Appendix 4E

Summary Financial Report

Results for announcement to the market

For the financial year ended 30 June 2020

	Consolidated Group			
	Year ended 30 June 2020[1]	Year ended 30 June 2019	Variance to prior year	
	$'000	$'000	$'000	%
Revenues from ordinary activities	23,857	7,701	16,156	210%
Profit/(loss) after tax from ordinary activities attributable to members	(18,236)[2]	(5,996)	(12,240)	(204%)
Net profit/(loss) attributable to members	(18,236)[2]	(5,996)	(12,240)	(204%)
Net tangible assets/(liabilities) per security (cents)	2.5	1.7	-	-

The net tangibles asset backing per security of 2.5 cents presented above is inclusive of right-of-use assets and liabilities. The net tangible asset per security, as at 30 June 2020, would reduce to 1.9 cents if right-of use assets were excluded, and right-of-use liabilities were included in the calculation

1 - Includes 4 months of the operational result of the EMS business which was acquired on 28 February 2020

2 - Includes transaction and integration costs connected with the EMS acquisition of $2.3m, amortisation of intangibles from EMS acquisition of $0.9m, and non-cash share-based payments of $3.2m

Dividends and distributions

The company has not declared, and does not propose to pay, any dividends for year ended 30 June 2020.

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

Other

Revenues as well as the profit/(loss) from ordinary activities includes 4 months of the operational result of the EMS which was acquired on 28 February 2020. The result is also impacted by transaction and integration costs connected with the acquisition of $2.3m, amortisation of intangibles from the EMS acquisition of $0.9m, and non-cash share based payments of $3.2m. Please refer to the Directors' Report and the investor presentation released by the Company today on the ASX for pro-forma analysis of the operating result.

Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segments, business combination, trends in performance, foreign entities and other factors affecting the results for the period are contained in the 2020 Annual Report, including the Chairman's Letter and CEO Report.

This document should be read in conjunction with the 2020 Annual Report, including Chairman's Letter and CEO Report, and any public announcements made in the period by Envirosuite Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

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

envirosuite

2020

Annual Report

OUR VISION

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

OUR MISSION

We are driven to create world-leading technology solutions that produce actionable insights from environmental data so our customers can realise their full potential.

OUR VALUES

Our company is built on a strong culture of challenging the status quo, empowering our people to excel and being accessible and responsive to our customers.

At Envirosuite, we are

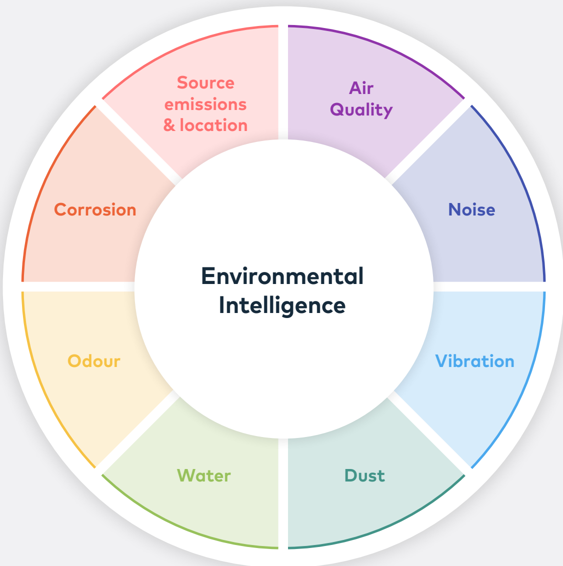
- Innovative
- Accountable
- Customer Centric

OUR DIFFERENCE

We're not just another one-dimensional environmental compliance management platform.

Complex environmental science is at the core of every Envirosuite innovation. We empower our users with deep insights into their operations that are easy to understand, so they can make informed decisions to optimise their operations, grow sustainably and engage meaningfully with their communities.

We are the only Environmental Intelligence provider that develops, sells, supports and runs an integrated suite of software, hardware and service solutions across air, weather, odour, water, noise and vibration.



What is Environmental Intelligence?

Environmental Intelligence harnesses the power of big data, artificial intelligence and analytics to produce real-time visualisations, predictive modelling and actionable insights that enable companies, governments and communities to make fast, confident decisions that optimise operational and environmental outcomes.

CONTENTS

Leading growth, innovation and disruption in Environmental Intelligence

Envirosuite is building a global business with a vision to empower industries to harness the power of environmental intelligence.

Every day, we're focused on creating, building and growing our existing markets, new markets and new solutions to solve complex environmental impact challenges.

Our strategy is to become the digital ecosystem for environmental intelligence to deliver unique advanced insights with balanced and sustainable outcomes for our customers, their communities, our people and shareholders.

Our key value drivers:

Deep Scientific Knowledge

At the heart of our business is our connection with science and its application to the environment and our customers. We are skilled meteorologists, data scientists, mathematicians, engineers, noise officers, radar specialists and industry experts. Our deep domain knowledge enables us to deliver products and solutions to solve our customers most difficult problems.

Environmentally and Socially Conscious

We value our contribution to our people and their wellness as well as helping our customers achieve their environmental, social and governance goals and challenges through our products. With the sustainability movement growing, Envirosuite is focused on supporting our customers in their business operations and environmental decision making, aided by emerging technologies underpinned by AI and advanced analytics.

Platform of Choice and Trusted Partner

Every day, we work with the world's leading companies, industry opinion leaders and consultants across our product and sector portfolio to bring shared knowledge, insights and innovation to the market. With a focus on customer-led innovation, we are committed to becoming the platform of choice for environmental intelligence and providing our customers with long-term value.

Market leadership

We collect, match, enhance and translate large volumes of environmental data across water, air, noise and vibration with meteorological forecasts to harness the power of environmental intelligence for our customers.

Our platforms assist the worlds largest airports, mines, water networks and industrial clients to make informed decisions about their regulatory compliance, community engagement and asset optimisation. Together with hardware and services, our platforms harness the power of environmental intelligence so industries grow and communities thrive.

This report is our first annual report post our acquisition of EMS Brüel & Kjær. As part of this monumental step in our company's future direction we are proud to present this year's report.

Talent

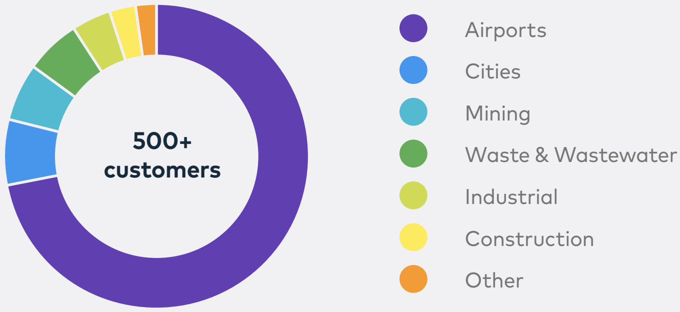
We have a passionate, collaborative and culturally diverse team of over 270 people with a global reach across 11 countries. The Envirosuite team are driven by a collective desire to develop the best solutions to solve complex problems for our customers and bring Envirosuite to the world. With an aspiration to be an employer of choice, we will continue to evolve our work culture and environment to attract homegrown and world-class talent.

Innovation

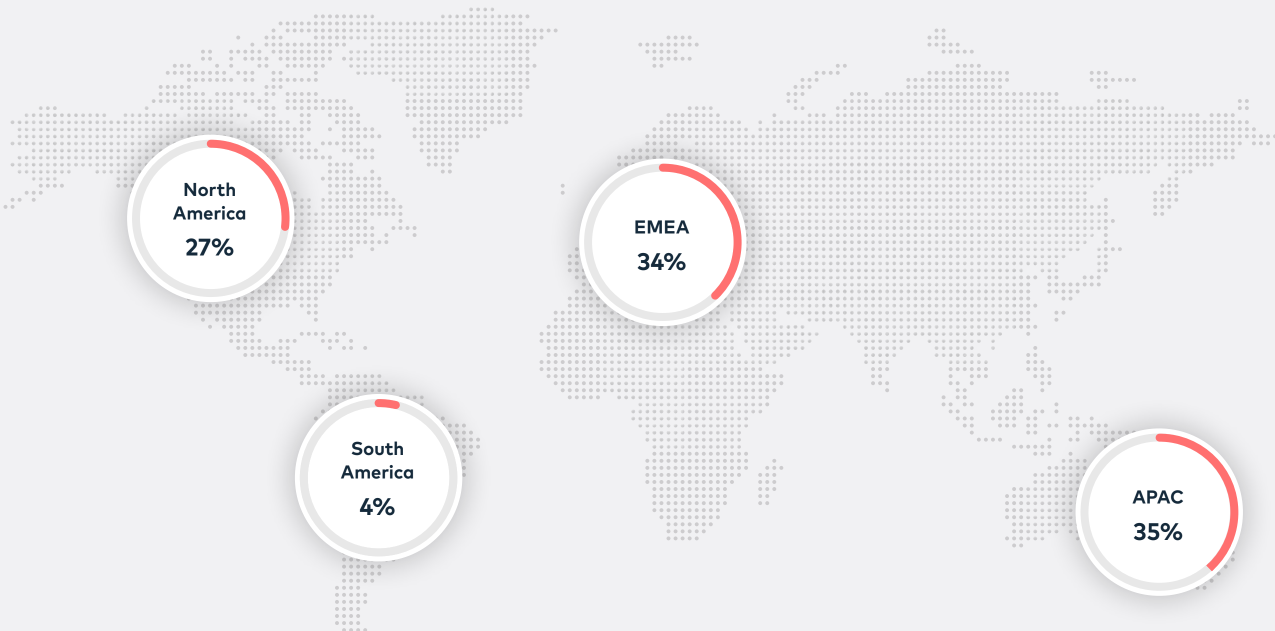
With a unique combination of science and technology, and focus on environmental impact across a diverse set of sectors, we are obsessed with building solutions that our customers love. Discovery and curiosity are in our DNA, so we are constantly working to deepen and broaden our offering, bringing new environmental intelligence innovations reliably and faster to market. We continually invest in our research and development business and partner with the world's leading universities to bring solutions that make a positive impact.

Customer Reach

We count many of the world's leading companies across Airports, Cities, Construction, Industrial, Mining, Waste and Wastewater as our customers. We have over 500 customers across six continents with our solutions spanning the furthest reaches from Nuuk, Greenland all the way to Hobart, Australia. Supporting thousands of instruments and our cloud-based solutions 24 hours a day, 7 days a week, in every conceivable climate – deserts, snow, tropics, cities, monsoons, extreme weather and temperature range.



ARR percentage by Region



Envirosuite's Solution as a Service is the perfect union of software, hardware and services to collect, synthesise and visualise large volumes of flight tracks, noise events, meteorological forecasts, air emissions, community complaints, flight plans and more – every single day.

Customers typically choose Envirosuite to help with compliance but stay with us because we enable them to unlock value beyond compliance monitoring. We provide end-to-end solutions for our customer to optimise operations, engage with their communities and regulators, and deliver on their strategic initiatives, helping to enhance hundreds of billions of dollars of facilities and infrastructure globally.

- Envirosuite processes and stores more than 500,000 radar flights per day
- We receive data from over 250 radar sensors, covering 95% around the world
- Between 50,000 and 60,000 ASDi (Aircraft Situation Display to Industry) flight track records are formed and stored
- More than 290 meteorological forecast models executed each day, over 55 geographic locations
- Over 8350 real-time meteorological models executed every day

We are proud to present the new Envirosuite, an integration of two Australian environmental technology leaders as we seek to bring the power of environmental intelligence to our customers and their communities.

FY2020 has been a year of transformation for Envirosuite, a large part of this was the acquisition of EMS Brüel & Kjær (EMS), completed on 28 February.

Following a successful integration which took us up to 1 June 2020, we are focused on building the global leader in Environmental Intelligence. In parallel, the business has been focused on maintaining operational and capital performance in a more challenging economic environment.

From Australia to the world

The growth of Envirosuite from a small consulting company in the 2000's (Pacific Environment) to a scale up environmental technology company in 2016/17 has been an exciting journey. As a global leader in air quality and odour, Envirosuite had long coveted a strategic entry into the noise and vibration sectors to create a true and complete offering across all media of environmental media.

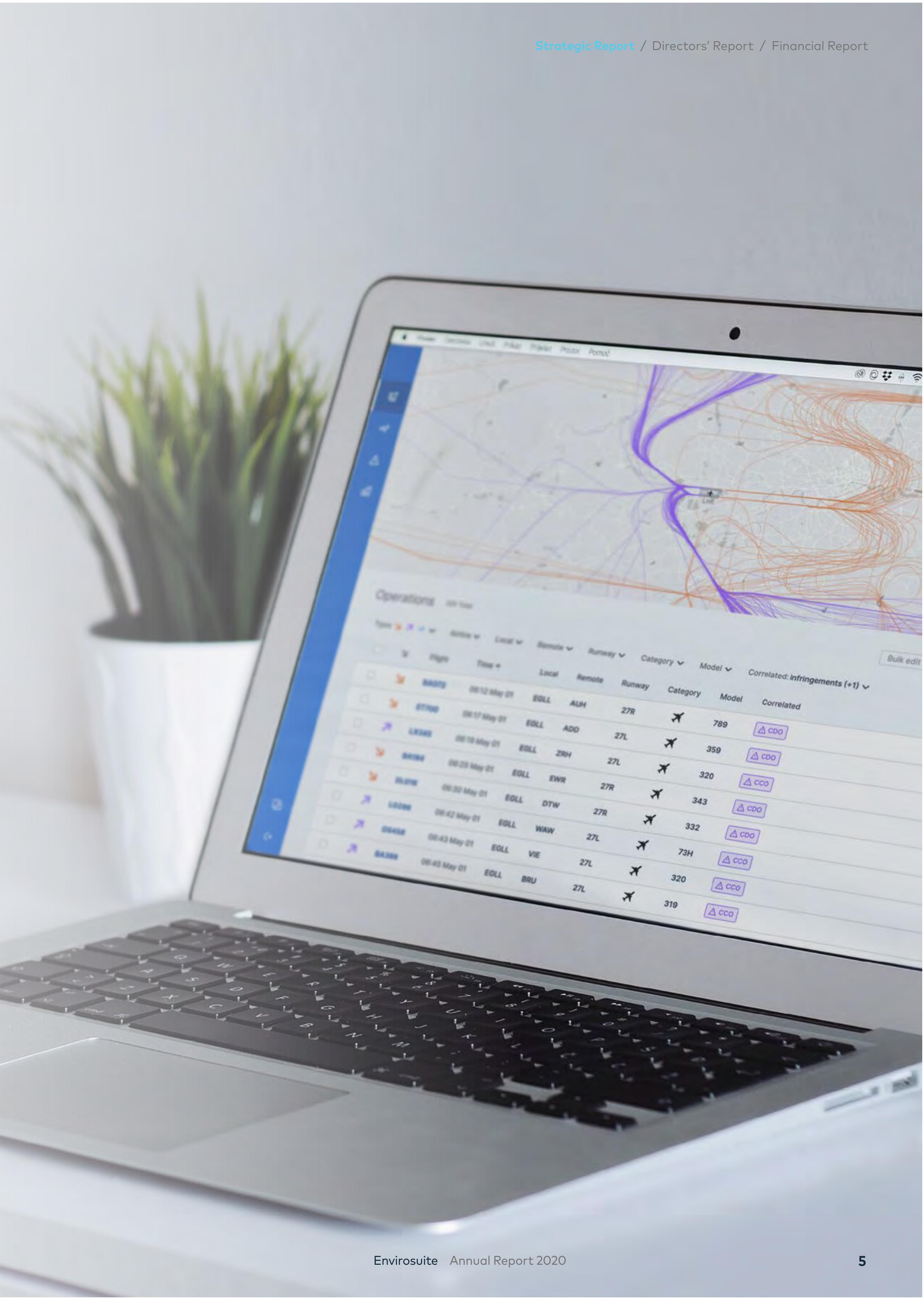
EMS had a similar DNA to Envirosuite, starting as a small Australian business in 1990 as Lochard and growing to truly become the global leader in noise and vibration monitoring. Whilst they have expanded into adjacent markets in recent years such as mining and construction, the primary attractiveness of the EMS business was the strong market share in airport noise monitoring. EMS had a strong share of the global airport market, with over 200 airports in their portfolio and outstanding renewal revenue base. We saw this as a great opportunity to expand their market to the remaining 400+ General Aviation (GA) airports which have noise monitoring requirements, but also capitalise on the growing trend of 'Green Airports' emerging in countries like China, where air, water and noise monitoring are being mandated by regulators.

The addition of EMS's strength in noise monitoring rounds out the capability required to offer comprehensive real-time environmental intelligence solutions (i.e. covering air, water, and noise). Indeed, we are already seeing many examples of our respective customers looking at expanding their offerings across both companies' respective capabilities as we work on combining our platforms together.

The complimentary geographies and customer base of EMS was also attractive to EVS as we seek to grow a truly global footprint. Envirosuite had an established presence in China and South America, where EMS is less established, allowing growth in EMS's core airport market, as well as mining. EMS has strength in the Scandinavian and French market, which is an area that EVS has a less established presence.

The combination of EMS and EVS will provide a truly global, established sales force with multiple contracts across key sectors and geographies.

As we brought both businesses together in March 2020, we set out to develop a combined vision and mission as well as our values to achieve lasting cultural change. Both businesses have a rich DNA in helping industries to grow as well as facilitating the coexistence with surrounding communities. We feel our new vision, mission and values is truly representative of the history and future of both businesses, and now the new Envirosuite.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"Envirosuite has entrenched its position as a leading global provider of environmental intelligence solutions and is firmly positioned to actively and successfully pursue its high growth agenda."

David Johnstone
Chairman

Dear Fellow Shareholders,

The 2020 financial year has been a highly transformative period for your company. After undertaking a series of well executed and highly strategic major corporate transactions during the year, Envirosuite has become a truly global environmental technology group, offering its customers the ability to go beyond environmental compliance and make fast, confident decisions that optimise their operation and environmental outcomes.

This has entrenched Envirosuite's position as a leading global provider of environmental intelligence solutions and firmly positioned the company to actively and successfully pursue its high growth agenda.

Major transformative corporate events during the period included a facilitated and quantified entry into China, the licensing of SeweX, the acquisition of EMS Brüel & Kjær Holdings (EMS), and the acquisition of AqMB.

Despite the intense focus required to complete all these transactions, as well as the external impact of the COVID-19 pandemic, Envirosuite also achieved significant organic growth.

Acquisition of EMS

The acquisition of EMS has given Envirosuite additional global scale and access to a vast existing market in the noise and vibration vertical, as well as increasing our annual revenues by more than 500 per cent. EMS already serves more than 200 of the world's 600-plus major airports and we are now seeking to materially grow market share by providing new innovations to the global airport customer base.

While it has been well publicised that the airline industry has suffered greatly as a result of the COVID-19 pandemic, the global airport market itself is distinct and resilient. Airports are essentially monopoly businesses in each region and their operations are heavily regulated. Envirosuite is still mission critical in enabling and supporting the airports around the world to meet their regulatory obligations regardless of flight volumes.

From our own platform data, we have observed that, with the move to remote working, people are noticing flight noise more than ever. As flight volumes start to return, we anticipate that this trend will continue. This is likely to heighten the demand for our solutions and drive demand for new innovations to assist airports to further engage with their communities and regulators.

Materially extending our customer value proposition

With our operating platform and offering now firmly in place, FY21 will see Envirosuite partnering with our customers in new ways - taking out relationships beyond compliance and deeper into their operations.

We are well advanced in embedding the power of our unique SeweX Intellectual Property (IP) in the Envirosuite platform to model the impact and effect of chemicals in waterpipe infrastructure networks to extend and prolong the life of these assets. To complement the incorporation of SeweX into our value proposition, we are transitioning our recently acquired AqMB IP and assets into products that will allow our wastewater treatment customers to better understand and optimise their chemical inputs. Once operational, this will open up another major channel of commercial opportunities.

Our initial study of AqMB's benefits to customers indicated a cost saving of up to 35 per cent for a typical treatment plant facility. This presents an opportunity for Envirosuite to embed itself deeper in an industry sector that is already increasingly subscribing to the Envirosuite platform for the management of odour issues.

Outlook

With a series of transformative strategic corporate transactions now successfully bedded down we are extremely well placed to take the newly consolidated and single Envirosuite Group into FY21 and beyond.

Whilst it is impossible to predict the future impact of COVID-19, our operations and customer base have so far proved resilient. We have a high growth agenda in the rapidly growing sector of environmental intelligence, and we are excited to share our story and our solutions with customers and capital markets. We have welcomed an increased institutional shareholder base that joins the significant holdings of the board and management and we are working together to increase company value for all shareholders. We are facing the future with unprecedented optimism and confidence.

Our People

I am extremely proud of our team across every region and what we do for our more than 500 customers globally. Enabling some of the world's largest industries including mining, water treatment and transport to become environmentally intelligent on the scale that we do now is tremendously powerful for the good of communities and sustainably optimised industrial productivity.

I would like to thank Adam Gallagher for his tireless efforts over the past eight years as a Director, Company Secretary and consultant to the business. Adam's input, passion and drive has helped shape what Envirosuite is today and what it will be into the future. Using external consultants, the board has commenced the process of identifying candidates with the appropriate expertise and experience to fill the current Non-Executive Director vacancies that exist.

Thank you to all our stakeholders including our shareholders, our customers, our staff, strategic commercial and corporate partners. The continued support, custom and efforts of all of our stakeholders will translate into another year of positive transformation and increased value for all.

David Johnstone

Chairman

27 August 2020

"We continue to lay the foundations for long-term, sustainable growth. With our ongoing transformation, Envirosuite is uniquely positioned and rapidly evolving into a high growth, scalable Australia technology innovator and industry-defining disruptor with a huge opportunity to enrich our global footprint."

Peter White
CEO

Dear Shareholders,

FY20 was one of intense strategic focus and successful execution which saw Envirosuite establish all the necessary building blocks to achieve strong future growth as a global leader in the rapidly expanding sector of Environmental Intelligence.

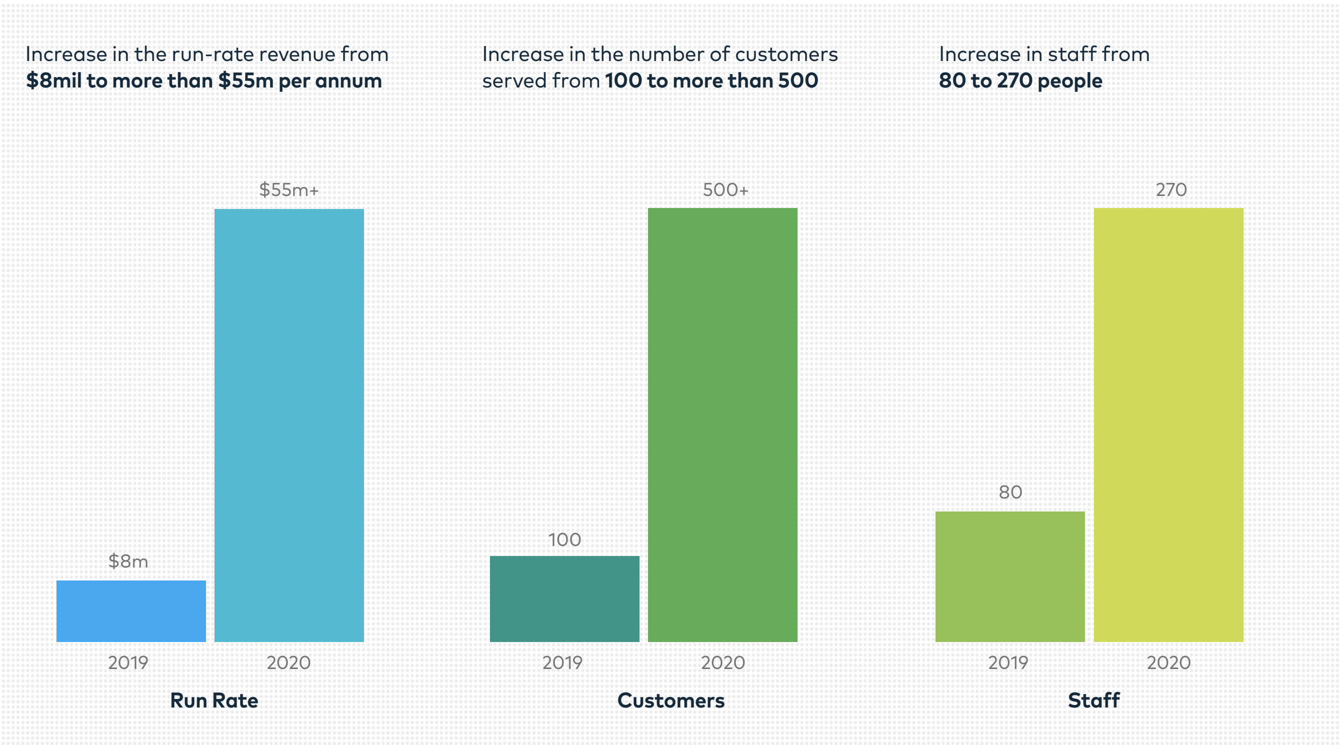
Envirosuite now has the scale, technology, software, partners, talent and geographic reach to move aggressively towards achieving our ambitious targets for FY21 and beyond.

To achieve this position despite the global disruption and uncertainty surrounding the COVID-19 pandemic is a credit to the entire Envirosuite team and augurs extremely well for our future success.

FY20 Highlights

In the past 12 months, Envirosuite has been transformed and strengthened by the following events and initiatives:

- Acquisition of the EMS Brüel & Kjær (EMS) business in February 2020
- Launch into China with major strategic partners and a quantified runway
- Extension of our future technology roadmap into "Smart Water" by:
  - strategic partnership with Queensland University for licencing SeweX technology
  - acquisition of AqMB water processing technology
- Building out the management and executive team with several key new hires



EMS acquisition accelerating growth

The targeted acquisition of EMS increased the scale of Envirosuite's business by a factor of five tmes.

The acquisition has taken Envirosuite into the environmental noise and vibration disciplines which expand our deep experience in air quality, dust, odour and water. It has created a business with scale, strong recurring revenue and the geographic footprint to deliver our vision of creating the world's leading end-to-end Environmental Intelligence software platform and ecosystem for our existing and future customers.

The integration of the EMS business into Envirosuite began on 1 March 2020 and finished in May 2020, on time and on budget with projected operational synergies in the order of $11m per annum by the end of calendar year 2020.

The year ahead will see us move to fully capitalise on the strategic advantage gained from the EMS acquisition, which will form a major pillar of our growth going forward.

Entry into the China market

Envirosuite has long sought to find the appropriate Chinese partner to make an effective entry into China. It achieved this in September 2019 through a partnership with ZZL Pty Ltd. The new partnership agreement allowed Envirosuite to confidently and rapidly establish a dedicated entity and team in China to take advantage of the Chinese government's long-term "Beautiful China" initiative, of which air and water quality is a key focus across the country.

Envirosuite is now very well positioned to provide its full range of technology solutions to the China market across each of its key focus sectors of airports, waste and wastewater, mining, and industrial cities.

From a standing start in November 2019, Envirosuite has already received more than $5m in new sales orders as a result of the new China partnership. This achievement in new market share sets a strong foundation and solid track record to gain the higher quantum orders that the Company is now actively pursuing.

Materially expanding our offering and depth in Water Technology

Envirosuite's product vision is to help our customer unlock value beyond compliance, by going deeper and broader into operations to help optimise performance and output. The Company has invested in two important and customer-focused new technology areas in the Water sector.

SeweX

In November 2019, the Company signed an exclusive global IP licence agreement with UniQuest, the University of Queensland's commercialisation arm, to take their award-winning SeweX technology to a global market. Our development team is now building on the existing SeweX model and integrating it into Envirosuite's real-time platform to address the escalating multi-billion dollar corrosion challenges facing sewerage and collection networks around the world.

The addition of SeweX to Envirosuite's wastewater solutions is aimed at significantly reducing core operating and capital costs for network operators through predicting corrosion and odour-risk priority areas, as well as calibrating and optimising chemical dosing for wastewater treatment.

To date SeweX has been successfully trialled by the University of Queensland in projects with several major water authorities.

Incorporating the technology into Envirosuite's platform will provide for an on-going subscription-based offering with a highly compelling return on investment (ROI) proposition for our customers.

AqMB

After a successful trial in the second half of FY20, Envirosuite acquired AqMB, a R&D software company that developed software technology specifically designed – and now shown – to materially increase processing efficiencies by reducing chemical and energy operating costs in wastewater treatment plants by up to 35 per cent. AqMB combines deterministic modelling and machine learning for calibration to create a digital twin for performance forecasting of chemical and biological processes in water treatment plants to predict and optimise operations.

For Envirosuite's existing and future wastewater treatment plant customers, this acquisition takes Envirosuite well beyond the compliance orientated nature of odour management solutions, and into our customers core operations helping them to directly address two of their most significant and universal challenges.

In the coming year Envirosuite will launch its new solution incorporating the AqMB technology and target its compelling ROI case to a global list of more than 25,000 wastewater treatment plant sites that could benefit from the product.

Operational Overview

The Company's FY20 financial results were materially affected both positively and negatively by the acquisition of EMS, as well as the China partnership and various costs associated with establishing Envirosuite's growth platform for the future. Total revenue rose by almost 210% to $23.9m reflecting the inclusion of post-acquisition revenues from EMS, the new China operations and organic growth from Envirosuite's original operations. Gross profit rose almost 240% to $7.4m. Net loss after tax was $18.2m compared to a loss of $6.0m the previous year.

As foreshadowed in the Company's most recent sales update, the FY20 result includes the full impact of the costs associated with the acquisition of the EMS business, payments associated with the China partnership deal and various other costs. This has enabled Envirosuite to start FY21 as a fully integrated company with no anticipated material additional restructuring or integration costs.

Leadership at Envirosuite

During the latter half of FY20, Envirosuite consolidated its executive team, appointing experienced General Managers for each of our five geographic regions, a General Counsel who will also take on the responsibilities of Company Secretary, as well as recruiting a highly experienced Chief Operating Officer, and Chief Financial Officer, These C-level appointments add a wealth of global technology experience and investment finance to our team.

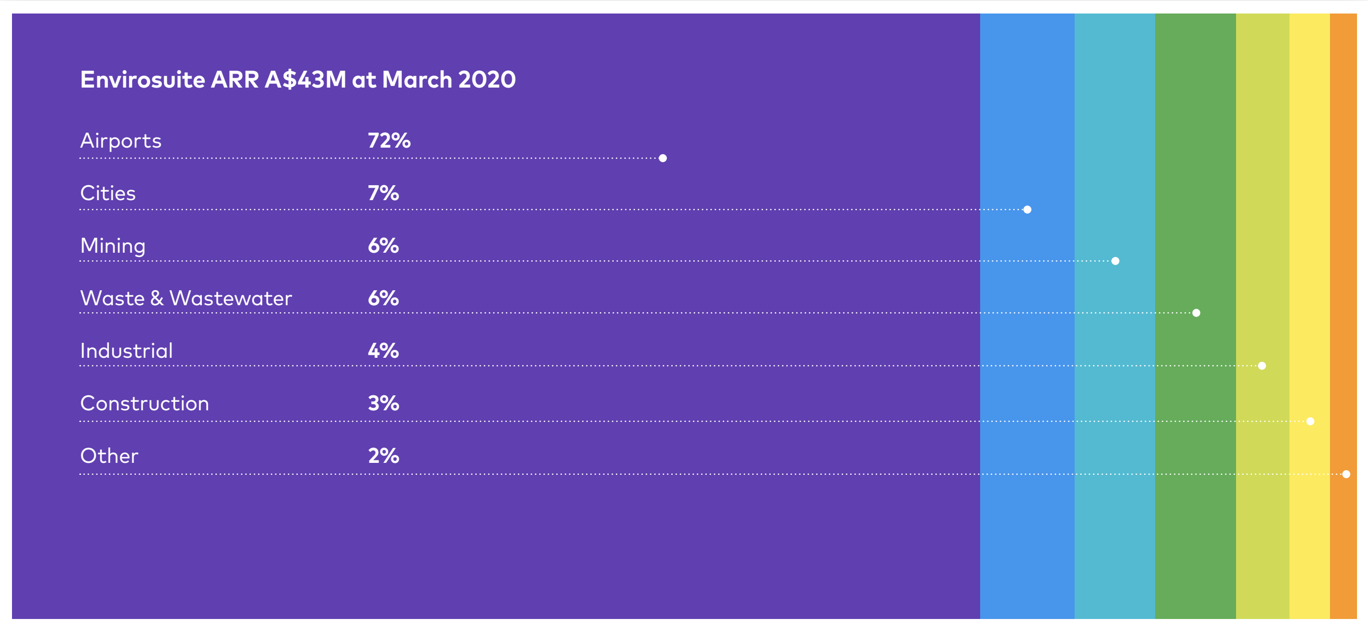
I would also like to thank Robin Ormerod, a founder of Envirosuite who has decided to retire, although he will continue to provide expert consulting services to Envirosuite. Robin has a deep love of science and is passionate about applying this to solving the problems of our customers. Over the years Robin has been instrumental in the shaping of Envirosuite's product portfolio and corporate direction. He continually strived to improve our offerings for the benefit of our customers and his focus has ensured that Envirosuite remains ahead of its competitors.

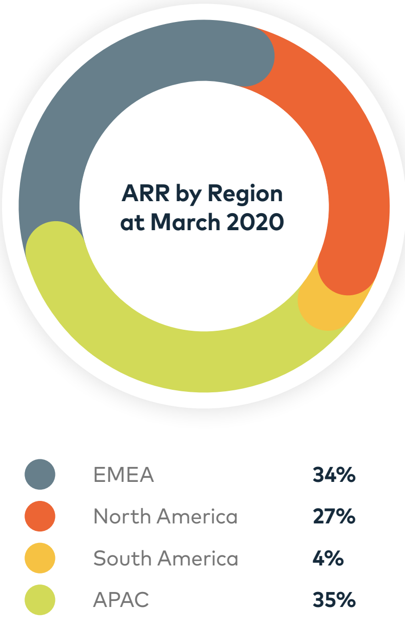
Balancing global focus with local market needs

During the year, Envirosuite adopted an organisational model where the five major geographical regions (Asia Pacific, China, North America, South America, and Europe and Middle East (EMEA)) are responsible for sales and deployment.

The Australia-based teams are responsible for R&D, corporate management and support functions. The business now has mainly six industry sector focuses: Airports, Mining, Industrial, Waste and Wastewater, Cities, and Construction.

The following graphs show the current revenue run-rate breakdown by Region and by industry sector.





Over the next three years we expect the key growth sectors to be Waste and Water, Heavy Industry, and Mining. We anticipate that the major growth regions will be China, Asia Pacific and North America.

The effects of COVID-19 and airports resilience

The COVID-19 pandemic has impacted many participants in the airports sector, most notably airlines. Fortunately for Envirosuite, the requirement to monitor noise is mandated by local legislation and is not connected to flight volume. We have seen some pressure on our airport customers, that has led to delays of new spend on short-term capital projects. Our recurring airport revenue base has remained very firm and largely unaffected. The airport business historically has very low churn in recurring revenues of less than 1% and the pandemic has shown true resilience in this business.

While we already serve some 35% of the world's major airports, we believe that we are only scratching the surface of the airport market opportunity. We are developing new offerings which we expect will be highly attractive to the post-COVID airport markets. These solutions focus on engagement with the community, as well as value added services to help the airports in times of reduced staffing.

[1] Based on Serviceable Addressable Market (SAM) as determined based on Company research. The sizing has been calculated based on the number of serviceable sites, multiplied by average deal size with the applicable sector.

FY21 and beyond

We are in an exciting stage of the Company's journey as we move on from integration and bed down our industry leading IP. With the establishment of the China platform, the integration of EMS complete, the licensing of SeweX and acquisition of AqMB, the major focus we have for FY21 is to leverage these platforms and technologies to significantly grow the customer and recurring revenue base.

While always attuned to possibilities that may present themselves in the market, we have have a mission to create world-leading technology solutions that produce actionable insights from environmental data so our customers can realise their full potential. We believe that the foundations laid over the past year, combined with the work performed in years prior, will allow the Company to achieve $100m of revenue on a run-rate basis in the next three years and continue to capture a significant portion of the $2.3bn market[1] in the years ahead by going deeper with our customers; broadening our technology roadmap and capabilities; and pursuing additional growth in under-developed markets and geographies. This strategy is summarised below

Why we exist

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

We are driven to create world-leading technology solutions that produce actionable insights from environmental data so our customers can realise their full potential.

Strategy & Timeframe

Transform	Scale	Expand
Today	**Years 1,2**	**Year 3 onwards**
• Optimise operating model to increase focus on scalable, higher margin solutions • Cement our market leadership in the emerging EI market • Simplify our technology stack for future growth and innovation	• Drive our product portfolio deeper into customer operations • Increase our sales velocity • Drive continued operational excellence	• Expand corporate partnerships and M&A opportunities • Increase addressable market through new products

Enablers

- Innovation
- Operational excellence
- People and Culture
- Marketing & Sales digitalisation
- Sensor differentiation
- Corporate partnerships

Pictured: Kathryn Turner
Modelling Engineer, Brisbane, Australia

Customers:

- Accelerate growth by increasing lifetime value with our current customers.
- Focus on expansion opportunities and delivery, so that our customers choose to do more business with us, more often.
- Deepen our relationship with our current customers.
- Take our end-to-end environmental intelligence offerings to our 500+ customers.

Markets:

- Growing our business in under-penetrated markets and geographies.
- Continue cementing our China strategy and business, which is evident in our recent wins and AqMB trial with Yinghai in Beijing.
- Focus on direct market entry in Asian markets such as India and growing environmental demand in wastewater and mining.

Product innovation:

- Develop a culture of user-led research and development, experimentation and fast delivery to meet the needs of our customers to provide long term value.
- Investing in underlying technology to support rapid deployment, strengthened security and scalability.
- Putting the customers at the centre of our product development to meet and exceed expectations by providing proactive environmental intelligence solutions to help them on their digitalisation journey.

I am very proud of the work that the entire Envirosuite team has delivered this last year. We have proved that we can grow and operate at scale, even during unprecedented times. We are now into the next phase of our transformation as we work to deliver on our mission to create world-leading technology solutions that produce actionable insights from environmental data so that our customers can realise their full potential. I have every confidence we will succeed.

Peter White

Peter White

CEO

27 August 2020

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 2020.

Directors

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

David Johnstone (Non-executive Chairman)
Peter White (Director and Chief Executive Officer)
Adam Gallagher (Director and Company Secretary) – Resigned 31 July 2020
Hugh Robertson (Non-executive Director)
Zhigang Zhang (Non-executive Director) - Appointed 6 December 2019

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. On 6 September 2019, the Group announced that it had entered into an agreement with ZZL Pty Ltd resulted in the Group establishing an entity, team and office in China. On 28 February 2020, the Group completed its acquisition of EMS Bruel & Kjaer Holdings ("EMS"). The acquisition provided the Group with additional environmental technology solutions and exposure to the airport sector.

Operating results and review of operations for the year

Operating Results

The operating results of the Group are presented below and reflect four months activity of the EMS business that was acquired on 28 February 2020.

A$000	FY20	FY19	Movement
Recurring revenue	17,915	3,644	14,271
Non-recurring revenue	5,418	3,472	1,946
Other revenue	524	585	(61)
Total revenue	**23,857**	**7,701**	**16,156**
Cost of revenue	(16,463)	(4,996)	(11,467)
Gross profit	**7,394**	**2,705**	**4,689**
Operating expenses	(25,616)[1]	(8,869)	(16,747)
Other income/(expense)	(155)	101	(256)
Operating deficit	**(18,377)**	**(6,063)**	**(12,314)**
Net Loss after tax	**(18,236)**	**(5,996)**	**(12,240)**
Recurring revenue as % of total revenue	*75.1%*	*47.3%*	*+27.8%*
Gross profit %	*31.0%*	*35.1%*	*-4.9%*

1 - Includes transaction and integration costs connected with the EMS acquisition of of $2.3m, amortisation of intangibles from EMS acquisition of $0.9m, and share-based payments of $3.2m.

Total revenues for the Group for the financial year ending 30 June 2020 was $23.9m (2019: $7.7m) with recurring revenues of $17.9m (2019: $3.6m). The Group's China operations, which commenced in December 2019, began to contribute revenue during the current financial year with total revenue of $3.0m, which was primarily from non-recurring equipment sales which are the part of the initial entry into the market. The increase in recurring revenue was attributable to organic growth from the Envirosuite platform as well as the acquisition of EMS. Recurring revenues represented 75% of total revenue, a significant increase over the prior comparable period as FY19 had some large one-off project related income items, while FY20 project related income was subdued due to COVID-19 travel restrictions and the impact on the airports sector.

Net loss after tax was $18.2m (2019: loss of $6.0m) with the 2020 financial year impacted by $5.5m in one-off and non-cash items comprised of $2.3m of costs associated with the acquisition and integration of the assets of EMS business, and $3.2m of non-cash share based payment expense for options and performance rights issued to Directors and employees which include options issued to Zhigang

Zhang in connection with the agreement with ZZL Pty Ltd. While the allotment of options incurs a non-cash expense in accordance with the accounting standards, if all the options issued to Directors and employees are exercised the Company would receive a total of $13.7m in cash.

After adjusting for one-off and non-cash items, operating expenses were $11.2m higher in FY20 over the prior comparable period of which $8.0m is attributable to the inclusion of the EMS business and an additional $0.9m from amortisation of intangibles acquired as part of the EMS acquisition. The Group has also continued to invest in the development of the technology and people as part of broadening of the Envirosuite platform.

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

EBITDA is calculated by adding back depreciation, amortisation and interest from net loss before tax. Adjusted EBITDA also adds back share-based compensation expense, foreign currency gains and losses, capitalised internally developed software costs, and transaction and integration costs connected with acquisitions which are seen as non-recurring. Adjusted EBITDA excludes the impacts of adopting AASB 16 as the application of the standard results in operating expenses being excluded from EBITDA. EBITDA and Adjusted EBITDA are non-GAAP measures that are key financial measure used by management to assess the performance of the underlying business.

A$000	FY20	FY19	Movement
Net loss after tax	(18,236)	(5,996)	(12,240)
Add back: Tax expense / (benefit)	(230)	67	(297)
Add back: Net finance expense / (income)	89	(134)	223
Add back: Depreciation and amortisation	3,241	1,240	2,001
EBITDA	**(15,136)**	**(4,823)**	**(10,313)**
Less: AASB 16 Depreciation & interest	(656)	-	(656)
Less: R&D costs capitalised	(1,873)	(1,385)	(488)
Add back: Share-based payments	3,154	13	3,141
Add back: Foreign currency losses/(gains)	155	(101)	256
Add back: Transaction and integration costs	2,263	-	2,263
Adjusted EBITDA	**(12,093)**	**(6,296)**	**(5,797)**

In June 2020, the Company announced restructuring of its operations as a result of the integration of the EMS business, which included the removal of over 40 roles from the combined businesses. The Group expects to generate positive Adjusted EBITDA on a go-forward basis by March 2021.

Financial Position

The net assets of the consolidated Group have increased from $12.3m at 30 June 2019 to $126.0m as at 30 June 2020. The Group received gross proceeds of $98.0m from capital raises completed during the reporting period, including $84.0m raised in February 2020 in connection with the acquisition of EMS. On 28 February 2020, the Company acquired EMS for $107.1m, of which $74.2m was paid in cash from the capital raised with the residual paid in equity and options issued to Macquarie Capital and the minority shareholders of EMS Bruel & Kjaer Holdings Pty Ltd that were valued at $32.9m.

A$000	FY20	FY19	Movement
Cash and cash equivalents	24,385	7,564	16,821
Current assets	39,412	9,565	29,847
Current liabilities	(23,791)	(3,351)	(20,440)
Net current assets	**15,621**	**6,214**	**9,407**
Total assets	157,070	15,850	141,220
Net assets	125,985	12,329	113,656
Net cash from / (used in) operating activities	(11,259)	(4,315)	(6,944)

Cash and cash equivalents increased as a result of the cash proceeds raised from the capital issued during the year after reducing for the proceeds paid for the EMS business. As at 30 June 2020, there was still $4.2m due to be paid as final closing payments in relation to working capital adjustments determined post-completion. This obligation has been included on the balance sheet within trade and other payables and will reduce cash in H1 FY21.

Cash used in operating activities increased by $6.9m as a result of the investments made in building out the platform during the financial period as well as the integration costs incurred connected with the EMS acquisition. Noting the additional cash raised during the financial period, combined with the cost reduction initiatives announced by the Company in June 2020 the Directors are of the view that the Group will continue to be able to pay its debts as and when they fall due and have prepared the financial report on a going concern basis.

Significant changes in the state of affairs

On 28 February 2020, the Group completed the acquisition of EMS Bruel & Kjaer Holdings Pty Ltd. The acquisition was funded from gross proceeds raised through the issuance of additional shares, as well as the issuance of shares to Macquarie Corporate Holdings and minority shareholders of EMS. The EMS business provided the Group with additional capabilities in noise and vibration monitoring and significantly increased the size of its operations globally.

As a result of the COVID-19 pandemic, airports around the world reduced operations due to reduction in flight volumes. Approximately 75% of the revenues from the EMS business is received from customers that own or manage airports, of which approximately 85% is recurring revenue and only 15% relates to one-off capital expenditure on discrete projects. While the reduction in airport traffic has delayed new capital spend and thus had a negative impact on non-recurring project and product revenue generated by the Group in FY20, it did not have a material impact on recurring revenue or the Group's ability to continue as a going concern.

Dividends paid or recommended

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

Events after the reporting period

On 17th August 2020, the Company acquired 100% of water modelling R&D technology software company AqMB Holdings Pty Ltd for a total consideration of A$1.35m. No other matters or circumstances other than those disclosed in this report have arisen since the end of the financial year that significantly affected, or could significantly affect, the operations of the 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, in which the group operates.

Information on Directors

David Johnstone, Chairman

(appointed 10 February 2014)

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

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

Peter White, Director and Chief Executive Officer

(appointed 10 July 2017)

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

Chairman of the Remuneration and Nomination Committee

Adam Gallagher, Director and Company Secretary

(appointed 18 October 2012 / Resigned 31 July 2020)

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

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

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

Hugh Roberston, Director

(appointed 1 November 2018)

Hugh Robertson has over 30 years experience in the financial services sector and equity markets. Hugh is an experienced company director across a broad range of businesses with a concentration on small cap industrial stocks.

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

Zhigang Zhang, Director

(appointed 6 December 2019)

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

Mr Zhang was appointed as Non-Executive Director of Phoslock Environmental Technologies Limited (ASX: PET) in June 2017 following an investment in PET announced 10 April 2018 and is currently the Deputy Chairman.

Directors equity participation and other relevant interests

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

Executive Directors	Ordinary Shares	Options	Performance Rights (*)
Peter White	9,237,681	5,000,000	4,000,000
Adam Gallagher	4,639,526	7,500,000	-
Non-Executive Directors			
David Johnstone	6,815,459	5,000,000	-
Hugh Robertson	18,935,279	5,000,000	-
Zhigang Zhang	25,292,682	12,500,000	-

* - Performance Rights were issued as part of Executive's compensation package and are subject to vesting, forfeiture, and other conditions applied to grants or awards to Executive.

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 2020, and the numbers of meetings attended by each director were as follows:

	Full Meetings of Directors		Audit and Risk Management Committee (*)		Remuneration and Nomination Committee (*)	
2020 Meetings	A	B	A	B	A	B
Adam Gallagher	15	15	4	4	4	4
David Johnstone	15	15	4	4	4	4
Peter White	15	15	-	-	-	-
Hugh Robertson	12	15	-	-	-	-
Zhigang Zhang	4	5	-	-	-	-

A - Number of meetings attended. **B** - Number of meetings held during the time the director held office or was a member of the committee during the year (number eligible to attend).* - The committee charters provides for 2 meetings to be held each year per committee. In addition to formal meetings the members meet informally on a regular basis and discuss matters within the charter. Each committee Chair provides a report to the board at each monthly board meeting.

Shares under option

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

Grant date	Expiry date	Exercise price ($)	Number under option
16-Nov-15	10-Nov-20	0.16	333,333
23-Oct-18	11-May-22	0.10	2,000,000
25-Oct-18	30-Oct-22	0.16	750,000
25-Nov-19	5-Dec-21	0.40	22,500,000
25-Nov-19	31-Mar-22	0.15	26,250,000
28-Feb-20	28-Feb-23	0.20	75,000,000
28-Feb-20	28-Feb-23	0.25	20,000,000
19-Mar-20	1-Apr-23	0.40	1,000,000
Total			**147,833,333**

In November 2019, following the passing of the relevant resolutions by shareholders at the Annual General Meeting, the Company issued a total of 48,750,000 options to Directors and nominees of ZZL Pty Ltd in connection with the entry into China. In February 2020, following the passing of resolutions by shareholders at a general meeting, the Company issued 95,000,000 options to Macquarie Capital and minority shareholders in connection with the acquisition of EMS.

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

During the financial year, 10,700,000 shares were issued on the exercise of options. No amounts are unpaid on any of the shares. No options have lapsed post balance date.

Indemnification and insurance of officers or auditor

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

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

Proceedings on behalf of the Company

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

Non audit services

Fees paid or payable to PKF Brisbane Audit, being the auditor the Group for non-audit and other assurance work, during the year ending 30 June 2020 totaled $112,724 (2019: nil). Amounts paid to PKF and its related practices for non-audit and other assurance work totaled $198,207 (2019: 22,496)

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

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 5 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

Rounding of amounts

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

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

The report is structured as follows:

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

A. Key management personnel covered in this report

The remuneration disclosures in this report cover the following persons who were classified as Key Management Personnel (KMP) of the Group during the 2020 financial year. KMP (as defined in AASB 124 Related Party Disclosures) are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling major activities of the Group.

Executives	
Peter White	Chief Executive Officer and Director
Clinton Lander	Chief Financial Officer (departed 29 May 2020)
Matthew Patterson	Chief Financial Officer (appointed 2 June 2020)
Jason Cooper	Chief Operating Officer (appointed 1 July 2020)
Adam Gallagher	Company Secretary and Director (resigned 31 July 2020)
Non-Executive Directors	
David Johnstone	Chairperson
Hugh Robertson	
Zhigang Zhang	(appointed 6 December 2019)

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

(i) Executive pay

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

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

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

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

The executive pay and reward framework generally has three components:

Fixed remuneration	
Base Pay	• Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. • There are no guaranteed base pay increases included in any executives' contracts. • Retirement benefits are delivered under the Australian superannuation legislation at 9.5% of base salary for the financial year ended 30 June 2020, up to the maximum superannuation contribution base. • Base pay is structured as a total remuneration package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion
Performance-based remuneration	
Short-term Incentives (STI)	• STI is provided to certain executives equivalent to 10-30% of their base pay, where payment is dependent upon satisfaction of certain performance conditions. STI is provided in form of cash • For executives other than Executive KMPs, in the prior year the performance conditions were based around an achievement of new ARR contracts awarded. From FY20, the performance conditions are typically based on a combination of new ARR contracts awarded, revenue, EBITDA and personal targets.
Long-term incentives (LTI)	• LTI is provided to certain executives equivalent to 10% of their base pay, where the award is dependent upon satisfaction of certain performance conditions and payment is dependent upon the executive remaining employed by the Company during the vesting period which is typically 2 years. • Executive KMP are awarded LTIs upon entering into an employment contract with the Company where vesting conditions are split between remaining employed by the Company and share price performance. Details of these awards to Executive KMP are discussed further below. • LTI is provided to certain executives via various allotments of options to subscribe for ordinary shares in the Company or via Performance Rights that convert to ordinary shares on attainment of applicable performance criteria.

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

Chief Executive Officer's remuneration

During FY20, Mr White earned a base salary of $300,000 inclusive of statutory superannuation entitlements. In addition, Mr White was entitled to an STI of 5% of the value of the first year of license fee component from new Envirosuite sales, with claw back provisions should the licensee default.

On 1 July 2020 Mr White and the Company entered into a new employment agreement under which Mr White earns a base salary of $300,000 plus statutory superannuation entitlements. Under the new employment agreement, Mr White is entitled to an STI of 30% Base Pay based on the Group meeting stated EBITDA targets (1/3), Sale Order Growth (1/3) and Mr White meeting certain stated personal objectives (1/3). Mr White is eligible for an additional STI of up to $20,000 subject to short-term EBITDA targets being met. In addition, Mr White is entitled to the following Performance Rights as an LTI (subject to shareholder approval at the next Annual General Meeting of the Company) covering the period 1 July 2020 and expiring 30 June 2023:

- 1,000,000 fully paid ordinary shares, in the event that the Company's share price as listed on the Australian Securities Exchange (ASX) reaches $0.50 per share and remains at or above $0.50 per share for a continuous period of 30 days thereafter;
- 1,000,000 fully paid ordinary shares if the Company's share price as listed on the ASX reaches $0.75 per share and remains at or above $0.75 per share for a continuous period of 30 days thereafter;
- 1,000,000 fully paid ordinary shares if the Company's share price as listed on the ASX reaches $1.00 per share and remains at or above $1.00 per share for a continuous period of 30 days thereafter;
- 500,000 fully paid ordinary shares upon the Executive remaining in the Company's employment as at 30 June 2021, and a further 500,000 fully paid ordinary shares upon the Executive remaining in the Company's employment as at 30 June 2022.

These new share-based incentive arrangements are still subject to shareholder approval.

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

Chief Financial Officer

Clinton Lander was the Chief Financial Officer until 31 May 2020:

- **Fixed Remuneration:** For the entire FY19 financial year and through to 29 February 2020, Mr Lander earned a base cash salary of $220,000 plus statutory superannuation entitlements. For the period of 1 March 2020 to 29 May 2020, Mr Lander was entitled to a base cash salary of $30,000 per month plus statutory superannuation entitlements.
- **STI:** For the 2019 and 2020 financial years, Mr Lander was eligible for a STI of $20,000 per annum based on the company's performance against Annual Recurring Revenue ('ARR').
- **LTI:** On 2 July 2018, Mr Lander was issued 2,049,180 performance rights that vest and convert to ordinary shares on 15 May 2020. These performance rights are forfeited if Mr Lander ceases employment with the Company prior to the vesting date. On 23 October 2018, Mr Lander was granted 2,000,000 share options with 50% vesting on the first anniversary of his employment with the Company and 50% vesting on the second anniversary. These options have an exercise price of 10 cents, which was double the Company's share price on the day his employment commenced.

Matthew Patterson was appointed the Chief Financial Officer on 2 June 2020 and receives the following compensation:

- **Fixed Remuneration:** Base cash salary of $280,000 plus statutory superannuation entitlements.
- **STI:** Eligible for an STI equivalent to 30% of his base pay based on the company's performance against new ARR, revenue, EBITDA, and personal targets. Mr Patterson is eligible for an additional STI of up to $20,000 subject to short-term EBITDA targets being met.
- **LTI:** From the 3rd year of employment and onwards, Mr Patterson is eligible to an LTI equivalent to 10% of his base pay based on the company's performance against new ARR, revenue, EBITDA and personal targets.

On 2 June 2020, Mr Patterson was issued 2,000,000 Performance Rights that vest and convert to fully paid ordinary shares as follows:

- 1,000,000 fully paid ordinary shares of which 50% vest on the first anniversary of Mr Patterson's employment with the Company and 50% vest on the second anniversary;
- 500,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the Australian Securities Exchange (ASX) reaches $0.25 per share and remains at or above $0.25 per share for a continuous period of 30 days thereafter before 30 June 2022; and
- 500,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the Australian Securities Exchange (ASX) reaches $0.40 per share and remains at or above $0.40 per share for a continuous period of 30 days thereafter before 30 June 2022.

Chief Operating Officer

Jason Cooper was appointed the Chief Operating Officer on 1 July 2020. The Group did not have a Chief Operating Officer prior to this date. Mr Cooper receives the following compensation:

- **Fixed Remuneration:** Base cash salary of $280,000 plus statutory superannuation entitlements.
- **STI:** Eligible for an STI equivalent to 30% of his base pay based on the company's performance against new ARR, revenue, EBITDA, and personal targets.
- **LTI:** From the 3rd year of employment and onwards, Mr Cooper is eligible to an LTI equivalent to 10% of his base pay based on the company's performance against new ARR, revenue, EBITDA and personal targets.

On 1 July 2020 Mr Cooper was issued 2,000,000 Performance Rights that vest and convert to fully paid ordinary shares as follows:

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

Company Secretary

Mr Gallagher was the Company Secretary for the entire financial year for which he earned a fee of $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 assisting in the management of corporate transactions together with the Company's advisors, investor communications, and undertaking various other duties as required by the business that are within the incumbent's skill-set.

On 30 June 2020, the Company announced that Mr Gallagher was resigning from the Board effective 31 July 2020 and would be stepping down as Company Secretary effective 31 August 2020. Ms Rachel Ormiston, Envirosuite General Counsel, assumed the additional role of Corporate Secretary on 24 August 2020. Due to the increased size of the management team post the acquisition of EMS Bruel & Kjaer Holdings Pty Ltd, and the fact that Ms Ormiston is not a director of the Group, Ms Ormiston is not deemed to be a KMP of the Group.

The Company has agreed to retain Mr. Gallagher's services for a monthly fee of $15,000 per month plus GST from 1 August 2020 to 31 December 2020.

(ii) Non-executive directors

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

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

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

Fees per Annum	FY20	FY19
Chair	$90,000	$90,000
Other Directors	$60,000	$60,000
Committee Chair	$10,000	$10,000
Committee Member	nil	nil

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

C. Share-based compensation

(i) Options and Performance Rights

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

Each option provides the right to acquire one ordinary share in Envirosuite Limited for a stated exercise price, subject to the relevant vesting conditions being met. Each Performance Right provides the right to acquire one ordinary share in Envirosuite Limited subject to the relevant vesting rights being met. Options and Performance Rights carry no voting rights or entitlements to receive dividends.

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

During the 2020 financial year:

- 5,000,000 options were issued on 25 November 2019 to each of Mr Johnstone, Mr White, and Mr Robertson (15,000,000 options in total) with an exercise price of $0.40 per share
- 7,500,000 options were issued on 25 November 2019 to Mr Gallagher with an exercise price of $0.40 per share
- 12,500,000 options were issued on 25 November 2019 to Mr Zhang with an exercise price of $0.15 per share
- 2,000,000 performance rights were issued on 2 June 2020 to Mr Matthew Patterson.
- 3,405,266 performance rights were issued to other non-KMP management personnel.

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

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

Details of options and Performance Rights over ordinary shares in the Company provided as remuneration to each director of Envirosuite Limited and each of the 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 16 to the financial statements.

Options		Balance at Start of Year	Granted	Exercised	Forfeited / Other	Balance at End of Year	Vested and Exercisable	Unvested
Executive Director								
P. White	2020	2,000,000	5,000,000	(2,000,000)	-	5,000,000	5,000,000	-
	2019	7,000,000	-	(5,000,000)	-	2,000,000	2,000,000	-
A. Gallagher	2020	4,000,000	7,500,000	(4,000,000)	-	7,500,000	7,500,000	-
(resigned 31 July 2020)	2019	8,500,000	-	-	(4,500,000)	4,000,000	4,000,000	-
Other Executives								
C. Lander	2020	2,000,000	-	-	(2,000,000)*	-	-	-
(departed 29 May 2020)	2019	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000
M. Patterson	2020	-	-	-	-	-	-	-
(appointed 2 June 2020)	2019	-	-	-	-	-	-	-
Non-Executive Director								
D. Johnstone	2020	4,000,000	5,000,000	(4,000,000)	-	5,000,000	5,000,000	-
	2019	4,000,000	-	-	-	4,000,000	4,000,000	-
H. Robertson	2020	-	5,000,000	-	-	5,000,000	5,000,000	-
(appointed 1 Nov 2018)	2019	-	-	-	-	-	-	-
Z. Zhang	2020	-	12,500,000	-	-	12,500,000	-	12,500,000
(appointed 6 Dec 2019)	2019	-	-	-	-	-	-	-

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

Performance rights		Balance at Start of Year	Granted	Vested	Forfeited / Other	Balance at End of Year
Executive Director						
C. Lander	2020	2,049,180	-	(2,049,180)	-	-
(departed 29 May 2020)	2019	-	2,049,180	-	-	2,049,180
M. Patterson	2020	-	2,000,000	-	-	2,000,000
(appointed 2 June 2020)	2019	-	-	-	-	-

(ii) Shares

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

D. Details of remuneration

The table below sets out Executive and Non-Executive KMP remuneration for the financial year ending 30 June 2020 and the prior year comparative period in accordance with the requirements of the Accounting Standards and the Corporations Act (Cth). The table reflects the accounting value of remuneration attributable to KMP, derived from the various components of compensation.

KMP include the CEO, CFO and Directors of the Company. Mr Gallagher is listed as an Executive Director due to his role as Company Secretary. Mr Jason Cooper was appointed Chief Operating Officer and joined the Group on 1 July 2020. Mr Cooper is an Executive KMP and details of his remuneration are provided in section (B)(i) above. As Mr Cooper officially started with the Company after the end of the financial reporting period, there is no remuneration to disclose in the table below under the Accounting Standards.

		Salary and fees (incl superannuation)	STI	Other	Performance rights	Options	Total
		$	$		$	$	$
Executive Director							
P. White	2020	300,006	73,446	-	-	371,210	744,662
	2019	300,006	115,297		-	-	415,303
A. Gallagher (resigned 31 July 2020)	2020	160,000	-	-	-	556,815	716,815
	2019	160,000	-	-	-	-	160,000
R. Ormerod (retired 28 Sept 2018)	2020	-	-	-	-	-	-
	2019	78,352	-	-	-	-	78,352
Other Executives							
C. Lander (resigned 29 May 2020)	2020	296,109	24,762	41,538	47,445	5,794	415,648
	2019	237,163	16,573	-	54,266	22,015	330,017
M. Patterson (appointed 2 June 2020)	2020	24,371	-	-	9,001	-	33,372
	2019	-	-	-	-	-	-
Non-Executive Director							
D. Johnstone	2020	100,000	-	-	-	371,210	471,210
	2019	100,000	-	-	-	-	100,000
H. Robertson (appointed 1 Nov 2018)	2020	60,000	-	-	-	371,210	431,210
	2019	40,000	-	-	-	-	40,000
Z. Zhang (appointed 6 Dec 2019)	2020	35,000	-	-	-	526,881	561,881
	2019	-	-	-	-	-	-

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.

E. Shareholdings of key management personnel

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

# of shares		Balance at Start of Year	Granted as compensation	Exercise of options granted as compensation	Other changes during the year	Balance at end of the year
Executive Director						
P. White	2020	7,091,340	-	2,000,000	146,341	9,237,681
	2019	2,091,340	-	5,000,000	-	7,091,340
A. Gallagher (resigned 31 July 2020)	2020	602,941	-	4,000,000	36,585	4,639,526
	2019	352,941	-	-	250,000	602,941
Other Executives						
C. Lander (departed 29 May 2020)	2020	650,000	2,049,180	-	(650,000)	2,049,180
	2019	-	-	-	650,000	650,000
M. Patterson (appointed 2 June 2020)	2020	-	-	-	-	-
	2019	-	-	-	-	-

# of shares		Balance at Start of Year	Granted as compensation	Exercise of options granted as compensation	Other changes during the year	Balance at end of the year
Non-Executive Director						
D. Johnstone	2020	3,339,118	-	4,000,000	(523,659)	6,815,459
	2019	1,844,118	-	-	1,495,000	3,339,118
H. Robertson	2020	9,157,620	-	-	9,777,659	18,935,279
(appointed 1 Nov 2018)	2019	-	-	-	9,157,620	9,157,620
Z. Zhang	2020	-	-	-	25,292,682	25,292,682
(appointed 6 Dec 2019)	2019	-	-	-	-	-

F. Loans to key management personnel

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

G. Other transactions with key management personnel

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

Mr Adam Gallagher was a Director and the Company Secretary of the Company. His fees are paid to Famile Pty Ltd, a related party. Mr Gallagher resigned as a Director on 31 July 2020 and resigned Company Secretary effective from 24 August 2020. The Company has entered into a consulting arrangement with Famile Pty Ltd to 31 December 2020.

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

END OF REMUNERATION REPORT

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

David Johnstone

Chairman

27 August 2020

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been no contraventions of:

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

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

This declaration is in respect of Envirosuite Limited and the entities it controlled during the year.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
27 AUGUST 2020

PKF Brisbane Audit
ABN 33 873 151 348

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Consolidated Income Statement and Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated Group	
		2020	2019
	Notes	$'000	$'000
Trading revenue		23,333	7,116
Other revenue		524	585
Total operating revenue	**4**	**23,857**	**7,701**
Cost of revenue	5	(16,463)	(4,996)
Gross profit		**7,394**	**2,705**
Operating expenses			
Sales and marketing		(8,078)	(3,981)
Product development		(3,235)	(525)
General and administrative		(14,303)	(4,363)
Total operating expenses	**5**	**(25,616)**	**(8,869)**
Other income and expense		(155)	101
Operating deficit		**(18,377)**	**(6,063)**
Net finance income / (expense)		(89)	134
Net loss before tax		**(18,466)**	**(5,929)**
Income tax (expense) / benefit		230	(67)
Net loss after tax		**(18,236)**	**(5,996)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(464)	(121)
Other comprehensive income for the year, net of tax		**(464)**	**(121)**
Total comprehensive income/(loss) for the year		**(18,700)**	**(6,117)**
Net (loss)/profit attributed to:			
Equity holders of Envirosuite Limited		**(18,236)**	**(5,996)**
Total comprehensive (loss)/income attributable to:			
Equity holders of Envirosuite Limited		**(18,700)**	**(6,117)**
		Cents	**Cents**
Basic earnings / (loss) per share	**23**	**(2.94)**	**(1.62)**
Diluted earnings / (loss) per share	**23**	**(2.94)**	**(1.68)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	Consolidated Group 2020 $'000	2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	24,385	7,564
Trade and other receivables	8	10,730	1,501
Other assets	10	1,195	172
Inventories	9	3,102	328
Total current assets		**39,412**	**9,565**
Non-current Assets			
Property, plant and equipment	11	3,304	277
Right of use assets	12	3,743	-
Deferred tax assets	6	1,250	453
Intangible assets	13	108,939	5,555
Other assets	10	422	-
Total non-current assets		**117,658**	**6,285**
TOTAL ASSETS		**157,070**	**15,850**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	13,010	1,201
Revenue in advance		3,230	1,483
Employee benefit provisions	15	6,203	625
Lease liabilities and other borrowings	12	1,348	42
Total current liabilities		**23,791**	**3,351**
Non-current Liabilities			
Employee benefit provisions	15	230	63
Lease liabilities and other borrowings	12	3,059	107
Deferred tax liabilities	6	4,005	-
Total non-current liabilities		**7,294**	**170**
TOTAL LIABILITIES		**31,085**	**3,521**
NET ASSETS		**125,985**	**12,329**
EQUITY			
Issued capital	16	155,908	36,060
Reserves	17	11,740	132
Retained losses	17	(41,663)	(23,863)
TOTAL EQUITY		**125,985**	**12,329**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2018	**26,282**	**251**	**(17,947)**	**8,586**
Comprehensive income				
Loss for the year	-	-	(5,996)	(5,996)
Other comprehensive income for the year	-	(121)	-	(121)
Total comprehensive loss for the year	**-**	**(121)**	**(5,996)**	**(6,117)**
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares (Institutional Placement)	10,000	-	-	10,000
Transaction costs of capital raising (inc. tax effect)	(453)	-	-	(453)
Shares issued / to be issued to employees	231	10	45	286
Employee share options - value of employee services	-	27	-	27
Shares options expired	-	(35)	35	-
Total transactions with owners and other transfers	**9,778**	**2**	**80**	**9,860**
At 30 June 2019	**36,060**	**132**	**(23,863)**	**12,329**
At 1 July 2019	**36,060**	**132**	**(23,863)**	**12,329**
Comprehensive income				
Loss for the year	-	-	(18,236)	(18,236)
Other comprehensive income for the year	-	(464)	-	(464)
Total comprehensive loss for the year	**-**	**(464)**	**(18,236)**	**(18,700)**
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	121,617	-	-	121,617
Transaction costs of capital raising (inc. tax effect)	(2,992)	-	-	(2,992)
Shares issued / to be issued to employees	1,223	(427)	420	1,216
Employee share options - value of employee services	-	3,202	-	3,202
Share options issued – EMS acquisition	-	9,313	-	9,313
Shares options expired	-	(16)	16	-
Total transactions with owners and other transfers	**119,848**	**12,072**	**436**	**132,356**
At 30 June 2020	**155,908**	**11,740**	**(41,663)**	**125,985**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Consolidated Group June 2020 $'000	June 2019 $'000
Cash flows from operating activities			
Receipts from customers		29,043	8,405
Payments to suppliers and employees		(40,636)	(13,362)
		(11,593)	(4,957)
Other revenue		504	524
Taxes paid		(197)	-
Interest received		110	139
Interest paid		(83)	(21)
Net cash (used in) operating activities	21	**(11,259)**	**(4,315)**
Cash flows from investing activities			
Payments for property, plant and equipment		(176)	(65)
Payments for acquisition of business		(65,394)	-
Payments for intangible assets		(2,398)	(1,385)
Proceeds from sale of business		-	50
Net cash (used in) / provided by investing activities		**(67,968)**	**(1,400)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(3)	(32)
Proceeds from issue of shares		98,001	10,174
Share issue transaction costs		(2,149)	(544)
Net cash provided by financing activities		**95,849**	**9,598**
Net (decrease) / increase in cash and cash equivalents		16,622	3,883
Effects of exchange rate changes on cash and cash equivalents		199	33
Cash and cash equivalents at the beginning of the financial year		7,564	3,648
Cash and cash equivalents at the end of the period		**24,385**	**7,564**

The accompanying notes form part of these financial statements.

CONTENTS

Notes to Financial Statements

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

The separate financial statements of the parent entity, Envirosuite Limited, have not been presented within this financial report as permitted by the Corporations Act 2001. Parent entity financial information is disclosed in Note 25.

The financial statements were authorised for issue on 27 August 2020 by the directors of the company.

1. Summary of significant accounting policies

(a) Basis of preparation

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

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

Compliance with IFRSs as issued by the IASB

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

Basis of Measurement

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

Comparative Periods

Comparative periods presented in these financial statements have been restated to align with current year presentation with the exception of the impacts of adopting AASB 16 *Leases* as at 1 July 2019 where comparatives have not been restated.

Critical accounting estimates and judgements

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

- *Measurement of ECL allowance for trade receivables* - The measurement of the ECL allowance for trade receivables relies on estimates of expected credit losses to be incurred for trade receivables taking into account historical losses and the financial condition of the customer. Refer to Note 1(j) for further discussion.
- *Impairment of goodwill and other intangible assets* – the Group tests goodwill and other intangible assets, including capitalised software development costs, for impairment in accordance with the accounting policy stated in note 1(o). These calculations require the use of assumptions regarding the future profitability of the cash generating units to which the goodwill and intangibles have been allocated, as well as future cash flows related to the intangible asset. Refer to Note 13 for details of the assumptions used in determining the value in use and fair value of goodwill and other intangible assets.
- *Valuation of options* – the Group has issued share options in connection with the acquisition of EMS Bruel & Kjaer Holdings as well as to employees and Directors as compensation for services. The valuation of these options is based on using a Black-Scholes valuation model that relies on various assumptions Including the beta of the stock and dividends.
- *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.

1. Summary of significant accounting policies (continued)

- *COVID-19 Pandemic* – Judgement has been exercised in considering the impacts of the COVID-19 pandemic has or may have on group. This consideration extends to the nature of services offered, customers, supply chains, staffing and geographical regions in which the Group operates in. Other than addressed above or in specific notes, there does not appear either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the group unfavorably as a reporting date or subsequently as a result of the COVID-19 Pandemic. The board continues to actively monitor the situation

(b) Principles of consolidation

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

A list of subsidiaries is contained in note 19 to the financial statements.

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

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

(c) Business Combinations

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

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group companies

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

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

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

(e) Segment reporting

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

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

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

(f) Revenue recognition

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

Recurring revenue

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

Non recurring revenue

One-off services provided by the group and from the sale of monitoring equipment. Revenues from these activities are recognised at a point in time as the services are performed or equipment is delivered, in line with the performance obligations implicit in the respective contracts. Revenue is recognised in line with the achievement of identified performance obligations per each specific contract at amounts appropriate to the completion of the performance obligation.

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

1. Summary of significant accounting policies (continued)

(i) Revenue recognition (continued)

Government grants and rebates

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

Interest income

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

Contract assets and liabilities

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

(ii) Employee benefits

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

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

Short-term obligations

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

Long-term employee benefit obligations

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

Share based payments

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

The fair value of options granted under the Envirosuite Limited Employee Share Option Plan 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 Executive Performance Rights Plan, performance rights are issued to employees providing them with a right to shares for no cash consideration. Under this plan, the Company has the right to settle the performance right for cash rather than issue equity. The expense for these performance rights is recognised over the vesting period with an offsetting increase to share-based payment reserves. When equity is issued upon vesting of performance rights, the share-based payment reserve is transferred to ordinary shares.

1. Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

Termination benefits

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

(h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in Other Comprehensive Income or in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current Tax

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

Deferred Tax

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

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

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

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

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

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

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

Goods and Service Tax

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

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

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

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

1. Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

Impairment

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

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

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

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

Measurement of ECLs

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

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

(k) Inventories

The Group acquires and manufactures environmental monitors and sensors and related parts, which are initially accounted for as inventory. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

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

(l) Property, plant and equipment

Recognition and measurement

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

1. Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

Depreciation

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

• Computer equipment	4 years
• Furniture and fixtures	5 - 10 years
• Leasehold improvements	Remaining life of the lease (3 - 5 years)
• Terminals	5 years
• Right-of-use assets	lower of economic or lease life

(n) Right of use asset

Right of use assets are measured at cost and comprise the amount that is recognised for the lease liability on initial recognition (refer to Note 1(q)) less any lease incentives received, and including direct costs and restoration-related costs. Right of use assets include leased buildings and data centers and are depreciated over the life of the lease which is 5 – 7 years. The Group does not recognise a right of use asset for short term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses in the income statement.

(o) Intangible assets

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

• Internally developed software	7 years
• Acquired software	5 years
• Customer relationships	5 years
• Brand value	5 years

Software development costs

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 7 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.

Impairment

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

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

1. Summary of significant accounting policies (continued)

(p) Trade and other payables

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

(q) Lease liabilities

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

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

(r) Provisions

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

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

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

(s) Contributed equity

Ordinary shares are classified as equity.

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

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

(t) Dividends

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1. Summary of significant accounting policies (continued)

(v) Rounding of amounts

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

(w) New and amended standard adopted by the Group – Changes in Accounting Policies

AASB 16 Leases

The Company has adopted AASB 16 Leases as of 1 July 2019. The new standard requires lessees to account for all leases within the scope of the standard as finance leases with the recognition of a right-to-use asset and lease liability on the balance sheet in connection with all former operating leases. The Group leases building space and data centres in various locations around the world that may be required to be recognised on the balance sheet with depreciation of the right-to-use asset being recorded within the statement of comprehensive income.

Transition

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB16.

On transition, the Group recognised right of use assets of $209,000 and lease liabilities of $209,000. The impact of the AASB 16 adoption is presented below:

	1 July 2019 $'000
Total operating lease commitments disclosed at 30 June 2019	336
Leases with remaining lease term of less than 12 months	(30)
Adjustment	(67)
Operating leases before discounting	**239**
Discounts using incremental borrowing rate	(30)
Operating lease liabilities	**209**
Total lease liabilities recognised under AASB 16 at 1 July 2019	**209**

2. Financial risk management

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

(a) Credit risk

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

The gross trade and other receivables balance at 30 June 2020 was $12,812,000 (2019: $1,557,000) and the aging analysis of trade receivables is provided in Note 8. The Group exposure to credit risk is affected by the regions and industries the Group's customers operate in. The majority of the Group's customers are airports and water and waste operators around the world with a growing exposure to customers within the mining industry.

Trade receivables are managed on an ongoing basis. The Group does not have any material credit risk exposure to any single debtor. Aging analysis and ongoing collectability reviews are performed and, when appropriate, an expected credit risk loss provision is raised. Historically, the Group has not had any significant write-offs in its trade receivables, which includes the historical period during which the EMS businesses operated prior to the acquisition in February 2020.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. As at 30 June 2020, the Group had cash and cash equivalents of $24,385,000 (2019: $7,564,000). The Group generated net loss after tax of $18,236,000 though this included $3,154,000 of non-cash share based payments and $2,263,000 of non-recurring transition and integration costs related to the acquisition of EMS.

In June 2020, the Company announced head count reductions and other cost saving initiatives that are forecasted to reduce overhead costs by $8 million. Based on the cash available to the Group and the cost saving initiatives already implemented, the Board and management are of the view that the Company has sufficient liquidity to continue as a going concern for at least the next 12 months without needing to raise additional capital.

(c) Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument or forecasted transaction will fluctuate because of changes in foreign exchange rates. The Group operates internationally and as such has exposure to foreign currency movements. Approximately 67% of the Group's revenue for the period ended 30 June 2020 was earned in foreign currency (2019: 42%). The Group primarily has exposure to Euro ("EUR"), US dollars ("USD"), Canadian dollars ("CAD"), British pound ("GBP"), and Chinese renminbi ("RMB") from cash balances and trade receivables which are partially offset by trade and other payables, employee provisions and borrowings in those currencies. The table below shows the impact to comprehensive income before tax from a 10% increase and 10% decrease in the foreign currency exchange rate against the Australian dollar ("AUD").

	2020			2019		
$'000	Expoure (in AUDe)	-10%	+10%	Expoure (in AUDe)	-10%	+10%
CAD	580	64	(53)	843	94	(77)
EUR	(220)	(24)	20	49	5	(4)
GBP	576	64	(52)	-	-	-
RMB	1,914	213	(174)	-	-	-
USD	957	106	(87)	94	10	(9)
Other	1,927	214	(175)	87	10	(8)
Total	**5,734**	**637**	**(521)**	**1,073**	**119**	**(98)**

3. Segment information

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

Segment assets and liabilities are not presented as they are not regular provided to the chief operating decision makers.

2020 $'000	Asia Pacific	China	EMEA	North America	South America	Corporate	Total
Trading revenue							
Recurring revenue	6,322	148	5,540	4,676	1,228	-	17,919
Non recurring revenue	454	3,271	433	541	720	-	5,419
Other revenue	-	9	-	-	-	516	525
Total operating revenue	**6,776**	**3,428**	**5,973**	**5,217**	**1,948**	**516**	**23,858**
Cost of revenue	(4,091)	(3,347)	(2,962)	(3,707)	(919)	(1,437)	(16,463)
Gross profit	**2,685**	**81**	**3,011**	**1,511**	**1,029**	**(921)**	**7,395**
Operating expenses	(2,351)	(1,097)	(1,136)	(794)	(1,015)	(19,222)	(25,616)
Other income/(expense)	-	-	-	-	-	(155)	(155)
Operating deficit before tax	**334**	**(1,016)**	**1,875**	**716**	**14**	**(20,298)**	**(18,377)**
Net finance income/(expense)	(11)	(11)	-	2	(4)	(66)	(89)
Net loss before tax	**323**	**(1,027)**	**1,875**	**718**	**10**	**(20,364)**	**(18,466)**

2019 $'000	Asia Pacific	China	EMEA	North America	South America	Corporate	Total
Trading revenue							
Recurring revenue	1,309	-	608	1,029	698	-	3,644
Non recurring revenue	94	-	1,775	245	1,358	-	3,472
Other revenue	1	-	5	14	-	565	585
Total operating revenue	**1,404**	**-**	**2,388**	**1,288**	**2,056**	**565**	**7,701**
Cost of revenue	(755)	-	(969)	(1,490)	(1,168)	(614)	(4,996)
Gross profit	**649**	**-**	**1,419**	**(202)**	**888**	**(49)**	**2,705**
Operating expenses	(373)	-	(1,113)	(1,469)	(750)	(5,164)	(8,869)
Other income/(expense)	(12)	-	68	(72)	(17)	134	101
Operating deficit before tax	**264**	**-**	**374**	**(1,743)**	**121**	**(5,079)**	**(6,063)**
Net finance income/(expense)	-	-	-	2	-	132	134
Net loss before tax	**264**		**374**	**(1,741)**	**121**	**(4,947)**	**(5,929)**

4. Revenue

	2020 $'000	2019 $'000
Recurring revenue	17,915	3,644
Non recurring revenue	5,418	3,472
Trading revenue	**23,333**	**7,116**
Research and development tax incentives	357	467
Other revenue	158	108
Profit on sale of fixed assets	9	10
Other revenue	**524**	**585**
Total revenue	**23,857**	**7,701**

Research and development tax incentives included for the year ended 30 June 2020 are $356,560 (2019: $467,224).

5. Expenses

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

	2020 $'000	2019 $'000
Cost of revenue and operating expenses		
Cost of revenue	(16,463)	(4,996)
Total operating expenses	(25,616)	(8,869)
Total cost of revenue and operating expenses	**(42,079)**	**(13,865)**
Total cost of revenue and operating expenses is comprised of:		
Employment costs	(20,618)	(7,754)
Share based compensation	(3,154)	(13)
Consultants and contractors	(2,613)	(1,132)
Professional fees	(2,060)	(281)
Computer expenses	(2,453)	(660)
Equipment costs	(4,682)	(1,740)
Building costs	(567)	(610)
Director's fees	(265)	(210)
Audit and audit related fees	(216)	(59)
Depreciation and amortisation (excl intangible asset – software amortisation)	(2,154)	(116)
Other operating expenses	(4,083)	(1,551)
Sub-total	**(42,865)**	**(14,126)**
Software development cost - capitalised	1,873	1,385
Intangible asset – software amortisation	(1,087)	(1,124)
R&D costs capitalised, net	**786**	**261**
Total cost of revenue and operating expenses	**(42,079)**	**(13,865)**

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:

	2020 $'000	2019 $'000
Audit and review of financial reports	216	61
Other assurance services	113	-
Other non-audit services	85	22
Total remuneration of auditors	**414**	**83**

Other assurance services include agreed-upon procedures in connection acquisitions made during the year. Other non-audit services include payroll, tax return preparation and other related services.

6. Tax

	2020 $'000	2019 $'000
(a) Income tax expense / (benefit)		
Current tax expense / (benefit)	770	(340)
Deferred tax expense / (benefit)	(1,000)	407
Total income tax expense / (benefit)	**(230)**	**67**
(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax expense on operating profit at 27.5% (2019: 27.5%)	(5,078)	(1,618)
Tax effects of items which are non-deductible / (non-assessable) in calculating taxable income:		
Non-allowable items (including R&D expenditure)	516	290
Non-assessable R&D income	(98)	(128)
Share options expensed during the year	867	4
Difference in offshore tax rates	131	-
Add / (less):		
Over/(under) provision for income tax in prior year	-	111
Equity raising costs	(95)	95
Deferred tax valuation allowance increase	3,527	1,313
Total income tax expense / (benefit)	**(230)**	**67**

(c) Deferred income tax

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

6. Tax (continued)

2019	Opening Balance $'000	Acquired in business combination $'000	Recognised in profit or loss $'000	Charged directly to Equity $'000	Effect of foreign exchange $'000	Deferred Tax Asset $'000	Deferred Tax Liability $'000
Trade and other payables	21	-	(45)	-	-	-	(24)
Employee provisions	314	-	11	-	-	325	-
Issued Capital	79	-	-	73	-	152	-
Net DTA / (DTL)	-	-	-	-	-	(24)	24
Tax losses	1,238	-	13	-	-	1,251	-
Valuation allowance	(1,238)	-	(13)	-	-	(1,251)	-
Balance as 30 June 2019	**414**	**-**	**(34)**	**73**	**-**	**453**	**-**

The Group has unused tax losses of $22,105,394 (2019: $4,501,393) for which a valuation allowance has been placed against the related deferred tax asset of $6,138,000 (2019: $1,251,000) and has not been recognised.

7. Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank	20,266	7,564
Term deposits	4,119	-
Cash and cash equivalents	**24,385**	**7,564**

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

8. Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	9,550	1,320
Provision for impairment	(2,082)	(56)
Trade receivables, net	**7,468**	**1,264**
Accrued income	1,992	23
Held in escrow – sale of consultancy practice	-	172
Other debtors	1,270	42
Trade and other receivables	**10,730**	**1,501**
Trade receivable, net aging analysis		
Not past due	4,154	502
Past due 1-30 days	1,077	513
Past due 31-60 days	983	46
Past due 61-90 days	577	5
Past due more than 91 days	677	198
Total	**7,468**	**1,264**

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. Management have considered the impact of COVID-19 on trade and other receivables and do not anticipate a significant deterioration of recoverability beyond the level of current provisioning.

9. Inventories

	2020 $'000	2019 $'000
Work in progress	982	204
Finished goods	2,120	124
Inventories	**3,102**	**328**

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

10. Other assets

	2020 $'000	2019 $'000
Prepayments	924	172
Deposits	271	-
Other current assets	**1,195**	**172**
Deposits	421	-
Other non-current assets	**421**	**-**

Prepayments represent prepaid insurance, prepaid software licenses, and other prepaid expenses. Deposits include deposits for building leases as well as cash backed bid and performance bond deposits. These deposits are pledged as security against non-performance of the Group, including non-payment of rent, inability to deliver based on the bid submitted, or inability to deliver based on a contract entered into with a customer.

11. Property, plant and equipment

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

2020 $'000	Furniture and fixtures	Computer equipment	Terminals	Leasehold improvements	Total
Cost value					
Balance as at 1 June 2019	110	82	-	194	387
Acquired in business combination	1,035	2,559	8,617	96	12,307
Additions	14	95	-	68	176
Transfer from inventories	-	-	449	-	449
Disposals	(29)	(2)	(95)	-	(125)
Effect of foreign exchange	(24)	(30)	(188)	2	(240)
Balance as at 30 June 2020	**1,106**	**2,705**	**8,784**	**360**	**12,954**
Accumulated depreciation					
Balance as at 1 June 2019	(39)	(25)	-	(46)	(110)
Acquired in business combination	(829)	(2,030)	(6,295)	(12)	(9,166)
Depreciation for the period	(70)	(104)	(439)	(64)	(677)
Disposals	28	-	95	-	123
Effect of foreign exchange	15	23	140	(1)	178
Balance as at 30 June 2020	**(894)**	**(2,135)**	**(6,500)**	**(122)**	**(9,650)**
Net book value	**212**	**570**	**2,284**	**238**	**3,304**

2019 $'000	Furniture and fixtures	Computer equipment	Terminals	Leasehold improvements	Total
Cost value					
Balance as at 1 June 2018	69	60	-	203	332
Additions	76	32	-	17	125
Disposals	(28)	(10)	-	(25)	(63)
Effect of foreign exchange	(6)	-	-	-	(6)
Balance as at 30 June 2019	**111**	**82**	**-**	**195**	**388**
Accumulated depreciation					
Balance as at 1 June 2018	(10)	(7)	-	(25)	(42)
Depreciation for the period	(45)	(28)	-	(46)	(119)
Disposals	16	10	-	25	51
Effect of foreign exchange	-	-	-	-	-
Balance as at 30 June 2019	**(39)**	**(25)**	**-**	**(46)**	**(110)**
Net book value	**72**	**57**	**-**	**149**	**278**

12. Right of use assets and lease liabilities

The Company adopted AASB 16 *Leases* effective 1 July 2019 applying the modified retrospective approach. Further details regarding the impacts of adopting the new standard are discussed in Note 1(t).

Right of use assets	2020 $'000
Buildings	
Balance at 1 July 2019	209
Additions	849
Acquired in business combination	2,662
Depreciation	(457)
Effect of foreign exchange	(36)
Balance at end of period	**3,227**
Data centres	
Balance at 1 July 2019	-
Acquired in business combination	629
Depreciation	(89)
Effect of foreign exchange	(24)
Balance at end of period	**516**
Total Right of use assets	**3,743**

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

Lease liabilities are included within lease liabilities and other borrowings on the Statement of Financial Position. Interest expense on lease liabilities for FY20 was $158,000 and is included within finance costs on the Income Statement:

Lease liabilities	2020 $'000
Current	1,348
Non Current	3,059
Balance at end of period	**4,407**

13. Intangible assets

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

2020 $'000	Goodwill	Internally developed software	Acquired Software	Other Intangibles	Total
Cost value					
Balance as at 1 July 2019	340	6,896	-	16	7,252
Acquired in business combination	89,043	-	9,233	4,727	103,002
Additions	-	1,873	166	360	2,399
Balance as at 30 June 2020	**89,383**	**8,769**	**9,398**	**5,103**	**112,653**
Accumulated depreciation					
Balance as at 1 July 2019	-	(1,697)	-	-	(1,697)
Amortisation for the period	-	(1,087)	(616)	(315)	(2,017)
Balance as at 30 June 2020	**-**	**(2,784)**	**(616)**	**(315)**	**(3,714)**
Net book value	**89,383**	**5,985**	**8,783**	**4,788**	**108,939**

2019 $'000	Goodwill	Internally developed software	Acquired Software	Other Intangibles	Total
Cost value					
Balance as at 1 July 2018	161	5,510	-	16	5,687
Acquired in business combination	179	-	-	-	179
Additions	-	1,386	-	-	1,386
Balance as at 30 June 2019	**340**	**6,896**	**-**	**16**	**7,252**
Accumulated depreciation					
Balance as at 1 July 2018	-	(580)	-	-	(580)
Amortisation for the period	-	(1,117)	-	-	(1,117)
Balance as at 30 June 2019	**-**	**(1,697)**	**-**	**-**	**(1,697)**
Net book value	**340**	**5,199**	**-**	**16**	**5,555**

Customer relationships with cost value of $4,557,000 are included within Other intangibles along with brand value and intellectual property. Goodwill and other intangibles acquired during the year relate to the acquisition of the EMS business and the acquisition of Beijing Hengliruiyuan Environmental Engineering Co. Ltd. Refer to Note 20 for further details of the business combination.

Impairment tests

The Group has identified that there are five (5) regional Cash Generating Units which are aligned with the operating segments disclosed in Note 3 and against which goodwill and other intangible assets are allocated and tested.

The recoverable amount of internally developed software is determined based on a relief-from-royalty method (value-in-use) method, which is based on the theory that the intangible asset owner would be willing to pay a reasonable royalty to use the intangible asset assuming that they did not already own the asset. These calculations use revenue projections based on financial forecasts approved by management covering a five year period with a terminal value included. A royalty rate of 7% has been applied against these revenue projections to calculate the assumed royalty which is then discounted using a weighted average cost of capital of 9.1% (FY19: 14.3%). Based on this calculation, there was no impairment charge to be recorded against internally developed software (FY19: nil).

There was no impairment charge recorded against goodwill, software, or other intangible assets during FY20 (FY19: nil).

The COVID-19 pandemic has had an adverse global economic impact, however, it is not possible to accurately determine the future nature, extent or duration of the impact on the group, material or otherwise, at the date of signing the financial statements. The directors of the group have considered the potential impacts of COVID-19 and do not believe that based on the information correctly available, it has a significant impact in the assessment of impairment at balance date.

14. Trade and other payables

	2020 $'000	2019 $'000
Trade payables	3,478	527
GST / VAT Payable	544	-
Accrued expenses	671	-
Payable for EMS acquisition	4,181	-
Other liabilities	4,136	674
Total trade and other payables	**13,010**	**1,201**

15. Employee benefit

Employee benefits	2020 $'000	2019 $'000
Current		
Opening balance 1 July	625	508
Acquired in business combination (refer note 20)	4,058	-
Additional provisions	1,633	348
Amounts used	(113)	(231)
Unused amounts reversed	-	-
Balance at 30 June	**6,203**	**625**
Non-current		
Opening balance 1 July	63	45
Acquired in business combination (refer Note 20)	246	-
Additional provisions	-	18
Amounts used	(79)	-
Unused amounts reversed	-	-
Balance at 30 June	**230**	**63**

Amounts not expected to be settled within the next 12 months

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

16. Issued capital

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

Movements in ordinary shares	2020	2019
Balance at 1 July	**370,202,780**	**230,933,875**
Issue of ordinary shares - exercising of employee and director share options	10,700,000	5,600,000
Issue of ordinary shares - employee performance rights	4,252,861	335,571
Issue of ordinary shares - institutional and share placement	504,530,265	133,333,334
Issue of ordinary shares - acquisition of EMS	135,000,000	-
Ordinary shares on issue at 30 June	**1,024,685,906**	**370,202,780**

Options

For the year ended 30 June 2020, the Company issued the following options:

- 22,500,000 (2019: nil) issued to Directors with an exercise price of $0.40 each that expire in December 2021.
- 26,250,000 (2019: nil) issued to Directors and investors with an exercise price of $0.15 each that expire in March 2022.
- 1,000,000 (2019: 2,750,000) issued to employees at $0.40 each that expire in April 2023

In addition, in February 2020, the Company issued the following options as a portion of the consideration paid for the acquisition of EMS:

- 75,000,000 options at $0.20 expiring in Feb 2023.
- 20,000,000 options at $0.25 expiring in Feb 2023.

Each option allows the holder to receive 1 ordinary share of Envirosuite Limited upon paying the exercise price prior to the expiration date. Information relating to the options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 22.

At the 2019 Annual General Meeting held on 25 November 2019, shareholders approved the grant of up to 15,000,000 options under the China Employee ESOP. These options are yet to be granted to any named employees. The options are expected to be granted progressively and otherwise not later than 3 years from the date of approval. These options will expire on 31 March 2022 and will only vest on $10,000,000 in revenue (audited in accordance with international financial reporting standards) being received into the wholly owned China subsidiaries of Envirosuite Limited by 31 December 2021.

Share based payments

Executive performance rights issued to employees for the year ended 30 June 2020 totaled 5,405,266 (30 June 2019: Nil). Each Performance Right entitles the holder to receive one ordinary share of Envirosuite Limited upon certain vesting conditions being met.

Capital risk management

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

As at 30 June 2020, the Group had cash and cash equivalents of $24,385,000 and no borrowings other than lease liabilities recognised under AASB 16. The Group also has standing credit facility arrangements with banks of $479,000 (2019: $284,000) of which $181,000 was available as at 30 June 2020 (2019: $118,000). The Group generated an operating cash outflow of $11.3m for the year ending 30 June 2020 (2019: $4.3m). The Group focuses on rolling cash flow forecasts to ensure that it has sufficient funding available from cash and cash equivalents to fund operations.

17. Reserves and retained losses

Reserves	2020 $'000	2019 $'000
Foreign exchange translation reserve		
Balance 1 July	(183)	(62)
Effects of foreign exchange translation	(464)	(121)
Foreign exchange translation reserve – balance 30 June	**(647)**	**(183)**
Share-based payments reserve		
Balance 1 July	315	313
Option expense	12,515	27
Transfer to retained losses	(443)	(25)
Share based payment reserve – balance 30 June	**12,387**	**315**
Total Reserves	**11,740**	**132**

Retained Losses	2020 $'000	2019 $'000
Opening retained losses	(23,863)	(17,947)
Transfer from employee shares reserve	436	80
Net profit/(loss) for the year	(18,236)	(5,996)
Balance 30 June	**(41,663)**	**(23,863)**

Nature and purpose of reserves

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

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

Dividends
The Group has not paid or declared any dividends during the period (2019: nil). Franking credits available for subsequent financial years based on a tax rate of 27.5% amount to nil (2019: nil).

18. Commitments and contingencies

Lease commitments:
The Group leases various offices under non-cancellable operating leases expiring within one to five years. From 1 July 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

	2020 $'000	2019 $'000
Operating lease commitments		
Within one year	-	118
Later than one year but not later than five years	-	219
Total	**-**	**337**

Contingencies
The Group has potential exposure to guarantees it has issued to third parties in relation to the performance and obligation of controlled entities with respect to property lease rentals and customer contractual obligations amounting to $2,127,863 (30 June 2019: $276,609).

19. Related party disclosures

Key management personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2020.

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

	2020 $'000	2019 $'000
Short-term employee benefits	1,071	1,002
Post-employment benefits	44	46
Other long-term benefits	-	-
Share-based payments	2,260	76
Total KMP compensation	**3,375**	**1,124**

Parent entity

The parent entity within the Group is Envirosuite Limited

Subsidiaries

Entity Name	Country of Incorporation	30 June 2020 %	30 June 2019 %
Envirosuite Operations Pty Ltd	Australia	100	100
Envirosuite Holdings Pty Ltd	Australia	100	100
Envirosuite Corp	USA	100	100
Envirosuite Europe Sociedad Limitada	Spain	100	100
Envirosuite Canada Inc.	Canada	100	100
Envirosuite Chile SpA	Chile	100	100
Envirosuite Colombia S.A.S.(1)	Colombia	100	100
Beijing Enirosuite Environmental Science & Technology(1)	China	100	-
Hengli Ruiyan Environmental Engineering Co. Ltd(1)	China	100	-
Acquired EMS Entities			
Envirosuite Holdings No 2 Pty Ltd(2)	Australia	100	
Envirosuite Australia No 2 Pty Ltd(3)	Australia	100	
EMS Bruel & Kjaer Pty Ltd	Australia	100	-
EMS Bruel & Kjaer Inc	USA	100	-
EMS Bruel & Kjaer Iberica S.A.	Spain	100	-
Envirosuite Denmark Aps(4)	Denmark	100	-
EMS Bruel & Kjaer BV	Netherlands	100	-
Envirosuite UK Ltd(5)	United Kingdom	100	-
EMS Bruel & Kjaer Korea Ltd	South Korea	100	-
EMS Bruel & Kjaer Taiwan Ltd	Taiwan	100	-
EMS Bruel & Kjaer Environmental Monitoring (Beijing) Ltd(1)	China	100	-

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

(2) Formerly EMS Bruel & Kjaer Holdings Pty Ltd

(3) Formerly EMS Bruel & Kjaer (Australia) Pty Ltd

(4) Formerly EMS Bruel & Kjaer Denmark Aps

(5) Formerly EMS Bruel & Kjaer UK Ltd

Transactions with other related parties

There were no other transactions with related parties during the financial year. In the prior year, the Group paid $107k to Solition Creative, a company controlled by Alex Ormerod, for Creative design services. Robin Omerod resigned from the Board during the prior financial year and, therefore, transactions with Solition Creative are no longer deemed to be related party transactions.

20. Business combinations

Acquisition of EMS Bruel & Kjaer Holdings Pty Ltd

On 28 February 2020, the group acquired all the share capital of EMS Bruel & Kjaer Holdings Pty Ltd ("EMS") from Macquaie Corporate Holdings Pty Ltd ("Macquarie"), Spectris Group Holdings Limited ("SGHL") and minority shareholders. EMS is a leading global environmental technology group, headquartered in Melbourne, with over 400 customers in 40 countries and approximately 200 staff. EMS specialises in environmental noise and vibration monitoring and is the recognised market leader in addressing airport noise globally. The acquisition is part of the Group's overall strategy to expand globally its environmental software operations in the technology industry. The acquistion consisted of a total consideration pursuant to a share sale agreement of:

- $70,000,000 cash, paid net of EMS debt and a working capital adjustment
- 80,000,000 new ordinary shares in Company
- 55,000,000 new ordinary shares in the Company pursuant to a referral agreement entered into with Macquarie
- 95,000,000 options over ordinary shares in the Company of which 75,000,000 have an exercise price of $0.20 per share and 20,000,000 have an exercise price of $0.25 per share and an exercise period of three years from the date of grant

All consideration shares issued per the share sale and referral agreement are subject to a twelve-month escrow period from the acqusition date. Any shares issued pursuant to the exercise of consideration options will be escrowed for the balance of the twelve months from the date of option grant.

Acquisition Balance Sheet	2020 $'000
Purchase consideration	
Cash paid	70,000
Working capital adjustment to be paid	4,181
Shares issued at fair value	23,625
Options issued at fair value	9,313
Less: cash acquired	(4,941)
Purchase consideration, net	**102,178**
Fair value of identifiable net assets acquired	
Trade and other receivables	13,815
Inventory	3,324
Property, plant and equipment	3,141
Right of use assets	3,291
Intangible assets	13,960
Deferred tax assets	38
Other assets	520
Trade and other payables	(9,926)
Revenue in advance	(2,633)
Lease liabilities	(3,666)
Employee benefits	(4,304)
Deferred tax liabilities	(4,280)
Total fair value of identifiable net assets acquired	**13,280**
Residual representing Goodwill	**88,898**

Acquisition of Beijing Hengliruiyuan Environmental Engineering Co. Ltd

On 10 October 2019, the Group established a wholly own subsidiary in China called Beijing Envirosuite Science and Technology Co. Ltd. On 25 December 2019, the Group, via its subsidiary Beijing Envirosuite Science and Technology Co. Ltd, acquired 100% of the issued capital of Beijing Hengliruiyuan Environmental Engineering Co. Ltd (subsequently renamed Hengli Ruiyan Environmental Engineering Co. Ltd), an environmental engineering company. Through acquiring 100% of the issued capital of Beijing Hengliruiyuan Environmental Engineering Co. Ltd. ((subsequently renamed Hengli Ruiyan Environmental Engineering Co. Ltd)), the Group has obtained control of the company. The acquisition is part of the Group's strategy to accelerate its expansion into the Chinese market.

20. Business combinations (continued)

Acquisition Balance Sheet	2020 $'000
Purchase consideration	
Cash paid	461
Less: cash acquired	(216)
Purchase consideration, net	**245**
Fair value of identifiable net assets acquired	
Trade and other receivables	101
Total fair value of identifiable net assets acquired	**101**
Residual representing goodwill	**144**

21. Cash flow statement reconciliation

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

	2020 $'000	2019 $'000
Profit/(loss) after tax	**(18,236)**	**(5,996)**
Add back: Depreciation and amortisation	3,241	1,217
Add back: Finance expense / (income)	15	(23)
Add back: Foreign exchange loss / (gain)	155	(101)
Add back: Non-cash share based payments	3,154	54
Sub-total	**(11,671)**	**(4,849)**
Changes in operating assets and liabilities		
(Increase) / decrease in trade and other debtors	(1,986)	(345)
(Increase) / decrease in inventories	550	(219)
(Increase) / decrease in other assets	(26)	(6)
(Increase) / decrease in deferred tax	(125)	100
Increase / (decrease) in trade creditors	717	904
Increase / (decrease) in other liabilities	(158)	(38)
Increase / (decrease) in provision for income taxes payable	-	2
Increase / (decrease) in other provisions	1,440	136
Net cash inflow / (outflow) from operating activities	**(11,259)**	**(4,315)**

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

Non-cash transactions

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

22. Share based payments

The Group issued options and performance rights to employees and Directors as compensation for services provided. As part of the acquisition of EMS in February 2020, the Group also issued shares and options as partial consideration for the acquisition as disclosed in Note 20.

Performance Rights

The Company issues performance rights to employees that provide them with the right to acquire shares for no consideration upon certain vesting conditions being met, including remaining employed with the Company, and/or share price performance. There was 5,405,266 Performance Rights issued during the year (2019: 5,997,180).

Employee share option plan and scheme

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

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

Options were issued to employees under the 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.

	Number of options	Weighted average exercise price
Options outstanding as at 30 June 2018	**27,183,333**	**0.11**
Granted	2,750,000	0.10
Forfeited	-	-
Exercised	(5,600,000)	0.04
Expired	(9,000,000)	0.15
Options outstanding as at 30 June 2019	**15,333,333**	**0.11**
Granted	144,750,000	0.23
Forefeited	(750,000)	0.11
Exercised	(10,700,000)	0.11
Expired	(800,000)	0.09
Options outstanding as at 30 June 2020	**147,833,333**	**0.23**

As at 30 June 2020, there were 121,583,333 options (2019: 14,333,333) that were exercisable at a weighted average price of $0.25 per share (2019: $0.11 per share).

23. Earnings per share

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

Weighted average number of shares used in denominator	2020 number	2019 number
Basic earnings per share	**619,896,792**	**370,202,780**
Effect of dilution from:		
Share options issued	-	14,195,572
Diluted earnings per share	**619,896,792**	**356,007,208**

23. Earnings per share (continued)

There are 147,833,333 in share options issued but not included in diluted earnings per share as these would have an antidilutive effect on earnings per share. These potential ordinary shares are antidilutive as their conversion to ordinary shares would decrease loss per share. If these share options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 767,730,125.

24. Subsequent events

On 17th August 2020, the Company acquired 100% of water modelling R&D technology software company AqMB Holdings Pty Ltd for a total consideration of A$1.35m. 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.

25. Parent entity financial information

Parent entity financial statements

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

Statement of Financial Position	2020 $'000	2019 $'000
Assets		
Current assets	13,448	183
Non-current assets	142,487	24,349
Total Assets	**155,935**	**24,532**
Liabilities		
Current liabilities	4,639	134
Non-current liabilities	-	-
Total Liabilities	**4,639**	**134**
Equity		
Issued capital	155,537	36,060
Reserves	12,388	315
Retained losses	(16,629)	(11,977)
Total Equity	**151,296**	**24,398**

Income Statement and Statement of Comprehensive Income	2020 $'000	2019 $'000
Profit / (loss) after tax	(5,095)	(231)
Total comprehensive profit / (loss)	(5,095)	(231)

Directors declaration

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

(a) The financial statements and notes set out on pages 27 to 65 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 2020 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
27 August 2020

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 2020, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial report section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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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 each matter below, our description of how our audit addressed these matters is provided in that context.

1. Carrying amount of intangible assets with finite useful lives

Why significant	How our audit addressed the key audit matter
As at 30 June 2020 the carrying value of intangible assets with finite useful lives was $19,555,000 (2019: $5,199,000), as disclosed in Note 13. The consolidated entity's accounting policy in respect of intangible assets with finite useful lives is outlined in Note 1. The carrying amount of intangible assets with finite useful lives is a key audit matter due to: • the significant audit effort required to test the carrying amount of intangible assets with finite useful lives; and • the level of judgement applied in evaluating management's assessment of impairment. As outlined in Notes 1 and 13, management assessed the carrying amount of intangible assets with finite useful lives 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 with finite useful lives, and accordingly the amount of any impairment charge, to be recorded in the current financial year.	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 with finite useful lives 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 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 yearly revenue forecasts in comparison to historical results and approved budgets - assessing the impact of the COVID-19 pandemic on all key assumptions • assessing the appropriateness of the related disclosures in Note 13.

2. Business combination – including allocation of goodwill

Why significant	How our audit addressed the key audit matter
During the year, the consolidated entity acquired the shares of EMS Bruel & Kjaer Holdings Pty Ltd. As disclosed in Note 13 & 20, as part of the business combination transaction, the consolidated entity allocated the purchase price, net of cash $102,178,000 to the following balances: • Provisional goodwill: $88,898,000 • Other intangible assets: $13,960,000 • Tangible assets: $3,508,000 • Deferred tax liability: $(4,188,000) Provisional goodwill allocated in the purchase represents 56% of total assets for the consolidated entity. Business combination – including allocation of goodwill is a key audit matter due to: • the material size of provisional goodwill recorded; • the significant audit effort required to test the consolidated entity's acquisition of EMS Bruel & Kjaer Holdings Pty during the year; and • the level of judgement applied in evaluating management's assessment of provisional goodwill allocated in the purchase.	In assessing this key audit matter, we involved senior audit team members who understand the industry. Our audit procedures included, amongst others: • review of purchase documentation including contracts and share sale agreements; • obtaining a detailed understanding of the acquired business including reviewing due diligence procedures and reports; • assessing the appropriateness of the external experts purchase price allocation report, including the valuation methodology of the assets acquired; • assessing the expertise and experience of the external expert engaged by management; • reviewing management's fair value assessment of the assets and liabilities acquired; • reviewing management's assessment of the fair value of the consideration paid, including reviewing the fair value of options granted as part of the consideration paid; • reviewing management's assessment of the identifiable intangible assets identified as part of the acquisition and the useful lives of assets identified; • assessment of management's goodwill allocation as part of each practice acquisition; and • assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 1, 13 & 20.

Other Information

Those charged with governance are responsible for the other information in the annual report. Other information is financial and non-financial information in the annual report of the consolidated entity for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and, accordingly, 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 preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Report on the Remuneration Report

Opinion

We have audited the remuneration report included in the directors' report for the year ended Tuesday, 30 June 2020.

In our opinion, the remuneration report of Envirosuite Limited for the year ended 30 June 2020, 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 BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

27 AUGUST 2020
BRISBANE, AUSTRALIA

Shareholder Information

The shareholder information set out below was applicable as at 18 August 2020

1. Shareholding

Distribution of equity securities

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

Size of holding	Shares	Options
1 – 1,000	60	-
1,001 – 5,000	404	-
5,001 – 10,000	459	-
10,001 – 100,000	1,501	-
100,001 and over	932	19
	3,356	**19**

The number of shareholdings held in less than marketable parcels 286,264

Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	Number held	Percentage
National Nominees Limited	87,131,875	8.50%
Macquarie Corporate Holdings	80,000,000	7.81%

Voting Rights

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

Ordinary shares

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

Options

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

1. Shareholding (continued)

Twenty largest quoted equity security holders

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

Name	Number held	Percentage
National Nominees Limited	87,131,875	8.50%
Macquarie Corporate Holdings	80,000,000	7.81%
HSBC Custody Nominees	35,819,347	3.50%
Citicorp Nominees Pty Limited	32,304,095	3.15%
BNP Paribas Noms Pty Ltd	25,973,285	2.53%
Mr Robin Ormerod & Ms Kristin Zeise	25,413,549	2.48%
Rubi Holdings Pty Ltd	21,200,000	2.07%
Coalwell Pty Limited	20,700,000	2.02%
The Adams McLean	20,250,000	1.98%
Mr Zhigang Zhang	20,146,341	1.97%
Fifty Second Celebration Pty	19,000,000	1.85%
Thirty-Fifth Celebration Pty	15,241,171	1.49%
Mr Ningping Ma	14,946,341	1.46%
Mr Robin Ormerod	13,229,342	1.29%
Bungeeltap Pty Ltd	12,828,279	1.25%
Fordholm Consultants Pty Ltd	10,000,000	0.98%
Spectris Group Holdings Ltd	10,000,000	0.98%
Mr Peter White	7,000,000	0.68%
Jasforce Pty Ltd	6,918,751	0.68%
Robinson House Pty Ltd	5,759,800	0.56%
	483,862,176	**47.22%**

Unquoted equity securities

	Number held
Envirosuite Limited unlisted options	148,583,333

Corporate Directory

Envirosuite Limited

ABN: 42 122 919 948

Board of Directors

Peter White
Chief Executive Officer

David Johnstone
Chairman

Hugh Robertson
Director

Zhigang Zhang
Director

Company Secretary

Rachel Ormiston

Registered office and principal place of business

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

Phone: 02 8484 5819

Share Registry

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

Phone: 02 9290 9600

Auditor

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

Phone: 07 3839 9733

Stock Exchange Listing

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

Website Address

www.envirosuite.com