envirosuite

22 August 2023

Appendix 4E
Summary Financial Report

Results for announcement to the market

For the financial year ended 30 June 2023

	Consolidated Group			
	Year ended 30 June 2023	Year ended 30 June 2022	Variance to prior year	
	$'000	$'000	$'000	%
Revenues from ordinary activities	57,899	53,459	4,440	8.3%
Profit / (loss) after tax from ordinary activities attributable to members	(10,278)	(13,195)	2,917	22.1%
Net profit / (loss) attributable to members	(10,278)	(13,195)	2,917	22.1%
Net tangible assets / (liabilities) per security (cents)	0.6	1.4		

The net tangibles asset backing per security of 0.6 cents presented above is inclusive of right-of-use assets and liabilities. The net tangible asset per security, at 30 June 2023, would reduce to 0.5 cents (2022: 1.2 cents) if right-of use assets were excluded, and lease liabilities were included in the calculation.

Dividends and distributions

The Company has not declared, and does not propose to pay, any dividends for year ended 30 June 2023.

Details of any dividend or distribution reinvestment plans in operation: Not Applicable.

Other

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 2023 Annual Report, including the Chair's Review and CEO's Review.

This document should be read in conjunction with the 2023 Annual Report, including Chair's Review and CEO's Review, 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 Limited
Level 30, 385 Bourke Street
Melbourne VIC 3000

(ASX: EVS) ACN: 122 919 948
www.envirosuite.com
Phone: (02) 8484 5819

2023 | Annual Report

envirosuite

Envirosuite Limited

ABN: 42 122 919 948

Board of Directors

David Johnstone
Chair

Hugh Robertson
Director

Stuart Bland
Director

Jason Cooper
Managing Director

Sue Klose
Director

Company Secretary

Adam Gallagher

Registered office and principal place of business

Envirosuite Limited
Level 30, 385 Bourke St
Melbourne VIC 3000

Phone: 02 8484 5819

Auditor

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

Phone: 07 3839 9733

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street,
Sydney, New South Wales 2000

Phone: 02 9290 9600

Stock Exchange Listing

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

This 2023 Annual Report (Report) is lodged with the Australian Securities and Investments Commission and ASX Limited. Envirosuite Ltd (EVS) ABN 42 122 919 948 is a publicly listed company in Australia. The Report contains information prepared on the basis of the Corporations Act 2001 (Cth), 4th edition ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Accounting Standards and interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Report also provides information on the EVS Group's activities and performance throughout the 2023 financial year, showing how the EVS Group is creating value through its strategy, operations, governance and financial activities.

Nothing in the Report is, or should be taken as, an offer of securities in EVS for issue or sale, or an invitation to apply for the purchase of such securities.

All figures in the Report are in Australian dollars unless otherwise stated.

Contents

Key Metrics

$59.4m
Annual recurring revenue
▲ 12.0% YOY

443
Client sites
▲ 6.5% YOY

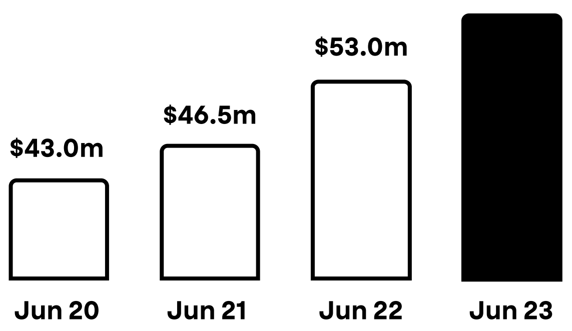
$57.9m
Statutory revenue
▲ 8.3% YOY

51.6%
Gross profit[1]
▲ 7.7% YOY

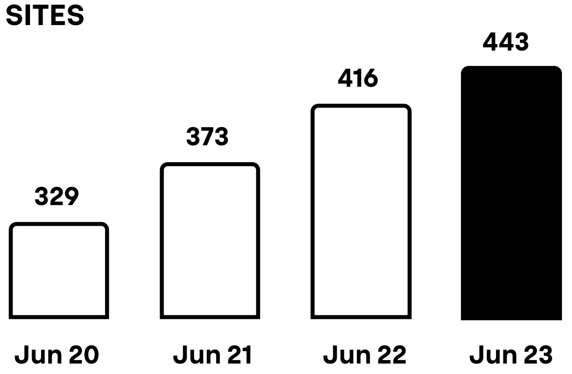
$0.5m
Adjusted EBITDA profit
▲ Improved $4.5m YOY

1 - Numbers presented on an EBITDA basis

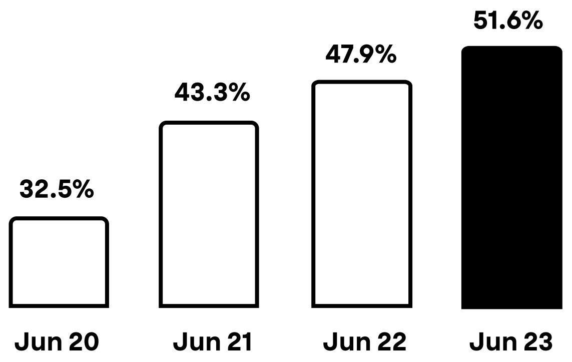
ARR ($m)



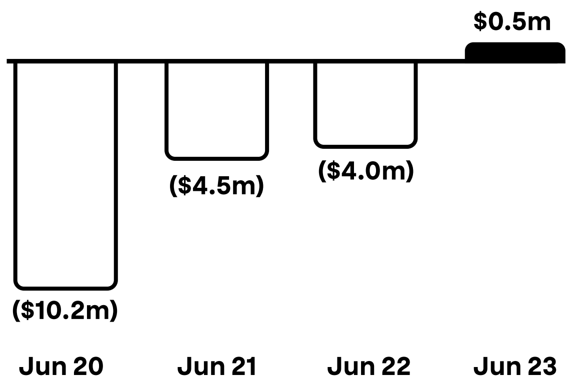
SITES



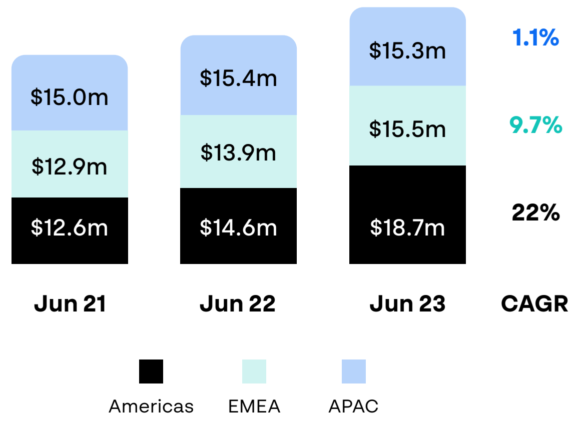
GROSS PROFIT %



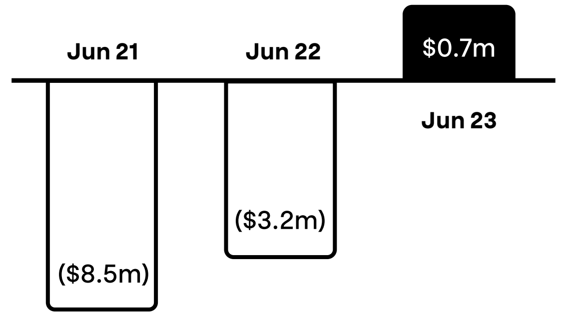
ADJUSTED EBITDA ($m)



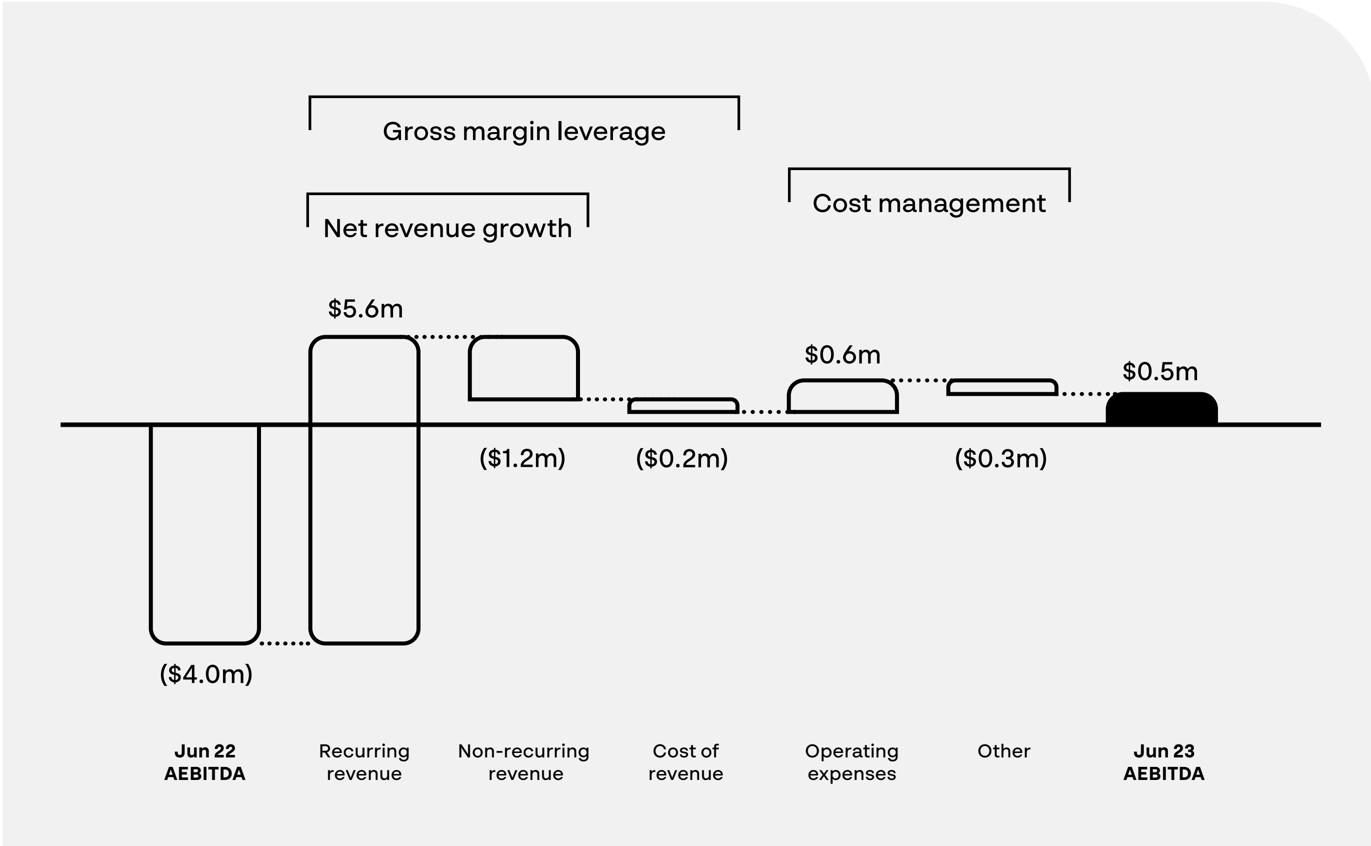
RECURRING REVENUE GROWTH



OPERATING CASH FLOW IMPROVEMENTS



ADJUSTED EBITDA GROWTH

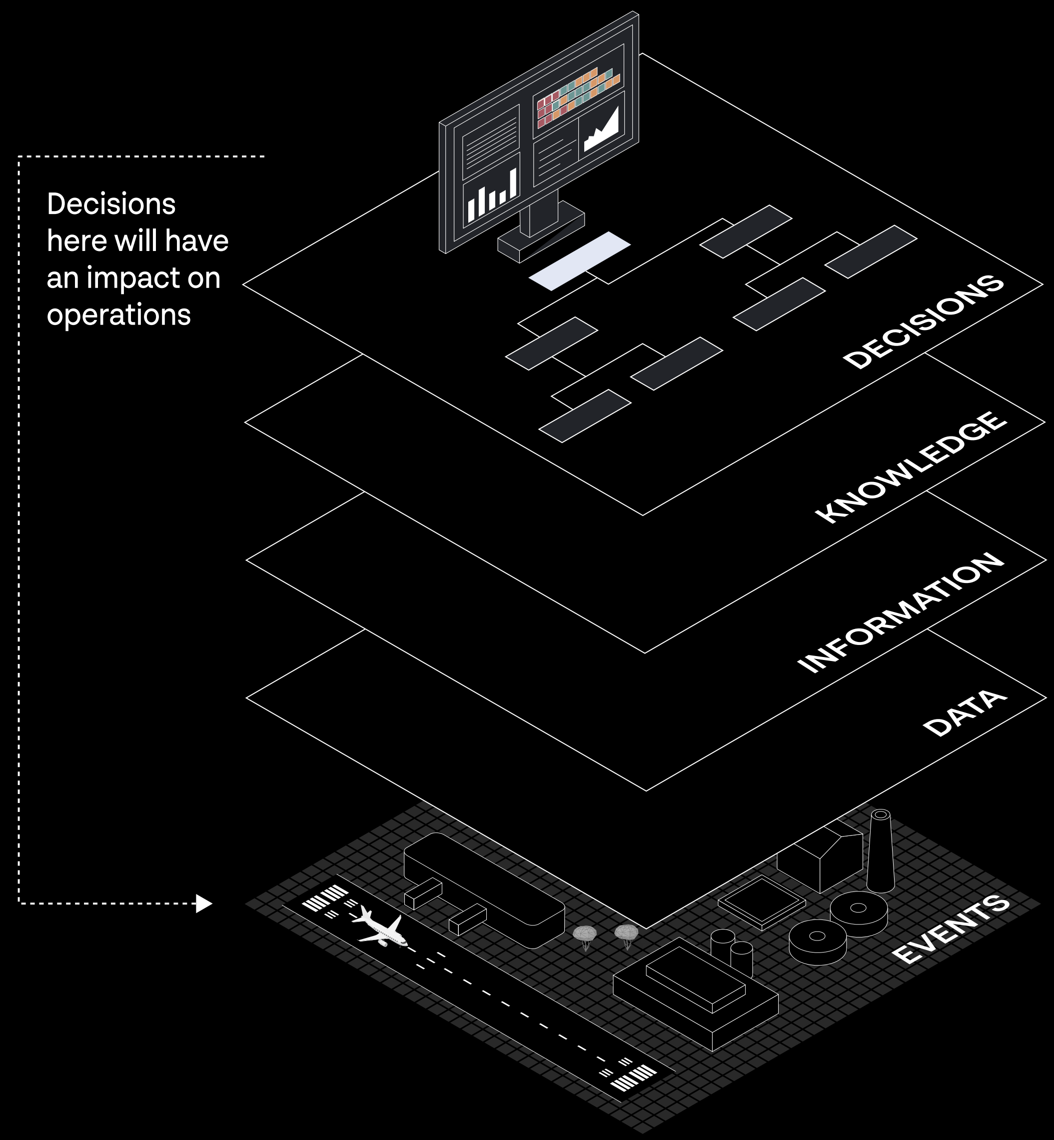


Envirosuite is the world’s most advanced environmental intelligence technology provider

Envirosuite provides cutting-edge solutions that empower customers to optimise their operations while protecting and strengthening their social license and community relationships in relation to noise, vibration, odour, dust, air quality and water management.

With high-calibre customers across the aviation, mining, industrial, waste, wastewater, and water treatment sectors, Envirosuite combines evidence-based science with innovative technologies and industry expertise to reduce operational and safety risk, improve productivity, and proactively engage with communities and regulatory stakeholders.

By harnessing the power of environmental intelligence, Envirosuite helps industries to grow sustainably and communities to thrive.



Environmental Intelligence is the key to improving the wellbeing of people and the planet.

OUR DIFFERENCE → WHAT WE DO → PRODUCTS → VALUE

OUR DIFFERENCE

SCIENCE BUILT-IN
An advanced environmental intelligence portfolio that embeds decades of science, innovation through expertise and complex modelling, all made simple for users.

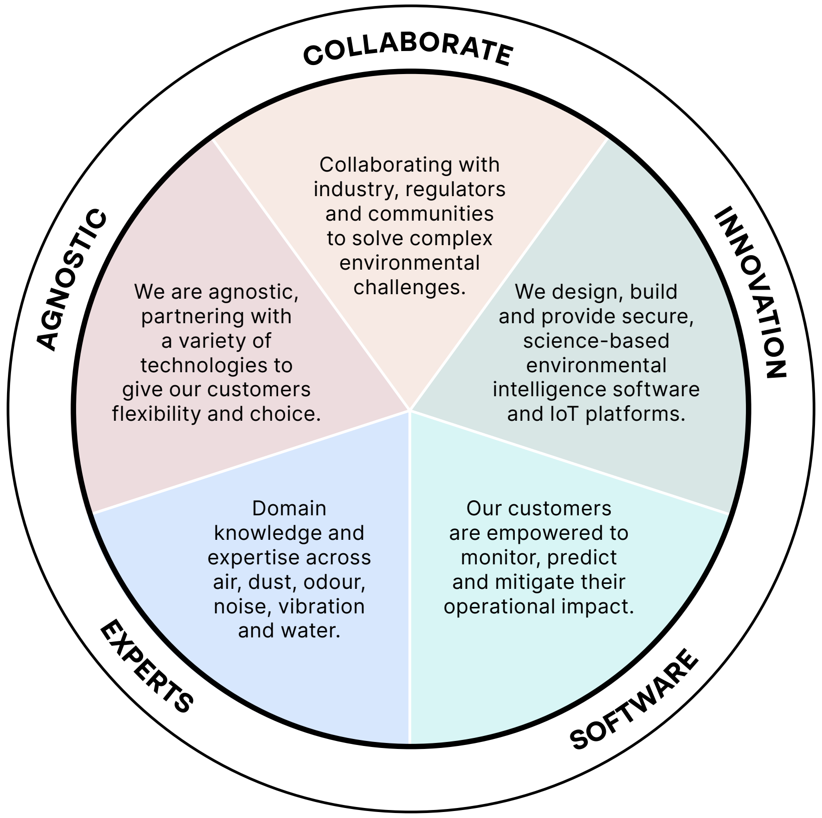
COMMITMENT TO CUSTOMERS
We put customers at the heart of what we do to build long-lasting, trusted relationships and expand this to our partners and stakeholders.

HUMAN INGENUITY, ENVIRONMENTAL TECHNOLOGY
Our global team is made up of talented, passionate domain experts who are driven by a collective purpose and empowered to offer their unique contribution everyday.

ESG ENABLING, SDG ADVANCING
Society demands measurable, sustainable performance. Our technology supports ESG criteria and advances the SDG agenda, serving the interests of all stakeholders and our shareholders.

LEADING ENVIRONMENTAL INTELLIGENCE
The world's most advanced environmental intelligence solutions for Aviation, Waste, Wastewater, Water Treatment, Mining & Industrial

WHAT WE DO



PRODUCTS

EVS Water
Digital twin technology for water treatment powered by machine learning and deterministic modelling.

EVS Industrial
Powerful software built for industrial facilities to act on emissions, plan for operational risks and engage with stakeholders.

EVS Aviation
World leading software and hardware built for solving complex challenges from airport noise, aircraft tracking and community engagement.

VALUE

BUILT FOR TODAY WITH TOMORROW'S OUTCOMES IN MIND
Optimise operational outcomes, increase production, make tangible cost savings and build social licence to operate with surrounding communities.

RAPID RESPONSE AND ENGAGEMENT
Easy-to-use, location-specific public portals to educate and engage with communities and stakeholders, including observation submissions to foster transparent two-way communication.

UNLOCK VALUE BEYOND COMPLIANCE
Harness predictive insights from the environmental monitoring network to avoid unwanted impacts and keep production moving.

ENVIRONMENTAL INTELLIGENCE REIMAGINES RISK
Our technology empowers organisations to unleash innovation and continuous improvement, enhancing operational efficiencies while building community trust.

← PRODUCT INSIGHTS ← CUSTOMER FEEDBACK

Optimising productivity at a large South American mine

Photo courtesy of BHP

BHP

evs industrial

PROJECT DESCRIPTION

As the importance of Social License to Operate and environmental impact management constantly increases for the mining industry, BHP continues to look for digitalisation opportunities across its operations to improve outcomes both for BHP and community stakeholders.

SELECTED TO

Translate environmental data into meaningful action, empowering BHP operators to optimise plans through higher-risk periods so that site productivity can be maintained while protecting nearby communities from unwanted impacts.

Chair's Review

David Johnstone
CHAIR

Dear fellow Shareholders,

It brings me great pleasure to present your Annual Report, which showcases a period of remarkable achievements and a Group performance that exceeded our stated target of transitioning to adjusted EBITDA positive during the year – in fact we were adjusted EBITDA positive for the full financial year. FY23 was the first full financial year in my tenure, free of major corporate events, that gave us a clear runway to focus on the business and build some serious momentum. We look ahead to FY24 with optimism as we maintain a sustained profitable outlook, with over 85% recurring revenue – a testament to the strength of our business.

Envirosuite continues to solidify its position as a global market leader in environmental intelligence. While we may not have coined the phrase "environmental intelligence," it is at the heart of everything we do. We firmly believe that it is key to the well-being of people and the planet, which drives and guides our incredible team of elite professionals as we serve our diverse portfolio of global customers, positively impacting the lives of hundreds of millions of people every year through the application of environmental intelligence.

Environmental intelligence entails the ability to collect, analyse, and comprehend data related to the natural environment and industrial activities within that environment. With our networks of sensors, software applications, data analytics, and decision-making processes, our clients address environmental challenges, enhance sustainability, improve community relations, meet compliance obligations, and optimise operational productivity. Our solutions are fundamental to our customer's core business, as many cannot or simply will not operate without them due to regulatory requirements, environmental and community risk management, or productivity demands.

Our business comprises three core product groups, each at a different stage of its business cycle. EVS Aviation, which dates back to the 1990s, has set the industry standard for airport noise and operations management and remains the industry gold standard. Without Envirosuite, our major airport customers cannot operate. We track thousands of flights daily, providing critical environmental and operational impact insights. With long-term contracts and a market-leading position, we anticipate significant growth potential in aviation, especially as airports seek to address new challenges including climate impact while delivering better community outcomes following the pause in investment during the COVID years and the evolving community expectations.

EVS Industrial, our expansion stage solution, boasts a diverse client base, ranging from mining to Formula 1 racing, waste management to manufacturing. As our original Envirosuite business, it has grown and evolved year after year, gaining critical mass in many regions and industries. Our largest historical competitor of "do nothing" is rapidly fading in the face of evolving regulatory requirements and community expectations, while customer productivity demands only increase. Our record growth in EVS Industrial and the diversity of opportunities across various industries and global regions are a testament to the tremendous size of the addressable market.

EVS Water holds the promise of being the jewel in our product portfolio crown in the future. EVS Water has specific offerings to water treatment plant designers, operators and distributors to optimise their three most important elements: productivity, resource use and asset life. In its infancy, it has been slower than we would have liked as we bring the revolutionary technology to life as a product suite and then seek to attract large water utilities and associated groups to take it on. However, we have been surely treading the necessary steps to achieve industry acceptance and adoption, with major groups now signed on in Australia, North America, Europe and the Middle East. A testimony to the potential of EVS Water is the talent and credentials of the people and groups it continues to attract who want to join us directly or work in partnership.

I am proud to report that the Company has not just achieved its stated target of transitioning to adjusted EBITDA positive for the financial year, we have achieved an ever better result in being adjusted EBITDA positive for the full financial year. The Company's disciplined financial management and cost restructuring program during the year leave investors with an insightful view of our operational position in addition to the statutory accounts. Furthermore, the Company has also achieved positive statutory operating cash flow for FY23, signifying the positive direction of the business as we move into FY24.

In June, I announced my intention to step down as Chair in FY24, subject to a suitable successor joining the board. After six years and a significant shareholding that I have acquired along the way, I want to ensure and demonstrate that the board is open to receiving and appointing the best people it can to guide us into the future. We are actively assessing candidates with impeccable industry and board credentials, and we hope to make an announcement ahead of the Company's Annual General Meeting in November.

I extend my heartfelt gratitude to our incredible team of Environauts across the globe who continue to work tirelessly, breathing life into our vision and mission. We have over ten different first languages spoken across our team, which gives us the commercial reach and cultural insight to address local issues in every corner of the globe.

Our Company's strength and future rest in our team's capable hands, and I have unwavering faith in their ability to achieve our objectives.

To all our shareholders, I extend my sincerest thanks. This is undeniably the most exciting time in Envirosuite's history and your continued support and interest in the company are both welcomed and highly valued.

Sincerely,

David Johnstone
Chair

CEO's Review

Jason Cooper
CEO

Dear valued Shareholders,

Envirosuite has achieved a significant milestone in FY23, achieving an adjusted EBITDA positive result for the first time and exceeding our stated objective of transitioning to that position during FY23. This has been achieved through strong sales growth, product leadership and robust fiscal management.

We have continued to invest into innovative technology, delivering the most advanced environmental intelligence technology solutions for our customers globally. We have made significant progress in our Mission, creating world leading, science-based technology to help our customers act faster, perform better and realise their full potential with environmental intelligence. We have included some of our customer stories this year to bring to life the impact that we are having.

I am also pleased to share our strong FY23 results. We grew statutory revenue to $57.9m during FY23, an 8.3% increase on last year. This directly contributed to a 112.1% increase in adjusted EBITDA to a profit of $0.5m compared to a loss in FY22 of $4.0m.

Our Company grew considerably in the year adding 27 new customer sites (6.5% growth YOY) and new ARR of $9.1m (7.3% growth YOY). This growth was supported by continued improvement in gross profit, achieving 51.6% in FY23.

The breakthrough of achieving a full year adjusted EBITDA profit of $0.5m exceeded our stated target and demonstrated the drive towards sustainable profitability.

Envirosuite has experienced remarkable growth and progress across various aspects of our business during the year. All our products – EVS Aviation, EVS Industrial and EVS Water – have contributed towards this growth, with EVS Industrial delivering particularly strong new ARR. The Americas region has stood out with impressive results, showcasing our ability to expand our market presence globally. Importantly, we have continued to identify and deliver cross-sell opportunities this year.

We continue to be laser focused on our key market segments and our ambition is to be #1 in each of these segments in the coming years; Aviation, Mining, Industrial, Waste, Wastewater and Water Treatment.

Product Led, Growth Focused

At Envirosuite, we are committed to delivering innovative solutions that integrate cutting-edge science into our products. We have continued to invest in research and development, resulting in the launch of new products and expanded capabilities. These advancements have further solidified our unique points of difference and market leadership, allowing us to better serve our customers and meet their evolving needs.

Americas achieved 20.5% ARR growth this year, led primarily by our EVS Industrial product suite with significant growth in Mining, Industrial and Waste. We expect the strong market tailwinds and Environmental Justice legislation to continue supporting this growth. EMEA created substantial ARR growth of 27.3% with current and new customers in our Aviation segment and APAC saw strong ARR growth.

EVS Aviation

FY23 was a breakout year for the EVS Aviation group as the industry continued to bounce back from the pandemic, with ARR growth of $2.5m (7.4% increase YOY). This was further supported by the re-signing of two of our strategically important customers, Aena and ANA Aeroportos de Portugal, and expansion into the Air Navigation Service Provider (ANSP) market. The growth came through new products including Carbon Emission Modelling and the ANSP solution, as well as new geographic locations, primarily within the Middle East and Africa. The awareness of the impacts of noise and greenhouse gas emissions within the Aviation sector is gaining further momentum and we are well positioned to support our customers with world-leading products. Importantly we were able to position a total solution for noise, carbon emissions and air quality management for Egyptian Airports Company with five new sites being awarded this year. We look forward to implementing these sites in early FY24.

EVS Industrial

During FY23 we changed the name of our product group from EVS Omnis to EVS Industrial, creating consistency across our portfolios and reflecting the potential for further products to support Omnis in our drive to secure market share in our focus sectors. EVS Industrial achieved ARR growth of $3.5m (19.3% increase YOY). Mining was once again a strong contributor to our growth with key expansion and scale opportunities including companies such as BHP, Vale, and Teck further strengthening our market leadership position. In Waste, we successfully expanded our partnership with Byers Scientific and we secured additional sites with industry leaders in the USA.

EVS Water

FY23 was a year of market validation with early-stage technology being accepted by some of the world's leading organisations, while still achieving ARR growth of $0.4m (36.0% increase YOY). NEOM's water department (ENOWA) selected Envirosuite to help optimise the city's water infrastructure and water operations to achieve environmental objectives at two existing desalination plants. SeweX achieved commercial success in all our regions and this year we have focused on the importance of scale and time-to-value, with these customers indicating success and further expansion opportunities.

Customer Success and Scalability

An investment into our Customer Success teams has resulted in significant improvement in the usage and capability of our customers around the world. This adoption is further supported by our dedicated environmental intelligence Services team, which supports some of our largest customers in their operational and strategic plans.

This year we reduced the churn within our EVS Industrial group due to the focus on product and user engagement as well as alignment on the right scalable solutions and customer acquisition strategy. This has resulted in a greater understanding of the customer needs and positioned the product for future growth and adoption in our core markets.

FY23 has seen a full year of our Operations Centre in the Philippines and we are delighted with the feedback that we have received around the way these teams have engaged with and supported our customers. This Operations Centre has been critical to scaling the capacity of our business globally to ensure our customers continue to receive quality service and support.

We continuously strive for operational excellence and have implemented key initiatives to improve efficiency across our organization. Highlights include notable transformations in our operations, ensuring streamlined processes and optimized resource allocation. Additionally, we have conducted a thorough review and restructuring of business costs, enabling us to enhance cost-effectiveness without compromising quality.

People and Culture

At Envirosuite, our people are our most valuable asset and we prioritise their growth and well-being. Throughout the year, we have nurtured a culture of collaboration, innovation, diversity and inclusivity. Our dedicated workforce has shown exceptional resilience and adaptability, contributing to our collective success. With the continued focus on people as our primary competitive advantage, we are pleased to see our employee engagement metric improve by 6% to 75% this year. We remain committed to fostering a supportive environment that empowers our employees to thrive both personally and professionally.

The continued success of our Objectives and Key Results (OKR) framework has enabled us to focus on what is critically important for the Company's success and ensure that we are aligned globally, delivering on our strategy and driving improvement.

Under strong leadership, Envirosuite has been able to navigate complex market dynamics and steer the company towards growth and profitability. Our leadership team remains focused on leveraging our strengths, seizing opportunities, and addressing challenges with agility and determination. With a clear strategic vision, we continue to capitalise on emerging trends and drive sustainable success.

Outlook

Looking ahead, we are confident in our ability to build upon our achievements and capitalise on future opportunities. Our strong financial performance, continued focus on innovation, expanding market presence, high-calibre customer portfolio and talented workforce provide a solid foundation for sustainable growth. We will continue to prioritise customer satisfaction, technological advancements, and responsible business practices to create long-term value for our stakeholders.

We will continue to invest into the Americas region, where we have seen strong growth over the last few years. We have significant momentum in the Americas and the large customer base, and we will ensure that we continue to focus on customer success and our core products to deliver long term value – both direct and through our partnerships.

By leveraging the macro drivers that are supporting our environmental intelligence ambitions, we are well-positioned to achieve considerable growth in the coming years.

We are only just skimming the surface in our EVS Industrial portfolio, with the validation and land-expand-scale success that we have seen this year positioning us strongly for ongoing growth.

- EVS Aviation is flying again, and we are supporting governments and private organisations around the world to deal with a rapidly changing landscape.
- Our world class customer sites continue to validate our EVS Water product offering – it is our opportunity to harness this and turn it into meaningful growth this year.
- We have a strong roadmap of solutions for our customers that will accelerate customer acquisition and value creation.

We have demonstrated our ability to drive strong fiscal management over the last few years, and we will bring this determination into FY24 with a continued focus on cash and capital management. We will leverage our global operational footprint to continue improving our financial ratios and operating leverage. Across the Envirosuite business, we are driving improvement in our efficiency, scalability, productivity, and time-to-value which will drive further improvement in our underlying business metrics.

In closing, I would like to express my gratitude to our shareholders for their unwavering support and trust in Envirosuite. Together, we will forge onwards and embrace the challenges and opportunities that lie ahead as we strive to make a positive impact on both people and the planet.

Jason Cooper
CEO & Managing Director

Proudly taking innovative Australian technology **to the world**

Our Purpose

We believe environmental intelligence is the key to improving the wellbeing of people and the planet.

Our Vision

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

Our Mission

We are driven to create world-leading, science-based technology to help our customers act faster, perform better, and realise their full potential with environmental intelligence.

Our Difference

We are a leading environmental intelligence technology provider that solves complex environmental challenges across noise, vibration, odour, dust, air quality and water management with our suite of solutions.

Our Values

We know that to achieve our long-term goals, we need to build a culture of high performance. One where all Environauts are committed to our purpose, working collaboratively as a team while focusing on innovation to deliver value to our customers. As Environauts, we rise to the challenge because:

- **We're driven by purpose**
- **We move as one**
- **We believe customers are the reason**
- **We earn the trust**
- **We challenge the now**

Our business advantages

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

Commitment to customers – we have long-lasting relationships with sector-leading customers

Global presence – established operations and high performing teams across key growth markets

Digital transformation – deeply embedded into customer operations and their digital ecosystems

Importance of problem statement – growing focus on environmental impact due to ESG, SDG and Social Licence to Operate

4000+
connected devices providing situational awareness to operations

45+
countries with more engaged communities & sustainable industries

250+
Environauts, elite in their respective fields

30+
years experience

Growth & Innovation taking Envirosuite from strength to strength

Envirosuite has proudly delivered a very successful FY23 that includes a record year in sales with $9.1m in new ARR (7.3% YOY) and $8.1m in Project Sales, strong customer adoption of innovative solutions and further differentiation in our focus segments. This success has been fuelled by both the expanding and scaling of Envirosuite's high-calibre customer base as well as through landing new marquee customers.

The Americas contributed strongly, growing 20.5% YOY with revenues from the EVS Industrial portfolio now approaching the significant revenues from EVS Aviation as Environmental Justice and Environmental, Social and Governance (ESG) tailwinds continue to drive demand for Envirosuite's solutions. APAC added $2.1m in ARR during the year, landing well-recognised organisations across all sectors and expanding and scaling solutions across key customer sites. EMEA has significantly grown its customer base in the Middle East and Africa with strategic wins across both EVS Water and EVS Aviation, while also signing multi-year multi-site renewals with several key customers.

Envirosuite's innovative technologies continue to be adopted by some of the world's most prestigious and progressive companies, helping them carve a path through ever-increasing production targets and demand that is balanced with a continual desire to work with communities and within regulatory boundaries.

For the Aviation industry, the Company developed new systems and aligned with global standards to help nationwide airspace agencies reduce the carbon footprint of aircraft operations and reduce passenger wait time on the ground and in the air. New airspace noise modelling and planning tools to evaluate proposed flight paths and noise impacts in detail have also been released this year, supporting communities and airports to build growth plans together.

FY23 was a year of continued innovation leadership in EVS Industrial, evidenced through the creation a ground-breaking airborne dispersion modelling system, EmissionMesh, which provides previously infeasible detail facility-wide to locate areas of an operation causing emissions. The Company's proprietary weather forecasting system, Metriqa, is a uniquely differentiated capability that allows customers to predict more impactful, site-specific weather conditions – supporting critical on-site operational decisions. These improvements, alongside the single pane of glass view of multiple environmental parameters impacting operations in one platform, has proved a very compelling value-add and a strong point of difference in the Envirosuite solution.

All three products within the EVS Water – SeweX, Plant Optimiser and Plant Designer – have empowered operators and their service providers to gain deeper insights into their networks and systems. These solutions allow them to evaluate the effectiveness of different capital project plans and optimise chemical dosing and usage strategies with unprecedented speed, accuracy, and independence.

evs aviation

Total ARR	$36.4m
Total sites	188

The Aviation industry is up and flying again as Envirosuite continues to compete strongly and win.

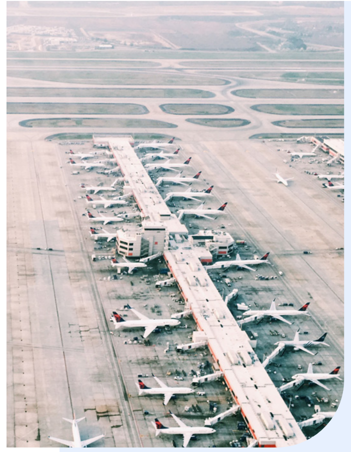
The Aviation industry is up and flying again, and Envirosuite global market leadership position sees the Company well-placed to deliver on the industry's evolving needs. Airports are resurrecting pre-pandemic projects and initiating new plans to reduce their environmental footprint while optimising operations. The Company's strong market leadership position has seen it selected to work on exciting and innovative initiatives. This includes an extension of Envirosuite's work as part of a consortium with NASA to bring supersonic travel back to the skies, and work with Skyports Infrastructure, a first mover in the urban air mobility space, to provide a noise management solution for their vertiports testbed in France.

Envirosuite continues to compete strongly and win. The Company signed 16 new airports during the year, including a 10-year deal with Egyptian Airports Company to provide noise, carbon emissions modelling, and air quality management solutions for five new airports, as well as signing two new airports in Abu Dhabi. The Middle East and Africa are relatively unpenetrated markets for the Company, and so Envirosuite has leveraged existing relationships with established local partners to ensure our customers receive the value and support needed and to minimise potential risk to Envirosuite in those markets.

These exciting customer wins were joined by further securing multi-year renewal agreements with several key strategic commercial aviation customers, such as Aena in Spain, Manchester Airports Group in the UK and ANA Aeroportos de Portugal, often accomplished through rigorous competitive tender processes – a total of 20 airports renewed across these three valued customers.

An innovative new application of the EVS Aviation portfolio was signed and is now being delivered to a leading Air Navigation Service Provider (ANSP), where Envirosuite is working alongside the customer's team to redesign the airspace surrounding their major airports nationwide. By leveraging Envirosuite's existing solutions in flight path tracking, on-ground tracking, and carbon emissions modelling technology, the ANSP can make changes to where and how planes fly, to decide what impact that has on carbon emissions and the associated carbon footprint, across the country.

Excitingly, FY23 has seen the Company cross-sell its EVS Industrial air quality management solution to six airports this year – Biggin Hill Airport in the UK and five new airport sites in Egypt. Once these early implementations are validated, Envirosuite will look to market this EVS Industrial solution to other aviation customers globally.



Leading the industry in operational and environmental optimisation

One of the world's leading Air Navigation Service Providers (ANSP) is seeking to optimise both the flight experience of airline passengers and the ground and airborne operational performance of airports and airlines to deliver improved environmental outcomes.

The ANSP selected Envirosuite due to its proven position as the industry's leading technology partner. Envirosuite will provide a single automated solution that can measure, analyse and communicate operational performance across its four major airports, as well as tracking additional metrics around flight efficiency and environmental impact in line with the Greenhouse Gas (GHG) protocols and Science Based Targets initiative (SBTi).

With this solution, the ANSP will be empowered to increase their progress around operational and environmental optimisation, enabling them to demonstrate these proactive and progressive improvements to community and external stakeholders.

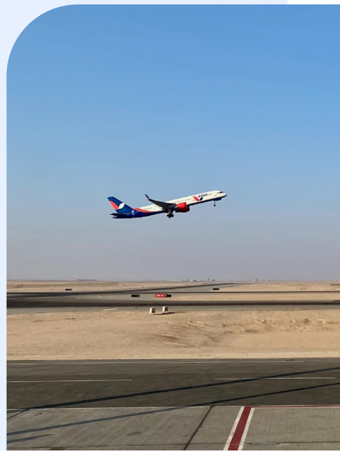
A complete environmental solution helping to achieve sustainability best practice

الشركة المصرية للمطارات
EGYPTIAN AIRPORTS CO.

As the host country of the United Nations Climate Change Conference (COP27) in 2022, Egypt is committed to environmental sustainability and best practices, and climate impact reduction. Egyptian Airports Company (EAC) saw an opportunity across its 11 international and seven domestic airports to address these commitments through environmental management solutions.

EAC selected Envirosuite because of the Company's demonstrated experience in providing multi-parameter environmental management solutions globally including noise, carbon emissions modelling and air quality management. Envirosuite's proven position as the global leader in aviation environmental intelligence and its strong existing relationship with Cairo International Airport gave EAC confidence in its selection decision.

Envirosuite, through local partner Delta Company for Electronics, will help EAC understand and improve local air quality conditions at and around five of its airports, as well as understand and reduce the aviation noise resulting from operations.



aena

Achieving targeted community engagement, at scale

Proactive community engagement around aviation noise continues to be a priority for Aena across its portfolio of airports, so much so that Aena manages its noise data according to the ISO 20906 standard to ensure high quality. The need to foster greater trust and social license is always present, leading Aena to review its community engagement strategy.

Envirosuite has been a long-term trusted partner for Aena across 12 of its airports in Spain. After reviewing the Company's innovative location-based InsightFull community engagement portal and its ability to leverage and present its airports' existing ANOMS datasets, Aena was confident in selecting the solution as a central part of its strategy.

InsightFull will provide communities around three of Aena's major airports with a self-serve information portal that presents high-quality, location-specific data from the ANOMS system in easy-to-understand formats. This will be key to helping Aena continue to foster trust and strengthen its community relationships.

evs industrial

Total ARR	$21.6m
Total sites	238

Strong growth results in EVS Industrial expected to continue on the back of ESG and Environmental Justice macroeconomic drivers.

EVS Industrial has benefited strongly from the global tailwinds around Environmental, Social, and Governance (ESG) credentials and investment, as well as the significant momentum that the Environmental Justice movement and resulting legislation has generated in the US. These macroeconomic drivers create the perfect mix for Envirosuite's land, expand and scale strategy to continue delivering exciting growth.

The Company's product strategy of combining several essential environmental parameters that impact operational efficiency, surrounding communities' quality of life, and the environment, is now delivering new large-scale uptake and adoption with multiple global mining companies. These operations are now effectively managing noise, vibration, dust, air quality, odour, water management and weather using EVS Industrial's flagship integrated environmental operations platform, Omnis.

The Mining sector delivered the largest percentage of the growth for EVS Industrial in FY23, with landmark new sites adopting Omnis to improve operational decision making and strengthen their Social License to Operate. The Company is now seeing new customers take up EVS Industrial solutions to manage multiple parameters in fewer transactions – a testament to the traction and value Envirosuite has built in Mining. It also represents a strong upsell opportunity to existing customers who are only managing one or two environmental parameters with EVS Industrial solutions so far.

The Environmental Justice momentum has fuelled growth in the Waste sector particularly with US municipalities, which are typically the owners and operators of landfill sites in the country. This has led to the continued success of Envirosuite's strategic partnership with Byers Scientific. The combined Envirosuite-Byers solution has now been adopted across four landfill sites, with a solution at an existing site being expanded significantly during the year following a highly successful initial contract term. An innovative partnership, the combined Envirosuite-Byers solution delivers real-time indicative odour monitoring and predictive emission alerting which empowers landfills to apply targeted odour mitigation strategies only when and where they are needed rather than applying blunt mitigation techniques across an entire landfill site unnecessarily.

While Envirosuite remains focused on the four focus sectors for EVS Industrial, the broad capability of Omnis has received notable interest from many sectors beyond the focus four. This interest as converted into signed customer engagements during FY23 in additional sectors including the dairy, protein processing, chemical & petrochemical, pet food production, and semi-conductor chip manufacturing industries.

BHP

Maintained productivity and mitigated community impact, even during high-risk periods

As the importance of Social License to Operate and environmental impact management constantly increases for the mining industry, BHP continues to look for digitalisation opportunities across its operations to anticipate possible events, identify the origin of possible emissions, and minimise the risk of those emissions impacting nearby communities and site productivity.

Following the successful implementation and adoption of an Envirosuite solution at another site in Chile two years ago, BHP have commissioned Envirosuite to deliver this same solution to a large copper mine and nearby port operation.

The EVS Industrial solution identifies when environmental risks are developing and predict whether risks may become issues many hours in advance. This empowers mine operators to optimise their operational plans through these higher-risk periods, maintaining site productivity while protecting nearby communities from unwanted impacts. Easy-to-understand reports inform the mine's action-response plans, translating environmental data into meaningful action on the ground.

Strengthened case to expand operations using proven emissions management solution

BINGO INDUSTRIES

With various development activities planned to support future growth, BINGO Industries' Eastern Creek Recycling Ecology Plant (REP) needs to ensure that the odour, dust and noise impacts from its operations are appropriately managed.

The ability to provide a fully integrated solution to manage odour, dust, and noise, where data from existing instrumentation owned by BINGO could be presented alongside data from Envirosuite-provided instrumentation all in a single platform, was a key factor in BINGO's decision to partner with Envirosuite.

Eastern Creek REP now has a comprehensive environmental management system that supports its expansion plans while enabling targeted emission mitigation and control measures.

UrbanUtilities

Creating a co-existence between tourism and wastewater treatment

Urban Utilities (UU) operates a Sewage Treatment Plant at Luggage Point, Brisbane. Due to a planning decision, the new Brisbane Cruise Ship Passenger Terminal was built immediately adjacent to the plant. UU needs to avoid odour impacts on the port facility, along with any consequential regulatory involvement and unfavourable publicity.

Envirosuite worked closely with UU to understand the Luggage Point operation and surrounding environment, tailoring a fit-for-purpose solution that guides existing odour control methods at the facility and provides a dynamic approach to predicting and assessing impacts.

By incorporating continuous odour monitoring data with onsite weather data and predictive risk forecasts, UU has reduced its risk of regulatory investigation and financial penalties, reduced its odour control costs, shortened the investigation time of emission events and community complaints, and digitised previously manual data collection.

Growth & Innovation

evs water

Total ARR	$1.4m
Total sites	17

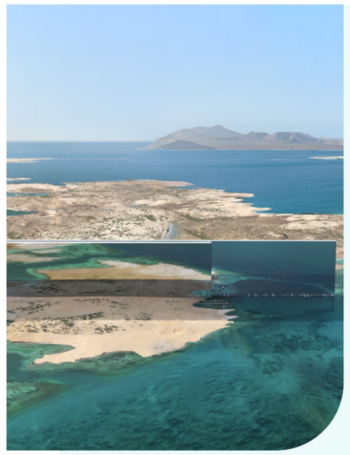
Delivery of quantifiable value ensuring innovative early adopters become lighthouse reference cases for EVS Water.

Envirosuite has remained focused on delivering strong and quantifiable value to early EVS Water customers during FY23, a critical step for early-stage technology to ensure new innovative customers become lighthouse reference cases that can be used to accelerate future success. This focus has resulted in significant advancements within the portfolio, including improved configuration tools enabling rapid platform implementation and significant product scalability improvements resulting in much faster processing times and the ability to manage very large network models. Additional advancements include improvements to user interfaces enabling customers to start analysing results faster and more intuitively and the flexibility to arrange scenarios and results according to the user's specific requirements or preferences.

Off the back of this work, SeweX customers are reporting the improved ability to assess chemical dosing requirements in their sewer networks, including the locations within the network where dosing would be most effective, within just one week. Customers are also reporting the improved ability to assess capital works proposals within sewer networks and associated chemical dosing options to quickly understand the impacts to the sewer network if those proposed works were undertaken.

Similarly, the Hong Kong Water Supplies Department (WSD) Tai Po Water Treatment Works (WTW) has reported strong return on investment following its adoption of Plant Optimiser for its first ever digital twin project in conventional water treatment. Envirosuite has proven to WSD that the models within Plant Optimiser can be relied upon to provide accurate, actionable advice on optimal coagulant dosing and alum usage without compromising water quality objectives. The platform identified the potential for a 23% reduction in alum usage at the plant compared to business-as-usual operations, and has reduced the operations team reliance on jar tests to ensure high-quality drinking water.

Envirosuite's success with WSD was critical in landing NEOM, a visionary cross-border city in north-western Saudi Arabia fuelled by USD $500 billion in funding and a highly referenceable site within the Middle East region. NEOM's water department (ENOWA) chose EVS Water to help optimise the city's water infrastructure and water operations to achieve their environmental objectives at two existing desalination plants. Envirosuite and the EVS Water platform will empower ENOWA to develop and optimise its water treatment process designs and capital cost plans, and support climate change initiatives by simulating net zero technologies and assessing their performance, such as Zero Liquid Discharge.



NEOM

Optimising water infrastructure and operations in Saudi Arabia

NEOM is a visionary cross-border city in north-western Saudi Arabia, fuelled by USD $500 billion in funding and with a projected population of 8.5 million. Seeking to be a model for future cities, NEOM has a strong focus on environmental responsibility and sustainability including energy efficiency, renewable energy, water, and sustainable transportation.

Following a review of potential solutions on the market, the scalability and flexibility of the Plant Optimiser software and its advanced combination of deterministic modelling and AI, coupled with the technical expertise of the EVS Water team, gave NEOM's water department (ENOWA) confidence that Envirosuite was the right technology partner for NEOM.

Envirosuite empowers ENOWA to develop and optimise its water treatment process designs and capital cost plans at two existing desalination plans, supporting climate change initiatives by simulating net zero technologies and assessing their performance such as Zero Liquid Discharge.

Digital twin technology that Water Treatment can rely on

水務署 Water Supplies Department

The Water Supply Department (WSD) provides drinking water to a population of about 7.5 million and recently expanded its award-winning Tai Po Water Treatment Works (WTW) plant to produce 800,000 cubic metres of quality drinking water per day. The WSD is continuously reviewing advanced technologies to enhance operational efficiencies and drinking water safety.

The WSD selected EVS Water's Plant Optimiser software for its first ever digital twin project in conventional water treatment at Tai Po WTW. This technology uniquely combines both machine learning and deterministic modelling to predict incidents and identify optimal plant settings with higher accuracy.

Plant Optimiser successfully created a digital twin model representing the coagulation, lime dosing, flocculation, and dissolved air flotation (DAF) settling systems of Tai Po WTW. The solution identified opportunities to reduce alum dosing by 23% compared to business-as-usual operations, and the operational team is now less reliant on jar tests to ensure high-quality drinking water for the local community.

Envirosuite's SeweX delivering quantifiable ROI for customers

Customers have reported multiple examples of strong ROI through Envirosuite's SeweX technology. One site was able to objectively review a vendor proposal for magnesium hydroxide dosing in the network. Using SeweX, the customer was able to identify that the locations of the dosing solution should be moved to achieve the most impact. It was also able to identify the dosing concentrations needed to achieve target levels of gas in the network.

Another site's in-service assets team used SeweX to assess a vendor proposal to replace existing decommissioned and sealed biofilters with a replacement system. By simulating several chemical dosing options to understand what the impact would be across the network, the site avoided spending significant time and money on third party consulting projects.

At another site, modelling of a dosing unit at a pumping station showed that a 50mg/L dose of magnesium hydroxide would meet the 200ppm objective at a network hotspot and deliver an average of approximately 100ppm across the network. This modelling replaced lengthy and expensive consulting studies and projects.

Optimising water infrastructure and operations in Saudi Arabia

Photo courtesy of NEOM

NEOM

evs water

PROJECT DESCRIPTION

NEOM is a visionary cross-border city in north-western Saudi Arabia, fuelled by USD $500 billion in funding and with a projected population of 8.5 million. Seeking to be a model for future cities, NEOM has a strong focus on environmental responsibility and sustainability, including energy efficiency, renewable energy, water, and sustainable transportation.

SELECTED TO

Develop and optimise water treatment process designs and capital cost plans at two existing desalination plans, supporting climate change initiatives by simulating net zero technologies and assessing their performance such as Zero Liquid Discharge.

Directors' report

Your directors present their report, together with the financial statements of the consolidated entity (referred to hereafter as the Group) consisting of Envirosuite Limited (ABN: 42 122 919 948) and its controlled entities (referred to hereafter as the Company, Group or Envirosuite), for the financial year ended 30 June 2023.

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, unless otherwise stated:

David Johnstone (Non-executive Chair)
Jason Cooper (Managing Director and CEO)
Hugh Robertson (Non-executive Director)
Sue Klose (Non-executive Director)
Stuart Bland (Non-executive Director)
Tim Ebbeck (Non-executive Director) – Resigned 30 September 2022

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 period, the principal continuing activities of the Group consisted of the development and sale of environmental management technology solutions.

Review of operations for the year

Operating results

The loss of the Group after providing for income tax amounted to $10.3m (FY22: $13.2m).

$000	FY23	FY22	Movement $	Movement %
Recurring revenue	49,487	43,877	5,610	12.8%
Non-recurring revenue	8,123	9,563	(1,440)	(15.1%)
Other revenue	289	19	270	1,421.1%
Total operating revenue	**57,899**	**53,459**	**4,440**	**8.3%**
Cost of revenue	(28,728)	(28,355)	(373)	(1.3%)
Gross profit	**29,171**	**25,104**	**4,067**	**16.2%**
Operating expenses	(40,362)	(37,769)	(2,593)	(6.9%)
Other income / (expense)	143	90	53	58.9%
Operating deficit	**(11,048)**	**(12,575)**	**1,527**	**12.1%**
Net Loss after tax	**(10,278)**	**(13,195)**	**2,917**	**22.1%**
Adjusted EBITDA	**481**	**(3,962)**	**4,443**	**112.1%**
Other Key Metrics				
ARR ($000)	59,433	53,044	6,389	12.0%
Sites	443	416	27	6.5%
Recurring revenue as % of total revenue	85.5%	82.1%	3.4%	4.1%
Gross profit % (statutory)	50.4%	47.0%	3.4%	7.3%

Key highlights

- Total recurring revenue increased by $5.6m (12.8%) over FY22. During the second half of FY23, three of five sites with Department of Defence churned. Recognising, but excluding this abnormal churn event, recurring revenue increased 17.4%. This increase in recurring revenue reflects the strong growth in ARR recorded in FY23 and notably for both the Americas region and the EVS Industrial product group.
- Significant growth was experienced in FY23 in Americas with recurring revenue growth of 28.2% and sales growth of 20.5%. While recognising the importance of the global reach, the Americas remain a strategically important region for Envirosuite given the size and scale of potential customers in that market. EMEA experienced double digit growth in recurring revenue, and while APAC recurring revenue decreased over the year by 0.3%, recurring revenue growth excluding this churn event was an increase of 11.4%. Sales in EMEA exceeded all regions at 27.3% with a significant aviation deal closed in Q4 which will contribute to strengthening EMEA recurring revenue in FY24.
- Strong recurring revenue growth continued in EVS Industrial of 25.2% over FY22, driven by ARR sales growth of 19.3%. Double digit growth was seen in EVS Aviation recurring revenue of 12.3%.
- Gross profit (statutory) continued to improve and increased by 3.4bps to 50.4% since FY22 (47.0%) and 8.0bps over FY21 (42.4%) as a result of an increase in higher margin recurring revenue (85.5% of total revenue in FY23 compared to 82.1% FY22) and improvements to product infrastructure and deployment methodologies.

- Operating expenses increased 6.9% in FY23, but remained stable at 69.7% of total operating revenue (FY22 70.7%), as the Group continues to innovate and develop the product suite and increase its operations within the existing geographic footprint. Ongoing global transformation projects continue as planned, including data centre migration and scaling of the Group's centre of excellence in the Philippines.
- The Group completed a restructure during the period, responding to financial performance and the Group's stated objected of adjusted EBITDA profitability on a run rate basis during FY23. This resulted in a restructure of roles globally including accelerated transition to the Philippines centre of excellence and a critical assessment of suppliers.
- Reporting an adjusted EBITDA profit of $0.5m, represents a significant improvement of $4.4m over FY22. This result was achieved through a combination of underlying revenue growth, gross margin expansion and strong operating cost management.

Revenue by Region

$000	FY23	FY22	Movement $	Movement %
Recurring revenue				
Asia Pacific	15,323	15,372	(49)	(0.3%)
EMEA	15,448	13,901	1,547	11.1%
Americas	18,716	14,604	4,112	28.2%
Total Recurring revenue	**49,487**	**43,877**	**5,610**	**12.8%**
Trading revenue				
Asia Pacific	17,359	17,056	303	1.8%
EMEA	17,661	16,541	1,120	6.8%
Americas	22,590	19,843	2,747	13.8%
Total Trading revenue	**57,610**	**53,440**	**4,170**	**7.8%**
ARR				
Asia Pacific	15,187	17,224	(2,037)	(11.8%)
EMEA	20,255	15,915	4,340	27.3%
Americas	23,991	19,905	4,086	20.5%
Total ARR	**59,433**	**53,044**	**6,389**	**12.0%**
Sites				
Asia Pacific	118	116	2	1.7%
EMEA	136	125	11	8.8%
Americas	189	175	14	8.0%
Number of sites	**443**	**416**	**27**	**6.5%**

Double digit growth in total ARR continues at 12.0%, with underlying growth at 19.7% excluding the churn event in Q3. Despite the churn event, recurring revenue growth of 12.8% was achieved reflecting the diverse revenue mix and underlying revenue growth globally.

Americas and EMEA achieved outstanding ARR growth of 20.5% and 27.3% respectively for FY23. The strong growth in recurring revenue for the Americas of 28.2% is the realisation of the ARR growth in FY22 of 31.3%. EMEA achieved a strong sales result in H2 FY23, closing a significant aviation opportunity in Q4 FY23 which will drive continued growth in recurring revenue in FY24.

Non-recurring revenue performed strongly in H2 FY23 as projects were delivered globally.

Revenue by Product

$000	FY23	FY22	Movement $	Movement %
Recurring revenue				
EVS Aviation	33,052	31,061	1,991	6.4%
EVS Industrial	15,898	12,699	3,199	25.2%
EVS Water	537	117	420	359.0%
Total Recurring revenue	**49,487**	**43,877**	**5,610**	**12.8%**
Trading revenue				
EVS Aviation	37,147	34,961	2,186	6.3%
EVS Industrial	19,779	18,352	1,427	7.8%
EVS Water	684	127	557	438.6%
Total Trading revenue	**57,610**	**53,440**	**4,170**	**7.8%**
ARR				
EVS Aviation	36,434	33,908	2,526	7.4%
EVS Industrial	21,643	18,139	3,504	19.3%
EVS Water	1,356	997	359	36.0%
Total ARR	**59,433**	**53,044**	**6,389**	**12.0%**
Sites				
EVS Aviation	188	172	16	9.3%
EVS Industrial	238	231	7	3.0%
EVS Water	17	13	4	30.8%
Total Sites	**443**	**416**	**27**	**6.5%**

EVS Industrial remains the strong growth product experiencing 25.2% increase in recurring revenue for FY23. This revenue outcome was supported by the 23.9% growth in ARR during FY22. The ARR growth within EVS Industrial continues in FY23, with 19.3% growth achieved. This ARR growth is driven through the focus on key market segments including mining and waste management. For these particular segments, EVS Industrial enables users to improve analysis for timely decision making utilising current and predictive modelling outcomes.

Growth in EVS Aviation ARR of 7.4% was impacted by the significant churn event in Q3. While still experiencing growth over the year, underlying growth of 19.3% was achieved, excluding this churn event. Over FY23 EVS Aviation achieved new ARR growth of $4.2m. In combination with their underlying monitoring requirement, airports have adopted the recently released carbon emissions modelling product and the Group has expanded with a distinctive offering to the Air Navigation Service Providers leveraging the existing EVS Aviation platform. Aviation remains the largest product by revenue measure at 66.8% of total recurring revenue.

Global deployment of EVS Water solutions, together with the enhanced deployment capabilities has been a significant factor with the product's growth over FY23. Specifically, the Group has released product updates to EVS Water that has increased the speed at which SeweX can be deployed for new customers and introduced new functionality for larger, more complex sewer networks. These updates will enable more timely implementation of signed opportunities.

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

$000	FY23	FY22	Movement $	Movement %
Net loss after tax	**(10,278)**	**(13,195)**	**2,917**	**22.1%**
Add back: Tax (benefit) / expense	(960)	410	(1,370)	(334.1%)
Add back: Net finance expense	190	210	(20)	(9.5%)
Add back: Depreciation and amortisation	9,435	8,157	1,278	15.7%
EBITDA	**(1,613)**	**(4,418)**	**2,805**	**63.5%**
Less: AASB 16 Depreciation & interest	(1,191)	(1,688)	497	29.4%
Add back: Share based payments	743	1,477	(734)	(49.7%)
Add back: Foreign currency (gains) / losses	(82)	(202)	120	59.4%
Add back: Restructuring cost savings	1,833	112	1,721	1,536.6%
Add back: Transaction and integration costs	671	-	671	-
Add back: Philippines set up costs	159	245	(86)	(35.1%)
Add back: Property make good provisions	(39)	512	(551)	(107.6%)
Adjusted EBITDA	**481**	**(3,962)**	**4,443**	**112.1%**

EBITDA is a non-IRFS measure and is calculated by adding back depreciation, amortisation and interest from net loss before tax. Adjusted EBITDA also adds back share based compensation expense, foreign currency gains and losses and excludes the impacts of adopting AASB 16, as the application of the standard results in operating expenses being excluded from EBITDA. Additionally, costs which are not seen as recurring are excluded, including restructuring costs and cost savings, transaction and integration costs and other costs.

Adjusted EBITDA improved 112.1% in FY23 resulting in a profit of $0.5m compared to a loss of $4.0m in FY22.

Along with revenue growth, gross margin expansion and strong operating cost management, the Group completed a restructure in February 2023. The restructure, being driven by the strategic objective of achieving adjusted EBITDA profitability on a run rate basis during FY23, involved a combination of supplier reviews and consolidation of personnel roles within the Group. Transaction and integration costs in FY23 represent non-recurring project costs including transformation from physical to cloud based infrastructure and corporate activity.

Financial position

$000	FY23	FY22	Movement $
Cash and cash equivalents	8,277	16,292	(8,015)
Current assets	26,762	34,979	(8,217)
Current liabilities	(22,137)	(19,657)	(2,480)
Net current assets	**4,625**	**15,322**	**(10,697)**
Total tangible assets	36,142	41,114	(4,972)
Net tangible assets	7,969	16,097	(8,128)

Adjusted operating cash flow

$000	FY23	FY22	Movement $	Movement %
Cash from / (used in) operating activities (statutory)	746	(3,188)	3,934	123.4%
Less: Repayment of AASB 16 lease payments	(1,292)	(1,878)	586	31.2%
Non-recurring				
Add back: Restructuring cost savings	1,833	112	1,721	1,536.6%
Add back: Transaction and integration costs	671	-	671	-
Add back: Philippines set up costs	159	245	(86)	(35.1%)
Add back: Property make good provisions paid	473	-	473	-
Cash from / (used in) operating activities excluding capitalised development costs	**2,590**	**(4,709)**	**7,299**	**155.0%**
Less: Capitalised development costs	(5,760)	(4,750)	(1,010)	(21.3%)
Adjusted operating cash outflow	**(3,170)**	**(9,459)**	**6,289**	**66.5%**

Transformation of operating cash flow occurred in FY23:

- Cash from / (used in) operating activities (statutory) improved significantly by $3.9m to a cash inflow of $0.7m (FY22 outflow of $3.2m) as a result of increased recurring revenue, improved gross profit and a controlled cost base.
- Adjusted operating cash outflow of $3.2m has improved $6.3m over FY22. The positive movement in adjusted operating cash flow of $2.8m has been the add back of the cash impact of the non-recurring costs (on the same basis as for Adjusted EBITDA), partially offset by the increased investment of $1.0m in Envirosuite product suite in capitalised development costs.

Cash and Cash Equivalents decreased by $8.0m during the current reporting year. The decrease in cash of $8.0m is largely related to spend on revenue generating investment activities of:

- $5.8m cash used in the acquisition of intangible assets (FY22 $4.8m) which consists of capitalised product development costs across EVS Aviation, EVS Industrial and EVS Water,
- $2.3m in payments for Property, Plant and Equipment (FY22 $1.8m) which includes investment in revenue generating assets, equipment leased to customers of $1.6m (FY22 $1.3m), and
- Cash inflow from operating activities of $0.7m in FY23 and positive foreign exchange impact of $0.5m was offset by cash outflow used in financing activities of $1.3m in payments for lease liabilities related to buildings (FY22 $1.9m).

The Group has no debt (other than lease liabilities) (FY22 $nil)

Net tangible assets have decreased by $8.1m largely due to the decrease in cash and cash equivalents comprising $8.0m from investment in revenue generating activities including product development and equipment leased to customers.

The Directors continue to monitor the impacts of the current economic climate on group operations and respond appropriately to risks identified.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group in the year.

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 to members during the financial year.

Events after the reporting period

The Directors are not aware of any matters or circumstances that have arisen since 30 June 2023 that have significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

Business growth strategy

The Group continues to be focused on delivering growth and investing in capability.

Growth is being driven by:

- recognising first mover advantage in environmental intelligence and accelerating the product roadmap across all product suites;
- innovative product development, across all product sets, and continuing innovation globally based on customer and industry feedback ;
- land, expand and scale across all product suites and geographies; and
- strong regional growth lead by the Americas.

Acceleration of capability is being delivered through investment into:

- engineering: to increase product development and innovation capability;
- operations and support: improving performance, customer support and instrument innovation; and
- security: safeguarding the operational environment to protect existing and future customers.

Material business risks

The Group is subject to risks of both a general nature and ones that are specific to its business activities including but not limited to:

- **Retaining existing customers and keeping them engaged in the product**
  The Group generates more than half of its revenue from the Aviation industry, which leads to a degree of revenue concentration. The Group manages this risk by running regular sessions on product capabilities and improvements with customers, in addition to incorporating customer feedback into product design and capabilities ultimately to improve customer satisfaction. The growth of EVS Industrial and cross sell between customer market segments is further mitigation of this risk.

- **Acquiring new customers and accelerating sales within all product lines and geographies**
  Envirosuite's business strategy drives the acquisition of new customers and accelerate sales globally in a competitive market where technology and products are changing. The Group participates in industry forums and promotes its three product lines via global marketing opportunities to ensure prominent industry positioning as a global leader in environmental intelligence.

- **Product capabilities**
  Operating within a competitive technological market drives the requirement to remain aware of technological advancements. Through the research and development initiatives, the Group invests in maintaining and growing each product's capability as well as ensuring it continues to meet current and future market requirements.

- **Recruitment and retention of employees**
  The Group regularly reviews its employee value proposition and has developed a range of programs designed to attract and retain skilled employees and foster diversity and inclusion.

- **Operational risk**
  Operating in multiple regions, the Group is exposed to the complexity of business operations, including legal and compliance risks. The Group manages these risks by maintaining an effective risk management framework and processes, including cyber and data privacy processes.

- **Intellectual property risk**
  Advanced networks and product security measures, together with appropriate legal restraints are in place to protect the group's intellectual property, minimising the risk to the infringement of intellectual property rights.

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.

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, Chair (Appointed 10 February 2014)

David is an experienced executive and chair who has been actively involved in business for more than 35 years, successfully starting, owning and operating a vast range of businesses. David joined the Board as a non-executive Director in February 2014 and was appointed Chair in September 2016.

David also Chairs Cooper Investors, a specialist equity investor group with in excess of $12bn in funds under management, and Sports Club HQ a technology company that specialises in managing the Registration and Competition Management data requirements for Sporting clubs and associations.

David is also a non-executive director of Southern Cross Partners and is an Advisory Board Member to NexPay. David has also served as both a director, non-executive director, Chair and advisor to both public and private companies in the technology, communications, finance, wealth management, insurance, risk management and sporting sectors.

Member of the Audit and Risk Management Committee, Chair of the Audit and Risk Management Committee (from 1 August 2020 through 31 December 2021), Chair of the Remuneration and Nomination Committee (to 1 February 2023), Member of the Remuneration and Nomination Committee (from 1 February 2023).

Jason Cooper, Managing Director and CEO (Appointed 1 March 2022)

Mr. Cooper joined Envirosuite in July 2020 as chief operating officer, was appointed as Chief Executive Officer in March 2021 and appointed Managing Director March 2022. Since joining Envirosuite, Mr Cooper has been instrumental in driving the strategy for the Group during the backdrop of the COVID-19 pandemic. In this time, he finalised the integration of the major acquisition, commercialised EVS Water nationally and internationally while driving growth across all product lines and regions.

Jason is a highly regarded and well-respected industry leader with more than 20 years' experience in the technology sector. He has had broad experience working in senior executive roles in both multi-national and start-up environments. During his career he has held senior roles across sales, operations and general management in Silicon Valley, London, and Melbourne. Jason holds an executive MBA in Entrepreneurship and Innovation from HEC, France.

Hugh Roberston, Director (Appointed 1 November 2018)

Hugh Robertson has over 35 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.

Hugh's more recent directorships include AMA Group Limited (ASX:AMA), Centrepoint Alliance Limited (ASX:CAF), TasFoods Limited (ASX:TFL), Hub24 Limited (ASX:HUB) and he is currently a Non-Executive Director of Longtable Limited (ASX:LON) and Chair of Credit Clear Limited (ASX: CCR).

Sue Klose, Director (Appointed 1 December 2020)

Sue Klose is an experienced non-executive director and executive, with a diverse background in digital business growth and operations, corporate development, strategy and marketing. Sue was previously the Head of Digital and Chief Marketing Officer (CMO) of GraysOnline and Director of Digital Corporate Development for News Ltd.

She is currently a non-executive director of Nearmap (ASX: NEA), Halo Food Co. (ASX: HLF) and Acusensus (ASX: ACE). Sue Resigned from Pureprofile (ASX:PPL) on 30 June 2023.

Sue has an MBA in Finance, Strategy and Marketing from the JL Kellogg School of Management at Northwestern University, and a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.

Member of the Audit and Risk Management Committee (from 1 December 2020), Chair of the of the Audit and Risk Management Committee (from 1 January 2022), Member of the Remuneration and Nomination Committee (from 1 December 2022).

Stuart Bland, Director (Appointed 1 March 2022)

Stuart has over 30 years broad commercial executive experience, primarily in global SaaS businesses undergoing high rates of growth. His industry experience includes technology (fintech, knowledge management), defence, sport, telecommunications, biotechnology and wine.

Stuart's executive experience includes 14 years as Chief Financial Officer at Iress Ltd (ASX:IRE) and Chief Financial Offer roles at Melbourne IT Ltd and Panviva Pty Ltd.

Stuart is currently a member of the Advisory Board to Cablex Pty Ltd, as well as consulting to a number of other organisations.

Stuart has a Masters of Applied Finance from Macquarie University, and a Bachelor of Economics from Monash University. He is a fellow of the Institute of Chartered Accountants in Australia and New Zealand, and a graduate of the AICD.

Member of the Remuneration and Nomination Committee (from 1 July 2022 to 31 January 2023), Chair of the Remuneration and Nomination Committee (from 1 February 2023), Member of the Audit and Risk Management Committee (from 1 February 2023).

Tim Ebbeck, Director (Appointed 1 March 2022 – Resigned 30 September 2022)

Tim has over 35 years of board, executive, and advisory experience across a range of industries including technology, public sector, media, sport, professional services, energy and finance.

Tim's executive experience includes roles as Chief Executive Officer at SAP (ANZ), Chief Executive of Oracle (ANZ), Chief Commercial Officer of SAP (APJ), Chief Commercial Officer of NBN Co, as well as Chief Financial Officer of Unisys South Pacific and TMP Worldwide Asia Pacific.

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.

Non-Executive Directors	Ordinary Shares	Performance Rights	Options
David Johnstone	7,168,245	-	-
Hugh Robertson	22,720,147	-	-
Sue Klose	500,000	-	-
Stuart Bland	650,194	-	2,000,000
Tim Ebbeck[1]	-	-	-
Executive Director			
Jason Cooper	1,150,000	8,000,000	-

1 - Resigned as Non-Executive Director 30 Sept 2022

For personal use only

Company Secretary

Adam Gallagher holds Graduate Diplomas in Applied Corporate Governance and Information Systems, a Masters in Commerce and a Bachelor of Economics and was appointed Company Secretary 8 Feb 2022.

Adam was previously Company Secretary and Director of Envirosuite from 2012 to 2020, during which time he was instrumental in each of the Company's transformational growth phases. He has also held officeholder roles in other ASX listed technology companies including ASX: CT1, YPB, and currently in ASX: CCR, CCA and PHL.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Meetings of Directors		Audit and Risk Management Committee[1]		Remuneration and Nomination Committee[1,2]	
2023 Meetings	A	B	A	B	A	B
David Johnstone	11	11	5	5	3	3
Jason Cooper	11	11	-	-	-	-
Hugh Robertson	11	7	-	-	-	-
Sue Klose	11	10	5	5	1	1
Stuart Bland	11	11	2	2	3	3
Tim Ebbeck[3]	3	3	-	-	-	-

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

1 - The committee charters provide for a minimum of 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.

2 - During the 2023 financial year, Stuart Bland joined as member of the Remuneration and Nomination Committee and became Chair of the Remuneration and Nomination Committee on 1 February 2023 from David Johnstone, who retired and continued as a member. Sue Klose joined the Remuneration and Nomination Committee as a member on 1 December 2022.

3 - Resigned as director effective 30 September 2022

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
29-Apr-21	29-Apr-25	0.20	10,000,000
01-Dec-22	01-Dec-25	0.40	2,000,000
Total			**12,000,000**

In December 2022, the Company issued 2,000,000 options to Mr Stuart Bland in connection with his appointment to the Board of Directors. In April 2021, the Company issued 10,000,000 options to Mr Alberto Calderon in connection with his appointment as advisor to the CEO of Envirosuite.

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

During the financial year, options for 98,750,000 of shares lapsed without being exercised. No options have lapsed post balance date.

Indemnification and insurance of officers or auditor

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

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

Proceedings on behalf of the Company

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

Non audit services

No fees were paid or payable to PKF Brisbane Audit, being the auditor the Group, for non-audit and other assurance work during the year ending 30 June 2023 (2022: Nil). Amounts paid or payable to PKF and its related practices for non-audit and other assurance work totalled $10,952 (2022: $25,316).

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 (including Independence Standards) issues 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 53.

Rounding of amounts

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

Remuneration Report

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

The report is structured as follows:

A. Key management personnel covered in this report
B. Principles used to determine the nature and amount of remuneration and link to performance
C. Share based compensation
D. Details of remuneration
E. Shareholdings of key management personnel
F. Loans to key management personnel
G. Other transactions with key management personnel

A. Key management personnel covered in this report

The remuneration disclosures in this report cover the following persons who were classified as Key Management Personnel (KMP) of the Group during the 2023 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.

KMP	Position	Term
Non-executive directors		
David Johnstone	Independent Chair	Full Year
Hugh Robertson	Non-Executive Director	Full Year
Sue Klose	Non-Executive Director	Full Year
Stuart Bland	Non-Executive Director	Full Year
Tim Ebbeck	Non-Executive Director	Resigned 30 Sep 2022
Executive director		
Jason Cooper	Chief Executive Officer and Managing Director	Full Year
Executives		
Justin Owen	Chief Financial Officer	Full Year
Aaron Lapsley	Chief Operating Officer	Resigned 13 Jan 2023

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

(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 conform to market practice for delivery of reward.

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

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

The Group has structured an executive remuneration framework that 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 10.5% of base salary for the financial year ended 30 June 2023, up to the maximum superannuation contribution base. • Base pay is structured as a total remuneration package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Performance based remuneration	
Short-term incentives (STI)	• STI is provided to executive KMPs equivalent to between 30% and 50% of their base pay, where payment is dependent upon satisfaction of certain performance conditions. • STI arrangements are paid out in cash.
Long-term incentives (LTI)	• Executive KMP are awarded LTIs to focus the efforts of the executive KMP on the achievement of sustainable long-term value creation for the Group and the shareholders. • Awards of LTIs may be made upon entering into an employment contract with the Group, and as part annual reviews of remuneration arrangements. • Executive KMP LTI awards are governed by the provisions of the Company's Performance Rights Plan. Vesting conditions are specified at the time of the award, and details of the awards made to executive KMP are discussed further below.

Remuneration and other terms of employment for executive KMP are formalised in service or employee agreements. All executive KMP agreements are reviewed annually by the Remuneration and Nominations Committee. A summary of the terms in executive KMP agreements is discussed further below.

Overview of FY23 executive KMP remuneration framework

	Fixed remuneration[1]	STI entitlement	LTI entitlement
Jason Cooper	AUD364,500	50%	Periodic performance right awards
Justin Owen	AUD331,500	30%	Periodic performance right awards
Aaron Lapsley[2]	USD215,000	30%	Periodic performance right awards

1 - Fixed remuneration is inclusive of superannuation contributions where required by law to be made by Envirosuite
2 - Resigned 13 Jane 2023

FY23 STI Outcomes for executive KMP

At the beginning of FY23 each executive KMP was given a target STI opportunity subject to the achievement of financial and personal targets. For FY23, the maximum STI each executive KMP could earn was kept at the target amount. The target performance measures are set at levels in line with the Company's medium term plans, and personal goals align with key operational strategic objectives.

For FY23 the STI performance conditions were based on a combination of new ARR contracts awarded (1/3), Adjusted EBITDA (1/3) and personal targets (1/3).

The following tables detail the FY23 STI performance outcomes for Envirosuite's executive KMPs:

Name and role	Target STI FY23 ($)[2]	Actual STI FY23 ($)[2]	Actual STI as a % of target
Jason Cooper Chief Executive Officer and Managing Director	183,150	162,250	88.6%
Justin Owen	99,900	89,000	89.1%
Aaron Lapsley[1]	43,300	-	-
Total	326,350	251,250	-

1 - Resigned 13 Jan 2023

2 - Inclusive of superannuation contributions

FY23 LTI awards issued to Executive KMP

At the 2022 Annual General Meeting held on 22 November 2022, the Company obtained shareholder approval to amend the terms of the Rights held by Mr Jason Cooper, Chief Executive Officer and Managing Director of the Company.

This amendment was in light of evolving market conditions since the Rights were first issued and a re-evaluation of the attainability of Mr Cooper's performance targets as well as giving consideration to their current retention and incentive value.

Prior to the amendment, the unvested Rights held by Mr Cooper had the following performance conditions:

- 1,000,000 fully paid ordinary shares of which 500,000 are due to vest on 28 February 2023 and 500,000 vest on 28 February 2024;
- 750,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the Australian Stock Exchange (ASX) reaches $0.25 per share and remains at or above $0.25 per share for a continuous period of 30 days thereafter;
- 750,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the ASX reaches $0.40 per share and remains at or above $0.40 per share for a continuous period of 30 days thereafter;
- 1,500,000 fully paid ordinary shares that vest in the event that the Company's share price as listed on the ASX reaches $0.50 per share and remains at or above $0.50 per share for a continuous period of 30 days thereafter;
- 2,000,000 fully paid ordinary shares that vest in the event that 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;
- 2,000,000 fully paid ordinary shares that vest in the event that 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;

Post shareholder approval obtained at the 2022 Annual General Meeting, the terms of Mr Cooper's Rights were amended, replacing the share price based vesting conditions with time based vesting as follows:

- 2,000,000 fully paid ordinary shares that vest on 30 September 2023;
- 2,000,000 fully paid ordinary shares that vest on 30 September 2024;
- 2,000,000 fully paid ordinary shares that vest on 30 September 2025;
- 2,000,000 fully paid ordinary shares that vest on 30 September 2026;

No other performance rights were issued to executive KMP in FY23.

Executive KMP service agreement summary

Each executive KMP has entered an employment contract with the Group. Details of the relevant contracts are set out in the table below:

Executive KMP	Duration of service agreement	Notice period by executive	Notice period by Company
Jason Cooper[1]	Ongoing	3 months	3 months
Justin Owen	Ongoing	2 months	2 months
Aaron Lapsley	Resigned 13 Jan 2023	At will	At will

1 - A termination payment of six months base remuneration inclusive of superannuation applies in the event of a change in control and, if within six months, Mr Cooper is either dismissed or there has been a significant reduction in his remuneration or duties

(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. Fees and payments to non-executive directors can be made directly in the form of salaries and wages, noting no annual or long service leave entitlement accrue or via companies controlled by the director. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nominations Committee.

Non-executive director's fees are determined within an aggregate directors' fee pool limit. The current pool limit is $600,000 per annum which was approved at the Company's Annual General Meeting (AGM) held 25 November 2021. The previous limit was $400,000 per annum. At this AGM, Shareholders also approved for non-executive director fees to be paid via equity, in addition to the methods already approved in the Company's constitution.

The following fees apply:

Fees per annum	FY23	FY22
Chair	$120,000	$120,000
Other Directors	$80,000	$80,000
Committee Chair	$10,000	$10,000
Committee Member	$5,000	$5,000

No fees as described above are paid to directors who hold an employee 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 their personal interests with that of the shareholders.

Each option provides the right to acquire one ordinary share in the Company for a stated exercise price, subject to the relevant vesting conditions being met. Each performance right provides the right to receive one ordinary share in the Company subject to the relevant vesting criteria being met. Performance rights are awarded with no exercise price being payable when vesting conditions are satisfied. Options and performance rights carry no voting rights or entitlements to receive dividends.

Upon exercising vested options and performance rights they convert to ordinary shares in the Company and carry the 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 executive KMP of the parent entity and the Group are set out below. Further information on the options and performance rights issued to executive KMP and other employees of the Group is set out in Note 16 to the financial statements.

Options	Financial year	Balance at start of year	Granted	Exercised	Forfeited / Other	Balance at end of year	Vested and exercisable	Unvested
Non-executive directors								
D. Johnstone	2023	-	-	-	-	-	-	-
	2022	5,000,000	-	-	(5,000,000)	-	-	-
H. Robertson	2023	-	-	-	-	-	-	-
	2022	5,000,000	-	-	(5,000,000)	-	-	-
S. Klose	2023	2,000,000	-	-	(2,000,000)	-	-	-
	2022	2,000,000	-	-	-	2,000,000	2,000,000	-
S. Bland	2023	-	2,000,000	-	-	2,000,000	2,000,000	-
	2022	-	-	-	-	-	-	-
T. Ebbeck (resigned 30 Sept 2022)	2023	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-
P. White (resigned 25 Nov 2021)	2023	-	-	-	-	-	-	-
	2022	5,000,000	-	-	(5,000,000)	-	-	-

Performance rights	Financial year	Balance at start of year	Granted	Vested	Forfeited / Other	Balance at end of year	Vested and exercisable	Unvested
Executive director								
J. Cooper[1]	2023	8,000,000	-	-	-	8,000,000	-	8,000,000
	2022	4,000,000	8,500,000	(1,000,000)	(3,500,000)[1]	8,000,000	-	8,000,000

Performance rights	Financial year	Balance at start of year	Granted	Vested	Forfeited / Other	Balance at end of year	Vested and exercisable	Unvested
Executives								
J. Owen	2023	2,000,000	-	(500,000)	-	1,500,000	-	1,500,000
	2022	-	2,000,000	-	-	2,000,000	-	2,000,000
A. Lapsley (resigned 13 Jan 2023)	2023	2,000,000	-	(500,000)	(1,500,000)	-	-	-
	2022	-	2,000,000	-	-	2,000,000	-	2,000,000
M. Patterson (resigned 12 Nov 2021)	2023	-	-	-	-	-	-	-
	2022	2,000,000	-	(666,667)	(1,333,333)	-	-	-

1 - Mr Cooper was appointed Managing Director 1 Mar 2022, in addition to his position of Chief Executive Officer

The table below provides the fair value of performance rights issued to each executive KMP during the period 1 July 2021 to 30 June 2023:

Performance rights	Date of grant	Date of expiry	Date of vesting	Number granted	Fair value per right at grant	Fair value of performance rights at grant $
Jason Cooper (pre-rights amendment – 1 July 2021 to 21 November 2022) [1]	1-Jul-21	1-Feb-22	28-Feb-22	500,000	$0.093	46,500
	1-Jul-21	1-Feb-23	28-Feb-23	500,000	$0.093	46,500
	1-Jul-21	1-Feb-24	28-Feb-24	500,000	$0.093	46,500
	1-Jul-21	(2)	(2)	750,000	$0.07726	57,946
	1-Jul-21	(2)	(2)	750,000	$0.06867	51,499
	1-Jul-21	(2)	(2)	1,500,000	$0.06557	98,351
	1-Jul-21	(2)	(2)	2,000,000	$0.05857	117,141
	1-Jul-21	(2)	(2)	2,000,000	$0.05137	102,749
Jason Cooper (post-rights amendment – 22 November 2022 to reporting date) [1]	1-Jul-21	30-Sep-23	30-Sep-23	500,000	$0.093	46,500
	1-Jul-21	30-Sep-23	30-Sep-23	750,000	$0.1025	76,875
	1-Jul-21	30-Sep-23	30-Sep-23	750,000	$0.0812	60,900
	1-Jul-21	30-Sep-24	30-Sep-24	500,000	$0.093	46,500
	1-Jul-21	30-Sep-24	30-Sep-24	1,500,000	$0.0707	106,050
	1-Jul-21	30-Sep-25	30-Sep-25	2,000,000	$0.0523	104,600
	1-Jul-21	30-Sep-26	30-Sep-26	2,000,000	$0.0402	80,400
Justin Owen	24-Jan-22	24-Jan-23	24-Jan-23	500,000	$0.200	100,000
	24-Jan-22	24-Jan-24	24-Jan-24	500,000	$0.200	100,000
	24-Jan-22	(2)	(2)	500,000	$0.18056	90,282
	24-Jan-22	(2)	(2)	500,000	$0.16847	84,233
Aaron Lapsley (resigned 13 Jan 2023)	10-Jan-22	10-Jan-23	10-Jan-23	500,000	$0.215	107,500
	10-Jan-22	10-Jan-24	10-Jan-24	500,000	$0.215	107,500
	10-Jan-22	(2)	(2)	500,000	$0.19534	97,671
	10-Jan-22	(2)	(2)	500,000	$0.18414	92,072

1 - Mr Cooper's performance rights targets were amended at the 2022 Annual General Meeting
2 - Market and non-market performance requirements. Market performance conditions are linked to the Company's share price. The non-market performance condition is ongoing employment with the Group at vesting date

(ii) Shares

No shares were granted to KMP during the year, other than shares issued on the exercise of vested performance rights.

D. Details of remuneration

The table below sets out executive KMP and director remuneration for the financial year ending 30 June 2023 and the prior year comparative period in accordance with the requirements of the Accounting Standards and the Corporations Act (Cth). The table reflects the accounting value of remuneration attributable to KMP, derived from the various components of compensation. Refer to the accounting policies in the financial statements for details on how remuneration has been measured, including the determination of fair value of options and performance rights granted (refer Note 1(g)).

Remuneration	Financial year	Short term			Long term	Share based payments			Total $
		Salary and fees $	STI $	Term benefits $	Superannuation $	Ordinary shares $	Performance rights $	Options $	
Non-executive directors									
D. Johnstone	2023	132,917	-	-	-	-	-	-	**132,917**
	2022	137,500	-	-	-	-	-	-	**137,500**
H. Robertson[1]	2023	-	-	-	-	80,000	-	-	**80,000**
	2022	33,333	-	-	-	46,667	-	-	**80,000**
S. Klose	2023	84,470	-	-	8,447	-	-	-	**92,917**
	2022	77,273	-	-	7,727	-	-	-	**85,000**
S. Bland	2023	89,167	-	-	-	-	-	46,000	**135,167**
	2022	26,667	-	-	-	-	-	-	**26,667**
T. Ebbeck[2]	2023	20,000	-	-	-	-	-	-	**20,000**
	2022	26,667	-	-	-	-	-	-	**26,667**
P. White[3]	2023	-	-	-	-	-	-	-	**-**
	2022	154,996	-	-	-	-	-	-	**154,996**
Executive directors									
J. Cooper	2023	330,000	162,250	15,349	25,292	-	164,053	-	**696,944**
	2022	330,000	120,098	14,555	23,568	-	523,565	-	**1,011,786**
Executives									
J.Owen	2023	300,000	89,000	3,665	25,292	-	108,333	-	**526,290**
	2022	131,923	28,177	10,988	11,584	-	237,015	-	**419,687**
A. Lapsley[4]	2023	165,477	-	4,149	6,895	-	-	-	**176,521**
	2022	149,232	31,286	(2,788)	5,218	-	256,931	-	**439,879**
M. Patterson[5]	2023	-	-	-	-	-	-	-	**-**
	2022	172,972	-	27,042	9,319	-	11,500	-	**220,833**
Total	2023	1,122,032	251,250	23,163	65,926	80,000	272,386	46,000	**1,860,757**
	2022	1,240,563	179,561	49,797	57,416	46,667	1,029,011	-	**2,603,015**

1 - H. Robertson has elected to receive his director fees in ordinary shares

2 - Resigned as Non-Executive Director 30 Sept 2022

3 - Retired from Managing Director role and appointed Non-executive Director 28 Feb 2021. Resigned Non-executive Director role 25 Nov 2021

4 - Resigned as Executive 13 Jan 2023

5 - Resigned as Chief Financial Officer 12 Nov 2021

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

Ordinary shares	Financial year	Balance at start of year	Granted as compensation	Exercise of options / performance rights granted as compensation	Other changes during the year	Balance at end of year
Non-executive directors						
D. Johnstone	2023	7,033,106	-	-	135,139	7,168,245
	2022	7,033,106	-	-	-	7,033,106
H. Robertson	2023	22,252,311	467,836	-	-	22,720,147
	2022	20,421,209	-	-	1,831,102	22,252,311
S. Klose	2023	500,000	-	-	-	500,000[3]
	2022	500,000	-	-	-	500,000
S. Bland	2023	510,194	-	-	140,000	650,194
	2022	-	-	-	510,194	510,194
T. Ebbeck	2023	62,500	-	-	(62,500)[2]	-
	2022	-	-	-	62,500	62,500
P. White	2023	-	-	-	-	-
	2022	9,237,681	-	-	(9,237,681)[1]	-
Executive directors						
J. Cooper	2023	1,000,000	-	-	150,000	1,150,000
	2022	-	-	1,000,000	-	1,000,000
Executives						
J. Owen	2023	28,309	-	500,000	-	528,309
	2022	-	-	-	28,309	28,309
A. Lapsley	2023	-	-	500,000	(500,000)[2]	-
	2022	-	-	-	-	-
M. Patterson	2023	-	-	-	-	-
	2022	847,253	-	-	(847,253)[2]	-
Total	2023	31,386,420	467,836	1,000,000	(137,361)	32,716,895
	2022	38,039,249	-	1,000,000	(7,652,829)	31,386,420

1 - Mr White retired as CEO and Managing Director on 28 Feb 2021 at which point he was no longer an Executive Director and became a Non-executive Director. Details of options and performance rights has been split between the period of Mr White in his role of Executive Director and the period of his role as Non-executive Director. Mr White departed Envirosuite during the previous financial year, shares not included as part of the balance at end of year

2 - Departed Envirosuite during the year, shares not included as part of balance at end of year

3 - S Klose acquired 500,000 shares on 29 June 2023 which settled in July 2023. The shares acquired have not been included in the above table.

F. Loans to key management personnel

There were no loans to KMP during the reporting period.

G. Other transactions with key management personnel

There are no other transactions with KMP of Envirosuite Limited and their related parties.

This concludes the remuneration report, which has been audited.

This report is made in accordance with the resolution of directors, pursuant to section 298(2)(a) of the Corporations Act.

On behalf of the directors

David Johnstone
Chair

22 August 2023

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 2023, there have been no contraventions of:

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

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

PKF BRISBANE AUDIT

TIM FOLLETT
PARTNER

BRISBANE
22 AUGUST 2023

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Consolidated Group 2023 $'000	2022 $'000
Trading revenue		57,610	53,440
Other revenue		289	19
Total operating revenue	**4**	**57,899**	**53,459**
Cost of revenue	5	(28,728)	(28,355)
Gross profit		**29,171**	**25,104**
Operating expenses			
Sales and marketing		(12,323)	(13,369)
Product development		(12,059)	(8,557)
General and administrative		(15,980)	(15,843)
Total Operating expenses	**5**	**(40,362)**	**(37,769)**
Other income / (expense)		143	90
Operating deficit		**(11,048)**	**(12,575)**
Net finance expense		(190)	(210)
Net loss before tax		**(11,238)**	**(12,785)**
Income tax benefit / (expense)	6	960	(410)
Net loss after tax		**(10,278)**	**(13,195)**
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		498	18
Other comprehensive income / (loss) for the year, net of tax		**498**	**18**
Total comprehensive loss for the year		**(9,780)**	**(13,177)**
Net loss attributed to:			
Equity holders of Envirosuite Limited		**(10,278)**	**(13,195)**
Total comprehensive loss attributable to:			
Equity holders of Envirosuite Limited		**(9,780)**	**(13,177)**
		Cents	**Cents**
Basic loss per share	**22**	**(0.81)**	**(1.12)**
Diluted loss per share	**22**	**(0.81)**	**(1.12)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023		Consolidated Group	
	Notes	2023 $'000	2022 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	8,277	16,292
Trade and other receivables	8	10,962	12,448
Other assets	10	3,587	3,884
Inventories	9	3,936	2,355
Total Current assets		**26,762**	**34,979**
Non-current Assets			
Property, plant and equipment	11	5,245	3,508
Right of use assets	12	2,110	1,711
Deferred tax assets	6	1,301	972
Intangible assets	13	107,246	108,652
Other assets	10	2,025	916
Total Non-current assets		**117,927**	**115,759**
TOTAL ASSETS		**144,689**	**150,738**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	8,743	8,467
Contract liabilities	14	5,165	4,092
Other liabilities	14	1,526	1,526
Employee benefit provisions	15	5,545	4,527
Lease liabilities	12	1,158	1,045
Total current liabilities		**22,137**	**19,657**
Non-current Liabilities			
Employee benefit provisions	15	227	160
Lease liabilities	12	2,427	1,206
Deferred tax liabilities	6	3,382	3,994
Total Non-current liabilities		**6,036**	**5,360**
TOTAL LIABILITIES		**28,173**	**25,017**
NET ASSETS		**116,516**	**125,721**
EQUITY			
Issued capital	16	181,352	180,597
Reserves	17	1,666	10,798
Retained losses	17	(66,502)	(65,674)
TOTAL EQUITY		**116,516**	**125,721**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2021	**169,520**	**11,928**	**(54,148)**	**127,300**
Comprehensive income / (loss)				
Loss for the year	-	-	(13,195)	(13,195)
Other comprehensive income for the year	-	18	-	18
Total Comprehensive income / (loss) for the year	**-**	**18**	**(13,195)**	**(13,177)**
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	10,469	-	-	10,469
Transaction costs of capital raising (inc. tax effect)	(548)	-	-	(548)
Options and performance rights issued - value of services	200	1,477	-	1,677
Shares issued / to be issued to employees	956	(956)	-	-
Shares options and performance rights expired or lapsed	-	(1,669)	1,669	-
Total transactions with owners and other transfers	**11,077**	**(1,148)**	**1,669**	**11,598**
At 30 June 2022	**180,597**	**10,798**	**(65,674)**	**125,721**
At 1 July 2022	**180,597**	**10,798**	**(65,674)**	**125,721**
Comprehensive income / (loss)				
Loss for the year	-	-	(10,278)	(10,278)
Other comprehensive income for the year	-	498	-	498
Total Comprehensive income / (loss) for the year	**-**	**498**	**(10,278)**	**(9,780)**
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued / to be issued to directors	80	-	-	80
Shares issued / to be issued to employees	923	(923)	-	-
Transaction costs of capital raising (tax effect)	(248)	-	-	(248)
Options and performance rights issued - value of services	-	743	-	743
Shares options and performance rights expired or lapsed	-	(9,450)	9,450	-
Total transactions with owners and other transfers	**755**	**(9,630)**	**9,450**	**575**
At 30 June 2023	**181,352**	**1,666**	**(66,502)**	**116,516**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023 **Consolidated Group**

	Notes	June 2023 $'000	June 2022 $'000
Cash flows from operating activities			
Receipts from customers		59,836	51,619
Payments to suppliers and employees		(59,282)	(54,099)
		554	(2,480)
Other revenue / (expenses)		289	(253)
Taxes paid		(149)	(472)
Interest received		79	23
Interest paid		(27)	(6)
Net cash from / (used in) operating activities	20	**746**	**(3,188)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,292)	(1,762)
Payments for intangible assets		(5,760)	(4,750)
Net cash used in investing activities		**(8,052)**	**(6,512)**
Cash flows from financing activities			
Net proceeds from borrowings		98	69
Proceeds from issue of shares		-	10,669
Share issue transaction costs		-	(524)
Repayment of lease liabilities		(1,292)	(1,878)
Net cash (used in) / from financing activities		**(1,194)**	**8,336**
Net decrease in cash and cash equivalents		(8,500)	(1,364)
Effects of exchange rate changes on cash and cash equivalents		485	16
Cash and cash equivalents at the beginning of the financial year		16,292	17,640
Cash and cash equivalents at the end of the year		**8,277**	**16,292**

The accompanying notes form part of these financial statements.

Notes to **Financial Statements**

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

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

The financial statements were authorised for issue on 22 August 2023 by the directors of the Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

Compliance with IFRSs as issued by the IASB

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

Basis of Measurement

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

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 expected credit losses (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(n). These calculations require the use of assumptions regarding the future profitability of the cash generating units to which the goodwill and intangibles have been allocated, as well as future cash flows related to the intangible asset. Refer to Note 13 for details of the assumptions used in determining the recoverable amount of goodwill and other intangible assets.
- *Valuation of performance rights* – the Group has issued performance rights in connection with long-term incentive arrangements with key management personnel. Where these performance rights have market-based performance conditions, they are valued by external advisors using a Monte Carlo simulation methodology.
- *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. Significant 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 together with future tax planning strategies. Refer to Note 6 for details for the unused tax losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

- *Inventory provisions* – judgement has been exercised in calculating the net realisable value of inventory to determine whether a provision for inventory obsolescence should be recognised based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.
- *Estimation of useful lives of assets* – the Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.
- *Lease term* – the lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

(b) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Envirosuite Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of subsidiaries is contained in Note 19 to the financial statements.

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

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

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

(c) Business Combinations

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business Combinations (continued)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

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

Recurring revenue

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

Non-recurring revenue

Includes revenue from projects for the installation of environmental monitoring solutions and upgrades, and sales of environmental monitoring units.

Project revenue is recognised over time based on a percentage of completion method, as this is the performance obligation. The stage of completion for determining the amount of revenue to recognise is assessed based on the cost-to-cost method whereby the percentage of completion is estimated based on the costs incurred to date as a percentage of the total expected costs to deliver the project. The estimate of the total costs to deliver the project is an estimate that requires judgement by management and is based on quotes from third parties, the cost of the equipment held in inventory, and estimated cost of internal labour based on number of labour hours required.

Sales of environmental monitoring units are recognised when risk has transferred to the buyer.

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 current and non-current liabilities as deferred income and are credited to income on a straight line basis over the expected lives of the related assets.

Contract assets and liabilities

Where the Group provides services to customers and the consideration is unconditional, a receivable is recognised as accrued income and included within Trade and other receivables. Where the customer pays upfront for services that have not yet been provided (revenue in advance), a contract liability is recognised, which is disclosed on the face of the balance sheet as Contract Liabilities. Contract assets also include costs to fulfil contracts and sales commission.

(g) Employee benefits

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

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

Short-term obligations

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Employee benefits (continued)

Share based payments

Share based compensation benefits are provided to employees and directors via the Envirosuite Limited Employee Share Option Plan, the Envirosuite Performance Rights Plan and the Envirosuite Limited Employee Share Plan. Information relating to these schemes is set out in Note 21.

The fair value of options granted under the Envirosuite Limited Employee Share Option Plan and performance rights granted under the Envirosuite Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Fair value of options at grant date are determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Fair value of non-market-based performance rights granted is based on the share price at grant date and the risk free interest rate for the term of the vesting period of the performance right. Fair value of market-based performance rights granted is based on the Monte Carlo simulation methodology.

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

Termination benefits

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

(h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or otherwise directly in equity. Income tax on items recognised directly in Other Comprehensive Income or otherwise directly in equity is also recognised in other comprehensive income or directly in equity, respectively. Deferred tax is recognised for assets and liabilities initially recognised as a result of a business combination, other than goodwill, where the accounting basis is different to the tax basis.

Current Tax

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

Deferred Tax

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

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

- temporary differences on the initial recognition of an asset or liability in a transaction that is not a 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income tax (continued)

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.

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

Impairment

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

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

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

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

Measurement of ECLs

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

The Group acquires and manufactures environmental monitoring instruments and accessories, which are initially accounted for as inventory. Inventories are measured at the lower of cost and net realisable value. The cost of environmental monitor inventories is based on the specific identification of their individual costs while the cost of consumables and other smaller inventory items is based on a weighted average cost formula. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

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

(l) Property, plant and equipment

Recognition and measurement

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

Depreciation

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

- Computer equipment — 4 years
- Furniture and fixtures — 5 - 10 years
- Leasehold improvements — Remaining life of the lease (1 - 5 years)
- Monitors and sensors — 5 years
- Right-of-use assets — Lower of economic or lease life

(m) Right of use assets

Right of use assets are measured at cost and comprise the amount that is recognised for the lease liability on initial recognition (refer to Note 1(p)) less any lease incentives received and including direct costs and restoration-related costs. Right of use assets include leased buildings and data centres and are depreciated over the remaining life of the lease. The remaining life of the leased buildings are of 1 to 5 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.

(n) Intangible assets

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

- Internally developed software — 5-7 years
- Acquired software — 5 years
- Customer relationships — 5 years
- Brand value — 5 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Intangible assets (continued)

Research and development

The Company develops software where customers pay a monthly license fee. The Company also develops environmental monitoring equipment that it either sells or leases to its customers as part of providing them with environmental monitoring solutions.

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

Impairment

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

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

(o) 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.

(p) Lease liabilities

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

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

(q) Provisions

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Contributed equity

Ordinary shares are classified as equity.

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

(s) 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.

(t) 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.

(u) 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.

(v) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the financial year ended 30 June 2023. The Group not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 2023 was $12,398k (2022: $14,127k) 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.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. At 30 June 2023, the Group had cash and cash equivalents of $8,277k (2022: $16,292k).

Total cash used in operating activities when adding capitalised development costs (included in cash flows from investing activities) and repayment of lease liabilities (included in cash flows from financing activities) and excluding non-recurring costs ("Adjusted Operating Cash Flow") was an outflow $3,170k (2022: $9,459k).

Noting the Company's demonstrated ability to raise cash from investors when required to fund growth initiatives, in addition to the lack of debt on the balance sheet (other than lease liabilities recognised under AASB 16) along with strong fiscal management, positive Adjusted EBITDA and operating cash flows results for FY23, the directors are of the view that the Group will continue to be able to pay its debts as and when they fall due and have prepared the financial report on a going concern basis.

(c) Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument or forecasted transaction will fluctuate because of changes in foreign exchange rates. The Group operates internationally and as such has exposure to foreign currency movements. Approximately 74% of the Group's revenue for the period ended 30 June 2023 was earned in foreign currency (2022: 70%). The Group primarily has exposure to Euro (EUR), US dollar (USD), Canadian dollar (CAD), British pound (GBP), Chinese renminbi (CNY), Taiwan dollar (TWD) and Brazilian Real (BRL) 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").

	2023			2022		
$'000	**Exposure (AUD)**	**-10%**	**+10%**	**Exposure (AUD)**	**-10%**	**+10%**
BRL	1,111	123	(101)	470	52	(43)
CAD	714	79	(65)	1,008	112	(92)
CNY	1,707	190	(155)	1,601	178	(146)
EUR	2,748	305	(250)	3,398	378	(309)
GBP	1,021	113	(93)	1,784	198	(162)
TWD	1,638	182	(149)	1,200	133	(109)
USD	3,632	404	(330)	5,400	600	(491)
Other	1,016	114	(92)	829	92	(74)
Total	**13,587**	**1,510**	**(1,235)**	**15,690**	**1,743**	**(1,426)**

3. SEGMENT INFORMATION

The Group is organised into three geographic operating segments: Asia Pacific (APAC), Americas 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 CEO and board of directors, (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources.

Segment assets and liabilities are not presented as they are not regularly provided to the CODM and assets and liabilities are only reviewed and considered on a consolidated basis.

Regional

2023

$'000	Asia Pacific	EMEA	Americas	Corporate	Total
Recurring revenue	15,323	15,448	18,716	-	49,487
Non-recurring revenue	2,036	2,213	3,874	-	8,123
Other revenue	-	-	-	289	289
Total Operating revenue	**17,359**	**17,661**	**22,590**	**289**	**57,899**
Cost of revenue	(10,707)	(8,284)	(9,737)	-	(28,728)
Gross profit	**6,652**	**9,377**	**12,853**	**289**	**29,171**
Operating expenses	(3,054)	(2,682)	(4,696)	(29,930)	(40,362)
Other income / (expense)	-	-	-	143	143
Operating deficit	**3,598**	**6,695**	**8,157**	**(29,498)**	**(11,048)**
Net finance expense	(24)	(4)	18	(180)	(190)
Net loss before tax	**3,574**	**6,691**	**8,175**	**(29,678)**	**(11,238)**

2022

$'000	Asia Pacific	EMEA	Americas	Corporate	Total
Recurring revenue	15,372	13,901	14,604	-	43,877
Non-recurring revenue	1,684	2,640	5,239	-	9,563
Other revenue	-	-	-	19	19
Total Operating revenue	**17,056**	**16,541**	**19,843**	**19**	**53,459**
Cost of revenue	(9,354)	(9,925)	(9,076)	-	(28,355)
Gross profit	**7,702**	**6,616**	**10,767**	**19**	**25,104**
Operating expenses	(3,656)	(3,706)	(5,098)	(25,309)	(37,769)
Other (expense) / income	(5)	134	223	(262)	90
Operating deficit	**4,041**	**3,044**	**5,892**	**(25,552)**	**(12,575)**
Net finance expense	(31)	(14)	(25)	(140)	(210)
Net loss before tax	**4,010**	**3,030**	**5,867**	**(25,692)**	**(12,785)**

3. SEGMENT INFORMATION (continued)

The Group has a secondary operating segment which is each product family, being EVS Aviation, EVS Industrial (previously EVS Omnis) and EVS Water. CODMs are provided with reporting on the recurring and non-recurring revenue for these secondary operating segments.

Product family

2023 **$'000**	**EVS Aviation**	**EVS Industrial**	**EVS Water**	**Corporate**	**Total**
Recurring revenue	33,052	15,898	537	-	49,487
Non-recurring revenue	4,095	3,881	147	-	8,123
Other revenue	-	-	-	289	289
Total Operating revenue	**37,147**	**19,779**	**684**	**289**	**57,899**

2022 **$'000**	**EVS Aviation**	**EVS Industrial**	**EVS Water**	**Corporate**	**Total**
Recurring revenue	31,061	12,699	117	-	43,877
Non-recurring revenue	3,900	5,653	10	-	9,563
Other revenue	-	-	-	19	19
Total Operating revenue	**34,961**	**18,352**	**127**	**19**	**53,459**

4. REVENUE

	2023 **$'000**	**2022** **$'000**
Recurring revenue	49,487	43,877
Non-recurring revenue	8,123	9,563
Trading revenue	**57,610**	**53,440**
Other revenue	289	19
Other revenue	**289**	**19**
Total Operating revenue	**57,899**	**53,459**

The Group generated 64% of its revenues for the current reporting period from customers in the Aviation industry (2022: 65%). In addition, the Group generated 15% of its total income and 16% of its recurring income from the Australian government and entities controlled by the Australian government (2022: 18% and 21%).

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.

	2023 $'000	2022 $'000
Cost of revenue and operating expenses		
Cost of revenue	(28,728)	(28,355)
Total Operating expenses	(40,362)	(37,769)
Total Cost of revenue and operating expenses	**(69,090)**	**(66,124)**
Total Cost of revenue and operating expenses is comprised of:		
Employment costs	(37,776)	(36,424)
Share based compensation	(743)	(1,477)
Consultants and contractors	(1,941)	(1,693)
Professional fees	(2,430)	(2,439)
Computer expenses	(3,882)	(2,830)
Equipment costs	(3,744)	(4,612)
Building costs	(1,135)	(906)
Director's fees	(416)	(405)
Audit and audit related fees	(369)	(395)
Depreciation and amortisation (excl intangible asset – software amortisation)	(5,647)	(5,160)
Other operating expenses	(12,730)	(11,683)
Sub-total	**(70,813)**	**(68,024)**
Software development cost - capitalised	5,511	4,897
Intangible asset – software amortisation	(3,788)	(2,997)
R&D costs capitalised, net	**1,723**	**1,900**
Total Cost of revenue and operating expenses	**(69,090)**	**(66,124)**

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

	2023 $'000	2022 $'000
PKF Brisbane	224	214
Related firms (PKF overseas firms)	128	180
Non-related firms	17	33
Total Remuneration of auditors	**369**	**427**

6. TAX

	2023 $'000	2022 $'000
(a) Income tax expense / (benefit)		
Current tax expense / (benefit)	228	350
Deferred tax expense / (benefit)	(1,188)	60
Total Income tax expense / (benefit)	**(960)**	**410**

	2023 $'000	2022 $'000
(b) Reconciliation of income tax expense to prima facie tax payable		
Prima facie tax benefit on operating deficit at 30.0% (2022: 30.0%)	(3,371)	(3,835)
Effect of foreign exchange on profit / loss	47	-
Tax effects of items which are non-deductible / (non-assessable) in calculating taxable income:		
Non-allowable items (including R&D expenditure)	37	(67)
Share based payments expensed during the year	223	443
Difference in offshore tax rates	(101)	(46)
Add / (less):		
Under/(over) provision for income tax in prior year	122	311
Revaluation of Deferred tax balances due to change in tax rate	-	(681)
Deferred tax valuation allowance increase	2,083	4,285
Total Income tax expense / (benefit)	**(960)**	**410**

(c) Deferred income tax

2023	Opening Balance $'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	252	(68)	-	-	184	-
Inventory	169	(100)	-	-	69	-
Property, plant and equipment	(28)	2	-	-	-	(26)
Right of use asset and Lease liability	151	283	-	-	434	-
Intangible asset	(6,653)	125	-	-	-	(6,528)
Revenue in advance	328	37	-	-	365	-
Employee provisions	1,123	97	-	-	1,220	-
Issued capital	586	-	(248)	-	338	-
Net DTA / (DTL)	-	-	-	-	(3,172)	3,172
Tax losses	15,123	2,895	-	1	18,018	-
Valuation allowance	(14,073)	(2,083)	-	-	(16,155)	-
Balance at 30 June 2023	**(3,022)**	**1,188**	**(248)**	**1**	**1,301**	**(3,382)**

6. TAX (Continued)

2022	Opening Balance $'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	481	(229)	-	-	252	-
Inventory	629	(460)	-	-	169	-
Property, plant and equipment	(17)	(11)	-	-	-	(28)
Right of use asset and Lease liability	197	(46)	-	-	151	-
Intangible asset	(5,829)	(824)	-	-	-	(6,653)
Revenue in advance	174	154	-	-	328	-
Employee provisions	807	316	-	-	1,123	-
Issued capital	578	-	8	-	586	-
Net DTA / (DTL)	-	-	-	-	(2,687)	2,687
Tax losses	9,798	5,325	-	-	15,123	-
Valuation allowance	(9,787)	(4,285)	-	(1)	(14,073)	-
Balance at 30 June 2022	**(2,969)**	**(60)**	**8**	**(1)**	**972**	**(3,994)**

The Group has unused tax losses of $51,939,898 (2022: $43,319,979) and R&D tax offsets of $2,898,391 (2022: $2,466,806) for which a valuation allowance of $16,155,178 (2022: $14,072,801) has been placed against the related deferred tax asset of $18,017,884 (2022: $15,122,999).

7. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash at bank	8,177	16,168
Term deposits	100	124
Cash and cash equivalents	**8,277**	**16,292**

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

	2023 $'000	2022 $'000
Trade receivables	7,349	10,286
Provision for impairment	(1,436)	(1,679)
Trade receivables, net	**5,913**	**8,607**
Contract assets	4,884	3,781
Other debtors	165	60
Trade and other receivables	**10,962**	**12,448**
Trade receivables, net aging analysis		
Not past due	3,978	5,823
Past due 1-30 days	943	1,611
Past due 31-60 days	255	411
Past due 61-90 days	231	249
Past due more than 91 days	506	513
Total	**5,913**	**8,607**

Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant as is the fair value of any collateral sold or re-pledged. Refer to Note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables. Management have considered the impact of COVID-19 on trade and other receivables and do not anticipate a significant deterioration of recoverability beyond the level of current provisioning.

9. INVENTORIES

	2023 $'000	2022 $'000
Work in progress	1,110	664
Finished goods	2,826	1,691
Inventories	**3,936**	**2,355**

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

10. OTHER ASSETS

	2023 $'000	2022 $'000
Prepayments	1,745	1,263
Finance lease receivables	-	18
Deposits	316	1,077
Loan note receivable	1,526	1,526
Other current assets	**3,587**	**3,884**
Prepayments	2	37
Deposits	2,023	879
Other non-current assets	**2,025**	**916**

10. OTHER ASSETS (Continued)

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.

Loan note receivable represents the final settlement of the Spectris Instrumentation and Systems Shanghai Limited (Spectris) acquisition in May 2018, there is an equal amount payable in other liabilities, refer to Note 14. To finalise the acquisition under the laws and regulations of China, a flow of cash between the Spectris and Group subsidiaries in China is required. As a Group there is a net nil impact on working capital and cash flow, however, given the loan notes are with separate legal entities within the groups and is a material value, the Group has presented the balances grossed up in current assets and current liabilities. The loan notes are expected to be settled in the first half of the 2024 financial year.

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.

2023 **$'000**	**Furniture and fixtures**	**Computer equipment**	**Monitors and sensors**	**Leasehold improvements**	**Total**
Cost value					
Balance at 1 June 2022	477	1,822	7,830	546	10,675
Additions	16	180	-	1,372	1,568
Transfer from inventories	-	-	1,586	-	1,586
Disposals	(78)	(3)	(25)	(120)	(226)
Effect of foreign exchange	8	48	321	13	390
Balance at 30 June 2023	**423**	**2,047**	**9,712**	**1,811**	**13,993**
Accumulated depreciation					
Balance at 1 June 2022	(290)	(1,191)	(5,245)	(441)	(7,167)
Depreciation for the period	(62)	(297)	(1,010)	(147)	(1,516)
Disposals	62	2	19	108	191
Effect of foreign exchange	(5)	(10)	(239)	(2)	(256)
Balance at 30 June 2023	**(295)**	**(1,496)**	**(6,475)**	**(482)**	**(8,748)**
Net book value	**128**	**551**	**3,237**	**1,329**	**5,245**

2022 **$'000**	**Furniture and fixtures**	**Computer equipment**	**Monitors and sensors**	**Leasehold improvements**	**Total**
Cost value					
Balance at 1 June 2021	488	1,546	6,425	507	8,966
Additions	60	284	81	39	464
Transfer from inventories	-	-	1,298	-	1,298
Disposals	(75)	-	-	-	(75)
Effect of foreign exchange	4	(8)	26	-	22
Balance at 30 June 2022	**477**	**1,822**	**7,830**	**546**	**10,675**
Accumulated depreciation					
Balance at 1 June 2021	(294)	(853)	(4,544)	(228)	(5,919)
Reclassifications	-	-	90	(90)	-
Depreciation for the period	(68)	(338)	(844)	(122)	(1,372)
Disposals	75	-	-	-	75
Effect of foreign exchange	(3)	-	53	(1)	49
Balance at 30 June 2022	**(290)**	**(1,191)**	**(5,245)**	**(441)**	**(7,167)**
Net book value	**187**	**631**	**2,585**	**105**	**3,508**

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use assets	2023 $'000	2022 $'000
Buildings		
Balance at 1 July	1,711	3,016
Additions	1,332	459
Terminations of leases	-	(62)
Exercise of early termination option	-	(534)
Depreciation	(949)	(1,211)
Effect of foreign exchange	16	43
Balance at 30 June	**2,110**	**1,711**
Data centres		
Balance at 1 July	-	237
Depreciation	-	(246)
Effect of foreign exchange	-	9
Balance at 30 June	**-**	**-**
Total Right of use assets	**2,110**	**1,711**

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 Consolidated Statement of Financial Position. Interest expense on lease liabilities for 2023 was $242,635 (2022: $230,914) and is included within net finance expense on the Consolidated Income Statement.

Lease liabilities	2023 $'000	2022 $'000
Current	1,158	1,045
Non-Current	2,427	1,206
Balance at 30 June 2023	**3,585**	**2,251**

13. INTANGIBLE ASSETS

Reconciliations of the carrying amounts of the various components of intangible assets at the beginning and end of the current year and prior year are presented in the table below. Other intangibles consist of customer relationships, brand value and intellectual property.

2023 $'000	Goodwill	Internally developed software	Acquired Software	Other Intangibles	Total
Cost value					
Balance at 1 July 2022	89,551	15,523	10,942	5,960	121,976
Additions	-	4,855	-	656	5,511
Effects of foreign exchange	1	-	-	-	1
Balance at 30 June 2023	**89,552**	**20,378**	**10,942**	**6,616**	**127,488**
Accumulated amortisation					
Balance at 1 July 2022	-	(6,313)	(4,803)	(2,208)	(13,324)
Amortisation for the period	-	(3,361)	(2,183)	(1,373)	(6,917)
Write-off	-	-	(1)	-	(1)
Balance at 30 June 2023	**-**	**(9,674)**	**(6,987)**	**(3,581)**	**(20,242)**
Net book value	**89,552**	**10,704**	**3,955**	**3,035**	**107,246**

2022 $'000	Goodwill	Internally developed software	Acquired Software	Other Intangibles	Total
Cost value					
Balance at 1 July 2021	89,513	11,070	11,372	5,193	117,148
Additions	-	4,491	99	419	5,009
Reclassification	-	(38)	(310)	348	-
Write-off	-	-	(219)	-	(219)
Effects of foreign exchange	38	-	-	-	38
Balance at 30 June 2022	**89,551**	**15,523**	**10,942**	**5,960**	**121,976**
Accumulated amortisation					
Balance at 1 July 2021	-	(4,263)	(2,693)	(1,261)	(8,217)
Amortisation for the period	-	(2,050)	(2,137)	(947)	(5,134)
Write-off	-	-	27	-	27
Balance at 30 June 2022	**-**	**(6,313)**	**(4,803)**	**(2,208)**	**(13,324)**
Net book value	**89,551**	**9,210**	**6,139**	**3,752**	**108,652**

Impairment tests

The Group has identified that there are three regional Cash Generating Units (CGU) which are aligned with the operating segments disclosed in Note 3 and against which goodwill and other intangible assets are allocated and tested. Goodwill has been allocated to each CGU as follows:

	2023 $'000
Asia Pacific	37,743
EMEA	29,701
Americas	22,108
Total Goodwill allocated	**89,552**

13. INTANGIBLE ASSETS (continued)

In accordance with accounting standard AASB 136 Impairment of Assets, the Group tests goodwill for impairment annually or more frequently whenever indicators of impairment are identified. In accordance with the accounting standard the Group has set 30 June as the date for the annual review for impairment of the cash generating units (CGUs) to which goodwill has been allocated.

In testing for impairment, the carrying amount of each CGU is compared against the recoverable amount. AASB 136 defines recoverable amount as being the higher of its fair value less cost of disposal (FVLCOD) and its value in use. The Group has adopted FVLCOD as the basis for determining the recoverable amount of each CGU.

In adopting FVLCOD, the Group has applied accounting standard AASB 13 Fair Value Measurement as directed by AASB 136. In applying AASB 13 the Group has adopted the Income Approach to determine fair value. The income Approach converts future cash amounts to a single (discounted) amount using a discounted cash flow model. The fair value measured reflects current market expectations about future amounts and is a technique commonly applied by market participants in determining fair value. Under the Income Approach adopted, the Group has allowed for restructure costs representing cost synergies that a market participant would typically apply in an orderly transaction between market participants.

The discounted cash flow model (DCF) uses post-tax cash flow projections that are based on the most recent Board approved 12-month budget and extrapolated for a further four years using underlying customer revenue contract data, appropriate growth rates, cost synergies, risk-based discount rates and a terminal value as appropriate for the CGU. Terminal growth rates applied in the DCF are based on estimates of long-term industry growth in the country in which the CGU primarily operates.

The assumptions applied in calculating the recoverable amounts of the CGU in testing for impairment are as follows:

Input	Asia Pacific	Americas	EMEA
Budget period	1 year from 1 Jul 23	1 year from 1 Jul 23	1 year from 1 Jul 23
Forecast period	4 years from 1 Jul 24	4 years from 1 Jul 24	4 years from 1 Jul 24
Four-year revenue compound annual growth rate post year 1	16.58%	17.91%	15.87%
Post tax discount rate	12.25%	12.50%	13.50%
Terminal growth rate	2.75%	2.00%	2.00%

The discount rates for each CGU reflects management’s estimate of the time value of money and the Group’s weighted average cost of capital adjusted for each CGU’s risk-free rate in each CGU’s major operating country and the volatility of the share price relative to market movements.

Projected revenue growth rates in each CGU are considered appropriate based on experience and forecasts of the growth of the market for environmental intelligence products.

Based upon the FVLCOD estimates using a discounted cash flow model, the carrying values of the CGU’s and the goodwill therein are not impaired (2022: no impairment).

Sensitivities

Management have made judgements and estimates in respect of impairment testing. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

The key sensitivities that management has considered are as follows:

- Revenue decreases by 5% per year over the forecast period
- Terminal growth rate decreases by 5%
- Post tax discount rate increased by between 3.5% and 6.7% for the CGU based upon market factors for countries where the CGU resides

Incorporating these sensitivities within the DCF model has not impacted the CGU impairment outcome.

14. TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Trade payables	3,852	3,207
GST / VAT payable	717	473
Accrued expenses	277	906
Other payables	3,897	3,881
Total Trade and other payables	**8,743**	**8,467**

CONTRACT LIABILITIES

	2023 $'000	2022 $'000
Revenue in advance	5,165	4,092
Total Contract liabilities	**5,165**	**4,092**

Revenue in advance is a contract liability and is recognised in accordance with the revenue recognition accounting policy at Note 1(f).

OTHER LIABILITIES

	2023 $'000	2022 $'000
Loan note payable	1,526	1,526
Total Other liabilities	**1,526**	**1,526**

Loan note payable represents the final settlement of the Spectris Instrumentation and Systems Shanghai Limited (Spectris) acquisition in May 2018, there is an equal amount receivable in Other Assets, refer to Note 10.

15. EMPLOYEE BENEFIT PROVISIONS

Employee benefits	2023 $'000	2022 $'000
Current		
Balance at 1 July	4,527	3,894
Additional provisions	6,010	2,335
Amounts used	(4,854)	(1,702)
Unused amounts reversed	(138)	-
Balance at 30 June	**5,545**	**4,527**
Non-current		
Balance at 1 July	160	141
Additional provisions	95	19
Amounts used	-	-
Unused amounts reversed	(28)	-
Balance at 30 June	**227**	**160**

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	2023 Number	2023 $'000	2022 Number	2022 $'000
Balance at 1 July	**1,255,268,970**	**180,597**	**1,193,839,427**	**169,520**
Issue of ordinary shares - employee performance rights	5,869,660	923	6,511,653	1,039
Issue of ordinary shares - directors	467,836	80	-	-
Issue of ordinary shares - exercising of employee and director share options	-	-	2,000,000	28
Issue of ordinary shares - institutional and share placement	-	-	52,345,620	10,469
Transaction costs of capital raising (inc. tax effect)	-	(248)	-	(548)
Issue of ordinary shares - Employee Share Plan - $1k offer	-	-	572,270	89
Ordinary shares on issue at 30 June	**1,261,606,466**	**181,352**	**1,255,268,970**	**180,597**

Options

For the year ended 30 June 2023, the Company issued the following options:

- 2,000,000 issued to directors with an exercise price of $0.40 each that expire in December 2025.

No options were issued for the year ended 30 June 2022.

At reporting date, the Company had the following options on issue:

- 10,000,000 issued to investors with an exercise price of $0.20 each that expire in April 2025.
- 2,000,000 issued to directors with an exercise price of $0.40 each that expire in December 2025.

Each option allows the holder to receive one 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 21.

Share based payments

Executive performance rights issued to employees for the year ended 30 June 2023 totalled 6,073,913 (30 June 2022: 17,411,675), refer to Note 21. 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.

Consistent with others in the industry, the Group monitors capital on the basis of the quick ratio. This ratio is calculated as current assets (excluding inventory) divided by current liabilities. The quick ratio at 30 June 2023 was 1.03x (30 June 2022: 1.66x)

At 30 June 2023, the Group had cash and cash equivalents of $8,277k and no borrowings other than lease liabilities recognised under AASB 16. The Group also has standing credit facility arrangements with banks of $253k (2022: $294k) of which $110k was available at 30 June 2023 (2022: $146k). The Group generated an operating cash inflow of $746k for the year ending 30 June 2023 (2022: $3,188k outflow). 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	2023 $'000	2022 $'000
Foreign exchange translation reserve		
Movements		
Balance at 1 July	(907)	(925)
Effects of foreign exchange translation	498	18
Foreign exchange translation reserve – balance at 30 June	**(409)**	**(907)**
Share based payments reserve		
Movements		
Balance at 1 July	11,705	12,854
Share based payments expense – net	(180)	520
Transfer to retained losses	(9,450)	(1,669)
Share based payments reserve – balance at 30 June	**2,075**	**11,705**
Total Reserves	**1,666**	**10,798**

Retained losses	2023 $'000	2022 $'000
Movements		
Balance at 1 July	(65,674)	(54,148)
Transfer from share based payments reserve	9,450	1,669
Net loss for the year	(10,278)	(13,195)
Retained losses – balance at 30 June	**(66,502)**	**(65,674)**

Nature and purpose of reserves

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

Share based payments reserve
The share based payments reserve is used to recognise the accrued grant date fair value of options and performance rights issued to employees and directors but not exercised and issued. The fair value of options and performance rights is accrued into the share based payment reserve over the service period. When options and performance rights are exercised and issued, the grant date fair value is transferred from the share based payment reserve to Ordinary shares. When options are vested but not exercised by the expiry date, the grant date fair value is transferred from the share based payment reserve to Retained Losses. Where performance rights lapse, the amortised fair value is transferred from the share based payments reserve to retained losses.

Dividends
The Group has not paid or declared any dividends during the period (2022: nil). Franking credits available for subsequent financial years amount to $653,889 (2022: $653,889).

18. COMMITMENTS AND CONTINGENCIES

Contingencies
The Group has potential exposure to guarantees it has issued to third parties in relation to the performance and obligation of controlled entities with respect to property lease rentals and customer contractual obligations amounting to $1,786,068 (30 June 2022: $1,158,890).

19. RELATED PARTY TRANSACTIONS

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 2023.

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

	2023 $'000	2022 $'000
Short-term employee benefits	1,397	1,470
Post-employment benefits	66	57
Other long-term benefits	-	-
Share based payments	398	1,076
Total KMP compensation	**1,861**	**2,603**

Parent entity
The parent entity within the Group is Envirosuite Limited.

Subsidiaries

Entity Name	Country of Incorporation	30 June 2023 %	30 June 2022 %
Envirosuite Operations Pty Ltd	Australia	100	100
Envirosuite Holdings Pty Ltd	Australia	100	100
Envirosuite Corp	USA	100	100
Envirosuite Europe Sociedad Limitada	Spain	100	100
Envirosuite Canada Inc.	Canada	100	100
Envirosuite Chile SpA	Chile	100	100
Envirosuite Colombia S.A.S.(1)	Colombia	100	100
Beijing Envirosuite Environmental Science & Technology(1)	China	100	100
Hengli Ruiyan Environmental Engineering Co. Ltd(1)	China	100	100
Envirosuite Brasil Comercializacao De Equioamentos Ltda.	Brazil	100	100
Envirosuite Holdings No 2 Pty Ltd	Australia	100	100
Envirosuite Australia No 2 Pty Ltd	Australia	100	100
EMS Bruel & Kjaer Pty Ltd	Australia	100	100
Envirosuite Inc	USA	100	100
EMS Bruel & Kjaer Iberica S.A.	Spain	100	100
Envirosuite Denmark Aps	Denmark	100	100
Envirosuite BV	Netherlands	100	100
Envirosuite UK Ltd	United Kingdom	100	100
Envirosuite Korea Ltd	South Korea	100	100
Envirosuite Taiwan Ltd	Taiwan	100	100
AqMB Pty Ltd. (2)	Australia	-	100
AqMB Holdings Pty Ltd. (2)	Australia	-	100
As Maybe Max Pty Ltd. (2)	Australia	-	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) AqMB Pty Ltd, AqMB Holdings Pty Ltd and As Maybe Max Pty Ltd were deregistered by the Group during the financial year.

Transactions with other related parties

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

20. CASH FLOW STATEMENT RECONCILIATION

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

	2023 $'000	2022 $'000
Loss after tax	**(10,278)**	**(13,195)**
Add back: Depreciation and amortisation	9,435	8,157
Add back: Foreign exchange (gain) / loss	260	(249)
Add back: Non-cash share based payments	743	1,477
Sub-total	**160**	**(3,810)**
Changes in operating assets and liabilities		
(Increase)/ decrease in trade receivables	1,486	(893)
(Increase)/ decrease in inventories	(1,581)	119
(Increase) in other assets	(812)	(2,735)
(Increase)/ decrease in deferred tax	(941)	53
Increase in trade and other payables	1,349	1,900
Increase in other liabilities	-	1,526
Increase in employee benefit provisions	1,085	652
Net cash outflow from operating activities	**746**	**(3,188)**

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.

Changes in liabilities arising from financing activities

Lease Liability	2023 $'000	2022 $'000
Balance at 1 July	2,251	4,002
Repayment of lease liabilities	(1,292)	(1,878)
Finance charges	243	231
Acquisition of leases	2,549	459
Termination of leases	(182)	(62)
Exercise of early termination option	-	(534)
Effects of foreign exchange	16	33
Balance at 30 June	**3,585**	**2,251**

21. SHARE BASED PAYMENTS

The Group issued options and performance rights to employees and directors as compensation for services provided.

Employee share plan

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

Performance rights

Under the Envirosuite Performance Rights Plan, Envirosuite issues performance rights to employees, (usually at senior levels within the company), that convert to ordinary fully paid shares, upon the achievement of certain vesting conditions. Offers made to staff under the Plan are designed to incentivise senior, specialist and key employees, to deliver long term returns for shareholders. Participation in the Plan is at the Board's discretion and at intervals determined by the Board, and no individual staff member has the right to receive any guaranteed benefits.

Vesting conditions/milestones are specified at the time of grant, with the purpose of motivating certain staff behaviours including: retention, share price performance and the achievement of key company goals. The Board may impose both conditions on dealings in the performance rights for a prescribed time, or any forfeiture conditions, and any such conditions are to be notified to staff in their invitation to participate in the Plan. The Board also may waive in whole, or in part, any of the conditions applicable to a grant of performance rights.

Participants in the Plan only become eligible for the performance rights to convert to ordinary shares upon achievement of the relevant milestone/s. Where a staff member ceases their employment with the company ahead of achieving the relevant milestone/s, their entitlement is forfeited. Performance rights may only convert to ordinary fully paid shares and are not convertible to cash.

The Board is entitled to suspend the operation of the Plan and may at any time cancel the Plan, on the condition that the suspension or cancellation of the Plan does not prejudice the existing rights of Participants.

There were 6,073,913 performance rights issued during the year (2022: 17,411,675).

	Number of Performance Rights
Performance rights outstanding at 30 June 2021	**12,488,556**
Issued	17,411,675
Exercised	(6,505,223)
Forfeited/Lapsed	(5,463,333)
Performance rights outstanding at 30 June 2022	**17,931,675**
Issued	6,073,913
Exercised	(5,869,660)
Forfeited/Lapsed	(2,175,000)
Performance rights outstanding at 30 June 2023	**15,960,928**

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 directors to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

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

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

Options were also granted to non-employees during the period that have similar terms to those under the Employee Share Option Plan. Set out on the following pages are summaries of options granted.

21. SHARE BASED PAYMENTS (Continued)

	Number of options	Weighted average exercise price
Options outstanding at 30 June 2021	**159,500,000**	**0.23**
Exercised	(2,000,000)	0.10
Forfeited/Lapsed	(26,250,000)	0.15
Expired	(22,500,000)	0.40
Options outstanding at 30 June 2022	**108,750,000**	**0.22**
Granted	2,000,000	0.40
Expired	(98,750,000)	0.40
Options outstanding at 30 June 2023	**12,000,000**	**0.40**

At 30 June 2023, there were 12,000,000 options (2022: 106,250,000) that were exercisable at a weighted average price of $0.23 per share (2022: $0.22 per share). The weighted average remaining life of the options outstanding is 1.92 years (2022: 0.64 years).

22. 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	2023 number	2022 number
Basic earnings per share	**1,261,606,466**	**1,182,343,365**
Diluted earnings per share	**1,261,606,466**	**1,182,343,365**

There are 12,000,000 share options (2022: 108,750,000) issued and 15,960,928 (2022: 17,931,675) of performance rights that are not included in diluted earnings per share as these would have an antidilutive effect on earnings per share. These potential ordinary shares are antidilutive as their conversion to ordinary shares would decrease loss per share. If these share options were included in the calculation of diluted earnings per share, the weighted average number of shares used in the denominator would be 1,236,340,861 (2022: 1,234,512,144).

23. SUBSEQUENT EVENTS

The directors are not aware of any matters or circumstances have arisen since the end of the financial year that significantly affected, or could significantly affect, the operations of the consolidated Group, the results of those operations, or the state of affairs of the consolidated Group in future financial years.

24. 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	2023 $'000	2022 $'000
Assets		
Current assets	158	1,809
Non-current assets	164,883	164,708
Total Assets	**165,041**	**166,517**
Liabilities		
Current liabilities	617	425
Non-current liabilities	1,457	883
Total Liabilities	**2,074**	**1,308**
Equity		
Issued capital	181,352	180,597
Reserves	2,075	11,705
Retained losses	(20,460)	(27,093)
Total Equity	**162,967**	**165,209**

Income Statement and Statement of Comprehensive Income	2023 $'000	2022 $'000
Profit / (loss) after tax	(2,817)	(3,840)
Total comprehensive profit / (loss)	(2,817)	(3,840)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

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 54 to 86 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 at 30 June 2023 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 Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001

David Johnstone, Chair
22 August 2023

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 2023, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

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

Basis for Opinion

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

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

PKF Brisbane Audit ABN 33 873 151 348
Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733
Brisbane | Rockhampton www.pkf.com.au

Carrying amount of intangible assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2023 the carrying value of intangible assets is $107,246,000 (2022: $108,652,000), as disclosed in Note 13. The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1(n), and for goodwill in Note 1(c). The carrying amount of intangible assets is a key audit matter due to: • the significance of the balance (being 74% of total assets); and • the level of judgement applied in evaluating management's assessment of impairment. As outlined in Notes 1 and 13, management assessed the carrying amount of intangible assets through impairment testing utilising a fair value less costs of disposal model in which significant judgements are applied in determining key assumptions. Specifically, management prepared a discounted cash flow model utilising the income approach. The key assumptions include projected revenue growth rates, discount and terminal growth rates. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets, and accordingly the amount of any impairment charge, to be recorded in the current financial year. No impairment charge was made during the 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 by comparing the fair value less costs of disposal model with generally accepted valuation methodology and accounting standard requirements; • conducting sensitivity analysis on key assumptions such as the projected revenue growth rates, discount and terminal growth rates, within reasonable foreseeable ranges, and comparing the calculated recoverable amount to the carrying value of each cash-generating unit ('CGU'); • challenging the key assumptions used in management's discounted cash flow model by: - assessing projected revenue growth rates set by management in comparison to historical results and future approved budgets - evaluating the discount and terminal growth rates set by management in comparison to market and industry information available - assessing the impact of the COVID-19 pandemic on all key assumptions • assessing the appropriateness of any changes in model and key assumptions; • assessing the appropriateness of the CGU designations applied; • reviewing the work of management's expert, including their competence, necessary skill, objectivity and independence; and • assessing the appropriateness of the related disclosures in Note 13.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with 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

PKF

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

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

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Envirosuite Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

PKF BRISBANE AUDIT

TIM FOLLETT
PARTNER

BRISBANE
22 AUGUST 2023

This page has intentionally been left blank

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable at 14 August 2023.

1. SHAREHOLDING

Distribution of equity securities

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

Size of holding	Shares	Options	Performance Rights
1 – 1,000	106	-	-
1,001 – 5,000	733	-	-
5,001 – 10,000	732	-	-
10,001 – 100,000	2,303	-	2
100,001 and over	1,119	2	19
	4,993	**2**	**21**

The number of shareholdings held in less than marketable parcels was 95 with total shares of 3,462.

Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	Number held	Percentage
National Nominees Limited	132,489,078	10.50%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	102,770,247	8.15%

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.

Performance rights

Performance rights 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	132,489,078	10.50%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	102,770,247	8.15%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	63,283,353	5.02%
UBS NOMINEES PTY LTD	50,344,791	3.99%
CITICORP NOMINEES PTY LIMITED	40,166,989	3.18%
RUBI HOLDINGS PTY LTD	31,250,000	2.48%
BNP PARIBAS NOMS PTY LTD	24,816,837	1.97%
MR ROBIN ORMEROD & MS KRISTIN ZEISE	23,600,000	1.87%
THE ADAMS MCLEAN SUPERANNUATION FUND PTY LTD	21,014,705	1.67%
COALWELL PTY LIMITED	20,700,000	1.64%
BUNGEELTAP PTY LTD	15,127,217	1.20%
TOM HADLEY ENTERPRISES PTY LTD	15,000,000	1.19%
BSD PTY LTD	14,000,000	1.11%
MUTUAL TRUST PTY LTD	13,612,019	1.08%
THIRTY-FIFTH CELEBRATION PTY LTD	11,042,286	0.88%
SPECTRIS GROUP HOLDINGS LTD	10,000,000	0.79%
HENDO FAMILY SUPERANNUATION PTY LTD	10,000,000	0.79%
MISS MENGJIAO ZHAO	8,648,889	0.69%
FORDHOLM CONSULTANTS PTY LTD	8,615,955	0.68%
MR PETER JAMES WHITE & MRS EVA MARIA WHITE	6,937,681	0.55%
	623,420,047	**49.43%**

Unquoted equity securities

	Number held
Envirosuite Limited unlisted options over ordinary shares issues	12,000,000
Performance rights over ordinary shares issued	15,960,928

envirosuite

www.envirosuite.com