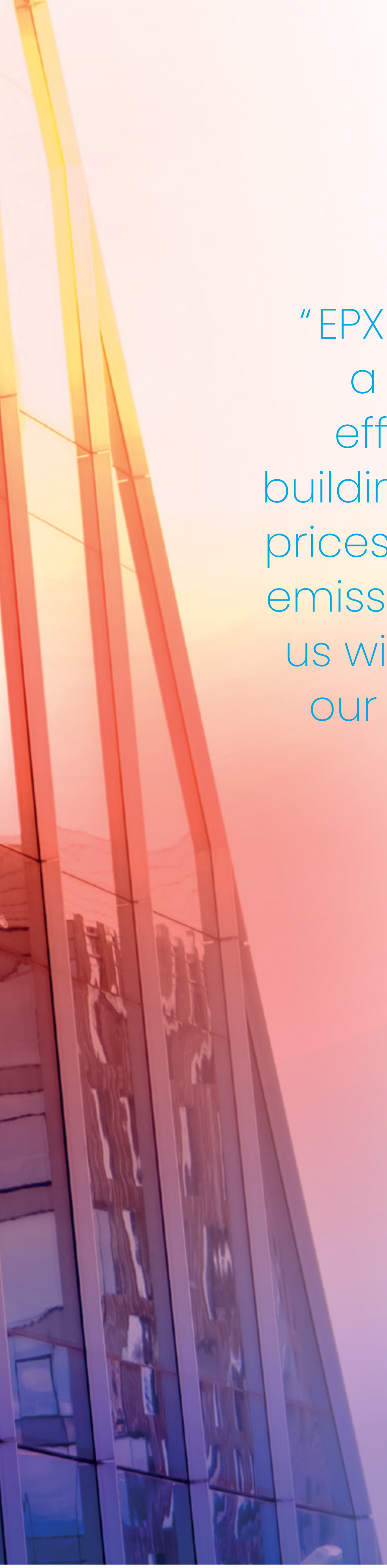
ep&t global

ENVIRONMENT | PROPERTY | TECHNOLOGY

# Annual Report 2022

Smarter Buildings. Happier People. Healthier World



“EPX is in an exciting space, as we have a proven solution to optimise energy efficiency and reduce water usage in buildings around the world. Rising energy prices and the focus on greenhouse gas emissions and the environment provides us with a wonderful opportunity to grow our business as well as help our clients contribute to a greener future.”

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# Chairman's Letter

**Dear Fellow Shareholder**

## On behalf of the Board it is my pleasure to present to you EP&T Global's (EPX) Annual Report for the financial year ended 30 June 2022.

Shareholders will recall that EP&T listed on the ASX on 12 May 2021 after many years as a founder led organisation. The world is now a very different place from when EPX listed. Whilst COVID is still impacting parts of the world, most countries have adapted to living with the virus and are quickly returning to a "new" normal.

Just when it seemed we had moved beyond COVID and economies were picking up steam, supply chain disruptions, war in Ukraine and emerging inflation set investment markets back. Reserve banks around the world have been fighting to keep inflation under control and have increased interest rates rapidly. The Russian invasion of Ukraine has impacted European energy prices causing them to double over the past year.

This has caused the end of cheap money with interest rates increasing significantly in all major economies. Now that money has a price, investor confidence has been dented and the valuation of growth stocks, in particular, has been severely impacted.

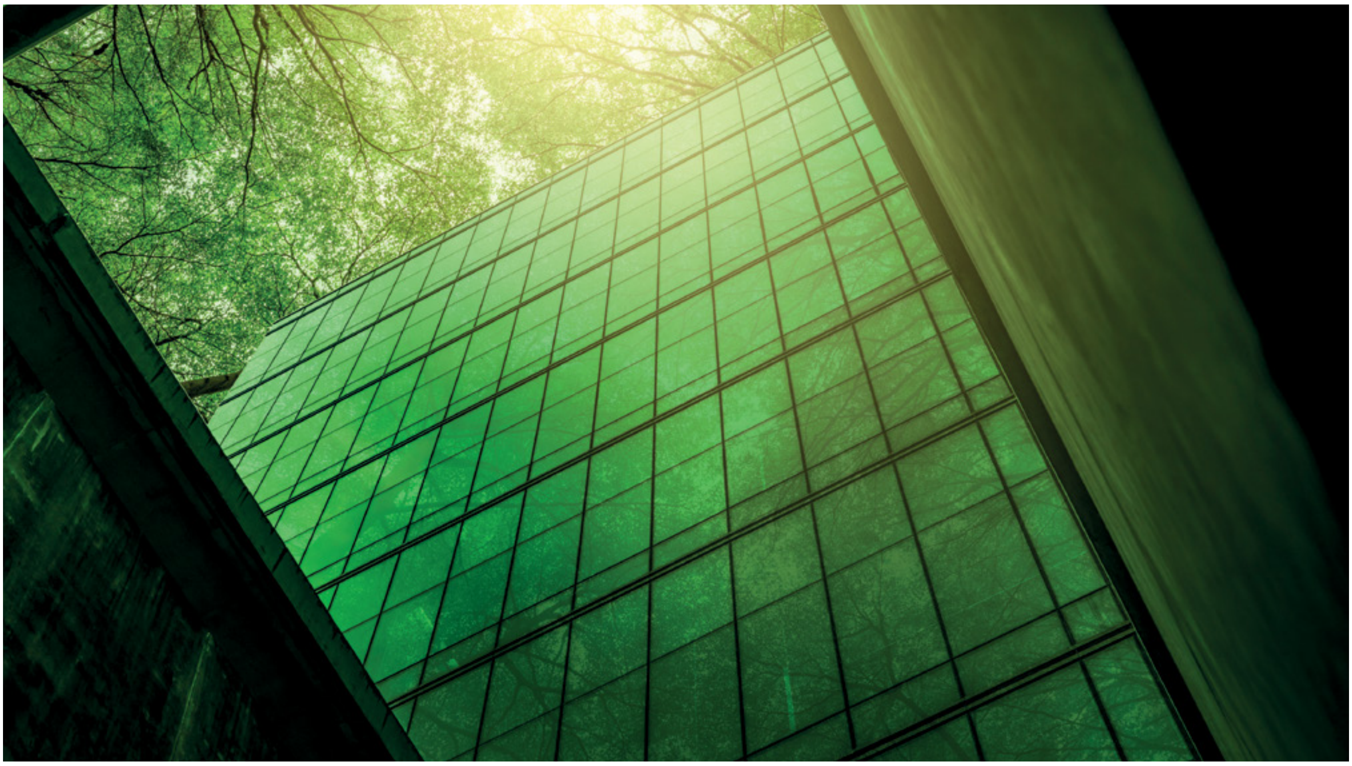
Technology stocks in Australia have not been immune and have been re-priced accordingly. Perversely, whilst EPX's share price has suffered, our underlying business continues to grow. Over the year to 30 June 2022 our ACV has grown 22%, our ARR has grown 74% and our unbilled contract value grew 20% to $44m.

Importantly, we have a clear pathway to achieving operating cashflow breakeven during the third quarter of the 2023 Financial Year and the tailwinds from rising energy prices and the move towards Net Zero have become even stronger.

Trent Knox, EPX's CEO, left the Company in early June 2022 and since early May, one of our directors, John Balassis, has been acting as our interim CEO. Trent provided stable leadership during his tenure and the Board is grateful for his contribution and thank him for it.

Under John Balassis' leadership, as interim CEO, we have rearranged our senior management team, adding Product Officer, Head of Global Sales and Head of People & Culture roles, as well as made changes to how we deliver our services. These organisational and operational changes were necessary and provide a sound base to build upon.

# Chairman's Letter



The search for our new CEO has taken time but is close to completion and we will update the market as soon as the appointment is finalised.

EPX is in an exciting space, as we have a proven solution to optimise energy efficiency and reduce water usage in buildings around the world. Rising energy prices and the focus on greenhouse gas emissions and the environment provides us with a wonderful opportunity to grow our business as well as help our clients contribute to a greener future.

I believe the Company now has a clear roadmap for success:

- Achieve operating cashflow breakeven during the third quarter of the 2023 Financial Year
- Broaden the technology skill set of the Board with the addition of a new director
- Appoint a new CEO and other key executive roles to manage a global business
- Speed up the conversion of ACV to ARR
- Reinvest in our products and services
- Improve our operational efficiency and
- Fund an increased rate of growth

Some of these we have already implemented and others are near completion.

On behalf of the Board, I would like to express our gratitude to John Balassis, our interim CEO, for the enormous amount of work he has done in re-positioning the business. John has made a significant difference in the last few months and EPX is now in much better shape both organisationally and operationally.

On a personal note, I would like to thank my fellow directors for their hard work and support over the year. Also, I recognise and thank the whole EPX team all around the world who have continued to work hard and add value for our clients.

I would also like to thank our shareholders for their ongoing support during what has often been trying times. I believe we are now on the right course for the business to thrive.

Keep safe and best wishes

Jonathan Sweeney

**Jonathan Sweeney**
**Chair**

# Interim CEO's Report

## Key Achievements

Following the Initial Public Offering in May 2021 and the strong Annual Contract Value (ACV) growth to $13.3m (from $10.9m in FY21), Financial Year 2022, was a year to strengthen the Company's foundations.

Key achievements in FY22 included:

- The successful increase in Annual Recurring Revenue (ARR) growing from $5.3m (FY21) to $9.2m (FY22), being an increase of 74%.
- Continued increase in the number of buildings (contracted sites) growing from 387 (FY21) to 471 (FY22), being a 22% increase, which now places the Company in five continents.
- An identified pathway to achieve monthly run rate operating cashflow breakeven[1] when ARR reaches $13.5m.
- Strengthening and expanding our management capability to include a new full time Head of People & Culture and a Product Officer, as we operate across multiple time zones.
- Implementing the Company's vision, mission and values including the Company purpose being "*Smarter Buildings – Happier People – Healthier World*" as the Company's 'compass' for scalable growth.
- Delivering a comprehensive product strategy which is now driving a detailed product roadmap to support the pathway of the Company over the next three horizons to broaden our EDGE platform to meet the rapidly changing environmental regulations and goals of our customers.
- Further investment in research and development, which both progressed our core product offering, and improved its functionality.

## FY22 Results Overview

EP&T experienced moderate ACV growth over FY22. During the year the Company increased the number of contracted sites from 387 to 471, representing over 8 million square meters (sqm) of Net Lettable Area of commercial space being monitored by EP&T.

This resulted in ACV growing from $10.9m to $13.3m, an increase of 23%. Our market-to-market performance was mixed, with the Middle East and European/UK markets showing the highest growth rates. Australia showed some signs of improvement but is still not performing to our desired level of activity and Hong Kong saw a net reduction in ACV. Sales were impacted by the various in-country COVID-19 restrictions the Company's employees faced during the financial year, but pleasingly we were able to keep the workforce intact and motivated during this time.

ARR growth was the key growth metric to improve substantially in FY22 increasing by 74%, driven by the previously announced customer wins in the UK and Middle East markets. To put this into some perspective, EP&T grew its global monitored square meterage from approximately 5 million sqm of Net Lettable Area (FY21) to 8 million sqm of Net Lettable Area, an increase of 60% in overall sqm monitored globally.

This level of increase brought with it some 'growing pains' in the business and really challenged our internal operating processes, as we added just short of 100 new buildings (approximately 3 million sqm of net lettable area) to our implementation pipeline. The EP&T core offering requires a hardware installation element, as this underpins the unique proposition of EP&T's EDGE platform. As such, our installation delivery process requires access to the core building electricity, gas and water meters. This is our key and unique offering, which impacts the speed at which the Company can convert ACV to ARR and hence generate cash receipts from new projects. This has been a learning for the Company given the quantum of conversions needing to be implemented simultaneously. There was a lot of focus on driving out inefficiencies in this process to allow for quicker conversion of ACV to ARR.

1 *Monthly operating cashflow is defined as monthly operating cash inflows (being receipts from operations and other revenue) less monthly operating cash outflows (being ordinary operating costs of the business including employment costs, direct cost of goods sold, occupancy, marketing, corporate and other operating costs) but excluding new project deployment costs and other investing and financing cash flows.*

# Interim CEO's Report

## FY22 Results Overview continued

The FY22 Company Statutory revenue was $7.1m up 16.6% from FY21. Recurring revenue represented 89% of FY22 Statutory revenue and was an improvement to FY21 of 82%. This increase in recurring revenue has been a focus of the Company, as we continue to transition the Company's commercial model to a recurring subscription model.

Employee benefits expense increased from $8.9m (FY21) to $10.4m (FY22) being a 16% increase. The FY21 expense benefited from COVID-19 government relief payments (e.g., Jobkeeper payments in Australia) and temporary one-off wage reductions during COVID-19 of approximately A$0.8m, hence FY22 shows a net increase of 7%. Staff numbers increased from 65 (FY21) to 75 (FY22), an increase of 15% primarily due to increases in research and development and service delivery staff to support ARR growth.

Administrative and Other expenses increased from $2.3m (FY21) to $3.5m (FY22) being a 52% increase. The largest growth categories were with our Insurance expense, representing the insurances necessary for a public company, consultancy expenses representing higher fees from listing including audit, company secretarial, etc and marketing expenses where there was an 87% increase in this category as a result of a new website, release of associated marketing collateral and more prominence at industry specific conferences.

### Product development

EP&T has delivered its first comprehensive product strategy and corresponding product roadmap. We identified three key horizonal opportunities for the Company to pursue to build on the core strength of the Company's EDGE technology platform and service offering. The overarching focus is to keep increasing market share in our key target markets , whilst increasing the Company's revenue share per building. EP&T is only one of very few global companies in the energy efficiency and optimisation market, which has consistently delivered energy savings for customers. The immediate investment and focus is on Horizon 1: Active Energy Management, where the Company is investing to deliver its product and technology roadmap over the next 18 months. The focus is on leveraging our core hardware strengths of capturing data from the metering source and then triangulating this seminal data to other data sources. This will further enhance our trusted data uniqueness.

### Operating cashflow breakeven[2]

A key focus of the Company in FY22 was to identify a pathway to operating cashflow breakeven. The Company has identified it can achieve this milestone when ARR hits $13.5million. This pathway is achieved by focussing on both revenue growth and aligning the operating cost base of the Company to be more efficiently deployed.

ARR as at 30 June 2022 was $9.2m. To achieve the milestone of $13.5m in ARR, a further $4.3m in ARR is required, with:

- $3.2m (74%) already contracted and included in EP&T's disclosed ACV; and
- $1.1m (26%) targeted to be delivered from the current global sales pipeline.

In addition to ARR growth, the Company is also reviewing its commercial sales model, to better align cash inflows with the customer installation and service delivery journey. At present a substantial amount of cash inflow occurs closer to the service delivery end of the customer journey. The Company is looking at ways to speed up cashflow conversion to start from the installation process of the customer journey, whilst continuing to transition to a subscription based model.

The Operating cost base was also reviewed and some changes occurred. This includes approximately $0.5million in cost rationalisation to assist with offsetting cost increases, particularly in employee benefits.

### Outlook

The focus in achieving operational cashflow breakeven is seminal to the Company's position to allow for scalable growth. As EP&T progresses towards this target, the level of monthly net operating cash outflows and subsequent cash burn is expected to improve, compared to historical cash runway levels of the Company, and hence forward cash needs are being closely monitored.

There are cost pressures on the cost base of the Company, with the largest being the changes as a result of annual salary increases and to assist with staff retention. Within our industry, EP&T is experiencing skills shortages which are pushing up wage growth at higher than historical levels. As a global business, EP&T does have the ability to drive efficiency through allocating resources across different regions, but each territory still requires local delivery with skilled and experienced staff, and hence the Company is not immune to wage pressures.

Overall, the Company is well placed given its unique global footprint, proven technology delivering on a global stage, awesome supportive blue chip customer base which continues to work with the Company on a daily basis, and a core experienced management team. The Company continues to see numerous growth opportunities and has several initiatives across its global operations to capture these. This includes further targeted investment in sales and marketing initiatives and investment in our Horizon 1 product enhancements arising from our product strategy.

**John Balassis**
**Interim CEO**

2 *Monthly operating cashflow is defined as monthly operating cash inflows (being receipts from operations and other revenue) less monthly operating cash outflows (being ordinary operating costs of the business including employment costs, direct cost of goods sold, occupancy, marketing, corporate and other operating costs) but excluding new project deployment costs and other investing and financing cash flows.*

# Corporate Directory

## Directors

Jonathan Sweeney – Chairman
Kirthi 'Keith' Gunaratne
John Balassis
Victor van Bommel

## Company secretaries

Laura Newell
Richard Pillinger

## Registered office and principal place of business

Suite 2, 407 Pacific Highway
Artarmon NSW 2064
Phone: (02) 8422 6000

## Website

www.eptglobal.com

## Business objectives

In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash for the whole reporting period in a way that is consistent with its business objectives.

## Stock exchange listing

EP&T Global Limited shares are listed on the Australian Securities Exchange (ASX code: EPX)

## Share register

Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000
Phone: (02) 9290 9600

## Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

## Solicitors

Hamilton Locke
Australia Square
Level 42, 264 George Street
Sydney NSW 2000

## Bankers

Commonwealth Bank of Australia
166 Redfern Street
Redfern NSW 2016

## Corporate governance statement

The Directors and management are committed to conducting the business of EP&T Global Limited in an ethical manner and in accordance with high standards of corporate governance. EP&T Global Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have been followed, which is approved at the same time as the Annual Report can be found at: https://eptglobal.com/investor-centre/

# Directors' Report

**The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of EP&T Global 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 2022.**

## Directors

The following persons were Directors of EP&T Global Limited from the date of incorporation of the Company on 15 October 2020 up to the date of this report, unless otherwise stated:

- **Jonathan Sweeney**
  Independent Non-Executive Chairman
- **Keith Gunaratne**
  Founder and Executive Director
- **John Balassis**
  Independent Non-Executive Director
  *(assumed the role of Executive Director and Interim Chief Executive Officer from 2 May 2022)*
- **Victor van Bommel**
  Independent Non-Executive Director

## Principal activities

During the year, the principal continuing activities of the Group was delivering building energy management solutions that reduce energy and water wastage and improve energy efficiency across a wide array of commercial real estate.

## Dividends

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

## Review of operations

The statutory reported loss after income tax benefit for the year attributable to the owners of EP&T Global Limited amounted to $8,404,633 (30 June 2021: $12,156,861).

Revenue for the Group was $7,085,739 in the 2022 financial year, a 16.6% increase from 2021. The Group's other Key Operating Metrics, as outlined in the table below, all improved from the corresponding period in 2021.

During the year ended 30 June 2022, Annualised Contract Value ('ACV') increased by $2.4 million (22%) to $13.3 million. ACV is calculated as the annualised monthly fees to be charged under contracts with customers.

Annualised Recurring Revenue ('ARR') represents recurring revenue component of contracted subscriptions with customers at a point in time. The difference between ACV and ARR is the backlog of projects yet to be installed. During the 2022 financial year the backlog has decreased from $4.9 million (30 June 2021) to $3.2 million as a result of progress on installation of a number of projects in the final quarter of FY22 following the easing of COVID-19 restrictions in many markets. The backlog is an indicator of future ARR growth to be delivered from the pipeline of projects on hand once ongoing services commence. Over 90% of the installation backlog is in the European and Middle East markets.

| Key Operating Metrics | 30 June 2022 | 30 June 2021 | Change % |
|---|---|---|---|
| Annualised Contract Value (ACV) | **13,256,000** | 10,872,000 | 22% |
| Annualised Recurring Revenue (ARR) | **9,248,000** | 5,307,000 | 74% |
| Unbilled Contract Value (UCV) | **44,024,000** | 36,648,000 | 20% |
| Recurring revenue | **89%** | 82% | 9% |
| Number of contracted sites | **471** | 387 | 22% |

## Review of operations continued

Unbilled Contract Value ('UCV') represents the contracted amounts remaining to be billed by EP&T to customers over the unexpired contracted term of contracts on hand. Over the course of the 2022 financial year, UCV has increased by $7.4 million from $36.6 million to $44.0 million (20% growth).

The average term remaining on all contracts that EP&T has on hand is 3.3 years (2021: 3.4 years).

The new contract wins in the 2022 financial year added over 90 new buildings to EP&T's portfolio, increasing the Group's total contracted buildings to 471 and its global customer footprint from 22 to 26 countries.

Underlying earnings before interest, taxation, depreciation and amortisation ('EBITDA') is a financial measure which is not prescribed by the Australian Accounting Standards ('AAS') and represents the loss under AAS adjusted for specific items, including share-based payments expense, impairment of assets, the change in fair value of convertible notes, Initial Public Offering ('IPO') costs and finance costs related to convertible notes. The directors consider Underlying EBITDA to be one of the key financial measures of the Group.

The following table summarises key reconciling items between statutory after tax result attributable to the shareholders of the Company and Underlying EBITDA:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Loss after income tax | (8,404,633) | (12,156,861) |
| Less: Income tax expense/(benefit) | 267,050 | (225,817) |
| Less: Interest income | (189,748) | (175,680) |
| Add: Interest expense | 77,701 | 125,626 |
| Add: Depreciation | 1,009,552 | 546,668 |
| Reported EBITDA | (7,240,078) | (11,886,064) |
| Add: Change in fair value of convertible notes (1) | – | 3,996,465 |
| Add: Impairment of assets (2) | 160,559 | 1,998,584 |
| Add: Impairment of inventory (3) | 119,520 | – |
| Add: IPO expense (4) | – | 980,288 |
| Add: Finance costs related to convertible notes (5) | – | 757,251 |
| Add: Share-based payments expense (6) | 426,597 | 896,457 |
| Underlying EBITDA | (6,533,402) | (3,257,019) |

(1) *Represents the movement in derivatives recognised on convertible notes which were fully converted to ordinary shares in EP&T Global Limited at the time of the IPO.*

(2) *Represents accrued revenue and receivables on revenues recognised in prior years no longer recoverable.*

(3) *Represents movement in provision for obsolete inventory items.*

(4) *Expenses related to the IPO of EP&T Global Limited on ASX completed in May 2021.*

(5) *Interest and amortised borrowing costs in relation to convertible notes issued by EP&T Global Limited. Accrued interest and remaining unamortised borrowing costs were extinguished at the time of the IPO.*

(6) *Expense recognised in relation to the issue of options over ordinary shares prior to the IPO of EP&T Global Limited.*

As a result of the loss incurred, the net operating cash outflows for the year ended 30 June 2022, the growth in ACV which is in backlog, and the forward cash needs to continue the growth of the Group, management has assessed the Company's existing and likely future cashflows to allow the Group to continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements 'Going Concern'.

### Significant changes in the state of affairs

During the second quarter of the financial year ended 30 June 2022 the Company successfully issued $7,822,555 via the placement of ordinary shares in two tranches being:

- On 9 November 2021, EP&T Global Limited ('EPX') successfully issued $4,180,489 of ordinary shares via the placement of 27,869,925 shares at an issue price of $0.15 per share.
- On 29 December 2021, EP&T Global Limited ('EPX') successfully issued $4,069,511 of ordinary shares via the placement of 27,130,075 shares at an issue price of $0.15 per share.

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

## Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

## Coronavirus (COVID-19) pandemic

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in the results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine and boosters, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The directors and management continue to monitor the situation both locally and internationally.

## Business risks

The following is a summary of material business risks that could adversely affect our financial performance and growth potential in future years and how we propose to mitigate such risks.

### Macroeconomic risks

The Group is exposed to changes in general economic conditions in the United Kingdom, Dubai, Hong Kong, Australia and globally. Adverse changes in inflation rates, interest rates, exchange rates, employment rates, government policies (including fiscal, monetary and regulatory policies), other structural changes and other factors driving global macroeconomic conditions are outside the control of the Group, the Directors and the Group management, and are not reliably predictable. Any of these factors may have an adverse impact on the Group's business and financial performance. There is a risk that external factors impacting the Group's industry may cause the Group's clients and potential clients to reduce, delay or cancel expenditure on the Group's products and services. Any reduction, delay or cancellation may have a material adverse effect on the Group's financial performance.

### Competitive market and changes to market trends

In the competitive landscape that the group operates in, there is a risk that the Group may:

- fail to implement changes to satisfy the changing expectations of its clients, relative to and with the same efficiencies as its competitors;
- be slower to anticipate and adapt to technological changes and updates, which may result in a prolonged period of product obsolescence; and/or
- face the risk that in-house building management teams developed internal solutions may become preferred to outsourced building energy management system solutions.

If any of these risks arise, the Group's ability to effectively compete and increase its market share will be adversely effected which could result in the reduction of the Group's market share and revenue, having a material adverse impact on the Group's revenue and profitability.

### Failure to retain existing clients and attract new business

Whilst the Group is an established participant in the building energy management system industry, it remains in the relatively early stages of its subscription based growth strategy, and its ability to scale its business is heavily reliant on new client growth. The Group's business also depends on its ability to retain existing clients and attract further additional business from existing clients. There is a risk the Group's existing clients reduce their usage of its building energy management solution (for example the number of sites, services or modules used) or terminate their relationship with EP&T. This would result in a reduction in the level of payments made from clients resulting in a decrease in the Group's revenue.

### Failure to successfully implement its business strategy

There is a risk that EP&T's business strategy or any of its growth initiatives will not be successfully implemented, deliver the expected returns or ultimately be profitable.

### Work, health and safety (WHS)

The Group has a zero-risk tolerance for serious safety incidents. During the financial year, the Group continued to improve its WHS practices by using the existing safety culture across the business to continue to develop and train its workforce on WHS matters.

### Inability to attract or retain key personnel

The Group 's success is dependent upon the ongoing retention of key personnel across the executive management, the Research & Development, Technical Services and Projects teams. There is a risk that the Group may not be able to retain key personnel or be able to find effective replacements for key personnel without causing disruption to the Company's operations. The loss of such personnel, or any delay in their replacement, could have a material adverse impact on management's ability to operate the business and execute the Group's growth strategies and prospects, including through the development and commercialisation of new solutions or modules. Any prolonged periods of disruption would adversely impact the Group's operations and financial performance, and result in the potential loss of key client relationships and business process knowledge.

### Compliance with laws and regulations

The Group's business is subject to laws and regulations that may evolve and be subject to uncertain interpretation. In addition, new laws and regulations may be implemented in the future that could impact the Group's business. While the Group has developed internal processes around compliance with legal and regulatory requirements, these processes may not ensure compliance with all relevant laws and regulations across all the jurisdictions in which the Group operates.

## Business risks continued

### Cybersecurity and Information technology (IT) infrastructure

The use of information technology is critical to the Group's ability to deliver its products and services to clients and the growth of its business. Through the ordinary course of business, the Group collects confidential information about its clients. Cyber-attacks may compromise or breach the technology platform used by EP&T to protect confidential information which may have an adverse effect on the Group's reputation and consequently its financial performance. There is a risk that the measures the Group takes to prevent technology breaches may prove to be inadequate which may result in cyber-attacks, unauthorised access to data, financial theft and disruption to business-as-usual services. The Group is in the process of conducting a review of its cybersecurity resilience and is in the process of working with an external consultant to implement its improved cybersecurity and IT infrastructure plan.

## Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Information on Directors

### Jonathan Sweeney

**Independent Non-Executive Director – Chairman**

Qualifications

Bachelor of Commerce and Law from the University of NSW, is a Chartered Financial Analyst and has completed the Australian Institute of Company Directors ('AICD') Company Directors Course as well as the Stanford Executive Program.

Experience and expertise

Jonathan joined EP&T in 2021. He has worked in financial services for 36 years. He was the Managing Director of Trust Company (now part of Perpetual) from 2000 till 2008. He then co-founded Equity Real Estate Partners in mid-2009 that back door listed into Folkestone (now part of Charter Hall) where he became Folkestone's COO until he left in early 2013.

Jonathan is currently a non-executive director of BT Funds Group, The Australian Davis Cup Tennis Foundation, a member of Perpetual Superannuation Ltd's Investment Committee and Chairman of Perpetual Private's Investment Committee. He was previously Chairman of 8IP Emerging Companies Ltd (ASX code: '8EC') from 2015 to 2021 and a non-executive director of Velocity Rewards Pty Ltd from 2014 to 2021.

Other current directorships

None

Former directorships (last 3 years)

Chairman of 8IP Emerging Companies Ltd (ASX code: '8EC')

Special responsibilities

Chairman of the Remuneration and Nomination Committee and member of the Audit and Risk Committee

Interests in shares

450,000 ordinary shares (held indirectly)

Interests in options

2,765,990 options over ordinary shares

### Keith Gunaratne

**Founder and Executive Director**

Qualifications

Keith has formal education in Electrical Engineering, Air-conditioning technologies, Computer Science and Business Management, which includes studies at Harvard Business School.

Experience and expertise

Keith founded EP&T in 1993. He has been involved in developing energy conservation technologies for over 21 years and has extensive experience applying these technologies to the commercial, retail and industrial sectors.

Other current directorships

None

Former directorships (last 3 years)

None

Special responsibilities

Member of the Audit and Risk Committee (ceased on 8 December 2021)

Interests in shares

72,768,921 ordinary shares (1,350,000 held directly and 71,418,921 held indirectly)

Interests in options

3,457,488 options over ordinary shares

### John Balassis

**Independent Non-Executive Director**

(assumed the role of Executive Director and Interim Chief Executive Officer from 2 May 2022)

Qualifications

Bachelor of Economics (majors in Accounting and Business Law) from Macquarie University, is a Member of Chartered Accountants Australia and New Zealand and is a member of the AICD.

Experience and expertise

John joined the advisory board for EP&T in 2011. He has over 26 years in strategy and M&A across a range of industries including infrastructure, transportation and energy.

John has worked in both Australia and internationally. He is a former senior executive at KPMG. For the past several years John has been a Board representative and CEO of investee entities for a US based energy and resources specialised investment firm.

Other current directorships

None

Former directorships (last 3 years)

None

Special responsibilities

Member of the Remuneration and Nomination Committee (Former Chairman of the Audit and Risk Committee until appointed as Interim CEO)

Interests in shares

1,668,038 ordinary shares (held indirectly)

Interests in options

829,797 options over ordinary shares

## Victor van Bommel

**Independent Non-Executive Director**

### Experience and expertise

Victor joined the advisory board for EP&T in 2016. He has over 21 years' experience in investment banking and real estate.

Victor is CEO and founder of Orange Capital Partners ('OCP'), a real estate investment firm based in Amsterdam, which owns and manages a portfolio of real estate assets in excess of USD$3.5bn.

Prior to OCP, Victor worked for 14 years at Goldman Sachs in London, where he had various senior positions in equities and real estate capital markets.

Victor is a member of the European Association for Investors in Non-Listed Real Estate Vehicles ('INREV') and the Association of Institutional Property Investors in the Netherlands ('IVBN').

### Other current directorships

None

### Former directorships (last 3 years)

None

### Special responsibilities

Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee

### Interests in shares

4,275,860 ordinary shares (500,000 held directly and 3,775,860 held indirectly)

### Interests in options

829,797 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

# Joint Company Secretaries

## Richard Pillinger

**Chief Financial Officer and Joint Company Secretary**

Fellow of the Institute of Chartered Accountants England & Wales and holds a Bachelor of Science degree from the University of Nottingham, UK.

Richard joined EP&T in March 2018 as Chief Financial Officer and has over 17 years' experience in senior financial management activities within Australian and US publicly listed companies. Over the past 12 years, Richard's career has been focused on the global renewable energy and sustainability industries. Richard has been involved in the acquisition and subsequent integration of companies in Australia, USA and Europe. Richard has extensive experience in managing the transition to SaaS based business models.

## Laura Newell

**Joint Company Secretary**

Laura is a Company Secretary of a number of ASX listed and unlisted public companies. She holds a degree with Honours in Law and Criminology and a Masters degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (GIA).

Laura is an experienced Chartered Company Secretary who has worked for a broad range of organisations, both in-house and for corporate secretarial service providers. Laura has over 13 years of experience in company secretarial and governance management of ASX and NSX listed entities, unlisted public entities and FTSE100 entities. She has worked with boards and executive management of listed and unlisted companies across a range of industry sectors.

# Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

| | Full Board | | Audit and Risk Committee | | Remuneration and Nomination Committee | |
|---|---|---|---|---|---|---|
| **Name** | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** |
| Jonathan Sweeney | 19 | 19 | 7 | 7 | 5 | 5 |
| Keith Gunaratne | 19 | 19 | 4 | 4 | – | – |
| John Balassis | 19 | 19 | 6 | 6 | 5 | 5 |
| Victor van Bommel * | 19 | 19 | 2 | 3 | 4 | 5 |

*Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.*

* *Joined the Audit and Risk Committee on 8 December 2021 when Keith Gunaratne left the committee and was appointed Chairman of the committee on 2 May 2022 when John Balassis became interim CEO.*

# Remuneration Report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, 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 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
- Additional disclosures relating to KMP

## Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market practice for the delivery of reward. The Board of Directors ('the Board') ensures 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.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its Directors and Executives. The performance of the Group depends on the quality of its Directors and Executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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

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:

- improving financial drivers of the business including Annualised Contract Value ('ACV') growth, annualised recurring revenue growth, operating cash flow and operational drivers of the business including operational productivity, sales pipeline and expense management; and
- attracting and retaining high calibre executives.

Additionally, the reward framework seeks 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 good 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 Remuneration and Nomination Committee. The Remuneration and Nomination 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 comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Subsequent to 11 May 2021 when the Group listed on the ASX, non-executive Directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive Directors' remuneration be determined periodically by a general meeting. A maximum annual aggregate remuneration available to non-executive Directors was set at $500,000. The Board will not seek an increase to the aggregate non-executive Directors fee pool limit at the 2022 AGM.

### Executive remuneration

The Group 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.

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

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The cash-based Short-Term Incentives ('STI') program is designed to align the targets of the business with the performance hurdles of executives. STI payments granted to executives are discretionary and based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include ACV growth, profit contribution, working capital management, operational productivity, customer satisfaction, and employee retention.

The total potential STI available is set at a level that provides sufficient reward to the executive for exceeding the financial and operational targets and at such a level that the cost to the Group is reasonable in the circumstances.

- STI awards are assessed annually and are paid in cash. Actual STI payments granted to each executive depend on the extent to which specific KPI's and annual financial and operational targets set at the beginning of the financial year are met or exceeded.
- Executives can achieve up to a maximum of between 30% and 50% of fixed remuneration as STI.

The Long-Term Incentives ('LTI') include share-based payments. The Group has established an Employee Incentive Plan ('EIP') which provides the framework under which individual grants of employee incentives outside the STI can be made. As at 30 June 2022, no grants under the Employee Incentive Plan have been made. KMP were issued options, outside of the EIP prior to listing on ASX.

The LTI will be delivered in incentive options, performance rights, restricted shares or incentive rights ('Awards') by invitation to eligible participants, full-time or part-time employees of the Group, or any other person the Board deems eligible in its absolute discretion. Any shares issued under the EIP will rank equally with other shares issued by the Group, except for any rights attaching to shares by reference to a record date prior to the date of their issue. The maximum number of outstanding Awards that may be issued under the EIP is the equivalent of 8,500,000 shares.

Incentive options, performance rights and incentive rights will vest when the vesting conditions (or any other condition stipulated by the Board), have been satisfied. An incentive option may only be exercised if it has vested. Restricted shares cease to be restricted when the vesting conditions applicable have been satisfied, or upon notification from EP&T that the share is no longer restricted.

Incentive options will lapse on the earlier of:

- 7 years after vesting, or any other date specified in the invitation;
- a date or circumstance specified in the invitation for that incentive option;
- failure to meet a vesting condition within the vesting period; or
- the participant's election to surrender the incentive option.

Performance rights, incentive rights and restricted shares will lapse (or in the case of restricted shares will be forfeited) on the earlier of:

- a date or circumstance specified in the invitation;
- failure to meet a vesting condition within the vesting period; or
- the participant's election to surrender the relevant performance right, incentive right or restricted shares.

### Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on KPI targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is of the opinion that the adoption of performance-based compensation will contribute to future improvements in performance and will increase shareholder wealth over the coming years.

### Use of remuneration consultants

During the financial year ended 30 June 2022, the Group did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

### Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 2021 AGM, 99.8% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Details of remuneration

### Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the following Directors of EP&T Global Limited:

- Jonathan Sweeney – Non-Executive Chairman
- Keith Gunaratne – Founder and Executive Director
- John Balassis – Non-Executive Director (assumed the role of Executive Director and Interim Chief Executive Officer from 2 May 2022)
- Victor van Bommel – Non-Executive Director

And the following persons:

- Trent Knox – Chief Executive Officer (resigned on 3 June 2022)
- Richard Pillinger – Chief Financial Officer and Joint Company Secretary
- Rajesh Jampala – Chief Operating Officer

## Remuneration Report (audited) continued

| 2022 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Termination benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash bonus[6] $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Ex gratia payment $ | Equity settled[3] $ | Total $ |
| *Non-Executive Directors* | | | | | | | | |
| Jonathan Sweeney | 111,416 | – | – | 11,142 | – | – | 76,197 | 198,755 |
| John Balassis[1] | 75,688 | – | – | 7,569 | – | – | 22,859 | 106,116 |
| Victor van Bommel | 62,918 | – | – | – | – | – | 22,859 | 85,777 |
| *Executive Director* | | | | | | | | |
| Keith Gunaratne[2] | 384,078 | 235,877 | 11,976 | – | 49,900 | – | 142,721 | 824,552 |
| *Other KMP* | | | | | | | | |
| Trent Knox[1] | 261,552 | – | – | 23,568 | – | 80,000 | 53,221 | 418,341 |
| Richard Pillinger | 271,066 | 16,531 | – | 25,951 | – | – | 61,131 | 374,679 |
| Rajesh Jampala | 248,520 | 20,417 | – | 22,696 | 5,874 | – | 30,566 | 328,073 |
| | **1,415,238** | **272,825** | **11,976** | **90,926** | **55,774** | **80,000** | **409,554** | **2,336,293** |

| 2021 | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash bonus[6] $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity settled[3] $ | Total $ |
| *Non-Executive Directors* | | | | | | | |
| Jonathan Sweeney | 22,855 | – | – | 2,171 | – | 77,443 | 102,469 |
| John Balassis[4&5] | 57,614 | 30,000 | – | 3,968 | – | 23,233 | 114,815 |
| Victor van Bommel[4] | 31,251 | – | – | – | – | 23,233 | 54,484 |
| *Executive Director* | | | | | | | |
| Keith Gunaratne[2] | 456,276 | 201,252 | 6,617 | – | 45,725 | – | 709,870 |
| *Other KMP* | | | | | | | |
| Trent Knox[5] | 213,631 | 150,625 | – | 18,081 | – | 116,164 | 498,501 |
| Richard Pillinger[5] | 247,208 | 156,349 | – | 20,599 | – | 166,489 | 590,645 |
| Rajesh Jampala[5] | 229,163 | 143,499 | – | 19,854 | 4,966 | 83,244 | 480,726 |
| | **1,257,998** | **681,725** | **6,617** | **64,673** | **50,691** | **489,806** | **2,551,510** |

1 *Trent Knox resigned as Chief Executive Officer effective 3 June 2022. John Balassis, currently serving as Non-Executive Director, assumed the position of interim Chief Executive Officer on 2 May 2022 following the resignation of Trent Knox. John Balassis did not receive any compensation for acting as interim CEO on top of his standard Board fees for the month of May 2022 and a fixed amount of $14,500 for the month of June 2022 in addition to his standard Board fees.*

2 *The payments to Keith Gunaratne are translated against the average foreign currency rates during the year.*
*Keith Gunaratne is entitled to sales commission in line with the Sales Incentive Plan applicable to his role in force at the time. Sales commissions paid have been included in Short Term cash bonuses and are 100% linked to contracted sales achieved by Keith Gunaratne.*

3 *Share-based payments expense relates to options issued prior to the IPO. The valuation of these options as reflected in the Remuneration Report was determined at the time they were issued. The weighted average exercise price of the options on issue is $0.35. EP&T's closing share price on 30 June 2022 was $0.06 (2021: $0.225).*

4 *John Balassis and Victor van Bommel were members of EP&T's Advisory Board prior to being appointed Non-Executive Directors. Under the terms of their agreements each received annual Advisory Board member fees of $25,000. From time to time, additional fees were payable for services provided outside the scope of the Advisory Board charter. The Advisory Board member agreements were terminated prior to being appointed Non-Executive Directors. The Advisory Board member fees paid during 2021 prior to being appointed Non-Executive Directors are included in the salary and fees for 2021.*

5 *Discretionary bonus awards were made to the following KMP subject to successful completion of the listing on ASX and are included in the Cash Bonus benefits for 2021:*

*John Balassis – $30,000*

*Trent Knox – $20,000*

*Richard Pillinger – $82,465*

*Rajesh Jampala – $75,526*

6 *The bonus was Board approved and reflected the performance of the consolidated entity and individual performance measures.*

Non-executive Directors' salaries are 100% fixed. The proportion of remuneration linked to performance and the fixed proportion of Executive Directors and other KMP are as follows:

| | Fixed remuneration | | At risk – STI | | At risk – LTI | |
|---|---|---|---|---|---|---|
| **Name** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| *Non-Executive Directors* | | | | | | |
| Jonathan Sweeney | 100% | 100% | – | – | – | – |
| John Balassis | 100% | 100% | – | – | – | – |
| Victor van Bommel | 100% | 100% | – | – | – | – |
| *Executive Directors* | | | | | | |
| Keith Gunaratne[1] | 54% | 72% | 29% | 28% | 17% | – |
| *Other KMP* | | | | | | |
| Trent Knox | 68% | 47% | 19% | 30% | 13% | 23% |
| Richard Pillinger | 80% | 46% | 4% | 26% | 16% | 28% |
| Rajesh Jampala | 85% | 53% | 6% | 30% | 9% | 17% |

1 *At risk STI for Keith Gunaratne relates to Sales Commissions earned under the Sales Incentive Plan.*

The proportion of the cash bonus paid/payable or forfeited is as follows:

| | Cash bonus paid/payable | | Cash bonus forfeited | |
|---|---|---|---|---|
| **Name** | **2022** | **2021** | **2022** | **2021** |
| *Executive Directors* | | | | |
| Keith Gunaratne[1] | 100% | 100% | – | – |
| *Other KMP* | | | | |
| Trent Knox | – | 95% | 100% | 5% |
| Richard Pillinger | 20% | 90% | 80% | 10% |
| Rajesh Jampala | 27% | 90% | 73% | 10% |

1 *Cash bonus for Keith Gunaratne relates to Sales Commissions earned under the Sales Incentive Plan.*

## Remuneration Report (audited) continued

### Service agreements

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

#### Jonathan Sweeney
**Independent, Non-executive Chairman**

Agreement commenced:
11 March 2021

Term of agreement:
Open ended

Details:
Jonathan is entitled to receive a remuneration package and other benefits of approximately $122,000 per annum inclusive of superannuation.

#### John Balassis
**Independent Non-Executive Director**
(assumed the role of Executive Director and Interim Chief Executive Officer from 2 May 2022)

Agreement commenced:
15 October 2020 (joined the advisory board in 2009)

Term of agreement:
Open ended

Details:
John is entitled to receive a remuneration package and other benefits of approximately $67,000 per annum inclusive of superannuation. While acting as Interim CEO, John receives fees of $15,950 per month inclusive of superannuation in addition to his Director fees.

#### Victor van Bommel
**Independent Non-Executive Director**

Agreement commenced:
11 March 2021 (joined the advisory board in 2016)

Term of agreement:
Open ended

Details:
Victor is entitled to receive a remuneration package and other benefits of approximately $65,000 per annum inclusive of superannuation.

#### Trent Knox
**Chief Executive Officer**

Agreement commenced:
17 September 2020

Term of agreement:
Resigned on 3 June 2022

Details:
Trent's annual remuneration package for the year ended 30 June 2022 is comprised of a base salary of $275,000, plus statutory superannuation, capped at the applicable maximum superannuation contribution base and an STI of up to 50% of his base salary.

Trent's employment contract terminated effective 3 June 2022.

#### Keith Gunaratne
**Founder Executive Director**
**Chief Technology Officer and Enterprise Sales**

Agreement commenced:
12 March 2021

Term of agreement:
Open ended

Details:
Keith is party to two employment contracts which govern his employment with EP&T, as follows:

- with EP&T Global FZ LLC (EP&T Global Limited's Dubai subsidiary) dated 12 March 2021, (Dubai Employment Agreement)[1] ; and
- with EP&T Global Limited (EP&T Limited's Hong Kong subsidiary) dated 12 March 2021 (Hong Kong Employment Agreement)[2],

(together 'Keith Gunaratne Employment Agreements').

Pursuant to the Keith Gunaratne Employment Agreements, Keith's combined annual remuneration package for the year ended 30 June 2022 comprised of:

- a base salary equivalent to $300,000;
- annual pension contribution of $36,000; and
- sales commission in line with the Sales Incentive Plan applicable to his role in force at the time.

Additional allowances are payable while based outside of Australia:

- personal travel expenses to/from Australia capped at $30,000 per year;
- housing and living allowance of equivalent to $18,850 per year; and
- private medical cover costing up to the equivalent to $14,300 per year.

Under the Keith Gunaratne Employment Agreements, Keith's Employment Agreements may be terminated by either EP&T or Keith by providing at least 3 months' notice in writing before the proposed date of termination. On termination of either of Keith's Employment Agreements, both agreements terminate and Keith will be entitled to a statutory end of service gratuity payment as required under UAE employment legislation. The maximum end of service gratuity available under this legislation is 24 months of salary. EP&T has agreed to accrue Keith's end of service gratuity payment based on an annual salary of AED1,905,500 (equivalent to A$680,000), being the salary paid to Keith prior to the amendment dated 15 March 2021.

1 *Payments under Keith Gunaratne's Dubai Employment Agreement remuneration package will be paid in United Arab Emirates Dirham (AED) currency. The exchange rate to convert the AED amounts to the Australian dollar equivalents above is A$1= AED2.8.*

2 *Payments under Keith Gunaratne's Hong Kong Employment Agreement remuneration package will be paid in Hong Kong dollars (HKD) currency. The exchange rate to convert the AED amounts to the Australian dollar equivalents above is A$1= HKD6.0.*

## Richard Pillinger

**Chief Financial Officer and Joint Company Secretary**

Agreement commenced:
20 February 2018

Term of agreement:
Open ended

Details:
Richard's annual remuneration package for the subsequent year ending 30 June 2023 is comprised of a base salary of $267,292 plus statutory superannuation, capped at the applicable maximum superannuation contribution base and an STI of up to 30% of his Total Remuneration Package.

Richard's employment contract may be terminated by either EP&T or Richard by providing at least 3 months' notice in writing before the proposed date of termination.

## Rajesh Jampala

**Chief Operating Officer**

Agreement commenced:
27 December 2017

Term of agreement:
Open ended

Details:
Rajesh's annual remuneration package for the subsequent year ending 30 June 2023 is comprised of a base salary of $226,962 and a training allowance of $10,000 plus statutory superannuation, capped at the applicable maximum superannuation contribution base and an STI of up to 30% of his Total Remuneration Package.

Rajesh's employment contract may be terminated by either EP&T or Rajesh by providing at least 3 months' notice in writing before the proposed date of termination.

KMP have no entitlement to termination payments in the event of removal for misconduct. Each Executive's employment contract includes a restraint of trade period of up to 24 months following termination. Enforceability of such restraints of trade is subject to all usual legal requirements.

## Share-based compensation

### Issue of shares

There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2022.

### Options

Options were issued to KMP in March 2021 prior to listing on ASX and outside of the EIP. The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other KMP in this financial year or future reporting years are as follows:

| | Number of options granted | Grant date | Vesting and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|---|---|
| Jonathan Sweeney | 276,599 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.20 | $0.116 |
| | 553,198 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.29 | $0.100 |
| | 553,198 | 17 March 2021 | 12 May 2023 | 15 March 2027 | $0.34 | $0.117 |
| | 1,382,995 | 17 March 2021 | 12 May 2024 | 15 March 2027 | $0.38 | $0.114 |
| | 2,765,990 | | | | | |
| Keith Gunaratne | 1,152,496 | 17 March 2021 | 12 May 2022 | 15 March 2025 | $0.40 | $0.086 |
| | 1,152,496 | 17 March 2021 | 12 May 2023 | 15 March 2025 | $0.50 | $0.076 |
| | 1,152,496 | 17 March 2021 | 12 May 2024 | 15 March 2027 | $0.60 | $0.096 |
| | 3,457,488 | | | | | |
| John Balassis | 82,980 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.20 | $0.116 |
| | 165,959 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.29 | $0.100 |
| | 165,959 | 17 March 2021 | 12 May 2023 | 15 March 2027 | $0.34 | $0.117 |
| | 414,899 | 17 March 2021 | 12 May 2024 | 15 March 2027 | $0.38 | $0.114 |
| | 829,797 | | | | | |

## Remuneration Report (Audited) continued

| | Number of options granted | Grant date | Vesting and exercisable date | Expiry date | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|---|---|
| Victor van Bommel | 82,980 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.20 | $0.116 |
| | 165,959 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.29 | $0.100 |
| | 165,959 | 17 March 2021 | 12 May 2023 | 15 March 2027 | $0.34 | $0.117 |
| | 414,899 | 17 March 2021 | 12 May 2024 | 15 March 2027 | $0.38 | $0.114 |
| | 829,797 | | | | | |
| Trent Knox | 414,899 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.20 | $0.116 |
| | 829,797 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.29 | $0.100 |
| | 829,797 | 17 March 2021 | 3 June 2023 | 15 March 2027 | $0.34 | $0.117 |
| | 2,074,493 | | | | | |
| Richard Pillinger | 864,372 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.20 | $0.116 |
| | 864,372 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.29 | $0.100 |
| | 864,372 | 17 March 2021 | 12 May 2023 | 15 March 2025 | $0.30 | $0.098 |
| | 864,372 | 17 March 2021 | 12 May 2024 | 15 March 2027 | $0.34 | $0.118 |
| | 3,457,488 | | | | | |
| Rajesh Jampala | 432,186 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.20 | $0.116 |
| | 432,186 | 17 March 2021 | 12 May 2021 | 15 March 2025 | $0.29 | $0.100 |
| | 432,186 | 17 March 2021 | 12 May 2023 | 15 March 2025 | $0.30 | $0.098 |
| | 432,186 | 17 March 2021 | 12 May 2024 | 15 March 2027 | $0.34 | $0.118 |
| | 1,728,744 | | | | | |

The terms under which the existing options set out in the table above have been granted to the relevant holders are summarised below:

1. Each existing option is exercisable into one share.
2. The Board may determine how existing options are to be treated on cessation of employment or Director service. In making such decision, the Board may have regard to any matter they consider relevant, including the circumstances surrounding the cessation, satisfaction of any vesting conditions and the time elapsed in respect of the vesting period of the option.

## Additional disclosures relating to KMP

### Shareholding

The number of shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Jonathan Sweeney | 250,000 | – | 200,000 | – | 450,000 |
| Keith Gunaratne | 58,246,569 | – | 14,522,352 | – | 72,768,921 |
| John Balassis | 1,018,038 | – | 650,000 | – | 1,668,038 |
| Victor van Bommel | 3,275,860 | – | 1,000,000 | – | 4,275,860 |
| Rajesh Jampala | 263,912 | – | – | – | 263,912 |
| | 63,054,379 | – | 16,372,352 | – | 79,426,731 |

### Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of KMP of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Jonathan Sweeney | 2,765,990 | – | – | – | 2,765,990 |
| Keith Gunaratne | 3,457,488 | – | – | – | 3,457,488 |
| John Balassis | 829,797 | – | – | – | 829,797 |
| Victor van Bommel | 829,797 | – | – | – | 829,797 |
| Trent Knox * | 4,148,986 | – | – | (4,148,986) | – |
| Richard Pillinger | 3,457,488 | – | – | – | 3,457,488 |
| Rajesh Jampala | 1,728,744 | – | – | – | 1,728,744 |
| | 17,218,290 | – | – | (4,148,986) | 13,069,304 |

* *2,074,493 options were forfeited and the remaining (2,074,493) were reduced due to resignation as CEO and not necessarily a physical disposal of options.*

## Remuneration Report (Audited) continued

| | Vested and exercisable | Unvested and exercisable | Balance at the end of the year |
|---|---|---|---|
| *Options over ordinary shares* | | | |
| Jonathan Sweeney | 829,797 | 1,936,193 | 2,765,990 |
| Keith Gunaratne | 1,152,496 | 2,304,992 | 3,457,488 |
| John Balassis | 248,939 | 580,858 | 829,797 |
| Victor van Bommel | 248,939 | 580,858 | 829,797 |
| Richard Pillinger | 1,728,744 | 1,728,744 | 3,457,488 |
| Rajesh Jampala | 864,372 | 864,372 | 1,728,744 |
| | 5,073,287 | 7,996,017 | 13,069,304 |

The only vesting condition is continued employment until the vesting date of the options.

### Loans to KMP and their related parties

At 30 June 2022 there were no loans issued to or from KMP.

### Other transactions with KMP and their related parties

At 30 June 2022 there were no other transactions to or from KMP and their related parties.

**This concludes the remuneration report, which has been audited.**

## Shares under option

Unissued ordinary shares of EP&T Global Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 17 March 2021 | 15 March 2025 | $0.20 | 2,501,864 |
| 17 March 2021 | 15 March 2025 | $0.26 | 557,399 |
| 17 March 2021 | 15 March 2025 | $0.29 | 3,149,771 |
| 17 March 2021 | 15 March 2025 | $0.30 | 1,853,957 |
| 17 March 2021 | 15 March 2025 | $0.40 | 2,545,992 |
| 17 March 2021 | 15 March 2025 | $0.50 | 1,152,496 |
| 17 March 2021 | 15 March 2025 | $0.60 | 1,152,496 |
| 17 March 2021 | 15 March 2027 | $0.34 | 3,149,771 |
| 17 March 2021 | 15 March 2027 | $0.38 | 2,558,541 |
| | | | 18,622,287 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

## Shares issued on the exercise of options

There were no ordinary shares of EP&T Global Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date 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.

## 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.

## 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 outlined in note 25 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) 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.

## Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

## 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.

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

Jonathan Sweeney

**Jonathan Sweeney**
**Chairman**

29 August 2022

Grant Thornton

**Grant Thornton Audit Pty Ltd**
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

# Auditor's Independence Declaration

## To the Directors of EP&T Global Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of EP&T Global Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 29 August 2022

**www.grantthornton.com.au**
**ACN-130 913 594**

# Financial Statements

## Contents

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

| | Note | Consolidated 2022 $ | 2021 $ |
|---|---|---|---|
| **Revenue** | 5 | 7,085,739 | 6,077,746 |
| Other income | 6 | 601,962 | 1,219,357 |
| Interest revenue calculated using the effective interest method | | 189,748 | 175,680 |
| **Expenses** | | | |
| Raw materials and consumables used | | (805,696) | (208,477) |
| Employee benefits expense | 7 | (10,355,929) | (8,934,275) |
| Depreciation and amortisation expense | 7 | (1,009,552) | (546,668) |
| Impairment of assets | 7 | (280,079) | (1,998,584) |
| IPO expense | | – | (980,288) |
| Change in fair value of convertible notes | 7 | – | (3,996,465) |
| Other expenses | 7 | (3,486,075) | (2,307,827) |
| Finance costs | 7 | (77,701) | (882,877) |
| **Loss before income tax (expense)/benefit** | | (8,137,583) | (12,382,678) |
| Income tax (expense)/benefit | 8 | (267,050) | 225,817 |
| **Loss after income tax (expense)/benefit for the year attributable to the owners of EP&T Global Limited** | | (8,404,633) | (12,156,861) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | 118,477 | (483,513) |
| Other comprehensive income for the year, net of tax | | 118,477 | (483,513) |
| **Total comprehensive income for the year attributable to the owners of EP&T Global Limited** | | (8,286,156) | (12,640,374) |

| | Note | Cents | Cents |
|---|---|---|---|
| Basic earnings per share | 34 | (3.87) | (34.26) |
| Diluted earnings per share | 34 | (3.87) | (34.26) |

*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 2022

| | Note | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 4,218,773 | 5,300,099 |
| Trade and other receivables | 10 | 1,905,980 | 1,464,097 |
| Contract assets | 13 | 738,065 | 833,554 |
| Inventories | 11 | 731,709 | 1,040,120 |
| Other assets | 12 | 501,760 | 570,460 |
| Total current assets | | 8,096,287 | 9,208,330 |
| **Non-current assets** | | | |
| Contract assets | 13 | 1,896,044 | 1,992,935 |
| Plant and equipment | 14 | 3,619,381 | 1,732,810 |
| Right-of-use assets | 15 | 354,782 | 504,506 |
| Deferred tax | 8 | 600,846 | 761,035 |
| Other assets | 12 | 67,980 | 67,938 |
| Total non-current assets | | 6,539,033 | 5,059,224 |
| **Total assets** | | 14,635,320 | 14,267,554 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 3,422,315 | 3,452,902 |
| Contract liabilities | | 9,865 | 51,940 |
| Borrowings | 17 | 405,504 | – |
| Lease liabilities | 18 | 274,783 | 412,271 |
| Employee benefits | 19 | 1,671,996 | 1,388,058 |
| Provisions | | 65,000 | 65,000 |
| Total current liabilities | | 5,849,463 | 5,370,171 |
| **Non-current liabilities** | | | |
| Borrowings | 17 | 421,213 | 592,434 |
| Lease liabilities | 18 | 136,790 | 161,311 |
| Employee benefits | 19 | 46,761 | 32,402 |
| Total non-current liabilities | | 604,764 | 786,147 |
| **Total liabilities** | | 6,454,227 | 6,156,318 |
| **Net assets** | | 8,181,093 | 8,111,236 |
| **Equity** | | | |
| Issued capital | 20 | 44,148,826 | 36,219,410 |
| Reserves | 21 | (15,406,239) | (15,951,313) |
| Accumulated losses | | (20,561,494) | (12,156,861) |
| **Total equity** | | 8,181,093 | 8,111,236 |

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

# Statement of Changes in Equity

For the year ended 30 June 2022

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2020 | – | (3,814,026) | – | (3,814,026) |
| Loss after income tax benefit for the year | – | – | (12,156,861) | (12,156,861) |
| Other comprehensive income for the year, net of tax | – | (483,513) | – | (483,513) |
| Total comprehensive income for the year | – | (483,513) | (12,156,861) | (12,640,374) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 20) | 36,219,410 | – | – | 36,219,410 |
| Share-based payments (note 21) | – | 896,457 | – | 896,457 |
| Group reorganisation (note 21) | – | (12,550,231) | – | (12,550,231) |
| Balance at 30 June 2021 | 36,219,410 | (15,951,313) | (12,156,861) | 8,111,236 |

| Consolidated | Issued capital $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2021 | 36,219,410 | (15,951,313) | (12,156,861) | 8,111,236 |
| Loss after income tax expense for the year | – | – | (8,404,633) | (8,404,633) |
| Other comprehensive income for the year, net of tax | – | 118,477 | – | 118,477 |
| Total comprehensive income for the year | – | 118,477 | (8,404,633) | (8,286,156) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 20) | 7,929,416 | – | – | 7,929,416 |
| Share-based payments (note 21) | – | 426,597 | – | 426,597 |
| **Balance at 30 June 2022** | **44,148,826** | **(15,406,239)** | **(20,561,494)** | **8,181,093** |

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

# Statement of Cash Flows

For the year ended 30 June 2022

| | Note | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 7,804,500 | 7,610,818 |
| Payments to suppliers and employees (inclusive of GST) | | (14,560,065) | (12,308,053) |
| | | (6,755,565) | (4,697,235) |
| Interest received | | 187,715 | 175,680 |
| Interest and other finance costs paid | | (75,668) | (189,602) |
| Other income – grants and incentives | | 526,338 | 1,281,177 |
| Net cash used in operating activities | 31 | (6,117,180) | (3,429,980) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 14 | (2,210,433) | (1,757,833) |
| Net cash used in investing activities | | (2,210,433) | (1,757,833) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares net of issue costs | | 7,822,555 | 9,125,738 |
| Proceeds from convertible notes net of issue costs | | – | 1,950,000 |
| Proceeds from borrowings | | – | 592,434 |
| Repayment of loan from shareholders | | (78,591) | (1,048,359) |
| Repayment of lease liabilities | | (497,677) | (397,898) |
| Net cash from financing activities | | 7,246,287 | 10,221,915 |
| Net increase/(decrease) in cash and cash equivalents | | (1,081,326) | 5,034,102 |
| Cash and cash equivalents at the beginning of the financial year | | 5,300,099 | 265,997 |
| Cash and cash equivalents at the end of the financial year | 9 | 4,218,773 | 5,300,099 |

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

# Notes to the Financial Statements

For the year ended 30 June 2022

## Note 1. General information

The financial statements cover EP&T Global Limited as a consolidated entity consisting of EP&T Global Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is EP&T Global Limited's functional and presentation currency.

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

Suite 2, 407 Pacific Highway
Artarmon NSW 2064

A description of the nature of the Group'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 29 August 2022. The Directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

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

### New or amended Accounting Standards and Interpretations adopted

The Group 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

### 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, derivative financial instruments.

**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 Group'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 3.

## Note 2. Significant accounting policies continued

### Going concern

The Group has incurred a loss after income tax attributable to owners of EP&T Global Limited for the financial year ended 30 June 2022 of $8,404,633 (2021: loss of $12,156,861), underlying EBITDA loss of $6,533,402 (2021: loss of $3,257,019 and had net operating cash outflows of $6,117,180 (2021: outflow of $3,429,980). As at 30 June 2022, current assets exceeded current liabilities by $2,246,824 (2021: $3,838,159). As at 30 June 2022, the Group has net assets of $8,181,093 (2021: $8,111,236).

During the year ended 30 June 2022, the Group successfully completed the placement of new shares and raised $7,822,555 (net of costs) to pursue its strategic growth objectives through a combination of investment in sales and marketing and installation of new projects under the Group's subscription based customer engagement model. As such, the Directors have prepared the financial report on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has experienced growth in its contracted projects (Annual Contract Value) base. Installation of new projects during the financial year ended 30 June 2022 was impacted by COVID-19 restrictions, which limited access to client sites. This in turn has delayed commencement of billing and subsequent cash receipts from customers.

As at 30 June 2022, the Group has an Annual Contract Value (ACV) backlog of $3.2 million in contracted new projects which have not been installed to the point where invoicing of customers can commence as per signed agreements. On installation of these projects, this backlog is expected to convert into Annualised Recurring Revenue and contribute to the future revenue and cashflows of the Group.

**Ongoing Cash Flow Management**
To ensure that the Group has sufficient capital to meet its growth objectives, management continually assesses anticipated cash flows such that the business is appropriately funded to meet internal growth targets. In addition to this, the following actions have been initiated to assess and monitor the capital requirements of the Company:

- Detailed monthly cashflow forecast has been prepared for the period of 12 months from the date of this report;
- Key performance measures are in place to track the conversion of the ACV backlog to operating revenue and cashflows; and
- Board and management are assessing the future investment needs of the Company and the timing, if any, capital needed to continue to support the growth objectives of the Company.

Based on the above, the Directors believe that the funds available from existing cash reserves combined with conversion of the Group ACV backlog to operating cashflow, and if necessary, the potential sourcing of additional capital, will provide the Group with sufficient working capital to carry out its stated objectives for at least the next 12-month period from the date of this report. As such, the financial statements have been prepared on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business.

In the event the Group does not trade in line with its cashflow forecast and / or, if required, fails to raise additional capital, a material uncertainty would exist that may cast doubt on the Group's ability to continue as a going concern and, therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

### Principles of consolidation and common control transaction

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of EP&T Global Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. EP&T Global Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

Where the Group 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 Group 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 EP&T Global Limited's functional and presentation currency.

**Foreign currency transactions**
Foreign currency transactions are translated into the Group's functional currency 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 the 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.

## 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 Group'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 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 Group'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.

## 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 Group for the annual reporting period ended 30 June 2022. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Amending accounting standards issued are not considered to have a significant impact on the financial statements of the Group as their amendments provide either clarification of existing accounting treatment or editorial amendments.

**AASB 2020-1 Classification of liabilities as current or non-current**
AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2023, as extended by AASB 2020-6. Early adoption is permitted. This standard amends AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is conditional, the right only exists if, at the end of the reporting period, those conditions have been complied with. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

## Note 3. 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 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.

### Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, and already accounted for in the financial statements for the year ended 30 June 2022, there does not currently appear to be any further significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### Revenue recognition on projects

Revenue relating to the projects is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date for performance obligations satisfied over time as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Contract liabilities (deferred revenue)/contract assets (as relates to accrued revenue) is therefore held in the statement of financial position depending on the stage of satisfaction of the performance obligation completed over time.

### 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, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 10, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

### Provision for impairment of contract assets – accrued revenue

The provision for impairment of contract assets – accrued revenue assessment requires a degree of estimation and judgement. It is based on the assessment of the expected recoverable amounts of contract assets – accrued revenue. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The provision for impairment of contract assets – accrued revenue, as disclosed in note 13, is calculated based on the information available at the time of preparation. The actual impairment of contract assets – accrued revenue in future years may be higher or lower.

### Guaranteed energy savings

In accordance with certain contracts signed with customers, the Group guarantees a pre-determined value of energy savings following the substantial completion of the contract. The savings are stipulated in the contracts based on the Company's engineering reports. The savings are guaranteed annually and generally for a period of five years. To date there has been no instances of energy savings guaranteed to clients not being met. Accordingly in the view of the Directors, the possibility of any such amounts becoming a liability is remote and as such no liability or contingent liability has been reflected in the financial statements (refer note 27).

### Share-based payment transactions

The Group 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 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.

## Note 4. Operating segments

### Identification of reportable operating segments

The Group is organised into four operating segments based on the geographic markets they serve. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis. Refer to note 5 for revenue from products and services.

### Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

### Major customers

There are no significant customers in any reported segment that comprise greater than 10% of the Group's revenues.

### Accounting policy for operating segments

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.

## Note 4. Operating segments continued

### Operating segment information

| Consolidated – 2022 | Australia $ | United Kingdom $ | Hong Kong $ | Middle East $ | Inter group eliminations $ | Total $ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Sales to external customers | 2,754,428 | 1,966,021 | 220,942 | 2,144,348 | – | 7,085,739 |
| Intersegment sales | 1,545,023 | – | – | – | (1,545,023) | – |
| Total sales revenue | 4,299,451 | 1,966,021 | 220,942 | 2,144,348 | (1,545,023) | 7,085,739 |
| Research and development tax incentive | 389,047 | 204,220 | – | – | – | 593,267 |
| Government grants – COVID-19 stimulus | – | – | 8,695 | – | – | 8,695 |
| Interest income | 23,295 | 48,826 | 1 | 117,626 | – | 189,748 |
| Total segment revenue | 4,711,793 | 2,219,067 | 229,638 | 2,261,974 | (1,545,023) | 7,877,449 |
| **Total revenue** | 4,711,793 | 2,219,067 | 229,638 | 2,261,974 | (1,545,023) | 7,877,449 |
| **EBITDA** | (4,168,791) | (844,245) | (467,972) | (518,546) | – | (5,999,554) |
| Depreciation and amortisation | (305,282) | (218,368) | (89,071) | (396,831) | – | (1,009,552) |
| Recovery/(impairment) of assets | 64,070 | (105,705) | – | (238,444) | – | (280,079) |
| Interest revenue | 23,295 | 48,826 | 1 | 117,626 | – | 189,748 |
| Finance costs | (23,222) | (13,307) | (19,011) | (22,161) | – | (77,701) |
| **Segment losses before income tax expense** | (4,409,930) | (1,132,799) | (576,053) | (1,058,356) | – | (7,177,138) |
| *Unallocated* | | | | | | |
| Other non-cash expenses – SBP | | | | | | (426,597) |
| Other expense | | | | | | (533,848) |
| Income tax expense | | | | | | (267,050) |
| **Loss after income tax expense** | | | | | | (8,404,633) |
| **Assets** | | | | | | |
| Segment assets | 20,429,220 | 2,815,976 | 168,507 | 5,141,616 | (13,919,999) | 14,635,320 |
| **Total assets** | | | | | | 14,635,320 |
| **Liabilities** | | | | | | |
| Segment liabilities | 3,300,226 | 5,154,075 | 3,171,345 | 8,748,580 | (13,919,999) | 6,454,227 |
| **Total liabilities** | | | | | | 6,454,227 |

| Consolidated – 2021 | Australia $ | United Kingdom $ | Hong Kong $ | Middle East $ | Inter group eliminations $ | Total $ |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Sales to external customers | 3,020,315 | 1,878,200 | 247,067 | 932,164 | - | 6,077,746 |
| Intersegment sales | 1,390,052 | - | - | - | (1,390,052) | - |
| Total sales revenue | 4,410,367 | 1,878,200 | 247,067 | 932,164 | (1,390,052) | 6,077,746 |
| Research and development tax incentive | 500,000 | 212,798 | - | - | - | 712,798 |
| Government grants – COVID-19 stimulus | 483,000 | - | 23,559 | - | - | 506,559 |
| Interest income | 37,065 | 82,297 | 1 | 56,317 | - | 175,680 |
| Total segment revenue | 5,430,432 | 2,173,295 | 270,627 | 988,481 | (1,390,052) | 7,472,783 |
| **Total revenue** | 5,430,432 | 2,173,295 | 270,627 | 988,481 | (1,390,052) | 7,472,783 |
| **EBITDA** | (2,419,839) | 120,837 | (580,307) | (354,125) | - | (3,233,434) |
| Depreciation and amortisation | (217,227) | (165,633) | (81,960) | (81,848) | - | (546,668) |
| Recovery/(impairment) of receivables | 7,134 | (102,353) | - | (1,903,365) | - | (1,998,584) |
| Interest revenue | 37,065 | 82,297 | 1 | 56,317 | - | 175,680 |
| Finance costs | (221,213) | (26,000) | (10,428) | (1,373) | - | (259,014) |
| **Segment losses before income tax benefit** | (2,814,080) | (90,852) | (672,694) | (2,284,394) | - | (5,862,020) |
| *Unallocated* | | | | | | |
| Change in fair value of convertible notes | | | | | | (3,996,465) |
| IPO expense | | | | | | (980,288) |
| Convertible note interest expense | | | | | | (623,863) |
| Other non-cash expenses – SBP | | | | | | (896,457) |
| Other expense | | | | | | (23,585) |
| Income tax benefit | | | | | | 225,817 |
| **Loss after income tax benefit** | | | | | | (12,156,861) |
| **Assets** | | | | | | |
| Segment assets | 16,703,830 | 2,179,114 | 222,152 | 4,139,959 | (8,977,501) | 14,267,554 |
| **Total assets** | | | | | | 14,267,554 |
| **Liabilities** | | | | | | |
| Segment liabilities | 2,734,225 | 3,458,956 | 2,445,571 | 6,495,067 | (8,977,501) | 6,156,318 |
| **Total liabilities** | | | | | | 6,156,318 |

## Note 5. Revenue

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| Projects revenue | 470,910 | 780,784 |
| Contracted service revenue | 6,303,616 | 4,963,135 |
| Service and maintenance revenue | 311,213 | 333,827 |
| Revenue | 7,085,739 | 6,077,746 |

### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Timing of revenue recognition** | | |
| Projects revenue transferred over time | 470,910 | 780,784 |
| Contracted service revenue transferred over time | 6,303,616 | 4,963,135 |
| Service and maintenance revenue transferred at a point in time | 311,213 | 333,827 |
| | 7,085,739 | 6,077,746 |

### Accounting policy for revenue recognition

The Group recognises revenue as follows:

**Revenue from contracts with customers**
Revenue arises mainly from the sale of energy saving equipment and services and contracts for the installation of such systems (projects revenue), ongoing monitoring services following installation (contracted service revenue) and maintenance services (service and maintenance revenue). Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

**Projects revenue**
Revenue from the installation of the system is recognised over time based on percentage of completion assessed on costs incurred as a percentage of total installation costs.

**Contracted service revenue**
Contracted service revenue is recognised over time as the services are provided to the customer.

**Service and maintenance revenue**
Service and maintenance revenue is recognised at a point in time when the service or maintenance has been provided.

## Note 6. Other income

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Government grants – COVID-19 stimulus | 8,695 | 506,559 |
| Research and development tax incentive | 593,267 | 712,798 |
| Other income | 601,962 | 1,219,357 |

During the COVID-19 pandemic, the Group has received JobKeeper support payments from both the Australian Government and the Hong Kong Government which are passed on to eligible employees. The Group was eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

### Accounting policy for:

**Government grants**
Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the periods necessary to match them with the costs that they are intended to compensate.

**Research and development tax incentive**
The research and development tax incentive ('RDTI') represents a refundable tax offset that is available on eligible research and development expenditure incurred by the Group. The RDTI is considered to be a form of government assistance and the accounting policy adopted is analogous to accounting for government grants.

The RDTI is recognised at fair value where there is a reasonable assurance that the incentive will be received and the Group will comply with all attached conditions.

The RDTI relating to expenses is recognised as incurred at the point of time in profit or loss.

## Note 7. Expenses

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Loss before income tax includes the following specific expenses: | | |
| **Depreciation and amortisation** | | |
| Leasehold improvements (note 14) | 12,888 | 4,268 |
| Computer equipment (note 14) | 62,576 | 31,534 |
| Office and other equipment (note 14) | 17,140 | 8,196 |
| Project equipment (note 14) | 274,358 | 82,990 |
| Buildings right-of-use assets (note 15) | 475,702 | 419,680 |
| Motor vehicles right-of-use assets (note 15) | 9,832 | – |
| Contract assets – incremental costs (note 13) | 157,056 | – |
| Total depreciation and amortisation expense | 1,009,552 | 546,668 |
| **Impairment of assets** | | |
| Impairment of receivables (note 10) | 465,963 | 1,348,806 |
| (Recovery)/impairment of contract assets – accrued revenue (note 13) | (305,404) | 649,778 |
| Impairment of inventory | 119,520 | – |
| Total impairment of assets | 280,079 | 1,998,584 |

## Note 7. Expenses continued

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Finance costs** | | |
| Interest and finance charges paid/payable on borrowings | 20,476 | 47,471 |
| Interest and finance charges paid/payable on lease liabilities | 57,225 | 78,155 |
| Interest charges on convertible notes | – | 623,863 |
| Amortised borrowing costs | – | 133,388 |
| Finance costs expensed | 77,701 | 882,877 |
| **Net fair value loss** | | |
| Change in fair value of convertible notes (note 17) | – | 3,996,465 |
| **Leases** | | |
| Short-term lease payments | 205,582 | 230,818 |
| Low-value assets lease payments | – | 63,800 |
| COVID-19 rent concessions | – | (7,236) |
| | 205,582 | 287,382 |
| **Employee benefits expense** | | |
| Salary and wages | 8,837,324 | 6,730,071 |
| Sales commissions, bonus and incentives | 158,217 | 689,008 |
| Payroll related taxes | 407,366 | 236,719 |
| Defined contribution superannuation expense | 526,425 | 382,020 |
| Share-based payment expense (note 35) | 426,597 | 896,457 |
| Total employee benefits expense | 10,355,929 | 8,934,275 |
| **Other expenses** | | |
| Legal and professional fees | 512,901 | 619,820 |
| Insurance | 456,298 | 169,623 |
| IT and communication costs | 359,536 | 330,517 |
| Travel and accommodation | 239,893 | 135,022 |
| Consultancy | 304,170 | 152,147 |
| Marketing | 470,201 | 251,483 |
| Occupancy | 205,582 | 231,147 |
| Other | 937,494 | 418,068 |
| Total other expenses | 3,486,075 | 2,307,827 |

## Note 8. Income tax

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| **Income tax expense/(benefit)** | | |
| Deferred tax – origination and reversal of temporary differences | 267,050 | (225,817) |
| Aggregate income tax expense/(benefit) | 267,050 | (225,817) |
| Deferred tax included in income tax expense/(benefit) comprises: | | |
| Decrease/(increase) in deferred tax assets | 267,050 | (225,817) |
| **Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate** | | |
| Loss before income tax (expense)/benefit | (8,137,583) | (12,382,678) |
| Tax at the statutory tax rate of 25% (2021: 26%) | (2,034,396) | (3,219,496) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Difference in overseas tax rates | 381,522 | 664,208 |
| Other non-allowable items | 315,881 | 1,618,645 |
| | (1,336,993) | (936,643) |
| Current year tax losses not recognised | 1,336,993 | 936,643 |
| Current year temporary differences not recognised | 267,050 | (225,817) |
| Income tax expense/(benefit) | 267,050 | (225,817) |

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| **Amounts credited directly to equity** | | |
| Deferred tax assets | (106,861) | – |
| **Tax losses not recognised** | | |
| Unused tax losses for which no deferred tax asset has been recognised | 11,518,918 | 5,901,223 |
| Potential tax benefit at statutory tax rates @21.2% (2021: 19.8%) | 2,457,170 | 1,169,761 |

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The corporate tax rate applicable to base rate Australian entities reduces from 26% to 25% for the 2021-22 income year. The Company qualifies as a base rate entity as it has a turnover of less than $50 million and less than 80% of its assessable income is derived from base rate entity passive income. The corporate tax rate applied to overseas Group entities are as follows: United Kingdom 19% (2021: 19%), Hong Kong 16.5% (2021: 16.5%) and the Middle East 0% (2021: 0%). The Company has remeasured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on the effective tax rate that is expected to apply in the year the temporary differences are expected to reverse or benefits from tax losses realised. The impact of the change in tax rate on deferred tax balances has been recognised as tax expense in profit or loss or as an adjustment to equity to the extent to which the deferred tax relates to items previously recognised outside profit or loss.

## Note 8. Income tax continued

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| **Deferred tax asset** | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Employee benefits | 243,218 | 314,686 |
| Provisions | 51,712 | 163,946 |
| Blackhole costs related to equity issuances | 305,916 | 282,403 |
| Deferred tax asset | 600,846 | 761,035 |
| Movements: | | |
| Opening balance | 761,035 | 535,218 |
| Credited/(charged) to profit or loss | (267,050) | 225,817 |
| Credited to equity | 106,861 | – |
| Closing balance | 600,846 | 761,035 |

### Accounting policy for 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.

## Note 9. Cash and cash equivalents

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| **Current assets** | | |
| Cash at bank | 4,218,773 | 5,300,099 |

### Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

## Note 10. Trade and other receivables

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| **Current assets** | | |
| Trade receivables | 3,236,771 | 2,507,817 |
| Less: Allowance for expected credit losses | (1,987,462) | (1,658,189) |
| | 1,249,309 | 849,628 |
| R&D tax rebate receivable | 656,671 | 566,144 |
| BAS receivable | – | 48,325 |
| | 1,905,980 | 1,464,097 |

### Allowance for expected credit losses

For the year ended 30 June 2022, the Group has recognised a loss of $465,963 (2021: $1,348,806) in the Statement of profit or loss in respect of expected credit losses.

The Group recognises lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivable balances due from customers who have consistently failed to make payments within 180 days of invoice date are assessed for expected credit losses on an individual basis. The remaining trade receivables have been assessed on a geographical basis as each territory can possess different credit risk characteristics. Trade receivables are written off when there is no reasonable expectation of recovery. The Group increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to COVID-19 during prior year; the impact in the current year was not significant. The calculation of expected credit losses has been revised as at 30 June 2022 and 30 June 2021.

## Note 10. Trade and other receivables continued

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

| | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|---|---|---|---|---|---|---|
| **Consolidated** | 2022 % | 2021 % | 2022 $ | 2021 $ | 2022 $ | 2021 $ |
| Not overdue | 4.2% | 17.5% | 322,526 | 312,756 | 13,463 | 54,825 |
| 0 to 3 months overdue | 6.2% | 34.0% | 630,959 | 572,798 | 39,096 | 194,472 |
| 3 to 6 months overdue | 14.7% | 65.9% | 296,847 | 382,150 | 43,665 | 251,653 |
| Over 6 months overdue | 95.2% | 93.3% | 1,986,439 | 1,240,113 | 1,891,238 | 1,157,239 |
| | | | 3,236,771 | 2,507,817 | 1,987,462 | 1,658,189 |

Movements in the allowance for expected credit losses are as follows:

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| Opening balance | 1,658,189 | 309,383 |
| Additional provisions recognised | 465,963 | 1,348,806 |
| Utilised provision against accounts receivables | (284,413) | – |
| Exchange differences | 147,723 | – |
| Closing balance | 1,987,462 | 1,658,189 |

### Accounting policy for trade 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. Trade receivables are generally due for settlement within 30 days.

The Group 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.

## Note 11. Inventories

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| **Current assets** | | |
| Work in progress – at cost | 28,931 | 34,188 |
| Finished goods – at cost | 702,778 | 1,409,982 |
| Less: Provision for impairment | – | (404,050) |
| | 702,778 | 1,005,932 |
| | 731,709 | 1,040,120 |

In 2022, a total of $625,929 of inventories was included in profit or loss as an expense (2021: $273,105).

### Accounting policy for inventories

Finished goods are 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 the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Note 12. Other assets

| | Consolidated 2022 $ | 2021 $ |
|---|---|---|
| **Current assets** | | |
| Prepayments | 441,925 | 511,447 |
| Security deposits | 48,790 | 48,695 |
| Other current assets | 11,045 | 10,318 |
| | 501,760 | 570,460 |
| **Non-current assets** | | |
| Security deposits | 67,980 | 67,938 |
| | 569,740 | 638,398 |

## Note 13. Contract assets

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| **Current assets** | | |
| Contract assets – accrued revenue | 1,142,433 | 1,133,940 |
| Less: Provision for impairment | (404,368) | (300,386) |
| | 738,065 | 833,554 |
| **Non-current assets** | | |
| Contract assets – accrued revenue | 1,311,920 | 2,068,614 |
| Less: Provision for impairment | (751,404) | (1,152,549) |
| Contract assets – incremental contract costs | 1,515,033 | 1,094,056 |
| Less: Accumulated amortisation | (179,505) | (17,186) |
| | 1,896,044 | 1,992,935 |
| | 2,634,109 | 2,826,489 |
| **Reconciliation** | | |
| Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below: | | |
| Opening balance | 2,826,489 | 3,952,315 |
| Additions | 503,351 | 1,094,056 |
| Transfer to trade receivables | (837,463) | (1,552,918) |
| Movement in provision | 305,404 | (649,778) |
| Exchange differences | (6,616) | – |
| Amortisation of assets | (157,056) | (17,186) |
| Closing balance | 2,634,109 | 2,826,489 |

### Provision for impairment of contract assets – accrued revenue

For the year ended 30 June 2022, the Group has recognised a gain following the reversal of historical provisions of $305,404 (2021: a loss of $649,778) in the Statement of profit or loss in respect of impairment of contract assets – accrued revenue.

The provision for impairment provided for the above contract assets – accrued revenue are as follows:

| | Expected impairment rate | | Carrying amount | | Allowance for expected impairment | |
|---|---|---|---|---|---|---|
| | Consolidated 2022 % | Aggregated 2021 % | Consolidated 2022 $ | Aggregated 2021 $ | Consolidated 2022 $ | Aggregated 2021 $ |
| Not invoiced | 47.1% | 45.4% | 2,454,353 | 3,202,554 | 1,155,772 | 1,452,935 |

Movements in the provision for impairment are as follows:

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Opening balance | 1,452,935 | 803,157 |
| Increase in expected impairment losses on contract assets recognised in profit or loss during the year | – | 649,778 |
| Unused amount reversed | (305,404) | – |
| Utilised provision against contract assets | (81,021) | – |
| Exchange differences | 89,262 | – |
| Closing balance | 1,155,772 | 1,452,935 |

## Accounting policy for contract assets

**Contract assets – accrued revenue**
Amounts relating to goods transferred to a customer and not yet invoiced. The Group has entered into a contractual agreement with the respective customers under which the accrued revenue is invoiced and paid over time. The Group has an unconditional right to receive payment for these goods.

**Contract assets – incremental contract costs**
Contract assets are recognised in relation to the incremental costs of acquiring new contracts that would not be incurred if the contract were not obtained. These costs represent sales commissions under a new sales commission model introduced for the 2021 financial year in relation to the Group's subscription based revenue model and are amortised over the term of the contract to which they relate which ranges from 3 years to 7 years. Contract assets are treated as financial assets for impairment assessment purposes.

# Note 14. Plant and equipment

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| **Non-current assets** | | |
| Leasehold improvements – at cost | 467,284 | 403,502 |
| Less: Accumulated depreciation | (413,725) | (395,981) |
| | 53,559 | 7,521 |
| Computer equipment – at cost | 619,883 | 841,277 |
| Less: Accumulated depreciation | (294,291) | (710,738) |
| | 325,592 | 130,539 |
| Office and other equipment – at cost | 256,774 | 544,754 |
| Less: Accumulated depreciation | (203,830) | (463,307) |
| | 52,944 | 81,447 |
| Project equipment – at cost | 2,274,704 | 635,491 |
| Less: Accumulated depreciation | (346,094) | (67,218) |
| | 1,928,610 | 568,273 |
| Projects under deployment | 1,258,676 | 945,030 |
| | 3,619,381 | 1,732,810 |

## Note 14. Plant and equipment continued

### 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 improve-ments $ | Computer equipment $ | Office and other equipment $ | Project equipment $ | Projects under deployment $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2020 | 17,347 | 50,983 | 16,285 | – | – | 84,615 |
| Additions | – | 111,871 | 65,441 | 635,491 | 945,030 | 1,757,833 |
| Exchange differences | (5,558) | (781) | 7,917 | 15,772 | – | 17,350 |
| Depreciation expense | (4,268) | (31,534) | (8,196) | (82,990) | – | (126,988) |
| Balance at 30 June 2021 | 7,521 | 130,539 | 81,447 | 568,273 | 945,030 | 1,732,810 |
| Additions | 55,888 | 256,496 | 5,476 | 11,155 | 1,881,418 | 2,210,433 |
| Disposals | – | – | (17,814) | – | – | (17,814) |
| Exchange differences | 3,038 | 1,133 | 975 | 54,397 | 1,371 | 60,914 |
| Depreciation expense | (12,888) | (62,576) | (17,140) | (274,358) | – | (366,962) |
| Transfers in/(out) | – | – | – | 1,569,143 | (1,569,143) | - |
| Balance at 30 June 2022 | 53,559 | 325,592 | 52,944 | 1,928,610 | 1,258,676 | 3,619,381 |

Project equipment and projects under deployment relate to the costs incurred by the Group in fulfilling contracts with customers. These are direct costs of materials and third party installation costs associated with specific contracts with customers. Project equipment is depreciated over the term of the contract to which the costs relate.

### Accounting policy for 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 (or term of lease if shorter per policy note)
- Computer equipment — 3–4 years
- Office and other equipment — 3–5 years
- Project equipment — 3–7 years (depreciated over the contract term of the project to which they relate or the estimated useful life of the assets, whichever is shorter)
- Project under deployment — Nil depreciation until project completed and transferred to project assets

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

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

## Note 15. Right-of-use assets

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| **Non-current assets** | | |
| Buildings – right-of-use | 1,302,949 | 1,355,426 |
| Less: Accumulated depreciation | (985,531) | (850,920) |
| | 317,418 | 504,506 |
| Motor vehicles – right-of-use | 47,196 | – |
| Less: Accumulated depreciation | (9,832) | – |
| | 37,364 | – |
| | 354,782 | 504,506 |

The Group leases buildings for its offices under agreements of between 1 to 3 years with, in some cases, options to extend. Leases are for office space in Australia, Hong Kong, UK and Dubai. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

**Reconciliations**

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

| Consolidated | Buildings $ | Motor vehicles $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2020 | 809,220 | – | 809,220 |
| Additions | 116,844 | – | 116,844 |
| Exchange differences | (1,878) | – | (1,878) |
| Depreciation expense | (419,680) | – | (419,680) |
| Balance at 30 June 2021 | 504,506 | – | 504,506 |
| Additions | 289,456 | 47,196 | 336,652 |
| Exchange differences | (842) | – | (842) |
| Depreciation expense | (475,702) | (9,832) | (485,534) |
| Balance at 30 June 2022 | 317,418 | 37,364 | 354,782 |

For other lease disclosures refer to:

- note 7 for depreciation on right-of-use assets, interest on lease liabilities and other lease expenses;
- note 18 for lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

**Note 15. Right-of-use assets** continued

### Accounting policy for 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 Group 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 reviewed for impairment or adjusted for any remeasurement of lease liabilities.

The Group 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.

### 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.

## Note 16. Trade and other payables

| | Consolidated | |
|---|---|---|
| | **2022** $ | **2021** $ |
| **Current liabilities** | | |
| Trade payables | 1,799,251 | 1,332,417 |
| Payroll related payables | 894,092 | 764,070 |
| Accrued commission, bonus and incentives * | 337,062 | 927,329 |
| BAS payable | 17,390 | – |
| Other payables | 374,520 | 429,086 |
| | 3,422,315 | 3,452,902 |

Refer to note 23 for further information on financial instruments.

* *Includes accrued sales commissions which are included in note 13 – contract assets and short-term incentive payments relating to the 2022 financial year.*

### Accounting policy for trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group 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.

## Note 17. Borrowings

| | Consolidated | |
|---|---|---|
| | **2022** $ | **2021** $ |
| **Current liabilities** | | |
| Bank loan | 155,193 | – |
| Insurance premium funding arrangement | 250,311 | – |
| | 405,504 | – |
| **Non-current liabilities** | | – |
| Bank loan | 421,213 | 592,434 |
| | 826,717 | 592,434 |

Refer to note 23 for further information on financial instruments.

### Borrowings at amortised cost

The interest rate on the insurance premium funding arrangement is a flat rate of 3.23% over the premium being funded. The loan is denominated in Australian dollars, is repayable in equal monthly instalments over 9 months and is unsecured. Repayment commenced on 11 June 2022.

The interest rate on the bank loan is 2.75% per annum. This loan is denominated in Hong Kong dollars and is repayable in equal monthly instalments over 48 months commencing on 4 February 2022. The bank loan was provided under the Hong Kong SME Financing Guarantee Scheme introduced in response to COVID-19 and is unsecured.

### Accounting policy for 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.

The components of the convertible notes are assessed in order to determine how they are to be accounted for. Convertible notes that have a conversion feature that is determined to be an embedded derivative are considered to be hybrid financial instruments. The debt host liability and the embedded derivative are accounted for separately, with the fair value of the embedded derivative determined first and the residual amount assigned to the debt host liability. Transaction costs are apportioned between both components. Subsequently, the debt host liability is carried at amortised cost and the embedded derivative is measured at fair value through profit or loss at each reporting date. Upon conversion, the carrying amount of the debt host together with the embedded derivative (which is remeasured to fair value before conversion) are transferred to equity such that no gain or loss is recognised on settlement. The convertible notes were converted to ordinary shares in EP&T Global Limited at the time of the IPO in May 2021.

### Accounting policy for 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.

## Note 18. Lease liabilities

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| **Current liabilities** | | |
| Lease liability | 274,783 | 412,271 |
| **Non-current liabilities** | | |
| Lease liability | 136,790 | 161,311 |
| | 411,573 | 573,58 |

Refer to note 23 for the contractual maturity of lease liability.

### Accounting policy for 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 Group'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.

## Note 19. Employee benefits

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| **Current liabilities** | | |
| Annual leave | 655,796 | 494,520 |
| Long service leave | 243,562 | 240,905 |
| Gratuity pay * | 772,638 | 652,633 |
| | 1,671,996 | 1,388,058 |
| **Non-current liabilities** | | |
| Long service leave | 46,761 | 32,402 |
| | 1,718,757 | 1,420,460 |

* *Gratuity provision relates to the Middle East employees' end of service employment entitlements which are required under United Arab Emirates Labour Laws.*

### Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave and end of services entitlements that are not expected to be taken or settled within the next 12 months:

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Employee benefits obligation expected to be settled after 12 months | 1,062,699 | 909,208 |

### Accounting policy for 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 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. 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.

**Defined contribution superannuation expense**
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Note 20. Issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 2022<br>Shares | 2021<br>Shares | 2022<br>$ | 2021<br>$ |
| Ordinary shares – fully paid | 240,799,500 | 185,799,500 | 44,148,826 | 36,219,410 |

## Note 20. Issued capital continued

### Movements in ordinary share capital

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2020 | – | | – |
| Issue of shares on incorporation | 15 October 2020 | 1,000,000 | $0.01 | 10,000 |
| Shares issued as consideration for acquisition of subsidiaries | 19 March 2021 | 63,921,081 | $0.20 | 12,784,216 |
| Conversion of convertible notes | 12 May 2021 | 71,520,424 | $0.20 | 14,304,085 |
| Issue of shares at IPO | 12 May 2021 | 47,500,000 | $0.20 | 9,500,000 |
| Shares issued as consideration for IPO costs | 12 May 2021 | 1,857,995 | $0.20 | 371,599 |
| Share of IPO costs, net of tax | | – | $0.00 | (750,490) |
| Balance | 30 June 2021 | 185,799,500 | | 36,219,410 |
| Issue of shares | 9 November 2021 | 27,869,925 | $0.15 | 4,180,489 |
| Issue of shares | 29 December 2021 | 27,130,075 | $0.15 | 4,069,511 |
| Deferred tax credit directly recognised in equity | | | | 106,861 |
| Transaction costs | | | | (427,445) |
| Balance | 30 June 2022 | 240,799,500 | | 44,148,826 |

### Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

### Share buy-back

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

### Shares on escrow

The total number of shares subject to voluntary or mandatory escrow is 58,917,697 on 30 June 2022. These shares are subject to various exceptions and release dates, which prevent the escrowed shareholders from dealing in their escrowed shares for the applicable escrow period.

### Capital risk management

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

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.

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

The Group is currently focussed on continued growth of its existing businesses. The Group would look to raise capital when an opportunity to invest in additional growth or an opportunity presents itself to acquire a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short-term.

### Accounting policy for 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.

## Note 21. Reserves

| | Consolidated | |
|---|---|---|
| | 2022 $ | 2021 $ |
| Reorganisation reserve | (16,364,257) | (16,364,257) |
| Foreign currency reserve | (365,036) | (483,513) |
| Share-based payments reserve | 1,323,054 | 896,457 |
| | (15,406,239) | (15,951,313) |

### Reorganisation reserve

The reserve is used to recognise the contribution of the subsidiaries to EP&T Global Limited prior to IPO.

### Foreign currency reserve

The 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.

### Share-based payments reserve

The 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:

| Consolidated | Reorganisation reserve $ | Foreign currency $ | Share-based payments $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2020 | (3,814,026) | – | – | (3,814,026) |
| Foreign currency translation | – | (483,513) | – | (483,513) |
| Group reorganisation | (12,550,231) | – | – | (12,550,231) |
| Share-based payments expense | – | – | 896,457 | 896,457 |
| Balance at 30 June 2021 | (16,364,257) | (483,513) | 896,457 | (15,951,313) |
| Foreign currency translation | – | 118,477 | – | 118,477 |
| Share-based payments expense | – | – | 426,597 | 426,597 |
| Balance at 30 June 2022 | (16,364,257) | (365,036) | 1,323,054 | (15,406,239) |

## Note 22. Dividends

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

## Note 23. Financial instruments

### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), interest rate risk, credit risk and liquidity risk. The Group'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 Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and 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 of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

### Market risk

**Foreign currency risk**
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| Consolidated | 2022<br>$ | 2021<br>$ | 2022<br>$ | 2021<br>$ |
| Pound Sterling | 2,815,976 | 2,186,577 | (720,492) | (669,266) |
| Hong Kong Dollars | 168,507 | 222,151 | (670,097) | (794,049) |
| United Arab Emirates Dirham | 5,141,616 | 4,139,960 | (1,769,560) | (1,910,454) |
| | 8,126,099 | 6,548,688 | (3,160,149) | (3,373,769) |

The Group had net assets denominated in foreign currencies of $4,965,950 (assets of $8,126,099 less liabilities of $3,160,149) as at 30 June 2022 (2021: $3,174,919 (assets of $6,548,688 less liabilities of $3,373,769)). Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% (2021: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been $496,595 lower/$496,595 higher (2021: $317,492 lower/$317,492 higher) and equity would have been $496,595 lower/$496,595 higher (2021: $317,492 lower/$317,492 higher). 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 2022 was $63,749 (2021: loss of $22,049).

### Price risk

The Group is not exposed to any significant price risk.

### Interest rate risk

The Group's main interest rate risks arise from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable or fixed rate borrowings outstanding:

| Consolidated | 2022 Weighted average interest rate % | 2022 Balance $ | 2021 Weighted average interest rate % | 2021 Balance $ |
|---|---|---|---|---|
| Bank loan | 2.75% | (576,406) | 2.75% | (592,434) |
| Net exposure to cash flow interest rate risk | 3.23% | (250,311) | – | – |
| Net exposure to cash flow interest rate risk | | (826,717) | | (592,434) |

## Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. 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 Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 10, due to COVID-19, the calculation of expected credit losses has been revised as at 30 June 2022 and 30 June 2021.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

## Liquidity risk

Prudent liquidity risk management requires the Group 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 Group 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.

## Remaining contractual maturities

The following tables detail the Group'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.

## Note 23. Financial instruments continued

| Consolidated – 2022 | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| **Non-interest bearing** | | | | | | |
| Trade payables | – | 1,799,251 | – | – | – | 1,799,251 |
| Other payables | – | 374,520 | – | – | – | 374,520 |
| **Interest-bearing – fixed** | | | | | | |
| Bank loans | 2.75% | 169,097 | 169,097 | 267,737 | – | 605,931 |
| Insurance premium funding arrangement | 3.23% | 257,298 | – | – | – | 257,298 |
| **Interest-bearing – variable** | | | | | | |
| Lease liability | 5.00% | 293,980 | 117,018 | 26,188 | – | 437,186 |
| Total non-derivatives | | 2,894,146 | 286,115 | 293,925 | – | 3,474,186 |

| Consolidated – 2021 | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| **Non-interest bearing** | | | | | | |
| Trade payables | – | 1,332,417 | – | – | – | 1,332,417 |
| Other payables | – | 429,086 | – | – | – | 429,086 |
| **Interest-bearing – fixed** | | | | | | |
| Bank loans | 2.75% | 74,743 | 156,573 | 404,481 | – | 635,797 |
| **Interest-bearing – variable** | | | | | | |
| Lease liability | 5.00% | 440,627 | 164,818 | – | – | 605,445 |
| Total non-derivatives | | 2,276,873 | 321,391 | 404,481 | – | 3,002,745 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 24. Key management personnel disclosures

### Compensation

The aggregate compensation made to Directors and other members of KMP of the Group is set out below:

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Short-term employee benefits | 1,700,039 | 1,946,340 |
| Post-employment benefits | 90,926 | 64,673 |
| Long-term benefits | 55,774 | 50,691 |
| Termination benefits | 80,000 | – |
| Share-based payments | 409,554 | 489,806 |
| | 2,336,293 | 2,551,510 |

## Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| **Audit services – Grant Thornton Audit Pty Ltd** | | |
| Audit or review of the financial statements | 202,161 | 280,274 |
| **Other services – Grant Thornton Audit Pty Ltd** | | |
| IPO due diligence | – | 131,200 |
| Tax due diligence and advice | 26,500 | 81,963 |
| | 26,500 | 213,163 |
| | 228,661 | 493,437 |
| **Other Auditors** | | |
| Audit of the financial statements – controlled entities | 28,460 | – |

## Note 26. Contingent liabilities

The Group has given bank guarantees as at 30 June 22 of $67,485 (30 June 2021: $67,485) to various landlords.

Other property lease guarantees have been paid as deposits for Dubai, HK and UK premises to the amount of $47,841 (2021: $60,076).

## Note 27. Guaranteed energy savings

In accordance with certain contracts signed with customers, the Group guarantee a pre-determined value of energy savings following installation of monitoring equipment and the commencement of monitoring and reporting services. The Group is obligated to pay the customer in cash for a shortfall between actual savings achieved and the guaranteed energy savings amount. The savings are stipulated in the applicable contracts and are based on modelled savings determined by the Group's engineers and technical services team. The timeframe for measurement of guaranteed ranges from annually to a maximum of 5 years as stipulated in the individual service contracts. For annual savings guarantees, a shortfall in guaranteed savings reimbursed to a customer can be recovered from any excess savings achieved by that same customer in future years. The guarantees are unsecured.

The maximum remaining savings guaranteed to customers and the timeframes for measurement are shown below:

| Guarantee measurement date | Within 12 months $ | In 1-2 years $ | In 3-5 years $ | Over 5 years $ | Total $ |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Uncovered actual guaranteed savings * | – | 1,264,442 | 6,076,430 | 16,469,692 | 23,810,564 |
| **2021** | | | | | |
| Uncovered actual guaranteed savings * | – | 279,331 | 4,056,831 | 3,606,089 | 7,942,251 |

** Calculated as total guarantee amount less actual savings achieved to date*

To date there have been no instances of energy savings guaranteed to customers not being met and accordingly no claims for payment by any customers have been received. Accordingly in the view of the Directors, the possibility of any amounts disclosed above becoming probable and hence, actual liabilities, is considered to be remote.

## Note 28. Related party transactions

### Parent entity

EP&T Global Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 30.

### Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the Directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Payment for goods and services: | | |
| Payment for services from other related party | – | 63,800 |
| Purchase of assets from other related party | – | 89,914 |

### Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 29. Parent entity information

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

| Statement of profit or loss and other comprehensive income | Parent 2022 $ | Parent 2021 $ |
|---|---|---|
| Loss after income tax | (12,959,136) | (23,435,194) |
| Total comprehensive income | (12,959,136) | (23,435,194) |

| Statement of financial position | Parent 2022 $ | Parent 2021 $ |
|---|---|---|
| Total current assets | 3,461,330 | 283,761 |
| Total assets | 8,314,270 | 12,784,216 |
| Total current liabilities | 133,177 | – |
| Total liabilities | 133,177 | – |
| Equity | | |
| Issued capital | 44,148,826 | 36,219,410 |
| Share-based payments reserve | 1,323,054 | 896,457 |
| Accumulated losses | (37,290,787) | (24,331,651) |
| Total equity | 8,181,093 | 12,784,216 |

### 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 2022 and 30 June 2021.

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 30. Interests in subsidiaries

Effective from 15 October 2020, following a reorganisation, the Group is comprised of the companies detailed in the table below.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business/ Country of incorporation | Ownership interest 2022 % | Ownership interest 2021 % |
|---|---|---|---|
| EP & T Pty Limited | Australia | 100.00% | 100.00% |
| EP & T Global Limited (UK) | United Kingdom | 100.00% | 100.00% |
| EP & T Global Limited (HK) | Hong Kong | 100.00% | 100.00% |
| EP & T FZ LLC (Dubai) | United Arab Emirates | 100.00% | 100.00% |

## Note 31. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Loss after income tax (expense)/benefit for the year | (8,404,633) | (12,156,861) |
| Adjustments for: | | |
| Depreciation and amortisation | 1,009,552 | 546,668 |
| Share-based payments | 426,597 | 896,457 |
| Foreign exchange differences | 118,473 | (247,816) |
| Impairment of receivables | 160,559 | 1,998,584 |
| Impairment of inventory | 119,520 | – |
| Amortisation of borrowing costs | – | 144,742 |
| Change in fair value of convertible notes | – | 3,996,465 |
| Expenses settled through issuance of shares | – | 548,533 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (717,990) | 811,643 |
| Decrease/(increase) in contract assets | 145,736 | (1,094,049) |
| Decrease in inventories | 188,891 | 354,478 |
| Decrease/(increase) in income tax refund due | (90,527) | 61,819 |
| Decrease/(increase) in deferred tax assets | 267,050 | (225,817) |
| Increase/(decrease) in other assets | 381,669 | (208,312) |
| (Decrease)/increase in trade and other payables | (20,374) | 865,362 |
| Increase in employee benefits | 298,297 | 278,124 |
| Net cash used in operating activities | (6,117,180) | (3,429,980) |

## Note 32. Non-cash investing and financing activities

| | Consolidated 2022 $ | Consolidated 2021 $ |
|---|---|---|
| Additions to the right-of-use assets | 336,652 | 116,844 |
| Shares issued on conversion of convertible notes | – | 14,304,085 |
| Shares issued as consideration for acquisition of subsidiaries | – | 12,784,216 |
| Shares issued as consideration for IPO costs | – | 371,599 |
| Reduction in lease liability from rent concessions | – | 7,236 |
| | 336,652 | 27,583,980 |

## Note 33. Changes in liabilities arising from financing activities

| Consolidated | Convertible notes $ | Bank loan $ | Insurance premium funding $ | Shareholder loans $ | Leases liabilities $ | Total $ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2020 | 3,804,130 | – | – | 1,048,359 | 854,636 | 5,707,125 |
| Net cash from/(used in) financing activities | 1,950,000 | 592,434 | – | (1,048,359) | (397,898) | 1,096,177 |
| Acquisition of plant and equipment by means of leases | – | – | – | – | 124,080 | 124,080 |
| Reduction in lease liability from rent concessions | – | – | – | – | (7,236) | (7,236) |
| Other changes | (5,754,130) | – | – | – | – | (5,754,130) |
| Balance at 30 June 2021 | – | 592,434 | – | – | 573,582 | 1,166,016 |
| Net cash from/(used in) financing activities | – | (16,028) | 250,311 | – | (498,661) | (264,378) |
| Acquisition of plant and equipment by means of leases | – | – | – | – | 336,652 | 336,652 |
| Balance at 30 June 2022 | – | 576,406 | 250,311 | – | 411,573 | 1,238,290 |

## Note 34. Earnings per share

| | Consolidated | |
|---|---|---|
| | 2022<br>$ | 2021<br>$ |
| Loss after income tax attributable to the owners of EP&T Global Limited | (8,404,633) | (12,156,861) |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 217,343,325 | 35,481,407 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 217,343,325 | 35,481,407 |

| | Cents | Cents |
|---|---|---|
| Basic earnings per share | (3.87) | (34.26) |
| Diluted earnings per share | (3.87) | (34.26) |

18,622,287 (2021: 20,696,780) options over ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2022. These options could potentially dilute basic earnings per share in the future.

### Accounting policy for earnings per share

**Basic earnings per share**
Basic earnings per share is calculated by dividing the profit attributable to the owners of EP&T Global 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 additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

## Note 35. Share-based payments

On 17 March 2021, prior to listing on ASX the Company granted options over ordinary shares to certain Directors, employees and advisors to the Group. These options were not granted under a long term incentive plan, but as a reward to management and employees for the Group's IPO. As such, the only vesting condition relates to continued employment.

Set out below are summaries of options granted:

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| 17/03/2021 | 15/03/2025 | $0.20 | 2,501,864 | – | – | – | 2,501,864 |
| 17/03/2021 | 15/03/2025 | $0.26 | 557,399 | – | – | – | 557,399 |
| 17/03/2021 | 15/03/2025 | $0.29 | 3,149,771 | – | – | – | 3,149,771 |
| 17/03/2021 | 15/03/2025 | $0.30 | 1,853,957 | – | – | – | 1,853,957 |
| 17/03/2021 | 15/03/2025 | $0.40 | 2,545,992 | – | – | – | 2,545,992 |
| 17/03/2021 | 15/03/2025 | $0.50 | 1,152,496 | – | – | – | 1,152,496 |
| 17/03/2021 | 15/03/2027 | $0.34 | 3,149,771 | – | – | – | 3,149,771 |
| 17/03/2021 | 15/03/2027 | $0.38 | 4,633,034 | – | – | (2,074,493) | 2,558,541 |
| 17/03/2021 | 15/03/2027 | $0.60 | 1,152,496 | – | – | – | 1,152,496 |
| | | | 20,696,780 | – | – | (2,074,493) | 18,622,287 |
| Weighted average exercise price | | | $0.35 | $0.00 | $0.00 | $0.38 | $0.35 |
| **2021** | | | | | | | |
| 17/03/2021 | 15/03/2025 | $0.20 | – | 2,501,864 | – | – | 2,501,864 |
| 17/03/2021 | 15/03/2025 | $0.26 | – | 557,399 | – | – | 557,399 |
| 17/03/2021 | 15/03/2025 | $0.29 | – | 3,149,771 | – | – | 3,149,771 |
| 17/03/2021 | 15/03/2025 | $0.30 | – | 1,853,957 | – | – | 1,853,957 |
| 17/03/2021 | 15/03/2025 | $0.40 | – | 2,545,992 | – | – | 2,545,992 |
| 17/03/2021 | 15/03/2025 | $0.50 | – | 1,152,496 | – | – | 1,152,496 |
| 17/03/2021 | 15/03/2025 | $0.60 | – | 1,152,496 | – | – | 1,152,496 |
| 17/03/2021 | 15/03/2027 | $0.34 | – | 3,149,771 | – | – | 3,149,771 |
| 17/03/2021 | 15/03/2027 | $0.38 | – | 4,633,034 | – | – | 4,633,034 |
| | | | – | 20,696,780 | – | – | 20,696,780 |
| Weighted average exercise price | | | $0.00 | $0.35 | $0.00 | $0.00 | $0.35 |

Of the total number of options issued 20,696,778; 10,142,221 options have vested and exercisable at the end of the financial year (2021: 8,159,928).

The weighted average share price during the financial year was $0.13 (2021: $0.20).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3 years (2021: 4 years).

No options were granted during the financial year. For the options granted during the financial year ended 30 June 2021, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 17/03/2021 | 15/03/2025 | $0.20 | $0.20 | 80.00% | – | 0.41% | $0.116 |
| 17/03/2021 | 15/03/2025 | $0.20 | $0.26 | 80.00% | – | 0.41% | $0.105 |
| 17/03/2021 | 15/03/2025 | $0.20 | $0.29 | 80.00% | – | 0.41% | $0.100 |
| 17/03/2021 | 15/03/2025 | $0.20 | $0.30 | 80.00% | – | 0.41% | $0.098 |
| 17/03/2021 | 15/03/2025 | $0.20 | $0.40 | 80.00% | – | 0.41% | $0.086 |
| 17/03/2021 | 15/03/2025 | $0.20 | $0.50 | 80.00% | – | 0.41% | $0.076 |
| 17/03/2021 | 15/03/2027 | $0.20 | $0.34 | 80.00% | – | 0.96% | $0.096 |
| 17/03/2021 | 15/03/2027 | $0.20 | $0.38 | 80.00% | – | 0.96% | $0.117 |
| 17/03/2021 | 15/03/2027 | $0.20 | $0.60 | 80.00% | – | 0.96% | $0.114 |

### Accounting policy for share-based payments

Equity-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.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using 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 Group 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.

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. There have been no modifications for the year ended 30 June 2022.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group 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. The only vesting condition applicable is continued employment/service until the date of vesting.

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. During the current financial year, options with a value of $2,074,493 have forfeited. There have been no equity-settled awards cancelled, replaced or substituted for the financial year ended 30 June 2022.

## Note 36. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

# Directors' Declaration

**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 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 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

Jonathan Sweeney.

**Jonathan Sweeney**
**Chairman**

29 August 2022

**Grant Thornton Audit Pty Ltd**
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# Independent Auditor's Report

## To the Members of EP&T Global Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of EP&T Global Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

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

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

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

#### Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of $8,404,633, and had net cash used in operating activities of $6,117,180 during the year ended 30 June 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

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

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition – Note 5** | |
| Revenue of $7,085,739 has been recognised during the year ended 30 June 2022.<br><br>The Group recognises revenue across three separate revenue streams: projects revenue, contracted service revenue, and service and maintenance revenue. The revenue recognition process and policies differ for each stream depending on the nature of the products and services provided to the customer in accordance with AASB 15: *Revenue from Contracts with Customers*. Estimation and judgement are used regarding timing and amount of revenue to be recognised.<br><br>This area is a key audit matter due to the material nature of the balance, the volume of transactions and the importance of the revenue balance to the current stakeholders. | Our procedures included, amongst others:<br><br>• Assessing the revenue recognition policies for appropriateness and compliance with AASB 15 including reviewing consistency with the prior period;<br>• Testing the operating effectiveness of key internal controls relating to revenue;<br>• Testing a sample of revenue transactions for each revenue stream by tracing through to sales contracts, assessing the identification of performance obligations, and evaluating the timing of revenue recognition;<br>• Assessing whether revenue has been recognised in accordance with revenue recognition policies; and<br>• Assessing the adequacy of related disclosures in the financial statements. |
| **Recoverability of trade and other receivables and contract assets – Notes 10 and 13** | |
| At 30 June 2022, the Group has trade receivables of $1,249,309 (net of allowance for expected credit losses) and contract assets of $2,634,109 (net of provision for impairment).<br><br>During the year, the Group recognised a loss of $465,963 in respect of expected credit losses and recognised a gain of $305,404 following the reversal of historical provision for impairment of contract assets.<br><br>This area is a key audit matter because the determination of the provision under AASB 9: *Financial Instruments* was driven by subjective judgements made by the Group in estimating expected credit losses (ECL). | Our procedures included, amongst others:<br><br>• Examining and assessing the ECL model developed by the Group, including reviewing the key judgements and assumptions supporting the ECL against the requirements of AASB 9 and checking the accuracy of the information within the model;<br>• Challenging management's assumptions regarding the level of provisioning against the ageing of receivables and contract assets, along with consistency and appropriateness of provisioning with reference to subsequent cash received;<br>• Critically assessing the recoverability of overdue debts, including those which have been and have not been provided against; and<br>• Assessing the adequacy of related disclosures in the financial statements. |

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

Grant Thornton Australia Limited

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' for the financial report

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

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

### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 22 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of EP&T Global Limited, for the year ended 30 June 2022 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 29 August 2022

Grant Thornton Australia Limited

# Shareholder Information

The shareholder information set out below was applicable as at 5 August 2022.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | Options over ordinary shares | |
|---|---|---|---|---|
| | Number of holders | % of total shares issued | Number of holders | % of total shares issued |
| 1 to 1,000 | 18 | – | – | – |
| 1,001 to 5,000 | 50 | 0.07 | – | – |
| 5,001 to 10,000 | 86 | 0.34 | – | – |
| 10,001 to 100,000 | 107 | 1.65 | – | – |
| 100,001 and over | 102 | 97.94 | 10 | 100.00 |
| | 363 | 100.00 | 10 | 100.00 |
| Holding less than a marketable parcel | 79 | 0.10 | – | – |

# Shareholder Information

## Equity security holders

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

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| MAGNETAR CAPITAL LIMITED | 70,566,584 | 29.31 |
| NATIONAL NOMINEES LIMITED | 29,806,242 | 12.38 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 14,053,770 | 5.84 |
| CS THIRD NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 13 A/C) | 13,229,518 | 5.49 |
| INGOT CAPITAL INVESTMENTS PTY LTD | 12,950,272 | 5.38 |
| MALKANTHI HETTIARACHCHI | 8,590,975 | 3.57 |
| UBS NOMINEES PTY LTD | 8,333,333 | 3.46 |
| WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 6,000,000 | 2.49 |
| CERTANE CT PTY LTD (BIPETA) | 5,573,518 | 2.31 |
| BNP PARIBAS NOMS PTY LTD (DRP) | 5,526,858 | 2.30 |
| CERTANE CT PTY LTD (CHARITABLE FOUNDATION) | 4,676,482 | 1.94 |
| CHITRA GUNARATNA | 4,150,000 | 1.72 |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 3,903,964 | 1.62 |
| CONTEC PROPERTIES PTY LIMITED | 3,234,760 | 1.34 |
| MRS CHITRA GUNARATNA | 2,300,016 | 0.96 |
| URBAN LAND NOMINEES PTY LTD | 2,166,667 | 0.90 |
| CONTEC NOMINEES PTY LIMITED (SEIDLER PENSION FUND A/C) | 2,081,918 | 0.86 |
| BELL POTTER NOMINEES LIMITED | 1,857,995 | 0.77 |
| SILVER ISLAND BV | 1,839,422 | 0.76 |
| MR MARK STEPHEN CHURCHMICHAEL (CHURCHMICHAEL FAMILY A/C) | 1,760,185 | 0.73 |
| | 202,602,479 | 84.13 |

## Unquoted equity securities

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 18,622,287 | 10 |

## Substantial holders

Substantial holders in the Company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Keith Gunaratne | 72,768,921 | 30.22 |
| Perennial Value Management Limited | 30,618,203 | 12.72 |
| Regal Funds Management | 14,958,039 | 6.21 |
| Ingot Capital Investments Pty Ltd | 12,950,272 | 5.38 |

## Voting rights

The voting rights attached to ordinary shares are set out below:

### Ordinary shares

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.

There are no other classes of equity securities.

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