

CleanSpace[®]
RESPIRATORS

2021

ANNUAL REPORT



CleanSpace Holdings Limited
and Controlled Entities (CleanSpace Group)

ABN 91 150 214 636



CleanSpace is a Sydney-based designer and manufacturer of respiratory protection equipment for healthcare and industrial applications, founded by a team of biomedical engineers with experience in respiratory medicine devices.

CleanSpace is passionate about continually improving health outcomes, workplace safety and standards of care. In the last 20 years, technology has driven unprecedented advances in medical equipment and transformed people's health. We have brought this to personal respiratory protection.

The Company continues to invest in research and development programs resulting in differentiated design and approved products that provide compelling employer and user benefits, namely higher protection with improved compliance and productivity.

CleanSpace respirators are a true game changer, changing the way people on the front lines think about respiratory protection.

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CHAIRMAN AND CEO LETTER

FOR THE YEAR ENDED 30 JUNE 2021

Dear Shareholders,

We are pleased to present the CleanSpace Annual Report for the year ended 30 June 2021, our first since listing on the ASX in October last year.

COVID-19 changed the landscape for workplace respiratory protection. FY21 presented CleanSpace with unique opportunities for significant expansion, enabling the business to enter an exciting next phase of growth. The pandemic has driven unprecedented awareness and education of workplace respiratory protection of frontline workers and that of all workers in essential services. The disruptive impact of the pandemic is forcing permanent shifts to the status quo - focusing decision makers and regulators on high protection, sustainable solutions, where CleanSpace is well positioned.

FY21 has been a year that saw CleanSpace enter large healthcare markets at scale, upgrade its lean manufacturing with a new facility, expanded sales/marketing capability, and become a publicly listed company.

CleanSpace ended the year with an established base of healthcare and industrial customers in North America, Europe and Asia. With our high-performing, differentiated and commercially-compelling technology, CleanSpace respirators are positioned globally to be the new standard in respiratory protection for workers at risk.

While our competitors remained technologically dormant, CleanSpace used the challenges faced by frontline workers to further innovate. The Company achieved global certification for Steri-Plus to become the first PAPR (Powered Air Purifying Respirator) system with source control.

Customer feedback on the performance of our unique products during this period has further cemented the confidence in this next generation technology for personal respiratory protection. At the core of what we do is a passion to innovate to better protect people and allow organisations to operate in safe workplace environments.

IPO

CleanSpace listed on the ASX on 23 October 2020, raising \$20m in primary capital and supported by the Joint Lead Managers, Bell Potter Securities and Wilsons Advisory. The ASX-listing marked the next stage in our journey to become a globally successful Australian medical device company capitalising on a proprietary breakthrough technology.

The funds are being invested in the business's sales and marketing capability to leverage our expanded market opportunities as we pursue our goal of becoming the standard for workplace respiratory protection.

Investing to grow sales

The business remains committed and focused on our high growth agenda with ongoing investments in sales people, distribution networks, marketing efforts and a key stakeholder engagement strategy.

In FY21, the Company strengthened its sales capability across its technical sales and customer support teams to execute on its 'land expand' model – which sees the technology successfully deployed through working directly with users to build product champions and further roll-out opportunities. To assist market penetration, the business added more than 20 new distribution partners for both healthcare and industrial sectors.

The Company successfully upgraded its CRM and ERP business systems to support expanded global business and its lean operations in Sydney.

Upgraded production facility

The new facility in St Leonards was opened in November 2020 and takes the business's production capacity to \$100m per annum revenue (single shift model/5 days). This enabled CleanSpace to meet 1H FY21 demand, hold increased inventory levels and reduce lead times for customers.

In line with operational best practice, the facility implemented stringent COVID-19 safety measures to protect staff and minimise production disruptions. A robust supply chain management strategy meant there were no material disruptions to inbound or outbound logistics and supply in FY21.

Regulatory Affairs

CleanSpace continued its regulatory and compliance programs for global markets adding international medical device registrations for its innovative healthcare device CleanSpace HALO.

In FY21, CleanSpace became the first PAPR system to have:

- Australia's Therapeutic Goods Administration (TGA) and New Zealand WAND and MedSafe registration (issued August 2021); and
- USA, European and Australian certification for an exhalation filter (Steri-Plus) providing source control that expands applications in healthcare, pharmaceutical and laboratory sectors.

The pandemic is changing the guidelines for how respirators are selected and used. In June, the Biden Administration through the US Department of Labor's OSHA, released an Emergency Temporary Standard (ETS) that recommends healthcare facilities provide at risk frontline workers with PAPRs or elastomeric respirators (rather than disposable masks) for higher protection, sustainability and mitigate against supply chain disruption.

The OSHA ETS sets a clear benchmark and education that support the purchase of CleanSpace as hospitals move to be compliant and replace their disposable masks with high protection reusable devices. The OSHA Standards and Guidelines are closely followed by other countries including Australia, UK, Singapore and Japan.

Looking Ahead

High vaccination rates are positive for the business. With markets re-opening and increased business confidence, countries are on the path to economic recovery. Early indications in FY22 suggest a return to normalised purchasing patterns and increased trading activity. Markets are more educated with first-hand experience of the staff and business risks to workplace airborne contaminants. The highly infectious Delta variant is keeping respiratory protection front of mind for healthcare providers but with an emphasis on sustainable and reliable solutions for a safer work place.

The business retains strong fundamentals that support growth: expanded enterprise customer base, sales channels and traction in large markets, differentiated best in class technology, international regulatory approvals, high gross margins with a proven scalable operating model and a new technology roadmap. The business is well capitalised and able to execute on its growth strategy. We are confident CleanSpace is well positioned and responding to a recovering market.

Finally, thank you to our shareholders, customers, employees, distributors, suppliers and business partners, we appreciate your support, and we look forward to delivering for you.



Dr Alex Birrell
CEO



Dr Ron Weinberger
Chairman

FY21 HIGHLIGHTS

OPERATIONAL HIGHLIGHTS

CleanSpace extended its global footprint and customer base advancing its growth strategy in health and industrial sectors. The business retained its strong fundamentals with market factors emerging to support higher protection and sustainable solutions.

- Entered the healthcare market at scale; added ~ 850 hospitals with roll outs in reference sites
- Grew the enterprise customer base
- Opened more than 20 distribution partners across healthcare and industrial sectors
- Expanded sales capability over 3 key regions with investment in best practice business systems
- Opened state of the art manufacturing facility with capacity of >\$100m of revenue
- Fully funded to invest in business growth



FINANCIAL HIGHLIGHTS

Ended the FY21 year in a strong financial position demonstrating the scalability and profitability of the business.

RETAINED HIGH GROSS MARGIN

77%

▲ 3% | FY2020 74%

REVENUE

\$49.9M

\$28.4m FY20

CONTINUED
INVESTMENT IN
SALES/MARKETING
AND R&D

STRONG BALANCE SHEET

\$38.2M

CASH POSITION AT
30 JUNE 2021

LOW CAPEX AND
SHORT WORKING
CAPITAL CYCLE

PROVEN BUSINESS
MODEL WITH
ABILITY TO DELIVER
EBITDA MARGINS
30% AT SCALE

OPERATIONAL UPDATE

COVID-19 UPDATE: CHANGING OPERATIONAL ENVIRONMENT

The highly infectious variant Delta, renewed outbreaks and breakthroughs in vaccinated workers are reinforcing the importance of high respiratory protection. After an initial focus on hand hygiene and surgical masks to protect frontline workers, regulators have acknowledged that COVID-19 is airborne spread and have subsequently upgraded their recommendations to include higher protection and reusable devices. As outbreaks continue and the environmental impact of single use products is understood, purchasing considerations are including sustainable solutions.

Emergence of Pandemic CY20

- Rapid escalation of COVID outbreaks in largely unprepared markets
- Urgent purchasing patterns in healthcare
- Global shortage of PPE drove high demand and over-purchasing
- Regulators in emergency mode. Focus on hand washing and education in PPE (healthcare and consumers)

Global Transition 2H FY21

- Vaccines available. Focus on aggressive vaccine program roll outs
- Prolonged lockdowns and lower business activity
- Surplus PPE as manufacturers scaled up and new entrants at the low end
- Purchasing patterns: customers and channels overstocked / over supplied

Current Environment

- Surplus PPE still present in the market
- Higher vaccination rates, lockdowns easing and markets opening increase demand
- More educated customers and regulators recommending higher protection
- New variant Delta causing ongoing outbreaks
- Healthcare staff shortages due to unsafe workplaces
- Environmental issues from single use PPE focusing buyers on sustainability



OPERATIONAL UPDATE



HEALTHCARE BUSINESS

FY21 was a transformational year for CleanSpace as it entered the healthcare sector at scale.

Strong demand drove fast tracked penetration in large competitive healthcare markets – North America and Asia. Market adoption through the pandemic went from 20 hospitals to more than 850 hospitals world-wide. Within primary care, applications for high level respiratory protection solutions were expanded to include ICU, anaesthetic, operating theatres and emergency departments. With emerging opportunities in ambulance, medical clinics and dental surgeries.

As a unique clinically designed PAPR system, CleanSpace Halo was adopted and rolled out due to its ease of use; compliance with standard cleaning, disinfection and sterilisation; compatibility with other PPE and clinical head gear (ie loupes and face shields).

FY21 achievements in healthcare include:

- Major US hospital sales including to US Government - Veterans Affairs and Department of Defence;

- Trained thousands of healthcare staff in 15+ countries and 8 languages, that enabled rapid deployment and effective adoption;
- Successfully proved fleet models and single-owner use for mobile/remote care teams; and
- Onboarded several new healthcare distribution partners.

CleanSpace continued to invest in new product development and regulatory compliance that expand its market opportunities. This includes:

- First PAPR with source control that supports additional applications in healthcare, pharmaceutical and laboratory environments;
- First PAPR to have medical device registrations: Australian TGA Class 1 and New Zealand WAND; and
- Australian State Governments published guidelines for use of CleanSpace Halo: NSW, Queensland and Western Australia.

INDUSTRIAL BUSINESS

Industrial sales remained robust in the first half of FY21, followed by a second half with mask backlogs and lower business activity (due to extended lockdowns) which slowed demand, particularly in Q4. CleanSpace continued to work closely with its customers and distribution partners on activities supporting ongoing technology adoption. The business is anticipating key regions (Europe and USA) to re-open and customers and regulators to push for sustainable solutions purchased through trusted supply chains.

Continued traction in CleanSpace core industrial sectors: construction materials (quarries, cement, stone), mining, metal and chemical manufacturing.



As part of its growth strategy, the business expanded its distribution networks and onboarded more than 17 new distributors in 6 countries covering key industrial sectors.

With lockdowns easing, regulators resumed site audits that enforce guidelines for protection against respirable silica (a known carcinogen) in the construction and stone industries. Silica was a focus for many jurisdictions prior to the pandemic. Consequently, construction and other relevant industry employers are moving to high level powered protection to be compliant and safe-guard staff.

CleanSpace increased customer adoption in the USA mining sector with Mining Safety Health Authority (MSHA) approving customer applications to use CleanSpace. CleanSpace is used by major mining customers in underground and open cut operations in Australia, South Africa and South America.

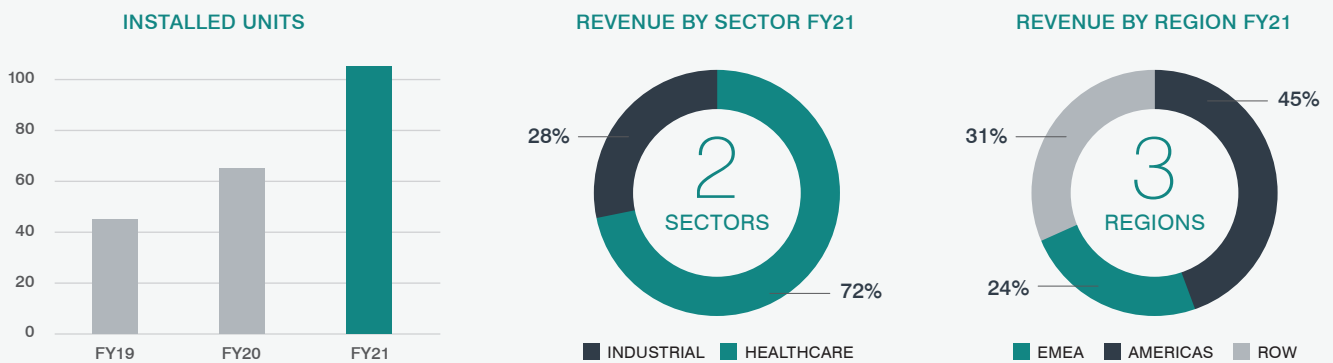
CleanSpace, as a reusable mask, is well positioned to meet the growing demand for sustainability in PPE. Industrial customers are now being incentivised in Europe and UK to adopt sustainable business solutions that reduce waste and decrease carbonisation.

"...the business expanded distribution networks and onboarded more than 17 new distributors in 6 countries covering key industrial sectors."

OPERATIONAL UPDATE

SIGNIFICANT GROWTH IN INSTALLED BASE

Healthcare and industrial segment adoption continued with increased unit sales to existing and new customers, notwithstanding the challenges seen in 2H FY21. Accelerated installed customer base in healthcare across three regions delivered coverage in large global markets and offers opportunities for growth with 'land expand' strategy. Regional sales mix largely reflected the changes in healthcare demand experienced from 1H to 2H FY21.



Disrupted historical accessory/consumables revenue buying patterns in 2H FY21 were attributed to the noted challenges in market conditions and lower customer activity. Recurring revenue levels are anticipated to return in line with economic recovery and business confidence.

The split of respirator (51%) vs accessory (49%) of total sales remains consistent.

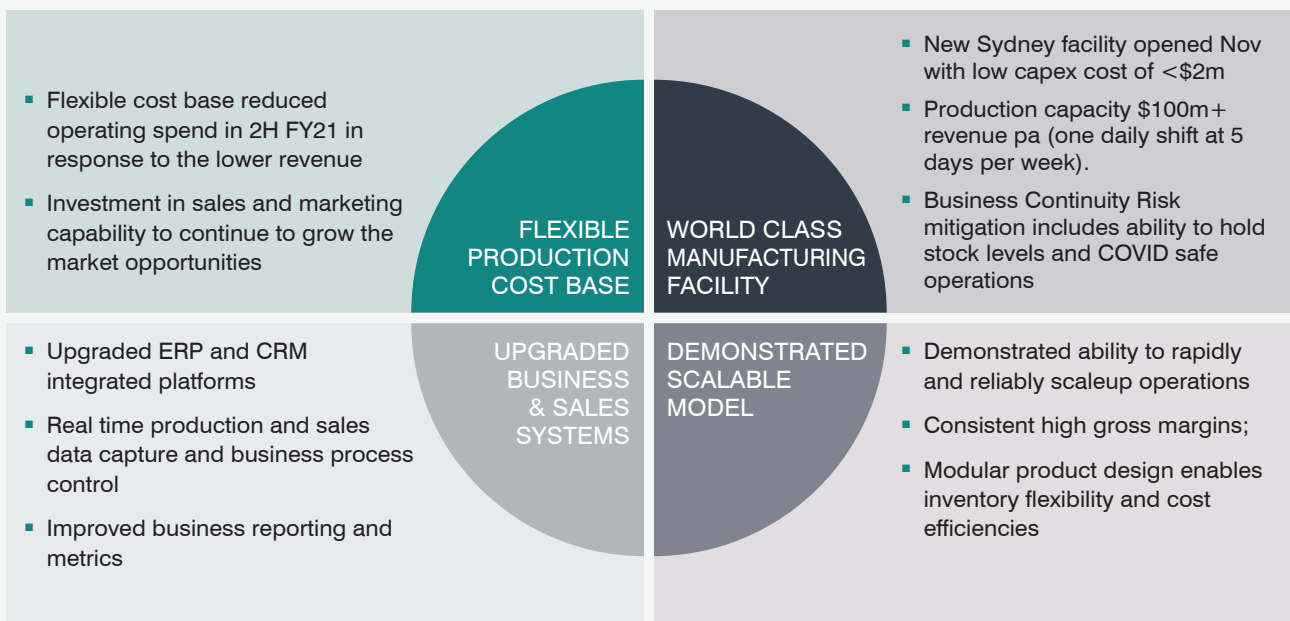




OPERATING MODEL PROVEN TO DELIVER AT SCALE

The business operates a lean and scalable business model with Sydney headquarters comprising back office, operations, R&D and corporate teams; with regional sales and customer support teams based in key markets. In FY21, the business demonstrated the scale of its operating leverage from a flexible cost base.

Investment in upgraded business systems supporting future growth and scalability.



OPERATIONAL UPDATE

EXPANDED SALES AND DISTRIBUTION CAPABILITIES

In FY21 CleanSpace accelerated the growth in its global sales function and positioned the business to achieve its growth targets.

Before the pandemic, the business operated a small sales team achieving double digit revenue growth largely driven by industrial sectors in Europe, Australia and a newly entered US market. Through FY21, the business has achieved deployments to hospitals globally with the largest penetration in the North American and Asian markets. In response to expanded customer footprint and ongoing market opportunities, the business has invested to increase its sales capability.

FY21 year to date:

- Specialised sales teams [20+] managing an expanded lead (inbound/outbound) and sales pipeline;
- Customer training and technical support teams [20+] working directly with end users to build champions, support roll outs and increase customer referrals ('land expand');
- Added 20+ distributor partners to access key customers in both healthcare and industrial markets;
- Commenced government and industry policy maker strategy in North America, Japan and SE Asia to promote and position CleanSpace; and
- Successfully completed upgrades to business systems to deliver real time reporting and improved automated data capture that support a high performing sales culture and global reach.

The business maintains an agile and flexible sales and customer support workforce who are trained across health and industry clients, with the capability to run sophisticated web-based customer events who are multilingual.

Prioritisation on key target sectors and geographies enables the business to consolidate market traction to capture meaningful market share and become the standard in respiratory protection in those sectors.



FINANCIAL REPORT



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the Group') consisting of CleanSpace Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

The following persons were directors or officers of CleanSpace Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dr Ronald Weinberger

Independent Chairman and Non-Executive Director

Interest in shares: 74,654

Interest in options: 113,207

Dr Weinberger is the former Executive Director and Chief Executive Officer of Nanosonics (ASX:NAN) where he co-developed Nanosonics' platform technology, launched the company's breakthrough product globally and created a North American sales team alongside GE Healthcare. Dr Weinberger joined CleanSpace in July 2018, and became the Chairperson of the Board in December 2019. He has over 20 years' experience commercialising medical devices. He has been Chief Executive Officer of EMVision Ltd (ASX:EMV) since December 2018 and managing director from May 2020. Dr Weinberger has also been a non-executive director and the chairperson of HeraMED Ltd (ASX:HMD) since August 2018.

Dr Weinberger is a member of the Audit and Risk Management Committee and Chairman of the Remuneration and Nomination Committee.

Dr Alexandra Birrell

Executive Director and Chief Executive Officer

Interest in shares: 2,798,962

Interest in options: 220,470

Dr Birrell joined CleanSpace in 2010 and has been the Chief Executive Officer of CleanSpace since 2014 and a director since 2015. Dr Birrell has worked in senior management roles in the healthcare and technology sector for over 20 years. Her previous roles include PricewaterhouseCoopers where she worked in the healthcare advisory practice and financial services

(Technology); and Royal Prince Alfred Hospital. Dr Birrell was a member of the Board of Trustees of Museum of Applied Arts & Sciences, NSW from 2016 – 2019. Dr Birrell is a previous winner of AFR Women of Influence Awards, Chief Executive Women Scholarship and holds a PhD, MBA and Bachelor of Veterinary Medicine.

Dan Kao

Executive Director and Director of Operations

Interest in shares: 2,530,000

Interest in options: 68,418

Mr Kao, a former senior designer for Resmed Inc (Australia) (ASX:RMD), founded CleanSpace in 2009 and has been a director of CleanSpace since April 2011. Mr Kao worked in the medical and healthcare industry for over 20 years, and has extensive experience in manufacturing, supply chain optimisation, quality management systems and in securing patents for innovative technologies in healthcare. Mr Kao is a previous winner of the Australian Design Award and holds a Bachelor of Mechanical Engineering (Hons) and Master of Biomedical Engineering.

Craig Lawn

Non-Executive Director

Interest in shares: 1,001,871

Interest in options: 113,207

Mr Lawn joined CleanSpace as a Non-Executive Director in August 2015 and specialises in structuring growth companies. He was a partner for PricewaterhouseCoopers for over 20 years, where he provided income tax and commercial advice to a variety of businesses, including biotechnology, venture capital and research based organisations. Further, between January 2017 and December 2019, Mr Lawn was a Non-Executive Director of Tubi Limited which listed on 14 June 2019 (ASX:2BE).

In addition to CleanSpace, Mr Lawn is currently on the boards of Key Assets Pty Ltd as the Chairperson and The Red Room Company Ltd as treasurer. Mr Lawn is also a consultant advisor providing business and strategic advice to charities, private company groups, public bodies and not for profit organisations.

Mr Lawn is Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORS (CONT.)

William Highland

Non-Executive Director (not independent)

Interest in shares: 128,915

Interest in options: 113,207

Mr Highland was a senior executive and investment manager with 30 years' senior management experience in developing and building companies in Australia, USA, Asia and Europe whilst working with OPSM Protector, BTR Nylex, Boral and CVC Limited. Mr Highland has global experience in the production and marketing of respiratory systems for industrial workplaces; resuscitation products for the first response markets; emergency life support systems for the mining and oil and gas markets, and breathing apparatus for the fire and rescue services.

Mr Highland holds a degree in Civil Engineering from the University of New South Wales, has participated in the Executive Management Program AGSM and was a certified mine manager. Additionally, Mr Highland has served as a director and chief executive officer for The Environmental Group Limited and as a director for SMC Gold Limited and Blue Energy Limited, which are both ASX listed companies, and also as a director and chairman of private companies, and joint venture boards.

Mr Highland was Chairperson of the Board from November 2016 until December 2019.

Mr Highland is a member of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.

Clement Doherty

Non-Executive Director (resigned 28 August 2020)

JOINT COMPANY SECRETARIES

Elizabeth Harvey

Chief Financial Officer and Company Secretary, then Joint Company Secretary from 3 November 2020

Interest in shares: 458,065

Interest in options: 88,562

Ms Harvey joined CleanSpace as its Chief Financial Officer and Company Secretary in 2017. She has more than 20 years' experience in financial operations for multinational organisations. She brings extensive experience in financial control, business performance

and analysis, risk management and compliance. Prior to joining CleanSpace, Ms Harvey worked at Macquarie Group for over 12 years as a finance director, and has also worked at Credit Suisse in London and KPMG (Sydney and London). Ms Harvey is a chartered accountant (CA) and holds a Bachelor of Commerce and an MBA.

Elissa Hansen

Joint Company Secretary (appointed 3 November 2020)

Elissa is Chartered Secretary with over 20 years' experience as a Company Secretary. Elissa has acted as the Company Secretary for a range of ASX listed companies. Elissa is a Fellow of the Institute of Chartered Secretaries Australia, a Graduate Member of the Australian Institute of Company Directors and has a Bachelor of Commerce and a Graduate Diploma in Applied Corporate Governance.

BOARD AND COMMITTEE MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are shown in the following table. In addition to its usual Committees, the Board established an Initial Public Offering (IPO) Due Diligence committee during the year to consider matters relating to the Company's IPO and Admission, and provide the Board with recommendations on the same.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

BOARD AND COMMITTEE MEETINGS (CONT.)

	Board of Directors		Remuneration Nomination Committee		Audit and Risk Committee		IPO Due Diligence Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Dr Ronald Weinberger	18	17	2	2	3	3	-	-
Dr Alexandra Birrell	18	18	-	-	-	-	7	7
Dan Kao	18	18	-	-	-	-	-	-
Craig Lawn	18	18	2	2	3	3	-	-
William Highland	18	18	2	2	3	3	7	7
Clement Doherty	6	6	-	-	-	-	-	-

With the exception of the IPO Due Diligence Committee, the Committees' charters are available on the Company's website.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the design, manufacture and sale of respirators and related products and services.

No significant change in the nature of these activities occurred during the year.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The profit for the consolidated entity after providing for income tax amounted to \$11,387,122 (30 June 2020: \$5,922,149).

A summary of the results for the year is below:

	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$	Change %
Revenue from sales of goods and services	49,925,566	28,405,539	76%
Cost of sales	(11,543,547)	(7,373,325)	57%
Gross profit	38,382,019	21,032,214	82%
Operating expenses (excluding depreciation)	(21,333,319)	(14,257,053)	50%
Other income	157,039	975,920	(84%)
EBITDA	17,205,739	7,751,081	122%
Depreciation, amortisation and impairment	(1,180,209)	(430,315)	174%
Interest income/(expense) net	(68,739)	(40,027)	72%
Income tax expense	(4,569,669)	(1,358,590)	236%
Profit after tax	11,387,122	5,922,149	92%

Significant items or changes are discussed in further detail below.

DIRECTORS' REPORT

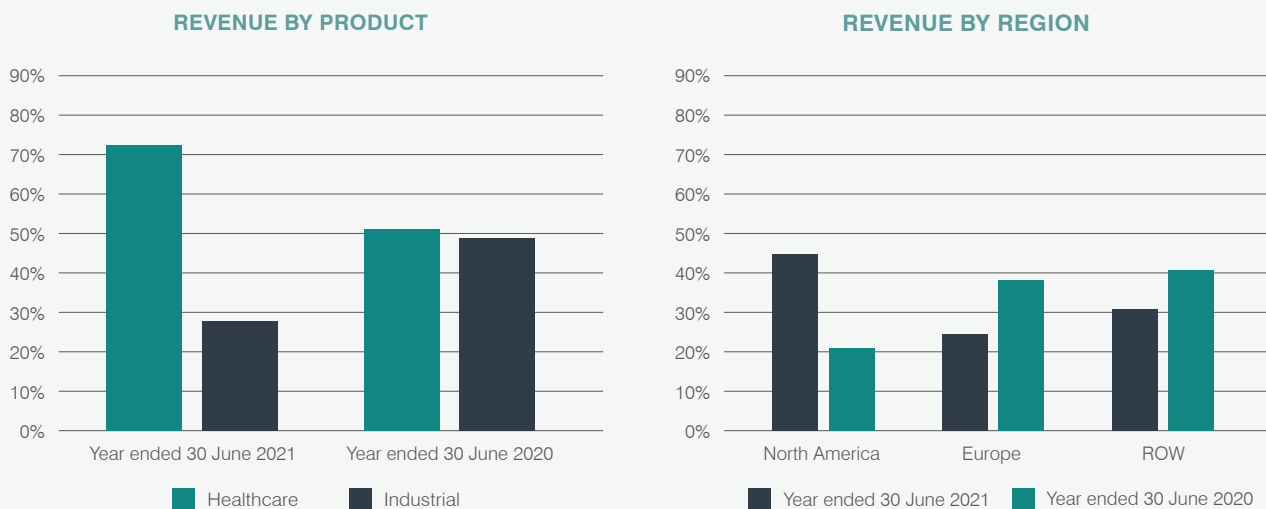
FOR THE YEAR ENDED 30 JUNE 2021

REVIEW OF OPERATIONS (CONT.)

Sales, gross profit and margin

Sales for the year were \$49.9 million, an increase of 76% over the prior year. The increase in sales and gross margin was driven by increasing sales of healthcare products and accessories, largely as a result of the COVID-19 pandemic.

A breakdown of sales by product and by region is below:



Healthcare sales were 72% of revenue in the current year compared with 51% in the prior year. North America was the largest region, contributing 45% of sales (2020: 21%). European sales contributed 24% (2020:38%) and the Rest of World contributed 31% (2020:41%)

Gross profit was \$38.4 million compared with \$21.0 million in the prior corresponding period. Gross margin as a percentage of sales was 77% compared with 74% in the prior year. The increase in sales and gross margin was driven by increasing sales of healthcare products and accessories. In some regions such as North America and Australia healthcare products are sold directly by CleanSpace to the end user. 100% of industrial products are sold via distributors.

Operating expenses (excluding depreciation)

Operating expenses consist of:

	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$	Change %
Employee benefits expense	10,500,462	7,835,244	34%
Marketing and sales expenses	3,677,363	2,640,244	39%
Research, development and intellectual property expenses	1,382,770	1,468,334	(6%)
Other operating expenses (excluding depreciation, amortisation and impairment)	5,772,724	2,313,231	150%
Total	21,333,319	14,257,053	50%

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REVIEW OF OPERATIONS (CONT.)

Operating expenses (excluding depreciation) (cont.)

Significant growth was seen in the following categories of expenses:

- employment costs increased due to increased headcount and staff pay adjustments in line with market rates effective 1 July 2020. The company continues to invest in regional sales capabilities in its core markets. Employment costs remain the largest expense.
- marketing and sales expenses increased by 39%. This category includes traditional and digital marketing activities such as advertising, trade shows, warranty expenses and sales consulting fees and commissions. Commissions are variable and linked to sales. The increase in the current financial year was due to continued investment in growing brand awareness as well as increased commissions (due to increased sales). The company also invested in upgrading its Customer Relationship Management (CRM) system.
- other operating expenses increased by 150% (\$3,459,493 million). This category includes general and administrative expense such as public company costs, professional services, occupancy costs, travel and insurance. The current financial year saw significant increases in:
 - legal and professional fees, which increased by 533%, or \$1,801,166. This was mainly attributable to fees paid to lawyers and advisers in relation to the IPO of \$0.8 million. This category of expenses also includes fees and share-based payments made to Directors, which increased by \$0.5 million. Non-Executive Directors were granted \$360,000 of options as part of the IPO process;
 - insurance, which increased by \$0.6 million due to the growth in the Group's activities, an increase in premiums as a result of the Company becoming public, and a general rise in insurance premiums;
 - occupancy costs, which increased by \$0.5 million. A new (additional) facility at St Leonard's was leased in August 2020. The company exited the Artarmon facility in June 2021;
 - IT expenses, which increased by \$0.5 million driven by the migration to and implementation of a new enterprise resource planning (ERP) system; and
 - other administration costs which increased due to one-off ASX and ASIC fees associated with the listing of \$0.3 million.

Other income

Other income decreased by 84% as the prior year included recognition of a research and development tax incentive of \$0.8 million.

Depreciation, amortisation and impairment expenses

Depreciation, amortisation and impairment expenses increased by 174%. The main driver of this was depreciation of the new St Leonard's facility which was leased during the period.

FINANCIAL POSITION

The following table provides a snapshot of important balances from the Group's Statement of financial position as at 30 June:

	As at 30 June 2021 \$	As at 30 June 2020 \$	Movement %
Cash (including term deposits)	38,241,372	10,320,490	271%
Borrowings	(2,387,275)	(4,743,195)	(50)%
Inventories	4,609,942	1,833,726	151%
Net assets	40,729,000	9,735,851	318%

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

FINANCIAL POSITION (CONT.)

The Group's cash balances at 30 June 2021 was \$38.2 million (2020: \$10.3 million). The increase of \$27.9 million is attributable to:

- net funds raised from investors of \$19.1 million (2020: \$nil); and
- cash from operations of \$13.5 million (2020: \$4.7 million).

Offset by:

- repayment of \$2.3 million in borrowings (2020: \$0.2 million);
- payments for property, plant and equipment of \$1.7 million (2020: \$0.4 million); and
- repayment of lease liabilities of \$0.6 million (2020: \$0.5 million).

Inventories increased as the company ensured it has sufficient inventories to withstand any disruptions to supply changes and also as a result of sales being lower than expected in the second half of the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant transactions and events affected the financial performance and financial position of the Group for the year ended 30 June 2021:

Initial Public Offering

Effective 23 October 2020, the Company was officially listed on the Australian Stock Exchange (ASX). The listing was pursuant to an IPO through which new equity of \$19,999,998 was raised.

COVID-19

The COVID-19 pandemic with ongoing waves of infection drove high demand for personal protective equipment in the first half of the year ended 30 June 2021. The operating environment in the second half of the year was challenging, with significant impacts on purchasing patterns due to aggressive US vaccination roll out programs, oversupply of disposable masks and extended lockdown restrictions hitting industrial customers' business activity. The Group experienced significantly lower sales in the second half of the year when compared to the first half of the year.

New facility

The business set up and opened a new facility in St Leonards NSW Australia which increased production

capacity and optimized layout to increase efficiency.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group continues to focus on executing its strategy outlined in its prospectus dated 22 September 2020 and maintains its growth orientation and objective to become the market leader in respiratory protection. Key sales initiatives for the next 12 months include:

- expanding sales capability (hiring new staff and adding distribution), increased marketing spend to accelerate the leads and opportunities pipelines in key sectors and key geographies;
- advancing company wide adoption of ERP and CRM systems for real time data capture and reporting to drive a sales driven organisation and lean operations;
- investment to drive awareness and position CleanSpace with government and key stakeholders, including industry groups; and
- continued development and commercialisation in R&D (e.g. CleanSpace Smart application), new platforms and clinical-field trials that confirm the high performance of this technology.

RISK MANAGEMENT

The nature of the Group's business exposes it to certain risks. These risks are actively monitored and managed by the Company's Board Audit and Risk committee who assist the Board in fulfilling its responsibility to the oversight of the Group's risk profile. During the year, the board reviewed and updated its risk profile prior to listing. Key risks were documented in the prospectus and have not changed since listing. The material risks to which the Group is exposed remain consistent with those identified in the Prospectus.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel ('KMP') are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. The Board has determined the KMP of the Group are the individuals whose details are set out below. Except as noted below, the named persons held their stated position for the whole of the financial year ended 30 June 2021 and since the end of that year.

Name	Position	Committee membership	
		Audit & Risk	Remuneration and Nomination
Non-Executive Directors			
Dr Ronald Weinberger	Non-Executive Director and Chair	Member	Chair
Craig Lawn	Non-Executive Director	Chair	Member
William Highland	Non-Executive Director	Member	Member
Clement Doherty	Non-Executive Director (<i>resigned 28 August 2020</i>)		
Executives			
Dr Alexandra Birrell	Executive Director and Chief Executive Officer		
Dan Kao	Executive Director and Director of Operations		
Elizabeth Harvey	Chief Financial Officer and Joint Company Secretary		

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements;
- Share-based compensation; and
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

The Board undertook a comprehensive review of remuneration structures as part of the IPO process.

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to be consistent with market best practice for the delivery of reward. The Board of Directors ('the Board') seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Principles used to determine the nature and amount of remuneration (cont.)

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performing and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined

independently to the fees of other non-executive directors based on comparable roles in the external market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on Friday 25th September 2020, where the shareholders approved a maximum annual aggregate remuneration of \$500,000, excluding the one-off grant of options issued under the Employee Incentive Plan in connection with the IPO.

The Group has entered into an appointment letter with each of its non-executive directors. The annual fees awarded to Directors were reviewed as part of the IPO process and are as follows:

Base Fee	From 21 Oct 2020	From 1 July 2015
Chair	\$143,157	\$50,000
Director	\$76,750	\$24,000

The following annual committee fees are payable to the Audit and Risk Committee and the Remuneration and Nomination Committee (with effect from 21 October 2020).

Committee Fees	Chairman Fee \$	Member Fee \$
Audit & Risk Management Committee	\$15,000	\$6,468
Remuneration & Nomination Committee	\$15,000	\$6,468

Executive remuneration framework

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and company performance, the overall performance of the consolidated entity and comparable market remunerations.

Performance-based (variable) remuneration

Performance-based remuneration for key management personnel includes:

- bonuses to reward individuals for meeting clearly specified performance targets; and
- equity based remuneration, reflecting the Group's medium and long-term performance objectives.

The Group has both a short-term incentive ('STI') program and a long-term ('LTI') incentive plan.

Short-term incentive ('STI') program

The short-term incentive ('STI') program is designed to align the targets of the Group with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's can include (but are not necessarily limited to) the following elements:

- achievement of financial targets (e.g. revenue, earnings/ profitability, operating expenses, cash flows);
- development and execution of strategic priorities;
- risk management;
- capital management; and
- product development.

The STI is an annual incentive plan under which senior executives are eligible to receive an annual award if they satisfy challenging strategic, operational and individual performance targets. Senior executives will be entitled to an STI up to a maximum dollar amount. The maximum amount will differ between individuals. The STI was most recently approved by the Board in August 2020.

Any STI payment is generally made within two to three months of the end of the performance period. The Board may, in its discretion, vary the general payment period.

Long-term ('LTI') incentive plan

The long-term incentives ('LTI') include long service leave and share-based payments. The Company may issue rights (being an entitlement to acquire a Share on the terms and conditions determined by the Board) or options (being an entitlement to acquire a Share subject to satisfaction of applicable conditions and exercise on the terms and conditions determined by the Board), under the terms of the Equity Incentive Plan and upon such additional terms and conditions as determined by the Board.

A summary of the key terms of the Equity Incentive Plan is set out below:

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Long-term ('LTI') incentive plan (cont.)

Payment

No payment is required for a grant of an award, unless otherwise stated in a grant letter, however the Board may set an exercise price for the exercise of the Options.

Unvested awards

Participant shareholder entitlements: a participant is not entitled to vote, receive dividends or distributions, or have any other rights of a shareholder until the underlying shares are allocated following vesting and, if applicable, exercise of the awards.

Lapse of awards: unless the Board determines, a participant's unvested awards will lapse in whole or in part upon the first to occur of:

- any condition imposed under the Rules or a grant letter not being satisfied;
- a circumstance or event described in the Rules or a grant letter that has the effect of lapsing an award; and
- the date specified in the grant letter, or if no date is specified, 15 years after the award was granted to the participant.

Vesting of awards

Vesting:

- the Board will determine the extent to which awards vest and the date that the awards will vest;
- the Board may, in its absolute discretion, determine that an award vests early; and
- awards will lapse, in part or in full, to the extent that the Board determines that the attaching performance or service related conditions have not been satisfied.

Settlement:

- vested and, if applicable, exercised awards, will generally be settled with shares (but may, in certain circumstances, be cash settled or net settled); and
- the Board may at any time determine that disposal restrictions will apply to a share allocated on the vesting and exercise of an award.

Dividend equivalents

The Board may, in its absolute discretion, provide a "dividend equivalent" in respect of an award held by a participant, at any time until the award is settled. A "dividend equivalent" is an amount equal to the value of a dividend or distribution payment a participant would have received, had the participant held a share, rather than an award, and may be made in cash, or by providing shares, rights or options of similar value to the dividend. No dividend equivalent will be provided on an award that has lapsed.

Ceasing employment

Notwithstanding any other provision of the Rules, or any grant letter, the Board retains absolute discretion to determine the treatment of vested or unvested awards, or the number of unvested awards that will vest or lapse upon a participant ceasing to be an employee.

Unvested awards:

- if a participant ceases to be an employee prior to their awards vesting, by reason of termination for cause, their awards will lapse immediately;
- generally, however, if a participant ceases to be an employee prior to their awards vesting, their unvested awards will not lapse on cessation and:
 - where the attaching conditions include performance-related conditions, any service-related conditions will be deemed to have been satisfied, and those awards will be tested following the end of the vesting period, and will vest to the extent the performance related conditions have been satisfied; and

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Ceasing employment (cont.)

- where the attaching conditions include service-related conditions (but not performance-related conditions) the service-related conditions will be deemed to have been satisfied and those awards will vest following the end of the vesting period.
- if a participant ceases to be an employee due to death, all unvested awards will be transferred to the participant's estate.

Vested awards:

- unless the Board determines otherwise, a participant who ceases to be an employee must exercise any vested awards that require exercise by the earlier of:
 - 90 days of ceasing to be an employee; or
 - the date the award lapses.Awards which are not exercised within this period will lapse; and
- if a participant ceases to be an employee by reason of termination for cause, all vested awards which have not been exercised will immediately lapse.

Change of control

Board discretion: if an "Event"¹ occurs, the Board may determine, in its absolute discretion, the treatment of the participant's awards, and the timing of such treatment. This could include that the awards:

- vest in full or in part;
- remain subject to the applicable conditions and/or vesting periods;
- become subject to substitute or varied conditions and/or periods;
- convert to shares on a particular date; or
- may only be cash settled, or settled with securities other than ordinary shares.

Default treatment on a change of control:

- where the Board does not exercise the aforementioned discretion, on a change of control a pro rata number of participant's unvested awards will vest based on the proportion of the vesting period that has passed at the time of the change of control, and to the extent that any applicable performance-based conditions have been satisfied.
- where a participant holds a vested award at the date of the change of control event:
 - for each vested award requiring exercise, the participant will have 30 days from the date of the change of control event, or such other period as the Board determines, in which to exercise the award. Any awards not exercised within this period will lapse;
 - for each vested right not requiring exercise, the Company will have 30 days from the date of the Change of Control, or such other period as the Board determines, in which to settle the award; and
 - for any share acquired on the vesting or, if applicable, exercise of awards that is subject to disposal restrictions, the Company shall have the disposal restrictions lifted within 30 days from the date of the change of control, or such other period as the Board determines.

¹An "Event" means where a takeover bid is made for the Company and the Board resolves to recommend the bid to shareholders; where a court convenes a meeting of shareholders to be held to vote on a proposed scheme of arrangement pursuant to which control of the majority of shares in the Company may change; where a notice is sent to shareholders of the Company proposing a resolution for the winding up of the Company; or where any transaction or event is proposed that, in the opinion of the Board, may result in a person becoming entitled to exercise control over the Company.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Malus and clawback

Actions of a participant: Where, in the opinion of the Board, a participant has or may obtain an unfair benefit as a result of an act which constitutes fraud, dishonest or gross misconduct, brings the Group into disrepute, is in breach of his or her obligations to the Group, or constitutes a failure to perform any act reasonably and lawfully requested of the participant, the Board may exercise its discretion to take actions with respect to the participant's awards. These actions could include resetting the applicable conditions and/or vesting period, deeming unvested awards to have lapsed or been forfeited, or where shares that have been allocated to a participant have been sold, requiring the participant repay the net proceeds of sale.

Actions of any person: Where, in the opinion of the Board, a participant has or may obtain an unfair benefit as a result of an act of any person which constitutes fraud, dishonesty, breach of obligations or gross incompetence, and results or is likely to result in a detrimental impact on Company performance then if an award:

- which would not have otherwise vested, vests or may vest, the Board may exercise its discretion to ensure that no unfair benefit is obtained; or
- which may otherwise have vested, does not vest, the Board may reconsider the satisfaction of the applicable conditions and reinstate and vest any award that may have lapsed to the extent that the Board determines appropriate in the circumstances, or make a new grant of awards that reflects the terms of the original award.

Amendment of the rules

So long as the rights of a participant are not materially reduced (other than if an amendment is made primarily to comply with present or future laws applicable to the Equity Incentive Plan), the Board may at any time, in its absolute discretion, amend, supplement or revoke all of the Rules, or any or all of the rights or obligations attaching to an award. The Board must provide written notification to participants so affected.

The previous long-term incentive plan was implemented in 2015 and was in effect until the current LTI plan (outlined above) was implemented as part of the IPO. The key features of previous plan were:

- key employees were offered Employee Shares. The vesting period was normally 4 years but subject to board discretion;
- the Employee Shares had restrictions and additional conditions compared to Ordinary Shares: the employee shares had no right to vote, receive dividends and there were restrictions on the ability to transfer the shares; and
- the shares could be removed from participants who fell under any of the conditions for 'bad leaver' status.

These restrictions ceased to apply, and the shares were "reclassified" to become Ordinary Shares with full rights when there was a Liquidity Event (such as an IPO). To participate in the Employee Share Plan, employees purchased the Employee Shares. The company offered all participating employees a limited recourse loan to fund the purchase of the Employee Shares.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Consolidated entity performance and link to remuneration

A portion of remuneration for certain individuals is directly linked to the performance of the consolidated entity. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. In considering the Group's performance and benefits for shareholder wealth, the Directors have regard to the following indicators in respect of the current financial year and previous financial years.

	30 June 2021 \$	30 June 2020 \$	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$
Sales revenue	49,925,566	28,405,539	11,221,827	7,723,662	4,784,824
Gross profit margin	77%	74%	68%	69%	58%
Profit/(loss) after income tax	11,387,122	5,922,149	(1,064,292)	(1,096,656)	1,988,504
Total comprehensive income/(loss) attributable to the owners of CleanSpace Holdings Limited	11,386,689	5,933,144	(1,064,292)	(1,096,656)	(1,988,504)
Cash flow from operations	13,456,596	4,707,349	(942,120)	(1,064,086)	(1,415,166)
Share price*	\$1.54	n/a	n/a	n/a	n/a

*Company listed in October 2020.

Use of remuneration consultants

During the financial year ended 30 June 2021 the Group engaged AON Advisory Pty Ltd to provide benchmarking on remuneration for Directors and Executives to ensure remuneration was at market rates. Fees paid (excluding GST) were \$18,000.

Ernst and Young were engaged to assist with the design and documentation of a new LTI program. Fees paid (excluding GST) were \$37,000. This Employee Incentive Plan was approved at the Company's AGM held in September 2020.

Ernst and Young received \$73,940 for other consulting services during the year.

The Board is satisfied that the remuneration recommendations were made free from undue influence by the KMPs. Agreed protocols were implemented and followed to ensure there was no undue influence.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Details of remuneration

Details of the remuneration of KMPs of the company are set out in the following tables.

	Short-term benefits			Post-employment	Long-term benefits and incentives			Total	Variable
	Salary and fees \$	Cash bonus \$	Annual leave accrued \$	Superannuation contributions \$	Long service leave accrued \$	options \$	Employee N Class Shares \$	\$	%
Non-Executive Directors									
Dr Ronald Weinberger									
2021	121,004	-	-	10,189	-	120,000	-	251,193	0
2020	37,000	-	-	-	-	-	-	37,000	0
Craig Lawn									
2021	69,710	-	-	6,052	-	120,000	-	195,762	0
2020	24,000	-	-	-	-	-	-	24,000	0
William Highland									
2021	63,755	-	-	6,057	-	120,000	-	189,812	0
2020	33,790	-	-	3,210	-	-	-	37,000	0
Clement Doherty (resigned 28 August 2020)									
2021	4,000	-	-	-	-	-	-	4,000	0
2020	24,000	-	-	-	-	-	-	24,000	0
Subtotal – Non-Executive Directors									
2021	258,469	-	-	22,298	-	360,000	-	640,767	0
2020	118,790	-	-	3,210	-	-	-	122,000	0
Executives									
Dr Alex Birrell									
2021	460,733	-	53,873	21,110	42,530	80,554	-	658,800	0
2020	210,959	197,917	1,623	22,124	3,678	-	3,096	439,397	46
Dan Kao									
2021	319,481	-	46,899	16,462	31,004	24,998	-	438,844	0
2020	154,725	146,789	4,299	17,910	2,436	-	-	326,159	45
Elizabeth Harvey									
2021	310,524	-	22,190	15,875	10,294	32,358	-	391,241	0
2020	160,304	117,272	5,784	17,958	4,546	-	5,400	311,264	39
Subtotal – Executives									
2021	1,090,738	-	122,962	53,447	83,828	137,910	-	1,488,885	0
2020	525,988	461,978	11,706	57,992	10,660	-	8,496	1,076,820	44
Grand total									
2021	1,349,207	-	122,962	75,745	83,828	497,910	-	2,129,652	0
2020	644,778	461,978	11,706	61,202	10,660	-	8,496	1,198,820	39

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Details of remuneration (cont.)

The Executives met a number of their KPI's for 2021 and were eligible for part payment of STIs. The Executives recommended to the Remuneration and Nomination committee, and the Board agreed that no cash bonus (STI) be paid in the year ended 30 June 2021. In the year ended 30 June 2020 100% of cash bonus (STI) was awarded.

The amounts included in Table 1 above in respect of options or Employee N Class shares granted under the equity-based payments component of remuneration represent the amortization of the fair value at date of grant over the expected life of the option or share taking into account the terms and conditions upon which the instruments were granted.

Compensation options granted during the year

Table 2 below discloses the number of share options granted to KMPs during the current financial year. There were no options granted in the prior compensation period. Share options are options over ordinary shares in CleanSpace Holdings Limited, do not carry any voting or dividend rights, and can only be exercised when the vesting conditions have been met until their expiry date.

2021	Granted (no.)	Grant date	Fair value per option at grant date	Exercise price	Expiry date	Vesting date
Directors						
Dr Ronald Weinberger	113,207	22-Oct-20	\$1.06	\$4.41	22-Oct-25	30-June-21
Craig Lawn	113,207	22-Oct-20	\$1.06	\$4.41	22-Oct-25	30-June-21
William Highland	113,207	22-Oct-20	\$1.06	\$4.41	22-Oct-25	30-June-21
Executives						
Dr Alexandra Birrell	110,235	22-Oct-20	\$1.16	\$4.41	22-Oct-25	31-Aug-22
Dr Alexandra Birrell	110,235	22-Oct-20	\$1.24	\$4.41	22-Oct-25	31-Aug-23
Dan Kao	34,209	22-Oct-20	\$1.16	\$4.41	22-Oct-25	31-Aug-22
Dan Kao	34,209	22-Oct-20	\$1.24	\$4.41	22-Oct-25	31-Aug-23
Elizabeth Harvey	44,281	22-Oct-20	\$1.16	\$4.41	22-Oct-25	31-Aug-22
Elizabeth Harvey	44,281	22-Oct-20	\$1.24	\$4.41	22-Oct-25	31-Aug-23

Non-recourse loans provided under the previous long-term incentive plan for Employee N class shares were as follows:

Executive	Financial Year	Opening \$	Loans Provided \$	Loans (repaid) \$	Closing \$
Dr Alexandra Birrell	2021	35,485	-	(35,485)	-
	2020	35,485	-	-	35,485
Elizabeth Harvey	2021	14,400	-	(14,400)	-
	2020	-	14,400	-	14,400

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Service arrangements – executives

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Components	Requirement		
	Dr Alex Birrell	Dan Kao	Elizabeth Harvey
Fixed remuneration including superannuation*	\$481,843	\$335,944	\$326,400
Variable cash bonus maximum*	\$148,157	\$114,056	\$117,600
Fixed versus variable (%)*	76% / 24%	75% / 25%	74% / 26%
Variable - other	Participation in the Groups LTI		
Contract duration	Ongoing		
Termination of employment (without cause) by the Company or by individual	3 months' notice		
Termination of employment (for cause) by the Company	Terminated immediately		

*Effective 1 July 2020 and subject to annual review.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

KMP equity movements

Movements in equity interests held during the financial year by KMP, including their personally related parties are set out below.

		Balance 1 Jul 2020	Granted FY21 Date	No.	Vested during FY21	Conversion of Employee N Class to Ordinary Shares	FY21 Bought	FY21 (Sold)	Held at close 2021
Instrument									
Non-Executive Directors									
Dr Ronald Weinberger	Ordinary Shares	27,778	-	-	-	-	46,876	-	74,654
	Vested Options	-	-	-	113,207	-	-	-	113,207
	Unvested Options	-	22-Oct-20	113,207	(113,207)	-	-	-	-
Craig Lawn	Ordinary Shares	991,667	-	-	-	-	10,204	-	1,001,871
	Vested Options	-	-	-	113,207	-	-	-	113,207
	Unvested Options	-	22-Oct-20	113,207	(113,207)	-	-	-	-
William Highland	Ordinary Shares	151,665	-	-	-	-	-	(22,750)	128,915
	Vested Options	-	-	-	113,207	-	-	-	113,207
	Unvested Options	-	22-Oct-20	113,207	(113,207)	-	-	-	-
Executives									
Dr Alex Birrell	Ordinary Shares	635,386	-	-	-	2,657,511	-	(493,935)	2,798,962
	Employee N Class Shares - vested	2,657,511	-	-	-	(2,657,511)	-	-	-
	Unvested Options	-	22-Oct-20	220,470	-	-	-	-	220,470
Dan Kao	Ordinary Shares	2,450,000	-	-	-	364,088	-	(284,088)	2,530,000
	Employee N Class Shares - vested	364,088	-	-	-	(364,088)	-	-	-
	Unvested Options	-	22-Oct-20	68,418	-	-	-	-	68,418
Elizabeth Harvey	Ordinary Shares	138,900	-	-	-	400,000	-	(80,835)	458,065
	Vested Employee N Class Shares -	150,000	-	-	250,000	(400,000)	-	-	-
	Unvested Options	-	22-Oct-20	88,562	-	-	-	-	88,562

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

REMUNERATION REPORT (AUDITED) (CONT.)

Shares issued on the exercise of options

There were no ordinary shares of CleanSpace Holdings Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Other transactions with key management personnel and their related entities

The following transactions occurred with related parties:

		Consolidated	
		2021	2020
		\$	\$
KMP	Description of transaction with related party of KMP		
Dan Kao	Rental of storage and car spaces	18,273	19,484
Dan Kao	Employment services	2,418	3,110
Elizabeth Harvey	Contractor - Business Development services	21,665	25,375
Payable to related party:			
	Contractor Business Development services owed by the company	-	22,750

The terms of the transactions were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with unrelated entities on an arms-length basis.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of CleanSpace Holdings Limited under option at the date of this report can be found in Note 37 to the financial statements. There has been no change in options outstanding since 30 June 2021 and the date of this report.

Details of equity options granted to key management personnel and exercised during the year are set out in the remuneration report section of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

AUDITOR

PKF(NS) Audit & Assurance limited Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

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 immediately after this directors' report.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are listed below.

	Consolidated	
	2021	2020
	\$	\$
Investigating Accountants review of the IPO prospectus and IPO tax advice	137,826	-
Tax compliance	40,585	6,800
Other	4,000	-
	182,411	6,800

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 above do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors.



Dr Alex Birrell
Director



Dr Ronald Weinberger
Chairman

27 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2021



Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of CleanSpace Holdings Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

STobutt

SCOTT TOBUTT
PARTNER

27 AUGUST 2021
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited
Partnership
ABN 91 850 861 839

Liability limited by a scheme
approved under Professional
Standards Legislation

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PKF(NS) Audit & Assurance Limited Partnership is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.
For office locations visit www.pkf.com.au

GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2021

The financial statements cover CleanSpace Holdings Limited as a consolidated entity consisting of CleanSpace Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is CleanSpace Holdings Limited's functional and presentation currency.

CleanSpace Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 5/39 Herbert St, St Leonards NSW 2065

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2021. The directors have the power to amend and reissue the financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated 2021 \$	2020 \$
Revenue	3	49,925,566	28,405,539
Cost of sales		(11,543,547)	(7,373,325)
Gross profit		38,382,019	21,032,214
Other income	4	157,039	975,920
Employee benefits expense	5	(10,500,462)	(7,835,244)
Marketing and sales expenses		(3,677,363)	(2,640,244)
Research, development and intellectual property expenses		(1,382,770)	(1,468,334)
Legal and professional fees		(2,139,171)	(338,006)
Administration and other operating expenses		(3,633,553)	(1,975,225)
Depreciation, amortisation and impairment expenses	5	(1,180,209)	(430,315)
Operating profit		16,025,530	7,320,766
Finance income - interest		44,614	59,443
Finance costs	5	(113,353)	(99,470)
Profit before income tax expense		15,956,791	7,280,739
Income tax expense	6	(4,569,669)	(1,358,590)
Profit after income tax expense for the year attributable to the owners of CleanSpace Holdings Limited		11,387,122	5,922,149
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(433)	10,995
Other comprehensive (loss)/income for the year, net of tax		(433)	10,995
Total comprehensive income for the year attributable to the owners of CleanSpace Holdings Limited		11,386,689	5,933,144
Earnings per share (cents per share)			
- Basic earnings per share (cents)	36	15.37	8.92
- Diluted earnings per share (cents)	36	15.04	8.11
Dividends per share		-	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	7	22,207,104	6,744,311
Trade and other receivables	8	2,442,573	8,706,739
Inventories	9	4,609,942	1,833,726
Financial assets	12	16,034,268	3,576,179
Other assets	10	476,710	159,864
Total current assets		45,770,597	21,020,819
Non-current assets			
Property, plant and equipment	13	1,947,727	931,210
Right-of-use assets	11	1,943,305	83,385
Deferred tax assets	14	1,055,248	915,206
Total non-current assets		4,946,280	1,929,801
Total assets		50,716,877	22,950,620
Liabilities			
Current liabilities			
Trade and other payables	15	2,431,053	4,336,326
Contract liabilities	16	2,921	970,185
Borrowings	17	2,384,343	2,390,987
Lease liabilities	18	396,733	112,491
Income tax	19	1,576,810	2,221,232
Employee benefits	20	626,914	295,333
Provisions	21	498,758	331,093
Total current liabilities		7,917,532	10,657,647
Non-current liabilities			
Borrowings	17	2,932	2,352,208
Lease liabilities	18	1,598,615	-
Deferred tax liabilities	22	143,013	43,962
Employee benefits	20	325,785	160,952
Total non-current liabilities		2,070,345	2,557,122
Total liabilities		9,987,877	13,214,769
Net assets		40,729,000	9,735,851
Equity			
Issued capital	23	33,430,564	14,347,548
Reserves	24	534,006	10,995
Retained profits/(accumulated losses)	38	6,764,430	(4,622,692)
Total equity		40,729,000	9,735,851

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated	Issued capital \$	Reserves \$	Retained Profits/ (accumulated losses) \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2019	14,331,884	-	(10,544,841)	-	3,787,043
Profit after income tax expense for the year	-	-	5,922,149	-	5,922,149
Other comprehensive income for the year, net of tax	-	10,995	-	-	10,995
Total comprehensive income for the year	-	10,995	5,922,149	-	5,933,144
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 37)	15,664	-	-	-	15,664
Balance at 30 June 2020	14,347,548	10,995	(4,622,692)	-	9,735,851

Consolidated	Issued capital \$	Reserves \$	Retained Profits/ (accumulated losses) \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2020	14,347,548	10,995	(4,622,692)	-	9,735,851
Profit after income tax expense for the year	-	-	11,387,122	-	11,387,122
Other comprehensive income for the year, net of tax	-	(433)	-	-	(433)
Total comprehensive income for the year	-	(433)	11,387,122	-	11,386,689
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 23)	19,083,016	-	-	-	19,083,016
Share-based payments (note 37)	-	523,444	-	-	523,444
Balance at 30 June 2021	33,430,564	534,006	6,764,430	-	40,729,000

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		55,214,398	24,286,820
Payments to suppliers and employees		(36,553,275)	(20,484,155)
Interest received		44,614	59,443
Grants and government subsidies received		162,940	976,893
Interest and other finance costs paid		(156,999)	(131,652)
Income taxes paid		(5,255,082)	-
Net cash from operating activities	35	13,456,596	4,707,349
Cash flows from investing activities			
Purchase of financial assets		(12,458,089)	(1,541,803)
Payments for property, plant and equipment		(1,726,831)	(399,647)
Net cash used in investing activities		(14,184,920)	(1,941,450)
Cash flows from financing activities			
Proceeds from issue of shares	23	19,083,016	-
(Repayment of)/proceeds from borrowings		(2,336,982)	2,290,165
Net payment of lease liabilities		(554,917)	(117,970)
Net cash from financing activities		16,191,117	2,172,195
Net increase in cash and cash equivalents		15,462,793	4,938,094
Cash and cash equivalents at the beginning of the financial year		6,744,311	1,806,217
Cash and cash equivalents at the end of the financial year	7	22,207,104	6,744,311

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Comparatives are consistent with prior years, unless otherwise stated. There has been some

reclassification to the prior year comparatives in order to be consistent with the current year classification.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CleanSpace Holdings Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. CleanSpace Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Principles of consolidation (cont.)

difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is CleanSpace Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Segment information

Operating segments are presented using the 'management' approach where the information

presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when control of the goods has transferred and there is no longer any ownership or effective control over the goods.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenue recognition (cont.)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Government grants and other revenue are recognised when they are received or when the right to receive payment is established.

Research and Development ('R&D') Tax Incentives are recognised when it is reasonable that the Company has satisfied all criteria and conditions of the requirements set by the Australian Taxation Office. R&D Tax incentives are offset against the tax liability unless there is no tax liability available, in which case it is presented as "Other Income" in the statement of comprehensive income

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the

reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidation

CleanSpace Holdings Limited and its Australian wholly owned subsidiaries elected to implement the tax consolidation legislation and form a tax consolidated group.

Each individual entity within the tax consolidated group accounts for its own income tax expense and deferred tax balances following the policy as above. Any current tax balance payable or receivable by the entity based on its own results are accounted for as an intercompany balance to CleanSpace Holdings Limited provided they are recoverable. CleanSpace Holdings Limited records the consolidated tax payable position of the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Current and non-current classification (cont.)

unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Cost is measured at the weighted average cost per unit. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Investments and other financial assets (cont.)

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months.

Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5 years
Plant and equipment	3-7 years
Motor vehicles	3-8 years
Computer software	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the

interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Employee benefits (cont.)

of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion

of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of CleanSpace Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT.)

assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity 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.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

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 will be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT.)

Lease term (cont.)

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 consolidated entity'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 consolidated entity 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.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

	2021 \$	Consolidated 2020 \$
NOTE 3. REVENUE		
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Major product lines</i>		
Respirators revenue	25,460,469	15,047,114
Consumables, accessories and other revenue	24,465,097	13,358,425
	49,925,566	28,405,539
<i>Timing of revenue recognition</i>		
At a point in time	49,925,566	28,405,539

The Company has two main types of revenue:

- (1) *Respirator revenues*: reflects sales of the respirator units only; and
- (2) *Consumables, Accessories and Other Revenues*: reflects all other revenue and revenue adjustments. This is substantially related to the sales of accessories and consumable items, including masks, filters and docking stations. It also includes service income, freight income, and deductions for customer rebates and payment incentives.

Segment information

For the purposes of the internal reporting to the chief operating decision makers, business activities, performances and any associated assets and liabilities are viewed as a consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 3. REVENUE (CONT.)		
<i>Revenue by region</i>		
North America	22,343,113	5,883,082
Europe	11,928,540	10,686,556
Rest of world	15,653,913	11,835,901
	49,925,566	28,405,539

	2021 \$	Consolidated 2020 \$
NOTE 4. OTHER INCOME		
Government grants	156,839	200,000
Research and development tax incentive	-	776,893
Other income/(expense)	200	(973)
Other income	157,039	975,920

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 5. EXPENSES		
Profit before income tax includes the following specific expenses:		
<i>Leases</i>		
Short-term lease payments	66,615	62,228
<i>Net foreign</i>		
Net foreign exchange loss	143,927	335,817
<i>Depreciation</i>		
Leasehold improvements	70,379	10,674
Property, plant and equipment	602,580	273,313
Right-of-use assets	439,459	147,076
Total depreciation	1,112,418	431,063
<i>Amortisation</i>		
Software	17,902	-
Total depreciation and amortisation	1,130,320	431,063
<i>Impairment</i>		
Trade receivables	49,889	(748)
Total depreciation, amortisation and impairment expenses	1,180,209	430,315
<i>Finance costs</i>		
Interest on government loans	8,223	89,941
Interest and finance charges paid/payable on lease liabilities	105,130	9,529
Finance costs expensed	113,353	99,470
<i>Employee benefits (1)</i>		
Salaries, wages and other employee costs	9,728,513	7,545,051
Share-based payments	183,544	15,663
Superannuation contributions	588,405	274,530
	10,500,462	7,835,244

(1) An additional \$1,888,507 (FY20 \$960,222) of employment expenses are included in costs of sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 6. INCOME TAX EXPENSE		
<i>Income tax expense</i>		
Current tax	4,558,800	2,229,834
Deferred tax	(40,991)	(871,244)
Adjustment recognised for prior periods	51,860	-
Aggregate income tax expense	4,569,669	1,358,590
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	15,956,791	7,280,739
Tax at the statutory tax rate of 30% (2020: 27.5%)	4,787,037	2,002,203
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
R&D tax incentive	(1,039,263)	(719,086)
Permanent differences - R&D expenses	809,815	513,633
Permanent differences - Other	47,832	(216,739)
	4,605,421	1,580,011
Prior year tax losses not recognised now recouped	-	(221,421)
Under provision of income tax in the prior year	51,860	-
Change in provision of income tax as a result of a change in statutory tax rate	(79,229)	-
Impact of rates of foreign subsidiaries	(8,383)	-
Income tax expense	4,569,669	1,358,590

NOTE 7. CASH AND CASH EQUIVALENTS

<i>Current assets</i>		
Cash at bank	22,207,104	6,744,311

NOTE 8. TRADE AND OTHER RECEIVABLES

<i>Current assets</i>		
Trade receivables	1,653,291	6,255,644
Less: Allowance for expected credit losses	(41,099)	(2,496)
	1,612,192	6,253,148
Other receivables	30,025	806,938
Deposits	800,356	1,646,653
	2,442,573	8,706,739

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8. TRADE AND OTHER RECEIVABLES (CONT.)

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$49,889 in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 \$	2020 \$	2021 \$	2020 \$
Not overdue			1,271,418	5,045,178	-	-
0 to 3 months overdue	4.11	0.21	355,387	1,210,465	14,613	2,496
Greater than 3 months	100.00	-	26,486	-	26,486	-
			1,653,291	6,255,643	41,099	2,496

	Consolidated	
	2021 \$	2020 \$
Movement in allowance for credit losses		
Opening balance	2,496	8,413
Additional provisions recognised	50,693	356
Receivables written off as uncollectible	(11,286)	(5,170)
Impact of foreign exchange	(804)	(1,104)
	41,099	2,496

NOTE 9. INVENTORIES

<i>Current assets</i>		
Raw materials	4,578,380	1,303,015
Less: Provision for impairment	(661,126)	(28,789)
	3,917,254	1,274,226
Finished goods - at cost	782,921	216,267
Less: Provision for impairment	(90,233)	(23,082)
	692,688	193,185
Stock in transit - at cost	-	366,315
	4,609,942	1,833,726

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	Consolidated 2021 \$	2020 \$
NOTE 10. OTHER ASSETS		
<i>Current assets</i>		
Prepayments	476,710	159,864
NOTE 11. RIGHT-OF-USE ASSETS		
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,382,764	230,461
Less: Accumulated depreciation	(439,459)	(147,076)
	1,943,305	83,385

The consolidated entity leases land and buildings for its offices and production facility in St Leonards, Sydney Australia. The agreements (a lease and sublease) were entered into in August 2020 and are for a term of 5 years, with options to extend. The leases have various escalation clauses. On renewal, the leases are to be on the same general terms.

In the year ended 30 June 2021 the Group entered into leases for a new site in St Leonards, Sydney, NSW to allow for the continued expansion of the business. The entry into these leases created a Right-of-Use Asset of \$2,382,764 and a corresponding Lease Liability of the same value. In line with the requirements of AASB 16 Leases, the Right-of-Use Asset has been depreciated during the period and the lease payments have been allocated between the Lease Liability and finance costs. Refer to Note 18 for Lease Liability balances.

NOTE 12. FINANCIAL ASSETS

<i>Current assets</i>		
Financial assets held at amortised cost	16,034,268	3,576,179

Financial assets held at amortised cost consist of term deposits held with Australian banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 13. PROPERTY, PLANT AND EQUIPMENT		
<i>Non-current assets</i>		
Leasehold improvements - at cost	633,075	53,212
Less: Accumulated depreciation	(70,379)	(53,212)
	562,696	-
Plant and equipment - at cost	2,455,346	1,768,775
Less: Accumulated depreciation	(1,232,785)	(977,347)
	1,222,561	791,428
Motor vehicles - at cost	96,541	132,833
Less: Accumulated depreciation	(31,147)	(33,113)
	65,394	99,720
Office equipment - at cost	93,657	53,857
Less: Accumulated depreciation	(40,347)	(23,227)
	53,310	30,630
Computer software - at cost	67,577	19,973
Less: Accumulated depreciation	(23,811)	(10,541)
	43,766	9,432
	1,947,727	931,210

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Office equipment \$	Computer software \$	Total \$
Balance at 1 July 2019	4,100	762,990	45,407	25,389	16,089	853,975
Additions	-	297,624	62,360	26,811	-	386,795
Disposals	-	(48,293)	-	(8,336)	-	(56,629)
Write off of assets	-	-	-	-	(2,773)	(2,773)
Depreciation expense	(4,100)	(220,893)	(8,047)	(13,234)	(3,884)	(250,158)
Balance at 30 June 2020	-	791,428	99,720	30,630	9,432	931,210
Additions	633,075	1,006,352	-	39,800	52,237	1,731,464
Disposals	-	-	(17,326)	-	-	(17,326)
Write off of assets	-	(6,759)	-	-	-	(6,759)
Depreciation expense	(70,379)	(568,460)	(17,000)	(17,120)	(17,903)	(690,862)
Balance at 30 June 2021	562,696	1,222,561	65,394	53,310	43,766	1,947,727

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 14. DEFERRED TAX ASSETS		
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued expenses	410,512	661,784
Employee benefit provisions	281,267	122,290
Provision for inventory	225,408	
Provision for warranties	149,627	91,051
Other	(11,566)	40,081
Deferred tax asset	1,055,248	915,206

NOTE 15. TRADE AND OTHER PAYABLES

<i>Current liabilities</i>		
Trade payables	801,024	1,341,279
Other payables	1,630,029	2,995,047
	2,431,053	4,336,326

Refer to note 26 for further information on financial instruments.

NOTE 16. CONTRACT LIABILITIES

<i>Current liabilities</i>		
Contract liabilities	2,921	970,185
Reconciliation of contract liabilities		
Opening balance	970,185	-
Included in opening balance – transferred to revenue	(970,185)	-
Payments received in advance	2,921	970,185
Closing balance	2,921	970,185

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at 30 June 2021 was \$2,921 (\$970,185 as at 30 June 2020) and is expected to be recognised as revenue within 6 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 17. BORROWINGS		
<i>Current liabilities</i>		
Loan from NSW Health Administration Corporation	2,372,877	2,372,048
Finance lease	11,466	18,939
	2,384,343	2,390,987
<i>Non-current liabilities</i>		
Loan from NSW Health Administration Corporation	-	2,337,811
Finance lease	2,932	14,397
	2,932	2,352,208
	2,387,275	4,743,195

Refer to note 26 for further information on financial instruments.

Loan from NSW Health Administration Corporation

The Company entered into a funding agreement with NSW Health Administration Corporation in September 2019. The funding is to be used solely for the aim to improve the adoption of an innovative re-usable respirator in acute care settings.

The Company is not required to make any repayments of the loan until the project has achieved commercial success. The project is expected to achieve commercial success during the 2022 financial year. The applicable interest rate for the loan is calculated by using the annual Consumer Price Index (CPI).

A loan from the NSW Health Administration Corporation that had been entered into in 2016 was repaid during the year.

NOTE 18. LEASE LIABILITIES

<i>Current liabilities</i>		
Lease liability	396,733	112,491
<i>Non-current liabilities</i>		
Lease liability	1,598,615	-
	1,995,348	112,491

Refer to note 26 for further information on financial instruments and note 11 for information on Right of Use Assets and related leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
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NOTE 19. INCOME TAX

Current liabilities

Income tax liability	1,576,810	2,221,232
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NOTE 20. EMPLOYEE BENEFITS

Current liabilities

Annual leave	626,914	295,333
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Non-current liabilities

Long service leave	325,785	160,952
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	952,699	456,285
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NOTE 21. PROVISIONS

Current liabilities

Warranties	498,758	331,093
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Warranties

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

The movement in the warranty provision during the year is set out below.

Movement in warranty provision

Opening balance 1 July	331,093	82,949
Additional provisions	298,336	339,668
Provision used	(130,671)	(91,524)
Balance at 30 June	498,758	331,093

NOTE 22. DEFERRED TAX LIABILITIES

Non-current liabilities

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Prepayments	143,013	43,962
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Deferred tax liability	143,013	43,962
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 Shares	2020 Shares	Consolidated 2021 \$	2020 \$
NOTE 23. ISSUED CAPITAL				
Ordinary shares - fully paid	77,019,523	54,460,746	33,430,564	10,778,560
Preference shares - fully paid	-	11,904,762	-	3,000,000
Employee N Class Shares - fully paid	-	6,636,495	-	568,988
	77,019,523	73,002,003	33,430,564	14,347,548

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and the amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands, 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.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share buy-back

There is no current on-market share buy-back.

Preference shares

All preference shares were converted to ordinary shares during the period.

Employee N Class shares

During the period a total of 517,627 employee N class shares were cancelled. It was resolved on 28 September 2020 that the remaining employee N class shares be vested and converted to ordinary shares.

IPO and Australian Securities Exchange ("ASX") listing

The Company completed an IPO in October 2020 and the Group was listed on the Australian Securities Exchange ("ASX") on 23 October 2020. Capital of \$20 million was raised at \$4.41 per share (4,535,147 shares).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary shares \$	Preference shares \$	Employee shares \$	Total \$
NOTE 23. ISSUED CAPITAL (CONT.)				
Movements in share capital				
Balance 1 July 2020	10,778,560	3,000,000	568,988	14,347,548
Conversion of preference shares to ordinary shares	3,000,000	(3,000,000)	-	-
Employee N class shares issued	-	-	20,100	20,100
Conversion of employee N class shares to ordinary shares	589,088	-	(589,088)	-
Contribution from holders of employee N class shares	103,165	-	-	103,165
IPO - new shares issued	19,999,998	-	-	19,999,998
Share issue costs	(1,040,247)	-	-	(1,040,247)
Balance 30 June 2021	33,430,564	-	-	33,430,564

	Ordinary shares	Preference shares	Employee shares	Total
Movements in share capital				
Balance at 1 July 2020	54,460,746	11,904,762	6,636,495	73,002,003
Conversion of preference shares to ordinary shares	11,904,762	(11,904,762)	-	-
Cancellation of employee N class shares	-	-	(517,627)	(517,627)
Conversion of employee N class shares to ordinary shares	6,118,868	-	(6,118,868)	-
IPO - new shares issued	4,535,147	-	-	4,535,147
Balance at 30 June 2021	77,019,523	-	-	77,019,523

Capital management

The key objectives of the Company when managing capital are to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. There has been no change to capital risk management policies during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 \$	Consolidated 2020 \$
NOTE 24. RESERVES		
Foreign currency reserve	10,562	10,995
Options reserve (note 37)	523,444	-
	534,006	10,995

The foreign currency reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations. The options reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency reserve \$	Options reserve \$	Total \$
Balance at 1 July 2019	-	-	-
Foreign currency translation	10,995	-	10,995
Balance at 30 June 2020	10,995	-	10,995
Foreign currency translation	(433)	-	(433)
Share-based payments	-	523,444	523,444
Balance at 30 June 2021	10,562	523,444	534,006

NOTE 25. DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

	Consolidated	
	2021	2020
	\$	\$
NOTE 26. FINANCIAL INSTRUMENTS		
The company holds the following financial instruments:		
Financial assets		
Cash and cash equivalents	22,207,104	6,744,311
Trade and other receivables	2,442,573	8,706,739
Other financial assets	16,034,268	3,576,179
	40,683,945	19,027,229
Financial liabilities		
Borrowings	2,387,275	4,734,195
Lease liability	1,995,348	112,491
Trade and other payables	2,431,053	4,336,326
	6,813,676	9,183,012

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the Australian Dollar functional currency of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26. FINANCIAL INSTRUMENTS (CONT.)

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in United States Dollar and European Union Euro. The group does not currently hedge these exposures.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities		Net	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
US dollars	602,671	3,410,863	(942,647)	(1,778,972)	(339,976)	1,631,891
Euro	1,009,525	1,101,260	(307,591)	(485,947)	701,934	615,312
Pound Sterling	142,908	275,420	(15,012)	(52,047)	127,896	223,373
Chinese Yuan	643,648	-	-	(237,374)	643,648	(237,374)
	2,398,752	4,787,543	(1,265,250)	(2,554,340)	1,133,502	2,233,203

The Group had net assets denominated in foreign currencies of \$1,133,502 (2020: \$2,233,203). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% (2020: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$56,675 higher/\$56,675 lower (2020: \$111,660 higher/\$111,660 lower) and equity would have been \$39,673 higher/\$39,673 lower (2020: \$78,162 higher/\$78,162 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2021 was \$143,927 (2020: loss of \$335,817).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Terms are established for each customer. Customers who fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the aged debtors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26. FINANCIAL INSTRUMENTS (CONT.)

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2021						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	801,024	-	-	-	801,024
Other payables	-	1,630,028	-	-	-	1,630,028
<i>Interest-bearing - fixed rate</i>						
Lease liability	6.00%	396,733	435,778	1,162,837	-	1,995,348
Borrowings	3.60%	2,384,343	2,932	-	-	2,387,275
Total non-derivatives		5,212,128	438,710	1,162,837	-	6,813,675
Consolidated - 2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,341,279	-	-	-	1,341,279
Other payables	-	2,995,047	-	-	-	2,995,047
<i>Interest-bearing - fixed rate</i>						
Lease liability	6.00%	112,491	-	-	-	112,491
Borrowings	3.60%	2,390,987	2,352,208	-	-	4,743,195
Total non-derivatives		6,839,804	2,352,208	-	-	9,192,012

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

The carrying amounts of trade and other receivables are assumed to approximate their fair value due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of CleanSpace Holdings Limited during the financial year:

Dan Kao	Director
Dr Ron Weinberger	Director
Craig Lawn	Director
Clement Doherty	Director (<i>resigned 28 August 2020</i>)
William Highland	Director
Dr Alex Birrell	Director

Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Elizabeth Harvey	Chief Financial Officer and Joint Company Secretary
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Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits and director fees	1,349,207	1,106,756
Leave accruals (annual leave and long-service leave)	206,790	22,366
Post-employment benefits	75,745	61,202
Share-based payments	497,910	8,496
	2,129,652	1,198,820

No termination benefits were paid during the current or prior year. .

Detailed remuneration disclosures are provided in the remuneration report within the Directors' report. The company has issued non-recourse loans to KMPs related to Employee N class shares totalling \$nil (FY20: \$49,885).

NOTE 28. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by PKF, the auditor of the company:

<i>Audit services -</i>		
Audit or review of the financial statements	102,000	29,700
<i>Other services -</i>		
Investigating Accountants review of the IPO prospectus and IPO tax advice	137,826	-
Tax compliance	40,585	6,800
Other	4,000	-
	182,411	6,800
	284,411	36,500

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29. CONTINGENCIES

At balance date, bank guarantees were supported by security deposit guarantees, for which no liabilities have been recorded in the financial statements. Total bank guarantees of the consolidated entity at 30 June 2021 were \$406,768 (30 June 2020: \$34,376).

NOTE 30. COMMITMENTS

The consolidated entity did not have any commitments at 30 June 2021 or 30 June 2020.

NOTE 31. RELATED PARTY TRANSACTIONS

Parent entity

CleanSpace Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2021	2020
	\$	\$
Payment for services from an Associate		
Rental of storage and car spaces	18,273	19,484
Employment services	2,418	3,110
Contractor - Business Development services	21,665	25,375
Payable to related party:		
Contractor Business Development services owed by the company	-	22,750

Loans to/from related parties

There were no loans to or from related parties at the current reporting date. At 30 June 2020 the Company had issued non-recourse loans to KMPs related to Employee N class shares totalling \$49,885 which were repaid during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 32. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	2021 \$	Parent 2020 \$
Statement of profit or loss and other comprehensive income		
Profit/(loss) after income tax	(1,755,235)	742,067
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	(1,755,235)	742,067
Statement of financial position		
Total current assets	35,800,802	18,533,101
Total non-current assets	3,200,997	3,200,887
Total assets	39,001,799	21,733,988
Total current liabilities	1,643,767	2,231,545
Total non-current liabilities	-	-
Total liabilities	1,643,767	2,231,545
Net assets	37,358,032	19,502,443
Equity		
Issued capital	33,433,416	14,347,548
Reserves	523,444	-
Retained profits	3,401,172	5,154,895
Total equity	37,358,032	19,502,443

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 33. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Parent Entity:			
CleanSpace Holdings Ltd	Australia	100%	100%
Subsidiaries:			
CleanSpace IP Pty Ltd	Australia	100%	100%
CleanSpace Technology Pty Limited	Australia	100%	100%
CleanSpace Americas, Inc	USA	100%	100%
CleanSpace Technology Singapore Pte Ltd	Singapore	100%	100%
CleanSpace NZ Ltd	New Zealand	100%	100%

NOTE 34. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	Consolidated	
	2021	2020
	\$	\$
Profit after income tax expense for the year	11,387,122	5,922,149
Adjustments for:		
Depreciation and amortisation	1,130,320	431,063
Impairment of receivables	49,889	5,917
Share-based payments expense	523,444	15,664
Stock adjustments	718,818	15,333
Interest on lease liability	105,130	6,878
Loss on asset disposal	2,170	-
Foreign currency differences	(131,664)	114,151
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	6,214,277	(6,591,944)
Increase in inventories	(3,495,034)	(1,004,007)
Increase in deferred tax assets	(140,042)	(915,206)
Increase in prepayments	(316,846)	(143,417)
(Decrease)/increase in trade and other payables	(1,742,432)	3,209,195
(Decrease)/increase in contract liabilities	(967,264)	970,185
(Decrease)/increase in provision for income tax	(644,422)	2,127,844
Increase in deferred tax liabilities	99,051	43,962
Increase in employee benefits liabilities	496,414	125,566
Increase in other provisions	167,665	374,016
Net cash from operating activities	13,456,596	4,707,349

NOTE 36. EARNINGS PER SHARE

Profit after income tax attributable to the owners of CleanSpace Holdings Limited	11,387,122	5,922,149
Weighted average number of shares used in calculating basic earnings per share	74,106,769	66,365,508
Adjustments for calculation of diluted earnings per share		
- Employee N Class shares	1,629,305	6,650,468
Weighted average number of ordinary shares used in calculating diluted earnings per share	75,736,034	73,015,976
Basic earnings per share	15.37	8.92
Diluted earnings per share	15.04	8.11

The weighted average number of shares used to calculate basic earnings per share includes the ordinary shares on issue and the preference shares that were on issue, as the holders of the preference shares were entitled to participate in dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 37. SHARE-BASED PAYMENTS

During the year, the Board approved the terms of the Company's new umbrella equity-based long-term incentive plan ("Equity Incentive Plan"). The Board may from time to time, operate the Equity Incentive Plan, determine employees who are eligible to participate and make an invitation to an employee to acquire awards or grant awards to an employee. These grants have been amortised on a straight-line basis over the vesting period. Total expensed in the year ended 30 June 2021 under this plan was \$523,444 (30 June 2020: \$nil). Prior to this Equity Incentive plan the Company issued N Class shares to certain employees. The total expensed in the year ended 30 June 2021 related to N class shares was \$20,100 (30 June 2021: \$15,663).

Non-Executive Director (NED) options

On 22 October 2020, 339,621 NED Options were granted for Nil consideration at an exercise price of \$4.41 with a vesting date of 30 June 2021.

Employee options

On 22 October 2020, 444,169 Employee Options were granted for Nil consideration at an exercise price of \$4.41. 50% of the options granted will vest if the participant remains employed by the Company at the date of release of the Company's full year results for financial year ended 30 June 2022 (expected to be in or around August 2022) and 50% will vest if the participant remains employed at the date of the release of the Company's full-year results for the financial year ended 30 June 2023 (expected to be in or around August 2023).

	Grant date	Expiry date	Exercise price	Balance at the start of the financial year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the financial year
Executive option	22/10/2020	22/10/2025	\$4.41	-	444,169	-	-	444,169
NED option	22/10/2020	22/10/2025	\$4.41	-	339,621	-	-	339,621
				-	783,790	-	-	783,790

	2021 \$	Consolidated 2020 \$
NOTE 38. RETAINED PROFITS/ (ACCUMULATED LOSSES)		
Accumulated losses at the beginning of the financial year	(4,622,692)	(10,544,841)
Profit after income tax expense for the year	11,387,122	5,922,149
Retained profits/(accumulated losses) at the end of the financial year	6,764,430	(4,622,692)

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- 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 required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Dr Alex Birrell
Director

27 August 2021



Dr Ronald Weinberger
Chairman

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021



TO THE MEMBERS OF CLEANSPACE HOLDINGS LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of CleanSpace Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

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

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

Independence

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

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

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INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021



Key Audit Matters (cont'd)

1. Inventory existence and valuation

Why significant

As at 30 June 2021, the carrying value of inventory was \$4,609,942 (2020: \$1,833,726) as disclosed in note 9 of the financial report.

The Group's manufacturing planning processes consider forecast customer demand and access to materials from a range of suppliers. These factors impact on the quantity of raw material and finished goods inventory on hand and necessitate minimum inventory levels to ensure that the Group's sales objectives continue to be met.

A standard cost system is used to account for inputs to inventory. Management conducts regular analysis to determine the cost of inventory, and whether adjustment to the carrying amount is required to reflect net realisable value, if that is lower than cost.

Inventory is the most significant of the Group's assets, and accordingly we considered it a Key Audit Matter.

How our audit addressed the key audit matter

Our procedures included but were not limited to:

- Attending and observing year-end inventory counts performed by Management at locations of significance, on a virtual basis;
- Testing the accuracy of perpetual inventory records for a sample of products to check descriptions, quantities and the recording of inventory movements, including cut off around the balance date;
- Evaluating the design of processes to capture the costs of purchase and conversion and those other costs incurred in bringing inventories to their present location and condition;
- Testing on a sample basis the reasonableness of raw material costs and finished good standard costs compared to actual costs of purchase and production;
- Considering the turnover cycle of inventory, assessing the allocation of purchase price and efficiency variances; and
- Challenging the adequacy of provisions and adjustments made to inventory to ensure it is measured at the lower of cost and net realisable value, on the basis of actual and forecast sales activity, and Management's assessment of qualitative factors.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021



Key Audit Matters (cont'd)

2. Revenue Recognition

Why significant

The Group's sales revenue amounted to \$49,925,566 during the year (2020: \$28,405,539). Note 1 describes the accounting policies applicable to distinct revenue streams, noting that revenue from the sale of goods, after adjusting for discounts or allowances, is recognised upon the delivery of goods to customers.

On the basis of the significant rapid growth of the account and the processes used to determine the recognition point, we have considered revenue recognition as a Key Audit Matter.

How our audit addressed the key audit matter

Our procedures included but were not limited to:

- Evaluating a sample of revenue transactions identifying contracted performance obligations, agreeing revenue amounts to purchase orders, proof of delivery, shipping terms and bank records. These procedures facilitated our assessment of the values recorded, and the timing of revenue recognition aligned to fulfilment of the Group's performance obligations, transferred at a point in time;
- Evaluating the cut-off process and its reliability to fairly account for dispatches not yet transferred to customers at the reporting date and the recognition of revenue in accordance with the Group's accounting policies;
- Reviewing the credit notes raised subsequent to balance date to ensure cut off of revenue was correctly applied; and
- Assessing the consistency of the Group's accounting policies disclosed in the financial report in respect of revenue recognition with the criteria prescribed by the applicable standard, AASB 15 *Revenue from contracts with customers*.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021



Other Information (cont'd)

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

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2021



Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- 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

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of CleanSpace Holdings Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

PKF

SCOTT TOBUTT
PARTNER

27 AUGUST 2021
SYDNEY, NSW

ADDITIONAL SHAREHOLDER INFORMATION

The following information is current as at 8 October 2021.

Distribution of Shareholders

Fully Paid Ordinary Shares (Holdings Ranges)	Number of Holders	Number of Units	%
1 - 1,000	2,151	889,709	1.16
1,001 - 5,000	1,399	3,517,170	4.57
5,001 - 10,000	316	2,361,034	3.07
10,001 - 100,000	265	7,709,824	10.01
100,001 - over	72	62,541,786	81.20
Total	4,203	77,019,523	100.00

20 Largest Shareholders

No.	Name	Number of Ordinary Shares Held	% of Issued Capital
1	E&P INVESTMENTS LIMITED <CVC INVESTEE A/C>	9,257,535	12.02
2	NATIONAL NOMINEES LIMITED	5,321,714	6.91
3	CHATSWOOD WEALTH MANAGEMENT PTY LTD	3,850,000	5.00
4	BNP PARIBAS NOMS PTY LTD <DRP>	3,702,146	4.81
5	ALEX BIRRELL <BAF A/C>	2,798,962	3.63
6	DAN KAO	2,530,000	3.29
7	ELSIE FLOOD FOUNDATION PTY LTD <ELSIE FLOOD FOUNDATION A/C>	2,398,629	3.11
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,323,380	3.02
9	MIN FANG	2,057,248	2.67
10	PAFTEC INVESTMENT FUND PTY LTD <PAFTEC UNIT A/C>	1,878,497	2.44
11	ACORN CAPITAL PRIVATE OPPORTUNITIES FUND L P	1,670,391	2.17
12	ALFRED H H MYERS <LUCY'S A/C>	1,449,481	1.88
13	UBS NOMINEES PTY LTD	1,300,300	1.69
14	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,293,212	1.68
15	MISS LINDA YING WANG <KAO AND WANG FAMILY A/C>	1,202,816	1.56
16	CRAIG LAWN & JOY LAWN <LAWN FAMILY SUPER FUND A/C>	1,001,871	1.30
17	PETER ANTHONY VOGLIOTTI	1,000,000	1.30
18	CHING MING LIU	843,406	1.10
19	LILY LI-TING HONG	836,790	1.09
20	JENNY HSU	815,734	1.06
	Totals	47,532,112	61.71

ADDITIONAL SHAREHOLDER INFORMATION

Substantial Shareholders

The following shareholders are substantial holders of the Company:

Holder Name	No. of Shares	% Voting Power
Walsh & Company Investments Limited as trustee for CVC Emerging Companies Fund	10,007,535	12.99
Acorn Capital Limited	6,080,863	7.90
National Nominees Ltd ACF Australian Ethical Investment Limited	4,342,070	5.64

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. There are no other classes of equity securities.

Unmarketable Holders

There are 1,154 shareholders holding less than a marketable parcel of shares based on the closing price of \$1.405 on 8 October 2021 representing a total of 200,989 shares.

Restricted Securities

CleanSpace Holdings Limited has the following restricted securities on offer:

Class	No. of Shares	No. of Shareholders
Fully Paid Ordinary Shares Voluntary Escrowed to August 2022	7,142,111	18
Fully Paid Ordinary Shares Voluntary Escrowed to February 2022	4,999,476	18

Options on Issue

CleanSpace Holdings Limited has 444,167 Executive Options and 339,621 NED Options on issue held by seven Company Executives and Directors. The Options are exercisable at \$4.41 per Option and expire on 22 October 2025. The Options are subject to vesting conditions.

Use of IPO Funds

For the period from listing on 23 October 2021 to the end of the reporting period, 30 June 2021, CleanSpace Holdings Limited has used cash and other assets which are readily convertible into cash in a manner that was consistent with the objectives stated in its prospectus dated 29 September 2020.

CORPORATE GOVERNANCE STATEMENT

CleanSpace Holdings Limited corporate governance practices have been developed by the Board using the framework of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th ed.).

Please refer to the CleanSpace website at <https://cleanspacetechnology.com/governance> to view our Corporate Governance Statement.

CORPORATE DIRECTORY

CLEANSPACE HOLDINGS LIMITED | ABN 91 150 214 636

DIRECTORS

Dr Alexandra Birrell
Mr William Highland
Mr Dan Kao
Mr Craig Lawn
Mr Bruce Rathie
Dr Ronald Weinberger

COMPANY SECRETARY (JOINT)

Ms Elissa Hansen
Ms Elizabeth Harvey

REGISTERED OFFICE

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St Leonards NSW 2065
Ph: +61 2 8436 4000

SHARE REGISTER

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Sydney NSW 2001
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Ph: 1300 737 760 (within Australia)

INVESTOR/MEDIA RELATIONS

Porter Thomas
Ph: +61 415 900 891

AUDITOR

PKF(NS) Audit & Assurance Limited
Level 8, 1 O'Connell Street
Sydney NSW 2000

TAX ADVISOR

PKF Sydney Pty Limited
Level 8, 1 O'Connell Street
Sydney NSW 2000

LEGAL ADVISORS

Gilbert + Tobin
Level 35, Tower 2
200 Barangaroo Avenue
Barangaroo NSW 2000

STOCK EXCHANGE LISTING

CleanSpace Holdings Limited shares are listed on the Australian Securities Exchange

ASX Code: CSX

CleanSpace®
RESPIRATORS

