01-Nov-13	31-Oct-18	0.10	1,000,000
17-Feb-15	31-Oct-18	0.10	1,000,000
31-Oct-13	03-Feb-21	0.11	1,250,000
09-Dec-15	31-Oct-18	0.12	1,500,000
01-Nov-13	09-Dec-19	0.12	3,000,000
01-Nov-13	31-Oct-18	0.15	1,500,000
16-Nov-15	31-Oct-18	0.16	2,000,000
09-Dec-15	10-Nov-20	0.16	333,333
01-Nov-13	09-Dec-19	0.18	3,000,000
31-Oct-18	31-Oct-18	0.20	2,000,000
		Total	**27,183,333**

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

No options have lapsed post balance date.

Indemnification and insurance of officers or auditor

During the financial year, Envirosuite Limited paid a premium of $43,422 (2017: $43,752) 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

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

Non audit services

No non-audit services were provided by PKF Hacketts 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 32.

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.

The report is structured as follows:

a. Key management personnel (KMP) covered in this report
b. Principles used to determine the nature and amount of remuneration and link to performance
c. Details of remuneration
d. Service agreements
e. Share based compensation
f. Shareholdings of management personnel
g. Loans to key management personnel
h. Other transactions with key management personnel

A. Key management personnel covered in this report

Non-executive and executive directors (see pages 9 to 10 for details about each director)
David Johnstone
Robin Ormerod
Adam Gallagher
Peter White (appointed 10 July 2017)

Other key management personnel

Name	**Position**
Clinton Lander (appointed 15 May 2018)	Chief Financial Officer

B. 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 who 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 options to subscribe for ordinary shares in the company.

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

Base pay

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

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 2018, 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.

The CEO (appointed 10 July 2017) works with the Remuneration Committee and the full board to develop appropriate terms for new and re-contracting employees.

(iv) Managing Director's remuneration

Mr Ormerod earns a base salary of $300,000.00 plus statutory superannuation entitlements. He is not entitled to any additional short-term or long-term incentives.

A notice period of three months applies on termination.

(v) Chief Executive Officer

Mr White earns a base salary of $279,951 plus statutory superannuation entitlements. In addition, during the initial 24 months from commencement of his employment on 10 July 2017, Mr White will receive 5% of the value of the first year of licence fee revenues from new Envirosuite sales, with clawback provisions should the licensee default.

A termination payment of 6 months applies in the event of change in control.

A notice period of three months applies on termination.

(vi) Company Secretary

The Company Secretary fee is 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 other 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.

(vii) Chief Financial Officer

Mr Lander was appointed Chief Financial Officer on 15 May 2018. He earns a base salary of $220,000 plus statutory superannuation entitlements.

Short Term Incentive (STI): For the 2019 and 2020 financial years, Mr Lander is eligible for a STI of $20,000 per annum based on the company's performance against Annual Recurring Revenue.

C. 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

There have been no changes in the officeholders since the end of the reporting period.

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

2018	Short-term employee benefits				Long term benefits	Share-based payments		
	Cash Salary and fees $	Cash bonus $	Other $	Super-annuation $	Long service Leave $	Shares $	Options $	Total $
Directors								
Peter White - CEO (appointed 10 July 2017)	274,568	41,729	-	20,015	-	-	-	336,312
David Johnstone	100,000	-	-	-	-	-	-	100,000
Managing director								
Robin Ormerod	300,000	-	-	20,049	-	-	-	320,049
Director and company secretary								
Adam Gallagher	160,000	-	-	-	-	-	-	160,000
Other key management personnel								
Clinton Lander – CFO (appointed 15 May 2018)	16,923	-		1,608	-	-	-	18,531
Total key management personnel compensation	**851,491**	**41,729**	**-**	**41,672**	**-**	**-**	**-**	**934,892**

2017	Short-term employee benefits				Long term benefits	Share-based payments		
	Cash Salary and fees $	Cash bonus $	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**

* Although Peter White was not employed by the Group during the year ended 30 June 2017, shares were issued to Peter during that year to finalise the company's contractual obligations to him.

No portion of remuneration for directors Mr Johnstone and Mr Gallagher was linked to performance during the financial year. Further breakdown of the components of Mr Ormerod's, Mr White's and Mr Lander's remuneration is detailed above in Section B (iv), (v) and (vii) respectively of the Remuneration Report.

D. 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	$300,482
Robin Ormerod - Managing Director	1 November 2016	$320,531
Clinton Lander - Chief Financial Officer	15 May 2016	$240,531

E. Share based compensation

(i) Options

No options were issued during the 2018 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 31 to the financial statements.

2018	Balance at start of the year	Granted as compensation	Exercised	Forfeited/ Other	Balance at end of the year	Vested and exercisable	Unvested
Directors of Envirosuite Limited							
Peter White (Appointed 10 July 2017)	7,050,000	-	-	50,000	7,000,000	7,000,000	-
David Johnstone	4,000,000	-	-	-	4,000,000	4,000,000	-
Robin Ormerod	2,000,000	-	-	(2,000,000) ^	-	-	-
Adam Gallagher	6,500,000	-	-	2,000,000 ^	8,500,000	8,500,000	-
Directors of Envirosuite Limited							
Clinton Lander (Appointed 15 May 2018)	-	-	-	-	-	-	-

^ - includes off market transfer during the year. On 29 September 2017, Adam Gallagher purchased Robin Ormerod's 2,000,000 unlisted options for $27,044, based on an external Black & Scholes valuation – refer Appendix 3B lodged 29/09/2017.

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	-

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 2018 financial year.

(ii) **Shares**

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

F. 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.

2018

	Balance at start of the year	Granted as compensation	Other changes during the year	Balance at end of the year
Directors of Envirosuite Limited				
Peter White (appointed 10 July 2017)	1,988,399	-	*102,941	2,091,340
David Johnstone	1,250,000	-	**594,118	1,844,118
Robin Ormerod	56,683,589	-	*5,387,039	51,296,550
Adam Gallagher	250,000	-	*102,941	352,941
Other key management personnel				
Clinton Lander (Appointed 15 May 2017)	-	-	-	-

*Changes arose during the year through off market transactions.

**Changes arose during the year from a combination of on-market and off-market transactions.

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.

G. Loans to key management personnel

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

H. Other transactions with key management personnel

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

Mr Adam Gallagher is a Director and the Company Secretary of the Company. His fees are paid to Famile Pty Ltd, a related party.

There were no transactions with key management personnel of Envirosuite Limited, other than those disclosed at Section C(iii) of this Director's report, during this reporting period.

			2018 $	**2017 $**
Amounts				
Related	**Related Party**	**Service Provided**		
ROKZair Pty Ltd	Robin Ormerod	Consultancy Services	-	133,332
Famile Pty Ltd	Adam Gallagher	Consultancy Services	-	16,000
MC Consultancy Pty Ltd	Murray d'Almeida	Consultancy Services	-	30,000
			-	413,748

END OF REMUNERATION REPORT

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

David Johnstone

Chairman

22 August 2018

Corporate Governance Statement

ENVIROSUITE Limited (“EVS” or “the Company”) Approach to Corporate Governance and Responsibility

The EVS board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to EVS, and to best addressing the directors’ accountability to security holders and other stakeholders. This is supported by a commitment to the highest standards of legislative compliance and financial and ethical behaviour.

The Company continues to address directors’ accountability to stakeholders in a manner consistent with the Company’s individual circumstances enhanced through the introduction of publicly available policies and procedures which are designed to foster a culture of transparency in the way EVS is directed and managed.

As a measure of its stated commitment to good corporate governance principles, the board will continue to:

- Review and continually improve its governance practices; and
- Monitor developments in good corporate governance.

Report on Compliance with the ASX Corporate Governance Principles and Recommendations 3rd Edition

The ASX Listing Rules require listed companies to issue a statement disclosing the extent to which they have followed the ASX Corporate Governance Principles and Recommendations 3rd Edition (“Recommendations”) which took effect for reporting periods commencing on 1 July 2014.

The Company has elected to publish its Statement of Corporate Governance Practices in its Annual Report and will lodge the Appendix 4G that sets out a Key to Disclosures - Corporate Governance Council Principles and Recommendations. This will be lodged on the same date as the Annual Report of the Company.

Listed companies must identify the recommendations that have not been followed and provide reasons for the Company’s decision. Where a recommendation has been followed for only part of the period the company must state the period during which it had been followed.

As detailed within this Statement of Corporate Governance Practices; EVS considers its governance practices comply with:

- each of the ASX Corporate Governance Principles (“Principles”); and
- the Recommendations, except for those detailed, and for the reasons outlined, in this Report.

For the reasons expressed within this statement, EVS has elected not to adopt Recommendations 2.2 and 2.4. Several Recommendations have not been fully adopted and the reasons for that and the extent to which EVS does comply with the Recommendations are also set out in this statement. EVS is a small company and accordingly the Directors consider that many of the corporate governance guidelines intended to apply to larger companies are not practical.

This statement outlines the:

- Principles and Recommendations identified by the ASX as underlying good corporate governance; and
- The corporate governance practices of EVS during the financial year, except where stated otherwise.

Principle 1: Lay solid foundations for management and oversight.

Companies should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.

Recommendation 1.1:

The Company should disclose:

- **the respective roles and responsibilities of the board and management; and**
- **those matters expressly reserved to the board and those delegated to management.**

Formalisation of board and management functions

The board has formalised its roles and responsibilities into a Charter. The board Charter clearly defines the matters that are reserved for the board and those that the board has delegated to management.

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- appointing, removing and managing the Chief Executive Officer;
- ratifying the appointment and where appropriate the removal of the Chief Financial Officer and/or Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

The board has delegated responsibility to the Chief Executive Officer for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the board and market fully informed about material risks;
- developing the Group's annual budget, recommending it to the board for approval and managing day to day operations within the budget;
- managing day to day operations in accordance with standards for social and ethical practices which have been set by the board; and
- approval of capital expenditure and business transactions within predetermined limits set by the board.

Recommendation 1.2:

- **The Company should undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director; and**
- **provide all material information in its possession relevant to enabling security holders to make an informed decision on whether or not to elect or re-elect a director.**

Director's appointment

EVS performs appropriate checks of any person to be appointed a director, either by the board or nominated by Security Holders.

A nominated person is required to disclose to the board any information sought regarding their overall character and ability to fulfil his or her responsibilities as a Director.

Where a candidate is standing for election or re-election as a Director, the Company will provide information regarding their qualifications, experience and skills they bring to the board together with details of any other material directorships currently held. If standing for the first time the Company will also advise if there were any material adverse information revealed by the checks the Company has performed about the candidate together with any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the Company and its security holders generally; and a statement to the effect that if the board considers that the candidate will, if elected, qualify as an independent director. Where a candidate seeks election or re-election the board will issue a statement as to whether it supports the election or re-election of the candidate.

Procedure for selection and appointment of new directors

The process for appointing a director with EVS is that, when a vacancy exists, the board identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next annual general meeting following their appointment.

The process for re-election of a director is in accordance with the Company's Constitution, which requires that each year, at least one-third of the directors (excluding a managing director) retire from office at the Annual General Meeting. The retiring directors may be eligible for re-election.

Recommendation 1.3:

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

Agreements with Directors and senior executives

EVS ensures that all Directors and senior executives enter into written agreements setting out the terms of their appointment to ensure that they have a clear understanding of their roles and responsibilities and of the Company's expectations of them. Material terms of contracts with the Group are included in the remuneration report which is published in the Annual Report.

Recommendation 1.4:

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Company Secretary

The Company Secretary is accountable directly to the Board. The Company Secretary advises the board on all governance matters, ensures board policies and procedures are followed, despatches timely board papers, accurately records the minutes of meetings and assists in the induction and professional development of directors. The appointment or removal of the Company Secretary is a matter for the board.

Recommendation 1.5:

The Company should:

- **have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the Company's diversity policy and its progress towards achieving them;**
- **disclose that policy or a summary of it; and**
- **disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or the relevant committee of the board in accordance with the Company's diversity policy and its progress towards achieving them and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.**

Diversity

The board recognises the benefits of achieving an appropriate mix of diversity on its board and throughout the Company as a means of enhancing the Company's performance and organisational capabilities. The board is committed to ensuring adherence to diversity and has adopted by a formal diversity policy that is set out and published in Section 5 of the Group's Corporate Governance Structure. The board and management has adopted a broad view of what constitutes meaningful diversity and is proud to employ a team of people with a diverse mix of skills, experiences, perspectives, cultures, gender and age.

Measurement of diversity objectives

EVS aims to achieve an appropriate mix of diversity on its board, in senior management and throughout the organisation. The EVS board has determined that no specific measurable objectives will be established until the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.

Women employees

EVS has four directors including the CEO, all of which are male. The Chief Financial Officer is also male. EVS has six female employees as at the date of this report.

Recommendation 1.6:

The Company should:

- **have and disclose the process for periodically evaluating the performance of the board, its committees and individual directors; and**
- **disclose, in respect of each reporting period whether a performance evaluation was undertaken.**

Board Performance Evaluation

The board has adopted an ongoing, self-evaluation process to measure its own performance, that of individual directors and the performance of its committee functions during the reporting period.

The Chairman meets periodically with the individual directors to discuss the performance of the board and each director. The Chairman's performance is also evaluated by the directors. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the board endorsing their candidature.

The review process involves consideration of all of the board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

A performance evaluation for the board, its committee functions and directors including the Chairman takes place during each annual reporting period in accordance with the process detailed within this statement.

The outcomes of the self-assessment program are used to enhance the effectiveness of individual directors and the board collectively.

Recommendation 1.7:

A listed entity should:

- **have and disclose a process for periodically evaluating the performance of its senior executives; and**
- **disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Company has a formal process for evaluating the performance of all staff including the senior executives. The Chief Executive Officer conducts formal periodical performance evaluations for his direct reports that include the Chief Financial Officer, Product Manager, Channel Sales Manager and the General Managers for Europe and the Americas. The performance of each of the CEO's direct reports are considered against their contracted KPIs and the extent to which they have achieved the budgets for which they are directly responsible.

The Board conducts an annual performance review of the Chief Executive Officer. The review considers the performance of the CEO against their KPIs that includes assessing the performance of the business against company budgets and strategic objectives as well as other measures designed to protect and grow shareholder value.

These reviews were conducted during the reporting period.

Principle 2: Structure the board to add value.

Companies should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1:

The board should have a nomination committee and structure that committee so that it:

- **has at least three (3) members and consists of a majority of independent directors; and**
- **is chaired by an independent chair, who is not chair of the board;**

and disclose:

- **the nomination committee charter;**
- **the members of the committee;**
- **at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

Alternatively, if there is no nomination committee disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to effectively discharge its duties and responsibilities effectively.

Establishment of nomination committee

EVS has a formal Remuneration and Nomination committee which is a sub-committee of the board however for practical considerations associated with the small size and scale of the Company, and the make-up of the board, the Company has elected not to adopt each of the sub-recommendations set out in Recommendation 2.1.

The Committee consists of only two directors and the Chair of the Committee is also the Chair of the board. The Company believes that the Committee members are the best qualified members of the Board to effectively perform the functions of the Committee in accordance with the Charter which is published on the Company's website. The number of meetings held in each financial year and the attendance at those meetings is disclosed in the Company's Annual Report.

Recommendation 2.2:

The board should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve.

Skills matrix

EVS has identified the skills and competency of each board member.

EVS has elected not to adopt Recommendation 2.2 as it considers that its current practices of identifying skills and competency are an efficient means of meeting the needs of the Company, particularly having regard to the fact that EVS 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.

Recommendation 2.3:

The Company should disclose:

- **the names of the directors considered by the board to be independent directors.**
- **If a director has an interest, position, association or relationship which may influence or cast doubts about his or her independence, but the board is of the opinion that it does not compromise the independence of the direct, the Company should disclose the nature of the interest, position, association or relationship in question and the explanation of why the board is of that opinion; and**
- **the length of service of each director.**

Independence

An EVS director will be considered independent where he or she is:

- independent of management, that is a non-executive director; and
- free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is assessed on a case-by-case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The EVS board has made its own assessment to determine the independence of each director on the board. It is the board's view that during the year that only the Chairman, Mr David Johnstone can be considered both non-executive and independent. Mr Adam Gallagher by virtue of his role as Company Secretary cannot be considered non-executive and therefore not independent, and similarly Mr Peter White and Mr Robin Ormerod cannot be considered non-executive nor independent, on account of their executive employment contracts, as well as Mr Ormerod being a major shareholder.

In view of the size of the Company and the nature of its activities, the board considers that the current mix of skills, experience, qualifications and experience on the board is consistent with the short to medium term interests of the Company. The board will continue to evaluate the appropriate make-up of the board and monitor the requirements for independent directors in the context of the Company's communicated objectives.

The disclosure recommendations in Recommendation 2.3 are disclosed in the Director's Report as part of each Annual Report.

Recommendation 2.4:

The majority of the board should be independent directors.

Composition of the board

The EVS board currently comprises three (3) executive directors and one (1) non-executive director. The one non-executive director is also considered to be independent. The executive directors are not considered to be independent due to their contractual relationships with the Company and the substantial shareholding in the Company of the Managing Director, Mr Robin Ormerod.

The desirable composition of the board is based on the following factors:

- the Company's constitution provides for the number of directors to be not less than three (3) and not more than ten (10) as determined by directors from time to time;
- the board is cognisant that the position of Chairman should where possible be held by a non-executive director.
- Consistent with the Company's objective that the board should encompass a broad range of relevant expertise, the present board consists of directors with a collective of diverse skills, qualifications and experience and further details are provided in the Director's Report.

- The board considers that the individual Directors draw on their professional expertise, experience and skill-sets to make measured, considered and balanced decisions in the best interests of the Company.

There is no shareholding requirement imposed upon directors under the Company's Constitution; however, all of the directors of EVS hold shares or options either directly or indirectly in the Company.

Details of all holdings by directors in the Company are included within the Directors Report contained within the EVS Annual Report.

Recommendation 2.5:

The chair should be an independent director.

Chairman

The Chairman is selected by the board.

The current Chairman, Mr David Johnstone, was appointed as a non-executive director in February 2014 and elected Chairman in September 2016.

The appointment of Mr David Johnstone as Chairman resulted in an independent non-executive director acting as Chair from 2 September 2016.

The board will continue to assess the requirements of this recommendation in the context of the Company's individual circumstances and its communicated long-term objectives.

Separation of roles of Chair and CEO

For the year ended 30 June 2018, the roles of Chairman and CEO were held by different people. Mr David Johnstone served as Chairman for the entire reporting period and Mr Peter White was appointed CEO and director on 10 July 2017, prior to which Mr Robin Ormerod, Managing Director, fulfilled the CEO duties.

Recommendation 2.6:

An entity should have a program for the induction of new directors and provide appropriate professional development opportunities to all board members in order to develop and maintain the skills and knowledge needed to effectively perform their duties as a director.

Induction program

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in board decision making at the earliest opportunity.

All directors are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the board. This program consists of written background material on the Company, its products, services and operations, scheduled meetings with the Chairman and CEO of the Company.

Director education

The board encourages directors to continue their education by participating in applicable workshops and seminars and attending site visits and undertaking relevant external education.

The Company Secretary provides directors with on-going information on matters such as corporate governance, the Company's constitution and the law.

Board briefings and agendas

Board agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the board is addressed.

Prior to each meeting, Directors receive financial, operational and strategy reports from senior management who are available to discuss reports with the board.

Access to information

All directors have access to company records and information, and receive regular detailed financial and operational reports from senior management.

The Company Secretary is available to all Directors and may be consulted on on-going issues of corporate governance, the Company constitution and the law. In addition, the Chairman and other Directors consult with each other and the Chief Financial Officer, and may confer and request additional information from any EVS employee or consultant. Management are available to discuss reports, and any issue arising, with the board as required.

Term of office, skills, experience and expertise of each director

The qualifications, experience and expertise of the directors, and the respective terms of office held by individual directors, are set out in the Directors Report contained within the Annual Report.

Independent professional advice

EVS has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of EVS, to assist them to carry out their duties as directors. The policy of EVS provides that any such advice is made available to all directors.

Principle 3: Promote ethical and responsible decision-making

The entity should act ethically and responsibly.

Recommendation 3.1:

The Company should:

- **Establish a code of conduct for its directors, senior executives and employee; and**
- **disclose that code or a summary of it.**

Code of conduct

EVS is committed to the operation of its business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of the Company and the industry in which it operates.

The board has approved a *Code of Conduct* that applies to all directors, executives, management and employees without exception.

The Code of Conduct is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all EVS directors, executives, management and employees in the context of their respective roles and the performance of their duties with EVS.
- directors, executives, management and employees are aware of their responsibilities to EVS under the terms of their appointment or contract of employment; and
- all of the stakeholders of the Company can be guided by the stated values and policies of EVS.

In summary, the Code provides that all directors and senior executives must:

- act honestly, in good faith and in the best interests of the company;
- use due care, skill and diligence in fulfilling their duties;
- use the power of their position for a proper purpose, in the interest of the company;
- not make improper use of information acquired by virtue of their position;
- not allow personal interest, or those of associates, to conflict with the interest of the company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the company.

Principle 4: Safeguard integrity of financial reporting.

Entities should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1:

The board should have an audit committee and structure that committee so that it:

- **has at least three (3) members and consists of a majority of independent directors; and**
- **is chaired by an independent chair, who is not chair of the board;**

and disclose:

- **the audit committee charter;**
- **the members of the committee and their experience and qualifications;**
- **at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

Alternatively, if there is no audit committee disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Establishment of audit committee

EVS has a formal Audit and Risk Management committee which is a sub-committee of the board however for practical considerations associated with the small size and scale of the Company, and the make-up of the board, the Company has elected not to adopt each of the sub-recommendations set out in Recommendation 4.1.

The Committee consists of only two directors and the Chair of the Committee is not the Chair of the board. The Company believes that the Committee members are the best qualified members of the Board to effectively perform the functions of the Committee in accordance with the Charter which is published on the Company's website. The board considers that the technical skills, qualifications and experience represented by the involvement of members Mr David Johnstone and Mr Adam Gallagher are most suited to the effective discharge of these responsibilities.

The number of meetings held in each financial year and the attendance at those meetings is disclosed in the Annual Report.

The board will continue to monitor the requirements of this recommendation in the context of the Company's prevailing position and circumstances.

Audit committee – terms of reference

Notwithstanding, the EVS Audit and Risk Management Committee role and responsibilities, composition, structure and membership requirements are detailed in a formalised Audit and Risk Management charter that is available on the Company's website.

Reflecting the relative small size of the Company the Audit and Risk Management Committee is responsible for:

- reviewing the annual and half year financial reporting carried out by EVS;
- reviewing the accounting policies of EVS;
- reviewing the scope and audit programmes of the external auditors and any material issues arising from these audits;
- oversee the independence of external auditors and determining procedures for the rotation of audit partners; and
- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to EVS; and
- the effectiveness of the group's risk management systems and strategies.

Meetings

The members of the Audit and Risk Management committee meet informally on a monthly basis to review and manage risks and reporting and report on those matters at each monthly board meeting. Formal meetings of the committee are held prior to the release of the Half Year and Annual Reports and as required to fulfil its obligations.

Reporting

The committee members converse as and when required on matters relevant to the audit function.

Engagement and rotation of external auditor

The board is responsible for nominating the external auditor. If the board recommends a change in external auditor, the board's nomination of external auditors requires Security holder approval. The board approves the compensation of the external auditor.

The board meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on scope, quality and independence of the audit.

It has been determined by the board that the external auditor will not provide services to the Company where the auditor would:

- have a mutual or conflicting interest with the Company;
- be in a position where they audit their own work;
- function as management of the Company; or
- have their independence impaired or perceived to be impaired in any way.

Specifically, the external auditor will not normally provide the following types of services to the Company:

- bookkeeping or other services relating to the accounting records of the Group;
- financial information or information technology systems design or implementation;
- appraisal and valuation services, fairness opinions or contributions in kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource services, including recruitment of senior management;
- broker or dealer services, investment advisor, corporate finance or investment banking services; and
- legal and litigation support services.

Procedures are in place governing approval of any non-audit work before the commencement of any engagement.

The board has elected to adopt a policy which is consistent with the primary and secondary rotation obligations regarding auditors such that:

- the lead or review audit partner's responsibilities may not be performed by the same person for longer than five (5) consecutive years ("primary rotation obligation"); and
- the lead or review audit partner's responsibilities may not be performed by the same person for more than five (5) out of seven (7) consecutive years ("secondary rotation obligation").

In addition, the board requires a minimum of two (2) consecutive years "cooling off" period before an auditor undergoing rotation can return to playing a significant role in the audit of the Company.

Mr Shaun Lindemann of PKF Hacketts Pty Ltd was the lead audit partner for EVS for the year ended 30 June 2018.

The lead signing and review External Audit Partner attends that part of board meetings pertaining to audit matters by standing invitation.

Number of meetings and names of attendees

The details of the formal Audit and Risk Management committee meetings held during each financial year including the number of meetings and the names of the attendees are disclosed in the Annual Report.

Recommendation 4.2:

The board should, before it approves the entity's financial statements, receive from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) a declaration that the financial records of the entity have been properly maintained and such declaration be provided in accordance with Section 295A of the Corporations Act and the declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

CEO and CFO assurance

The Chief Executive Officer and the Chief Financial Officer of EVS report in writing to the board that:

- consolidated financial statements of EVS and its controlled entities for each half year and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards; and
- declarations provided in accordance with Section 295A of the Corporations Act are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The board has received assurance from the Chief Executive Officer and the Chief Financial Officer under Recommendation 4.2 in respect of each financial year. This assurance is provided in accordance with the process outlined in this Statement.

Recommendation 4.3:

The Company should ensure that its external auditor attends its AGM and is available to answer questions from security holders pertaining to the audit.

External auditor attendance at AGM

EVS seeks to ensure that the lead audit partner or his representative attends the AGM in order to be available to answer questions from security holders pertaining to the audit.

Principle 5: Make timely and balanced disclosure

Entities should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.

The EVS board is committed to keeping its security holders, and the market, fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price, or value of EVS securities and to ensure those matters are notified to the ASX in accordance with ASX disclosure requirements.

The Chief Executive Officer and the board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for lodging all communications with the ASX.

Principle 6: Respect the rights of security holders

The entity should respect the rights of security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1:

The Company should provide information about itself and its governance to investors via its website.

Security holder communication policy

EVS recognises the rights of security holders to be informed of matters, in addition to those prescribed by law, which affect their investments in the Company.

EVS is committed to:

- dealing fairly, transparently and openly with both current and prospective security holders;
- the use of available channels and cost effective technologies to reach security holders who may be geographically dispersed and in order to communicate with all security holders; and
- facilitating participation in Security holder meetings and dealing promptly with Security holder enquiries.

EVS communicates information to security holders through:

- the annual report;
- disclosures to the ASX and ASIC;
- notices and explanatory memorandum of annual general meetings and general meetings;
- occasional letters from the Chief Executive Officer to inform security holders of key matters of interest;
- the Company's website; and
- opt-in email notifications of ASX announcements and other news items relevant to their interest in the Company.

Recommendation 6.2:

The Company should design and implement an investor relations program to facilitate effective two-way communication with investors.

Investor relations program

EVS employs a communications manager whose role is to manage effective internal and external communications for clients, shareholders, staff, industry and other stakeholders. In addition the group retains the services of an external Investor Relations advisor and implements strategies and communication activities with the aim of encouraging and facilitating investor interest and engagement with the Company.

The Directors and Chief Executive Officer meet regularly with and make themselves available to investors for the purpose of providing effective two-way communication.

Recommendation 6.3:

The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meeting of security holders.

The board encourages active participation by security holders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of EVS's strategy, performance and goals.

Consistent with best practice, important issues are presented to security holders as single resolutions expressed in plain, unambiguous language. Proceedings are held in a locality, and at a readily accessible venue, conducive to maximising the number of security holders present, and able to participate, at the meeting. In addition to the formal aspects of the meeting, the CEO may present an overview of the Company in a separate presentation or provide a demonstration of the Company's software products. Security holders are provided with opportunities of asking the board questions that they may have including those regarding the management of the Company.

Recommendation 6.4:

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Electronic communications from shareholders for the submission of queries, comments and voting including proxy forms, are encouraged by both the Company and its security registry provider Boardroom Limited. On the each ASX announcement the Company displays a dedicated email address for investors to contact. Documents including holding statements, Annual Reports and proxy forms are mainly conveyed by email unless otherwise requested by the shareholder.

Principle 7: Recognise and manage risk.

Companies should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1:

The board should have a risk committee and structure that committee so that it:

- **has at least three (3) members and consists of a majority of independent directors; and**
- **is chaired by an independent chair, who is not chair of the board;**

and disclose:

- **the risk committee charter;**
- **the members of the committee;**
- **at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

Alternatively, if there is no risk committee or the committee does not satisfy the recommend structure, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Risk committee

EVS has elected to combine and delegate the functions of primary Audit and Risk oversight to the Audit and Risk Management

Committee that are set out and governed by the Audit and Risk Management Charter that is available on the Company's website.

Given the make-up of the board in regard to the mix of executive and non-executive members and their respective skill-sets, the audit committee is made up of only two directors and the Chair of the committee is not the Chairman of the board however that Chair is not regarded as an independent director. The names of the Committee members as well as the details of the Committee meetings are disclosed in the Company's Annual Report.

Although EVS has not fully adopted Recommendation 7.1, it considers that its existing practices, detailed within this Statement and the Audit and Risk Management charter, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that EVS 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.

The board will however, continue to monitor the requirements of this recommendation in the context of the Company's prevailing position and circumstances.

Recommendation 7.2:

The board should:

- **review the risk management framework at least annually to satisfy itself that it continues to be sound; and**
- **disclose, in relation to each reporting period, whether a review has taken place.**

Oversight and management of material business risks

The board of EVS:

- recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of EVS;
- is responsible for the oversight of the Group's risk management and control framework including the development of risk profiles as part of the overall business and strategic planning process including budgeting, decision making (e.g. investment appraisal), monitoring and reporting, project management and internal controls; and
- has implemented a policy framework designed to ensure that the Group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an ongoing basis, and that adequate controls are in place and functioning effectively.

The EVS risk management and control policy framework incorporates the maintenance of appropriate policies, procedures and guidelines which address the Company's unique operating environment and is utilised by the board as a means of identifying opportunities and avoiding or mitigating losses in the context of its business.

During the reporting period, due to the change in scale and nature of the Company operations from the previous reporting periods, the Company developed a new Risk Register in collaboration with an external Risk management specialist to facilitate the process. The resulting Risk Register was subsequently approved and adopted by the board and a process reinstated whereby the management risk oversight and reporting processes feed into the Audit and Risk Management committee and the board.

The Chief Executive Officer has ultimate responsibility for the control and management of operational risk and the implementation of avoidance or mitigation measures within the Group and may delegate control of these risks to the appropriate level of management at each location.

The Chief Executive Officer's approach to management of risk as part of key business processes includes consideration, identifying, managing and monitoring uncertainties and vulnerabilities that might impact on the achievement of our corporate goals and reputation.

Recommendation 7.3:

The Company should disclose:

- **if it has an internal audit function, how that function is structured and what role it performs; or**
- **if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

Internal audit function and review of risk management framework

EVS 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. As such it is not practical to have an internal audit function.

Through the Risk register, the risk management processes undertaken by management and the Audit and Risk Management committee, the board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Management reports to the board on the effectiveness of the Company's management of its material business risks in respect of each financial year. This report was undertaken in accordance with the process outlined in this Statement.

Recommendation 7.4:

The company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

EVS is cognisant that the business community should address matters of economic, environmental and social sustainability and the need to be transparent on these matters to enable investors to properly assess investment risk.

EVS 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 and operations the Company considers that it does not have specific material exposures to economic, environmental or social sustainability risks.

Principle 8: Remunerate fairly and responsibly.

An entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders

Recommendation 8.1:

The board should establish a remuneration committee.

The remuneration committee should be structured so that it:

- **has at least three (3) members and consists of a majority of independent directors; and**
- **is chaired by an independent chair, who is not chair of the board;**

and disclose:

- **the remuneration committee charter;**
- **the members of the committee;**
- **at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings;**

Alternatively, if there is no remuneration committee or the committee does not satisfy the recommend structure, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Establishment of remuneration committee

EVS has a formal Remuneration and Nomination committee which is a sub-committee of the board however for practical considerations associated with the small size and scale of the Company, and the make-up of the board, the Company has elected not to adopt each of the sub-recommendations set out in Recommendation 2.1.

The committee consists of only two directors and the Chair of the committee is also the Chair of the board. The Company believes that the committee members are the best qualified members of the Board to effectively perform the functions of the committee in accordance with the Charter which is published on the Company's website. The number of meetings held in each financial year and the attendance at those meetings is disclosed in the Company's Annual Report.

The details of the responsibilities and functions of the committee is set out in the charter and in summary the committee is responsible for giving due consideration to the overall remuneration policies and strategies and strategies of the Company during the conduct of its regular committee meetings and by appropriate recourse to relevant market data and, where applicable, to external executive remuneration consultants.

Recommendation 8.2:

An entity should separately disclose its policies and practices regarding the remuneration of non-executive directors' and the remuneration of executive directors and other senior executives.

Executive director and non-executive director remuneration

TThe aggregate remuneration of non-executive directors is approved by security holders.

Individual directors' remuneration is determined by the board, within the approved aggregate total. In determining the appropriate level of director's fees, data from surveys undertaken of other public companies similar in size or market section to EVS is taken into account.

Non-executive directors of EVS are:

- not entitled to participate in performance based remuneration practices unless approved by security holders.
- currently remunerated by means of the payment of cash benefits in the form of directors' fees or alternatively by issue of securities in lieu of cash benefits provided it is approved by security holders.

EVS does not currently have in place a retirement benefit scheme or allowance for its non-executive directors, except for the payment of superannuation, where applicable, currently equal to nine and one half per cent (9.5%) as required by law.

A review of the compensation arrangements for the Chief Executive Officer and Senior Executives is conducted by the Remuneration and Nomination committee at formal and informal committee meetings. A formal review is performed at least annually and is based upon criteria including individual performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of EVS is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard to enable the organisation to succeed.

The board ensures that any payments of equity based executive remuneration is made in accordance with the broad remuneration policy objectives of the Company.

EVS is committed to making timely disclosure of all relevant information relating to its remuneration practices and policies.

Policy disclosure

The Company's policies relating to the remuneration of Directors and Senior Executives and the level of their remuneration are detailed annually in the Directors' Report contained within the Annual Report and Notes to and forming part of the Financial Statements.

Recommendation 8.3:

An entity which has an equity-based remuneration scheme should:

- **have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**
- **disclose that policy or a summary of it.**

Remuneration scheme

As at the reporting date the Company has not implemented a formal equity-based remuneration scheme. A small select number of key executives have equity-based incentives set out in their individual contracts that involve potential equity payments at the Company's discretion in lieu of cash for performances bonuses and the issue of performance rights. The aggregate amounts of these incentives are not material and there are no restrictions placed on the ordinary shares that may be issued under these arrangements.

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

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

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

PKF Hacketts

PKF HACKETTS AUDIT

Shaun Lindemann
Partner

Brisbane, 22 August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Consolidated Group	
Continuing Operations	**Notes**	**2018 $'000**	**2017 $'000**
Trading Revenue		3,152	150
Other Revenue		681	11
Total operating revenue	4	3,833	161
Cost of revenue	6	(1,607)	(85)
Gross profit		2,226	76
Operating expenses			
Sales and marketing		(3,643)	(679)
General and administration		(3,944)	(1,803)
Depreciation and amortisation		(383)	(11)
Due diligence and acquisition costs - Odotech		(178)	-
Total operating expenses	6	(8,148)	(2,493)
Foreign Currency (Losses) / Gains		12	(2)
Operating deficit		(5,910)	(2,420)
Net finance income	5	132	6
Net loss before tax		(5,778)	(2,414)
Income tax (expense) / benefit	7	24	142
Loss for the year from continuing operations		(5,754)	(2,272)
Discontinued Operations			
Profit / (Loss) from discontinued operations	8	586	(2,064)
Net loss for the year		(5,168)	(4,336)
Other comprehensive income *Items that may be reclassified to profit or loss*			
Exchange differences on translation of foreign operations		(61)	-
Other comprehensive income for the year, net of tax		(61)	-
Total comprehensive income/(loss) for the year		(5,229)	(4,336)
Net (loss)/profit attributed to: **Equity holders of Envirosuite Limited**		(5,229)	(4,336)
Total comprehensive (loss)/income attributable to: **Equity holders of Envirosuite Limited**		(5,229)	(4,336)

(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	30	(2.24)	(2.01)
Basic (loss) / earnings per share from continuing	30	(2.49)	(1.05)
Basic (loss) / earnings per share from discontinued operations	30	0.25	(0.89)
Diluted (loss) / earnings per share from continuing and discontinued operations	30	(2.21)	(2.01)
Diluted (loss) / earnings per share from continuing operations	30	(2.46)	(1.05)
Diluted (loss) / earnings per share from discontinued operations	30	0.25	(0.89)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2018

	Notes	Consolidated Group 2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	9	3,648	11,471
Trade and other receivables	10	1,386	866
Other assets	11	166	146
Inventories	12	109	-
Total current assets		**5,309**	**12,483**
Non Current Assets			
Property, plant and equipment	13	290	13
Deferred tax asset	18	414	246
Intangible assets	14	5,107	3,782
Total non-current assets		**5,811**	**4,041**
Total Assets		**11,120**	**16,524**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	902	2,212
Revenue in advance		851	191
Provisions	17	508	237
Borrowings	16	74	-
Total current liabilities		**2,335**	**2,640**
Non-current Liabilities			
Provisions	17	45	31
Borrowings	16	154	-
Total non-current liabilities		**199**	**31**
Total liabilities		**2,534**	**2,671**
Net assets		**8,586**	**13,853**
EQUITY			
Issued capital	19	26,282	26,282
Reserves	20	251	700
Retained losses	20	(17,947)	(13,129)
Total equity attributable to equity holders of Envirosuite Limited		**8,586**	**13,853**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Consolidated Group

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2016	**22,828**	**772**	**(8,793)**	**14,807**
Comprehensive income				
Loss for the period	-	-	(4,334)	(4,334)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(4,334)**	**(4,334)**
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued on partial conversion of convertible loan	450	-	-	450
Issue of shares (Institutional Placement)	3,000	-	-	3,000
Transaction costs of capital raising (inc. tax effect)	(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	**26,282**	**700**	**(13,127)**	**13,854**

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2017	**26,282**	**700**	**(13,127)**	**13,854**
Comprehensive income				
Loss for the period	-	-	**(5,168)**	**(5,168)**
Other comprehensive income for the period	-	(61)	-	(61)
Total comprehensive loss for the period	-	(61)	**(5,168)**	**(5,230)**
Transactions with owners, in their capacity as owners, and other transfers				
Shares options expired	-	(388)	348	(39)
Total transactions with owners and other transfers	**-**	**(388)**	**348**	**(39)**
At 30 June 2018	**26,282**	**251**	**(17,947)**	**8,586**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Consolidated Group	
	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		3,060	17,865
Payments to suppliers and employees		(10,568)	(21,217)
		(7,508)	(3,352)
Other revenue		1,425	1,570
Interest received		129	11
Interest paid		(7)	(151)
Net cash (used in) operating activities	**29**	**(5,961)**	**(1,922)**
Cash flows from investing activities			
Payments for property, plant and equipment		(257)	(213)
Payments for acquisition of business	27	(430)	(992)
Payments for intangible assets		(1,488)	(1,615)
Proceeds from sale of property, plant and equipment		-	18
Proceeds from sale of business		375	15,000
Payments for sale of business		(105)	(222)
Net cash (used in)/provided by investing activities		**(1,905)**	**11,976**
Cash flows from financing activities			
Proceeds from borrowings		144	-
Repayment of borrowings		(112)	(2,690)
Proceeds from issue of shares		-	3,000
Share issue transaction costs		-	(210)
Net cash provided by financing activities		**32**	**100**
Net (decrease)/increase in cash and cash equivalents		(7,835)	10,154
Decrease in cash from sale of business		-	(21)
Effects of exchange rate changes on cash and cash equivalents		12	-
Cash and cash equivalents at the beginning of the financial year		11,471	1,338
Cash and cash equivalents at the end of the period	**9**	**3,648**	**11,471**

The accompanying notes form part of these financial statements.

Contents

Notes to Financial Statements

For the Financial Year Ended 30 June 2018

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

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

The financial statements were authorised for issue on 22 August 2018 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 28 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Principles of consolidation (continued)

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.

Refer to note 27 for business combinations.

Goodwill

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Chief Executive Officer 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 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(c) Revenue recognition and revenue received in advance

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:

Trading income
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.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Revenue received in advance is recognised when the company has received a greater amount of revenue from the customer than it is entitled to recognise, in accordance with revenue recognition policies of the company.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 16). 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 25). 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments and other financial assets

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.

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.

Subsequent measurement

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Plant and equipment (continued)

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
- Leasehold improvements 3 - 5 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

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 for each completed project module. Amortisation commences on each module only when complete.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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) 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.

(q) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Foreign Currency Transactions and Balances (continued)

Group companies

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

- assets and liabilities are translated at 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.

(r) Employee benefits

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.

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.

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 31.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Termination benefits

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

(s) Contributed equity

Ordinary shares are classified as equity.

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

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

(t) Dividends

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

(v) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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.

(x) 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.

The group has also performed a valuation of intangible software assets to assist management with its assessment of impairment. Refer to note 14 for the details of these 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.

Key Judgements

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 31 for details of these assumptions.

Recovery of deferred tax assets

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

Provision for impairment of receivables

A provision for impairment of receivables of $40,612 was considered necessary as at the end of the 2018 reporting period (2017:nil). Refer to note 10.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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

Nature of change

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

Impact

The group does not expect any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

The group has determined that it will not be affected by the new rules.

Mandatory application date / date of adoption by group

Must be applied for financial years commencing on or after 1 January 2018.

AASB 15 Revenue from contracts with Customers

Nature of change

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer; so the notion of control replaces the existing notion of risks and rewards.

Impact

Management has reviewed the impact of this standard on the revenue flows within the group and notes that the new standard does not have any material impact on the group's financial statements.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2018), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Mandatory application date / date of adoption by group

Mandatory for financial years commencing on or after 1 January 2018.

Expected date of adoption by the group: 1 July 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) New accounting standards for application in future periods (continued)

AASB 16 Leases

Nature of change

The AASB has issued a new standard for the recognition of leases. This will replace AASB 117: Leases.

The new standard introduces a single lessee accounting model that no longer requires leases to be classified as operating or financing. Other major changes include, the recognition of a right-to-use asset and liability, depreciation of right-to-use assets in line with AASB 116: Property Plant and Equipment, variable lease payments that depend on an index or rate are included in the initial measurement of lease liability, option for lessee to not separate non-lease components and account for all components as a lease, and additional disclosure requirements.

Impact

The group has significant operating lease commitments as disclosed in Note 25, which are likely to be affected by the new standard. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

The transitional provisions of the standard allow a lessee to either retrospectively apply the standard to comparatives or recognize the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Mandatory application date / date of adoption by group

Must be applied for financial years commencing on or after 1 January 2019.

Expected date of adoption by the group: 1 July 2019.

(z) Parent entity financial information

The financial information for the parent entity, Envirosuite Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

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

Tax consolidation legislation

Envirosuite Limited and its wholly-owned Australian controlled entities 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Funding and liquidity

The group recorded a cash balance of $3,648,000 (June 2017: $11,471,000) as at 30 June 2018. However, due to current levels of cash utilisation, management intend to raise further capital in order to support the business during this current growth phase of its lifecycle. The need to raise further capital is due to the current growth phase of the group, as the group expands into new geographical territories and new industry sectors and subsequently realises new contracts for revenue.

Given the group's budgeted profit targets, as well as the current capital raising undertakings, the Directors are of the view that despite the cash balance and cash utilisation, the group will continue to be able to pay its debts as and when they fall due.

It is on the basis of the group's ability to achieve budgeted profit targets and ability to successfully raise capital, that the Directors have prepared the financial report on a going concern basis. Refer to Events after reporting period in the Directors Report and Note 33 Subsequent Events for further information on the capital raising.

Should the group not be able to successfully raise capital or achieve budgeted profits, the group may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 leases.

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

		Consolidated Group	
		2018	2017
	Note	$'000	$'000
Financial assets			
Cash and cash equivalents	9	3,648	11,471
Trade and other receivables	10	1,386	866
Total financial assets		**5,034**	**12,337**
Financial liabilities			
Trade and other payables	15	902	2,212
Borrowings (current and non-current)	16	228	-
Total financial liabilities		**1,130**	**2,212**

Financial risk management policies

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for managing financial risk exposures of the Group. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

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 risk and ageing analysis for credit risk and liquidity risk.

2. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Foreign exchange risk

As the Group expands internationally, there is an increasing exposure to foreign exchange risk through customer contracts denominated in foreign currencies. This exposure is managed through periodic review of customer price lists, relative to the Group base product price list denominated in Australian dollars and are adjusted accordingly to account for any material movements in foreign currency exchange rates.

Price risk

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

Cash flow and fair value interest rate risk

The Group has limited exposure to interest rate risk. With limited borrowings, the only remaining interest rate risk at reporting date arises from bank deposits as follows:

	2018		2017	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Cash and cash equivalents	1.3%	3,648	2%	11,471
Net exposure to cash flow interest rate risk		**3,648**		**11,471**

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 2018, 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 or loss for the year would have been $72,953 higher / $72,953 lower (2017: changes of -2% / +2%: $86,719 higher / $86,719 lower), mainly as a result of higher / lower interest income from cash and cash equivalents.

2. FINANCIAL RISK MANAGEMENT (continued)

Summarised sensitivity analysis

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

At 30 June 2018	Carrying amount $'000	Interest rate risk -2% Profit $'000	Other Equity $'000	+2% Profit $'000	Other Equity $'000
Financial assets					
Cash and cash equivalents	3,648	(73)	-	73	-
Trade and other receivables	1,386	-	-	-	-
Financial liabilities					
Trade and other payables	902	-	-	-	-
Borrowings	228	-	-	-	-
Total (increase) / decrease		**(73)**	**-**	**73**	**-**

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 2018 $'000	2017 $'000
Trade receivables		
Counterparties without external credit rating		
• A customers (aged 0 – 30 days)	487	98
• B customers (aged 31 – 60 days)	136	92
• C customers (aged 61 – 120 days)	343	1
• D customers (aged 120+ days)	-	-
Total trade receivables	**966**	**191**

2. FINANCIAL RISK MANAGEMENT (continued)

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.

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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities due for payment								
Trade and other payables	902	-	-	-	-	-	902	-
Borrowings	88	-	140	-	-	-	228	-
Total expected outflows	990	-	140	-	-	-	1,130	-
Financial assets – cash flows realisable								
Cash and cash equivalents	3,648	11,471	-	-	-	-	3,648	11,471
Trade and other receivables	1,386	866	-	-	-	-	1,386	866
Total anticipated inflows	5,034	12,337	-	-	-	-	5,034	12,337
Net inflow/(outflow) on financial instruments	**4,044**	**12,337**	**(140)**	**-**	**-**	**-**	**3,904**	**12,337**

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 currently operates in one segment being the development and sale of its technology platform.

4. REVENUE

	Notes	Consolidated Group 2018 $'000	2017 $'000
From continuing operations			
Trading revenue		3,152	150
Other revenue			
Research and development tax incentives		562	-
Other revenue		111	11
Profit on sale of fixed assets		8	-
Other revenue		**681**	**11**
Total revenue - continuing operations		3,833	161
From discontinued operations			
Trading revenue	8	-	16,050
Other revenue			
Government grants:			
Research and development tax incentives	8	744	-
Total revenue - discontinuing operations		744	16,050

Research and Development Tax Incentives

Research and Development Tax Incentives included for the year ended 30 June 2018 are $1,305,944 (2017: $Nil) of which $743,850 is attributable to discontinued operations.

Due to the sale of the consultancy practice in June 2017, the work to determine the 2017 Government rebate for research and development was delayed and therefore a reasonable estimate could not be provided at the 30 June 2017 reporting date. Management has determined to only include any Research & Development Tax Incentives after the income tax return has been lodged with the Australian Taxation Office. As such, any R&D tax incentive applicable to activities undertaken by the company in the 30 June 2018 financial year, will be included in the 2018-2019 financial statements.

5. NET FINANCE INCOME

	Notes	Consolidated Group 2018 $'000	2017 $'000
From continuing operations			
Interest income - cash and short-term deposits		**132**	**6**

6. EXPENSES

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

	Notes	Consolidated Group 2018 $'000	Consolidated Group 2017 $'000
Cost of revenue and operating expenses			
Cost of revenue		(1,607)	(85)
Total operating expenses		(8,148)	(2,493)
Total cost of revenue and operating expenses		**(9,755)**	**(2,579)**
Total cost of revenue and operating expenses is comprised of:			
Employee entitlements		(5,736)	(850)
Employee entitlements - share-based payments		-	(93)
Employee entitlements capitalised		1,488	318
Platform costs		(466)	(72)
Consultants and contractors - cost of sales		(83)	(14)
Consultants and contractors - sales and marketing		(759)	(39)
Partner costs		(282)	-
Equipment costs		(321)	(27)
Rental costs		(409)	(26)
Superannuation costs		(318)	(38)
Directors' fees		(180)	(190)
Auditors remuneration		(106)	(100)
Other operating expenses		(2,201)	(1,437)
Total cost of revenue and operating expenses excl. depreciation and amortisation		**(9,372)**	**(2,568)**
Depreciation and amortisation			
Relating to:			
Amortisation of software development costs		(341)	(11)
Depreciation of property, plant and equipment		(42)	-
Total depreciation and amortisation		**(383)**	**(11)**
Total cost of revenue and operating expenses		**(9,755)**	**(2,579)**

7. INCOME TAX EXPENSE

	Consolidated Group	
	2018	2017
	$'000	$'000
Income tax benefit/(expense) from continuing operations	24	142
Income tax benefit/(expense) from discontinued operations	131	639
Total	**155**	**781**
The components of Income tax benefit / (expense) comprise:		
Current tax	-	-
Deferred tax	168	723
(Under) / over provision of prior year tax	(13)	58
Income tax benefit / (expense)	**155**	**781**

	2018	2017
	$'000	$'000
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 / loss from continuing operations before income tax at 27.5% (2017:30%)	(1,437)	(724)
Add:		
Tax effect of:		
- non-allowable items (including R&D expenditure)	958	92
- share options expensed during the year	44	28
- (under) / over provision for income tax in prior year	41	(58)
- Change in tax rate to 27.5%	17	-
- Losses not recognised	581	492
Less:		
Tax effect of:		
- R&D income non-assessable	(359)	28
Income tax (benefit) / expense	**(155)**	**(781)**

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 was subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment has been completed. 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 and release of amounts in escrow pending certain conditions / events; and
- transfer of various contracts

The income and expenses incurred in the current period relating to the discontinued operation sold during the year ended 30 June 2018, which is included in the profit / (loss) from discontinued operations per the statement of profit or loss and other comprehensive income is as follows:

	Consolidated Group	
	2018	**2017**
	$'000	**$'000**
Revenue & other income	744	16,050
Expenses	(174)	(19,005)
Profit / (loss) before income tax	570	(2,955)
Income tax benefit	131	179
Profit / (loss) after tax attributable to the discontinued operation	701	(2,776)
Gain on sale before income tax	(115)	1,219
Income tax expense	-	(507)
Gain on sale after income tax	(115)	712
Total Gain / (Loss) after tax attributable to the discontinued operation	**586**	**(2,064)**

The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:

	2018	**2017**
	$'000	**$'000**
Net cash outflow from operating activities	-	(1,553)
Net cash inflow / (outflow) from investing activities	(105)	136
Net cash inflow / (outflow) from financing activities	-	100
Net cash increase / (decrease) incurred by the discontinued operation	**(105)**	**(1,317)**

9. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2018	2017
	$'000	$'000
Cash at bank and in hand	3,648	11,471

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. TRADE AND OTHER RECEIVABLES

	Note	2018 $'000	2017 $'000
Trade receivables		966	191
Provision for impairment of receivables		(41)	-
		925	191
Research and development tax incentive receivable		-	-
Held in Escrow – Sale of consultancy practice		190	565
Working Capital receivable		-	28
Other receivables		271	82
Trade and other receivables		1,386	866

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
2018							
Trade & term receivables	966	(41)	289	136	3	340	198
Other receivables	461	-	-	-	-	-	461
Total	1,427	(41)	289	136	3	340	659
2017							
Trade & term receivables	191	-	98	92	1	-	-
Other receivables	675	-	-	-	-	-	675
Total	866	-	98	92	1	-	675

10. TRADE AND OTHER RECEIVABLES (continued)

Other receivables

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

Loans to related parties

No loans are outstanding to related parties.

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.

Financial assets classified as loans and receivables

		Consolidated Group	
		2018	2017
	Note	$'000	$'000
Trade and other receivables - current		1,386	866
Total financial assets classified as loans and receivables		**1,386**	**866**

11. OTHER ASSETS

	Consolidated Group	
	2018	2017
	$'000	$'000
Prepayments	**166**	**146**

12. INVENTORIES

	2018	2017
	$'000	$'000
At net realisable value		
Work in progress	95	-
Finished goods	14	-
Total inventories	**109**	**-**

13. PROPERTY, PLANT AND EQUIPMENT

Consolidated Group	Note	Motor Vehicles	Furniture fittings and equipment	Leased Assets	Total
		$'000	$'000	$'000	$'000
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)
Transfer between classes		-	-	-	-
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
Year ended 30 June 2018					
Opening net book amount		-	14	-	14
Additions		-	61	203	264
Additions via business acquisition	27	-	56	-	56
Disposals		-	(2)	-	(2)
Depreciation charge		-	(17)	(25)	(42)
Closing net book amount		-	112	178	290
At 30 June 2018					
Cost or fair value		-	129	203	332
Accumulated depreciation		-	(17)	(25)	(42)
Net book amount		-	112	178	290

Total impairment losses recognised in the statement of comprehensive income was nil (2017:nil).

Included in disposals for the year ended 30 June 2018 is nil (2017: nil) of accumulated impairment losses.

Non-current assets pledged as security

The Group has no non-current assets pledged as security.

14. INTANGIBLE ASSETS

Consolidated Group	Note	Goodwill	Intellectual Property	Software	Total
		$'000	$'000	$'000	$'000
Year ended 30 June 2017					
Opening net book amount		-	-	5,180	5,180
Additions		-	-	1,612	1,612
Disposals		-	-	(226)	(226)
Disposals of Assets on sale of subsidiary		-	-	(2,453)	(2,453)
Transfer between classes		-	-	-	-
Amortisation charge		-	-	(331)	(331)
Closing net book amount		-	-	**3,782**	**3,782**
At 30 June 2017					
Cost or fair value		-	-	4,022	4,022
Accumulated amortisation		-	-	(240)	(240)
Net book amount		-	-	**3,782**	**3,782**
Year ended 30 June 2018					
Opening net book amount		-	-	3,782	3,782
Additions via business combination	27	161	16	-	177
Additions - capitalised		-	-	1,488	1,488
Disposals		-	-	-	-
Amortisation charge **		-	-	(341)	(341)
Closing net book amount		**161**	**16**	**4,930**	**5,107**
At 30 June 2018					
Cost or fair value		161	16	5,510	5,687
Accumulated amortisation		-	-	(580)	(580)
Net book amount		**161**	**16**	**4,930**	**5,107**

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

*** Amortisation of $340,714 (2017: $11,000) is included in depreciation and amortisation expense in the consolidated statement of comprehensive income.*

14. INTANGIBLE ASSETS (continued)

Impairment tests for goodwill

Goodwill was acquired as part of the Odotech acquisition. Refer to note 27.

	2018 $'000	2017 $'000
Goodwill	161	-
Impairment	-	-
	161	**-**

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.

Key assumptions used for value-in-use calculations

The Group engaged an external valuer to complete a valuation of the software intangible assets owned by Envirosuite Ltd. The valuer concluded a fair value market value of $5,000,000 as at 30 June 2018. (2017: $3,850,000). This exceeds the current carrying value of $4,930,000.

In arriving at their valuation conclusion, the valuer considered a number of commonly used methods: income, cash flow and balance sheet-based valuation methodologies. Following discussions with management, it was considered that the Relief from-Royalty (value-in-use) method, was the most appropriate approach to adopt for the valuation.

- 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.

The value in use model used a 5 year discounted cash flow with terminal value and included the following significant observable inputs; weighted average cost of capital 14.3%, royalty rate 7% and earnings growth rate of 5%.

Concluded Value of Intangible Assets - Software

Valuation Method	Weighted Concluded Value ($)
Value-in-use / Royalty Rate	5,000,000

Impairment charge

During the year ended 30 June 2018 and the year ended 30 June 2017 no impairment charges were made against cash generating units.

15. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2018	2017
	$'000	$'000
Trade payables	275	749
Working capital payable	-	94
Other payables	627	1,369
	902	**2,212**

Risk exposure

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

16. BORROWINGS

		Consolidated Group	
Current	**Notes**	**2018**	**2017**
		$'000	**$'000**
Current			
Lease liabilities - secured		42	-
Premium Funding - Insurance		32	-
Total current borrowings		**74**	**-**
Non-current			
Lease liabilities - secured		140	-
Other payables		14	
Total non-current borrowings		**154**	**-**
Total borrowings - current and non-current		**228**	**-**

Risk exposures

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

17. PROVISIONS

Current	2018 $'000	2017 $'000
Employee Benefits		
Opening balance at 1 July	237	851
Additional provisions	517	237
Amounts used	(183)	(122)
Unused amounts reversed	(64)	(729)
Balance at 30 June 2018 - Current	**508**	**237**

Non-current	2018 $'000	2017 $'000
Employee Benefits		
Opening balance at 1 July	31	139
Additional provisions	17	55
Amounts used	-	(163)
Unused amounts reversed	(3)	-
Balance at 30 June 2018 - Non-current	**45**	**31**

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.

	2018 $'000	2017 $'000
Long service leave obligations expected to be settled after 12 months	**45**	**31**

18. TAX

	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	416	(270)	-	-	-	146
Transaction costs on equity issue	59	-	20	-	-	79
Other	14	7	-	-	-	21
Balance at 30 June 2017	489	(263)	20	-	-	246
Provisions	146	154	-	18	(4)	314
Transaction costs on equity issues	79	-	-	-	-	79
Other	21	-	-	-	-	21
Balance at 30 June 2018	**246**	**154**	**-**	**18**	**(4)**	**414**

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

Tax losses: operating losses $4,501,393 (2017: $2,798,104)

Tax losses: capital losses $Nil (2017: $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.

19. ISSUED CAPITAL

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Share capital				
Ordinary shares				
Fully Paid	230,933,875	230,933,875	26,144	26,144
Other equity securities				
Value of conversion rights, convertible loan	-	-	110	110
Value of conversion rights, convertible notes	-	-	28	28
Total consolidated contributed equity	**230,933,875**	**230,933,875**	**26,282**	**26,282**

Movements in ordinary shares

Date	Details	Number of shares	Issue price	$'000
30-Jun-16	**Balance**	**182,259,474**		**22,691**
12-Sep-16	Shares issued to ex-employee	1,987,952	0.08	165
10-Oct-16	Final conversion of convertible notes	13,353,115	0.03	450
26-Oct-16	Institutional placement	33,333,334	0.09	3,000
	Less: transaction costs of capital raising (inc. tax effect)			(162)
30-Jun-17	**Balance**	**230,933,875**		**26,144**
30-Jun-18	Shares issued	-	-	-
30-Jun-18	**Balance**	**230,933,875**		**26,144**

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.

There were no shares issued during the year ending June 2018.

19. ISSUED CAPITAL (continued)

Movements in ordinary shares (continued)

Options

There were no options issued to directors during the year ended 30 June 2018 (2017: Nil). There were no options issued to employees for the year ended 30 June 2018 (2017: Nil). 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 31.

Share based payments

Certain shares were issued for no cash consideration for the provision of services, details of which are shown in note 31.

Other equity securities

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

Capital risk management

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

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 cash held divided by total capital. Net cash held is calculated as total cash held less borrowings (including 'borrowings' as shown in the statement of financial position). Total capital is calculated as ‘total equity' as shown in the statement of financial position (including minority interest) plus or minus net cash held.

The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

		Consolidated Group	
		2018	2017
	Note	$’000	$’000
Cash and cash equivalents	9	3,648	11,471
Less: borrowings	16	(228)	-
Net cash held		3,420	11,471
Total equity		8,586	13,853
Total capital		5,166	2,383
Gearing Ratio		**66%**	**481%**

20. RESERVES AND RETAINED LOSSES

	Consolidated Group	
	2018	2017
	$'000	'000
Reserves		
Employee shares reserve	-	-
Movements		
Balance 1 July	-	165
Recognition of employee shares to be issued	-	-
Transfer to equity	-	(165)
Employee share reserve - balance 30 June	**-**	**-**
Foreign exchange translation reserve	(61)	-
Movements		
Balance 1 July	-	-
Effects of foreign exchange translation	(61)	-
Foreign exchange translation reserve - balance 30 June	**(61)**	**-**
Share-based payments reserve	(313)	(700)
Movements		
Balance 1 July	700	607
Reallocation of prior year option payouts	(38)	-
Option expense	-	93
Transfer to retained losses	(349)	-
Share-based payments reserve - balance 30 June	**313**	**700**
Total of reserves	**252**	**700**

	2018	2017
	$'000	$'000
Retained losses		
Movements		
Opening retained losses	(13,129)	(8,792)
Transfer from employee shares reserve	349	-
Net profit / (loss) for the year	(5,168)	(4,336)
Balance 30 June	**(17,948)**	**(13,129)**

20. RESERVES AND RETAINED LOSSES (continued)

Nature and purpose of reserves

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

Foreign currency translation reserve

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

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

21. DIVIDENDS

The Group has not paid or declared any dividends during the period (2017: nil). Franking credits available for subsequent financial years based on a tax rate of 27.5% amount to Nil (2017: nil).

22. 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 2018.

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

	2018 $'000	2017 $'000
Short-term employee benefits	893	452
Post-employment benefits	42	13
Other long term benefits	-	-
Share-based payments	-	74
Total KMP compensation	**935**	**539**

23. 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:

WPIAS Pty Ltd (2017) & PKF Hacketts Audit (2018)	2018 $	2017 $
Audit and other assurance services		
Audit and review of financial reports		
- current year	71	100
- prior year *	35	-
Other assurance services	-	3
Other services		
Other services provided by PKF network firm (PKF Attest Legal y Fiscal, S.L)	14	-
Total remuneration	**120**	**103**

* Prior year expense $35,000 relates to audit of the 2017 financial year conducted by WPIAS Pty Ltd.

24. CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 30 June 2018 in respect of:

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 $103,982 (2017: $84,000).

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.

Escrows

Pursuant to Envirosuite Limited's sale of its 100% equity interest 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") on 26 June 2017, a portion of the proceeds from sale were held in escrow pending finalisation of net debt and working capital adjustments.

As at reporting date, an amount remains held in escrow pending transfer of two remaining contracts. Refer note 10.

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.

Litigation

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

25. COMMITMENTS

Lease commitments:

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.

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	296	179
Later than one year but not later than five years	336	353
	633	**532**

26. RELATED PARTY TRANSACTIONS

Parent entities

The parent entity within the Group is Envirosuite Limited

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 22.

Transactions with other related parties

The following transactions occurred with other related parties:

			Consolidated Group	
			2018	**2017**
			$'000	**$'000**
Related Business	**Related Party**	**Service Provided**		
ROKZair Pty Ltd	Robin Ormerod	Consultancy services	-	133
Famile Pty Ltd	Adam Gallagher	Consultancy services	-	16
MC Consultancy Pty Ltd	Murray d'Almeida	Consultancy services	-	30
Soliton Creative	Alex Ormerod	Creative design services	166	355
Ian Edgehill (3rd party Contractor)	Ian Edgehill	Marketing services	-	12
Other transactions				
Interest paid on convertible loan – R Ormerod			-	14
Final conversion of convertible note			-	450

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

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:

	2018	**2017**
	$'000	**$'000**
Current payables		
Purchase of services	-	63

Borrowings from related parties

	2018	**2017**
	$'000	**$'000**
Beginning of the year	-	433
Loans repaid	-	(450)
Other - interest	-	17
End of the year	-	-

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.

27. BUSINESS COMBINATIONS

On 19 December 2017, the group acquired the assets of Odotech Inc and 100% of the issued capital of Odotech spA, an environmental technology company.

On 5 December 2017 the Group incorporated Odotech Canada which holds the assets acquired. The business and company offer a full line of technological services and solutions for proactive management of environmental problems encountered by industries and municipal

The acquisition is part of the Group's overall strategy to expand globally its environmental software operations in the technology industry.

Through acquiring 100% of the issued capital of Odotech spA (Chile), the group has obtained control of the company.

The incorporation and acquisition of the Odotech Inc business (Chile and Canada) involved the purchase of the Odotech technology and client base.

Odotech Inc and Odotech spA (Chile)		**Fair Value $'000**
Purchase consideration:		
	Cash	442
	Less: cash retained in Odotech spA (Chile)	(12)
		430
Less:		
	Accounts receivable	435
	Work in progress	186
	Prepayments	14
	Taxes	39
	Inventory	57
	Property, plant and equipment	63
	Intellectual property	16
	Deposits	6
	Payables	(60)
	Employee benefits	(32)
	Accrued liabilities	(15)
	Deferred revenues	(440)
	Identifiable assets acquired and liabilities assumed	**269**
Goodwill		**161**
Purchase consideration settled in cash		430
Cash outflow on acquisition		**(430)**

Revenue of Odotech Canada and Chile included in the consolidated revenue of the Group since the acquisition date on 19 December 2017 amounted to $1,090,838. Loss of Odotech Canada and Chile included in the consolidated profit of the Group since acquisition date amounted to $738,879.

Had the results relating to Odotech Canada and Chile been consolidated from 1 July, consolidated revenue of the consolidated group would have been $5,963,857 and consolidated loss of the consolidated group would have been ($4,660,273) for the year ended 30 June

Included within the other expenses in the statement of profit or loss and other comprehensive income are acquisition related costs totalling $178,299. The costs included legal fees and travel costs incurred during the due diligence period.

28. INTEREST IN SUBSIDIARIES

Information about Controlled Entities

Controlled Entities Consolidated	Country of incorporation	Percentage Owned 2018 %	2017 %
Parent Entity			
Envirosuite Limited	Australia	100	100
Subsidiaries of Envirosuite Limited			
Envirosuite Operations Pty Ltd	Australia	100	100
Envirosuite Holdings Pty Ltd	Australia	100	100
Envirosuite Corp	United States of America	100	100
Envirosuite Europe Sociedad Limitada	Spain	100	-
9370 - 3007 Quebec Inc*	Canada	100	-
Odotech spA**	Chile	100	-

* also known as Odotech Canada

** also known as Odotech Chile

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.

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).

29. CASH FLOW STATEMENT RECONCILIATION

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

	2018 $'000	2017 $'000
(Loss) / profit for the year	(5,168)	(4,334)
Depreciation and amortisation	383	1,226
Non cash employee benefits expense – share based payments	159	93
Accrued interest - receivable	(3)	(4)
Amortised interest on convertible note rights	-	17
Net loss on sale of non-current assets	2	-
Sale of business	130	(3,818)
Loan forgiveness	-	18
Due diligence costs sale of business - discontinued operations	-	1,187
Net effect of exchange rate changes	(12)	-
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other debtors	(479)	3,525
(Increase) / decrease in inventories & work in progress	134	340
(Increase) / decrease in other asset	(6)	-
(Increase) / decrease in deferred tax asset	(199)	243
Increase / (decrease) in trade creditors	(1,384)	(114)
Increase / (decrease) in other operating liabilities	187	569
Increase / (decrease) in provision for income taxes payable	10	(147)
Increase / (decrease) in other provisions	284	(722)
Net cash inflow from operating activities	**(5,961)**	**(1,921)**

29. CASH FLOW STATEMENT RECONCILIATION (continued)

Net debt reconciliation

Net debt	2018 $'000	2017 $'000
Cash and cash equivalents	3,648	11,471
Borrowings - repayable within one year (incl overdraft)	(74)	-
Borrowings - repayable after one year	(154)	-
Net debt	**3,420**	**11,471**
Cash and cash equivalents	3,648	11,471
Gross debt - fixed interest rate	(228)	-
Gross debt - variable interest rate	-	-
Net debt	**3,420**	**11,471**

	Cash / bank overdraft	Liabilities from financing activities		Total
		Borrowing due within 1 year	Borrowing due after 1 year	
	$'000	$'000	$'000	$'000
Net debt as at 30 June 2017	11,471	-	-	11,471
Cash flows	(7,835)	(74)	(154)	(8,063)
Foreign exchange adjustments	12	-	-	12
Other non-cash movements	-	-	-	-
Net debt as at 30 June 2018	**3,649**	**(74)**	**(154)**	**3,420**

Non-cash financing and investing activities

Share issues

There were no shares issued during the year ending 30 June 2018.

Finance leases

During the year the Group did not acquire any plant and equipment by means of finance leases 2018:Nil (2017: Nil).

Credit standing arrangements with banks

	2018 $'000	2017 $'000
Credit facility	273	184
Amount used	170	84
Undrawn facility	**103**	**100**

30. EARNINGS / (LOSSES) PER SHARE

Basic earnings / (losses) per share

	2018 cents	2017 cents
Basic earnings / (losses) per share attributable to the ordinary equity holders of the Company		
From continuing operations	(2.49)	(1.05)
From discontinued operations	0.25	(0.89)

Diluted earnings / (losses) per share

	2018 cents	2017 cents
Diluted earnings / (losses) per share attributable to the ordinary equity holders of the Company		
From continuing operations	(2.46)	(1.05)
From discontinued operations	0.25	(0.89)

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

	2018 $'000	2017 $'000
Profits / (losses) attributable to the ordinary equity holders of the Company used in calculating basic earnings / (losses) per share		
From continuing operations	(5,754)	(2,270)
From discontinued operations	586	(2,064)

Weighted average number of shares used as the denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (losses) per share	230,933,875	215,566,333
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings / (losses) per share	233,996,138	215,566,333

Information concerning the classification of securities

Options

Options granted to employees under the Envirosuite Limited Employee Share Option Plan are 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.

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.

31. SHARE BASED PAYMENTS

Employee share option plan

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

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

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.

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.

	Number	Weighted average exercise price
Options outstanding as at 1 July 2016	**45,655,000**	**0.13**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	5,800,000	0.13
Options outstanding as at 30 June 2017	**39,855,000**	**0.13**
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	12,671,667	0.18
Options outstanding as at 30 June 2018	**27,183,333**	**0.11**
Options exercisable as at 30 June 2018	26,733,333	0.11
Options exercisable as at 30 June 2017	36,613,333	0.13

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.45 years (2017: 2.21 years).

31. SHARE BASED PAYMENTS (continued)

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 2018, no options were issued to directors and no options were issued to employees. (2017: Nil)

Shares issued to employees - value of services

There were no shares issued in the year ending 30 June 2018.

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:

	2018 $'000	2017 $'000
Options settled under employee share option plan	159	93
Shares issued to employees – value of services	-	-
Shares to be issued to employees – value of services	-	-
Total purchase consideration	**159**	**93**

Liabilities arising from share based payment transactions

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

	2018 $'000	2017 $'000
Shares to be issued to employees – value of services	-	-

32. 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.

Statement of financial position

	2018 $'000	2017 $'000
Assets		
Current assets	226	634
Non-current assets	14,679	15,464
Total assets	**14,905**	**16,098**
Liabilities		
Current liabilities	134	1,618
Non-current liabilities	-	-
Total liabilities	**134**	**1,618**
Equity		
Investment in subsidiaries	-	-
Issued capital	26,282	26,282
Reserves	313	700
Retained losses	(11,824)	(12,501)
Total equity	**14,770**	**14,480**

Statement of profit or loss and other comprehensive income

	2018 $'000	2017 $'000
(Loss) / profit for the year	328	657
Total comprehensive (loss) / profit for the year	328	657

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 $103,982. (2017: $84,000)

Contingent liabilities of the parent entity

The parent entity did not have any other contingent liabilities as at 30 June 2018 (2017:nil)

Contractual commitments

The parent entity did not have any other contractual commitments as at 30 June 2018 (2017:nil)

33. SUBSEQUENT EVENTS

On 16 August 2018 the company appointed Bell Potter Securities Limited as Lead Manager and Baillieu Holst Limited as Co-Manager for a two-tranche share placement of up to 133,333,334 ordinary shares to raise up to $10,000,000 at $0.075 per share.

In accordance with ASX Listing Rule 7.1 the Company intends to issue 34,640,080 ordinary shares under its available placement capacity (tranche 1) on or around 28 August 2018. The balance of the placement, being 98,693,254 ordinary shares are intended to be issued immediately following the 2018 Annual General Meeting to be held on or around 28 September 2018, subject to shareholder approval being given for the relevant resolution at the meeting.

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.

DIRECTORS DECLARATION

For the Financial Year Ended 30 June 2018

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 33 to 82 are in accordance with the *Corporations Act 2001* , and:

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

(ii) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Consolidated Group; and

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

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

David Johnstone
Chairman

22 August 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENVIROSUITE LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Envirosuite Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2018, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Other Matter

The financial report of Envirosuite Limited for the year ended 30 June 2017 was audited by another auditor who expressed a qualified opinion, due to limitation of scope, on that financial report on 31 August 2017.

As a result of procedures conducted and additional disclosures provided in the financial report, the matters which resulted in the prior period qualified audit opinion have been satisfactorily addressed and accordingly, are no longer relevant and material to the current period's financial report.

Our opinion is not modified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the *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.

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 was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed these matters is provided in that context.

1. Carrying amount of intangible assets - software

Why significant

As at 30 June 2018 the carrying value of intangibles - software was $4,930,000 (2017:$3,782,000), as disclosed in Note 14.

The consolidated entity's accounting policy in respect of intangible assets - software is outlined in Note 1.

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

- the significance of the balance (being 44% of total assets); and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 1 and 14, management assessed the carrying amount of intangible assets - software through impairment testing utilising a value in use model in which significant judgements are applied in determining key assumptions. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets - software, and accordingly the amount of any impairment charge, to be recorded in the current financial year.

How our audit addressed the key audit matter

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

Our audit procedures included, amongst others:

- evaluating management's methodology for determining the carrying amount of intangible assets by comparing the value in use model with generally accepted valuation methodology and accounting standard requirements;
- conducting sensitivity analysis on key assumptions such as weighted average cost of capital (WACC) and growth rates, within reasonable foreseeable ranges;
- challenging the key assumptions used in the expert report value in use model by:
  - assessing growth rates used in comparison to historical results
  - evaluating the WACC rate used in comparison to market and industry information available
- assessing the appropriateness of the related disclosures in Note 14.

2. Business combinations – including allocation of goodwill

Why significant

On 19 December 2017, the Group acquired the assets of Quebec Inc (Odotech Canada) and 100% of the issued capital of Odotech SpA (Odotech Chile). The acquisition was deemed as one business combination.

As disclosed in Note 27, as part of the business combination transactions, the Group recognised the following total amounts of goodwill from the acquisition:

- Goodwill of $161,000

Business combinations – including allocation of goodwill is a key audit matter due to:

- Significant audit effort was required to test the group's acquisitions during the year; and
- the level of judgement applied in evaluating management's assessment of goodwill allocated in the purchase.

How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- Review of purchase documentation including contracts and business sale agreements;
- Obtaining a detailed understanding of the acquired businesses;
- Assessing the appropriateness of the valuation methodology of the assets acquired;
- Reviewing management's fair value assessment of the assets and liabilities acquired;
- Reviewing management's assessment of the fair value of the consideration paid and the recognition of any deferred consideration upon the acquisition date;
- Assessment of management's goodwill allocation as part of the acquisition; and
- Assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 1, 14 & 27

3. Prior period audit report – qualified opinion

Why significant

The financial report of Envirosuite Limited for the year ended 30 June 2017 was audited by another auditor who expressed a qualified opinion.

The qualified opinion was issued due to 'limitation of scope' on that financial report on 31 August 2017.

The prior period audit – qualified opinion is a key audit matter due to:

- Significant audit effort required to obtain sufficient appropriate audit evidence on opening balances (as at, and for the year ended 30 June 2017 in the financial report) to determine whether materially misstated, and to ensure financial statement disclosures referred to in that audit report had been adequately supplemented.

How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- Obtaining detailed understanding of prior period qualifications;
- Reviewing prior period auditor audit engagement files;
- Discussion with management surrounding the context and content of the qualifications;
- Obtaining sufficient appropriate audit evidence to perform procedures on the specific matters raised by the previous auditor to address the qualifications outlined;
- Assessing the impact of prior period qualifications on the current year report; and
- Assessing the appropriateness of the financial statement disclosures updated by management in relation to the prior period qualifications.

4. Disclosure of the group's funding and liquidity position

Why significant	How our audit addressed the key audit matter
The financial report of Envirosuite Limited discloses the group's funding and liquidity position, which is an event or condition that may cast doubt on the entity's ability to continue as a going concern. As disclosed in Note 1, the event or condition was noted as being a forecasted working capital shortfall in the relevant period. Also disclosed are the reasons why the Directors do not believe that this event or condition leads to the conclusion that a material uncertainty exists. Disclosure of the funding and liquidity position of the group is a key audit matter due to: • Significant audit effort required to test the appropriateness of the going concern basis and evidence supporting this assumption.	In assessing this key audit matter our work included, but was not limited to, the following procedures: • Discussion with those charged with governance on their assessment of going concern and probability of the success of the proposed share capital raise; • Reviewing the cash flow forecasts provided by management and challenging the assumptions therein in to ensure consistency with management's stated business and operational objectives, and checked the calculation to ensure the accuracy of the underlying financial data; • Obtaining signed documentation surrounding the proposed share capital raising; and • Assessing the probability of receipt of sufficient cash resources in order to working capital for at least the relevant period of assessment.

Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

We have obtained all the other information prior to the date of this Auditor's Report, which includes the letter from the Managing Director, Directors' Report, Corporate Governance Statement and Shareholder Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

Opinion

In our opinion, the Remuneration Report of Envirosuite Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF Hacketts

PKF HACKETTS AUDIT

SHAUN LINDEMANN
PARTNER

22 AUGUST 2018
BRISBANE, AUSTRALIA

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 August 2018

1. SHAREHOLDING

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	26	-
1,001 – 5,000	155	-
5,001 – 10,000	197	-
10,001 – 100,000	583	-
100,001 and over	284	10
	1,245	10

The number of shareholdings held in less than marketable parcels 613,845

Substantial holders

Substantial holders in the Company are set out below:

Ordinary Shares	Number held	Percentage
Robin Ormerod & Kristin Zeise	27,387,208	11.86%
Robin Ormerod & Kristin Zeise	23,909,342	10.35%

Voting Rights

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

Ordinary shares

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

Options

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

1. SHAREHOLDING (continued)

Twenty largest quoted equity security holders

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

	Ordinary shares	
Name	**Number held**	**Percentage of issued**
Robin Ormerod & Kristin Zeise	27,387,208	11.86%
Robin Ormerod	23,909,342	10.35%
National Nominees Limited	7,591,772	3.29%
HSBC Custody Nominees	6,205,714	2.69%
Mrs Leora Shamgar	5,000,000	2.17%
Radell Pty Ltd	4,507,579	1.95%
Mrs Jean Ellen Vincent & Mr Anthony Alan Vincent	4,301,050	1.86%
Indcorp Consulting Group Pty	4,000,000	1.73%
Honne Investments Pty Limited	3,500,000	1.52%
Charlotte B Pty Ltd	3,500,000	1.52%
Coterie Nominees Pty Ltd	3,000,000	1.30%
Australian Executor Trustees	2,822,149	1.22%
Fordholm Consultants Pty Ltd	2,800,000	1.21%
Bungeeltap Pty Ltd	2,625,000	1.14%
Robinson House Pty Ltd	2,300,000	1.00%
Mr Peter James White & Mrs Eva Maria White	2,091,340	0.91%
Buduva Pty Ltd	2,000,000	0.87%
Northstar Global Pty Ltd	1,900,000	0.82%
Mr Ziou Fang	1,870,000	0.81%
Karawatha Pty Ltd	1,844,118	0.80%
	113,155,272	**49.00%**

Unquoted equity securities

	Number held
Envirosuite Limited unlisted options	**27,183,333**

Corporate Directory

Envirosuite Limited

ABN: 42 122 919 948

Board of Directors

Peter White
Chief Executive Officer and Executive Director

David Johnstone
Chairman

Robin Ormerod
Chief Scientist and 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

PKF Hacketts Audit
Level 6, 10 Eagle St
Brisbane, QLD, 4000

Phone: 07 3839 9733

Stock Exchange Listing

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

Website Address

www.envirosuite.com