

23 February 2022

Appendix 4D

Summary Interim Financial Report

Results for announcement to the market
For the financial half year ended 31 December 2021

	Consolidated Group			
	Half Year ended 31 December 2021	Half Year ended 31 December 2020	Variance to prior period	
	\$'000	\$'000	\$'000	%
Revenues from ordinary activities	26,817	23,565	3,252	13.8%
Profit/(loss) after tax from ordinary activities attributable to members	(5,802)	(7,808)	2,006	25.7%
Net profit/(loss) attributable to members	(5,802)	(7,808)	2,006	25.7%
Net tangible assets/(liabilities) per security (cents)	1.8	0.8		

The net tangible asset backing per security of 1.8 cents presented above is inclusive of right-of-use assets and lease liabilities. The net tangible asset per security as at 31 December 2021 would reduce to 1.6 cents if right-of-use assets were excluded.

Dividends and distributions

The company has not declared, and does not propose to pay, any dividends for the half-year ended 31 December 2021.

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

Control gained or lost over entities in the half-year

There was no control gained or lost over entities during the half-year.

Investments in associates and joint ventures

Not applicable.

Other

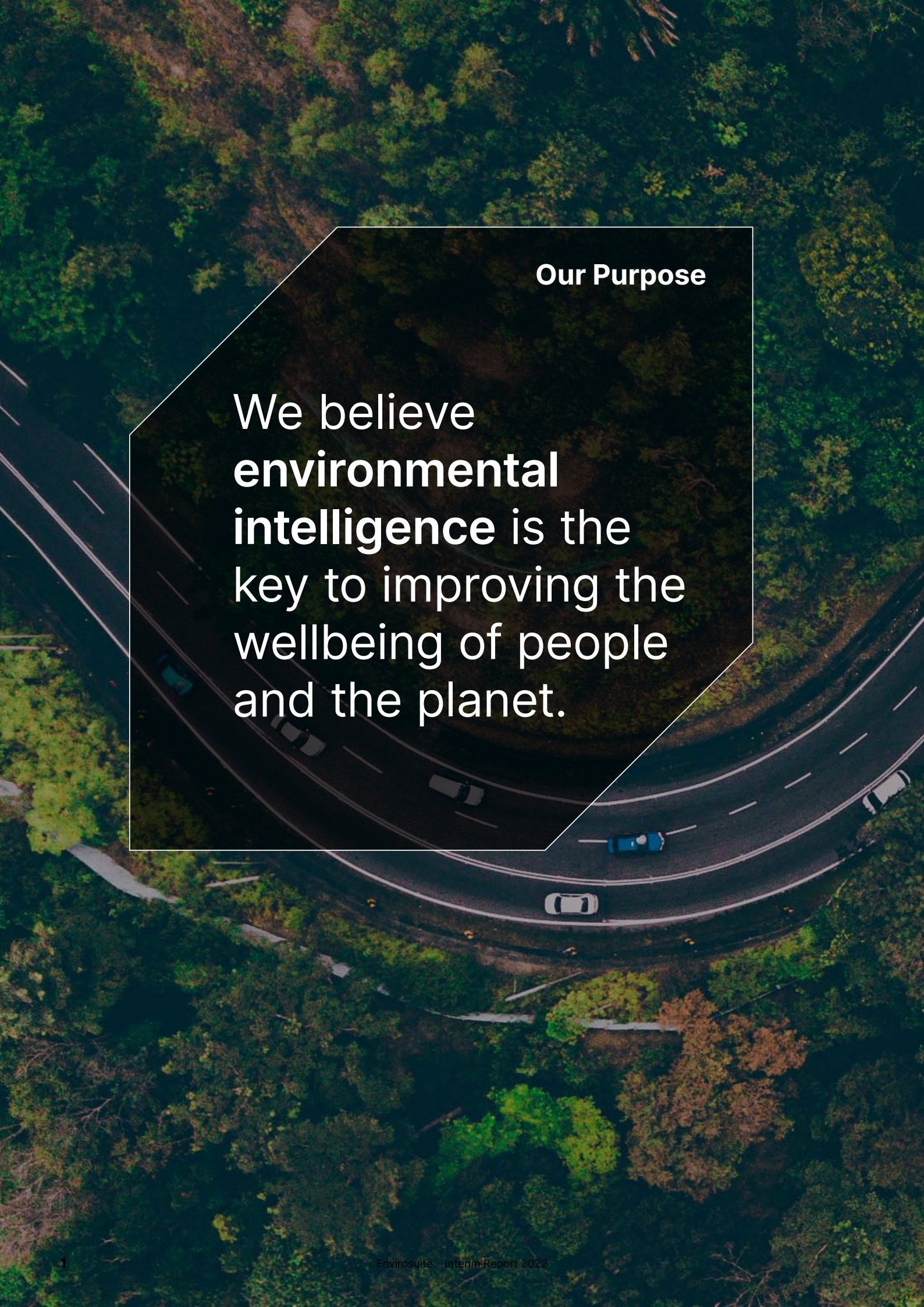
Additional Appendix 4D disclosure requirements and commentary on significant features of the operating performance, results of segments, business combination, trends in performance, foreign entities and other factors affecting the results for the period are contained in the attached Interim Financial Statements for the half-year ended 31 December 2021.

This report is based on Interim Financial Statements which have been reviewed by PKF Brisbane Audit.



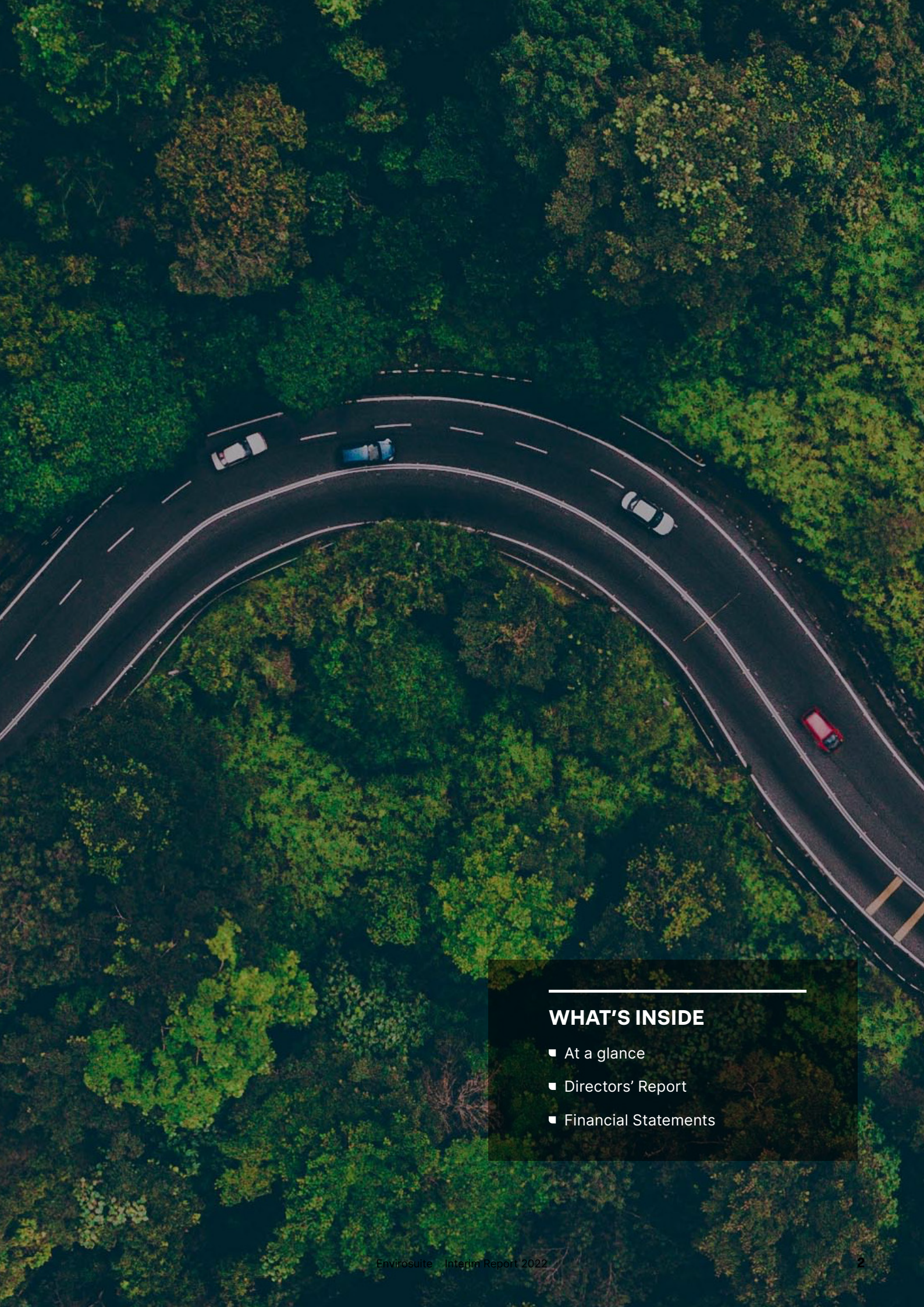
Interim Report

For the half-year ended 31 December 2021

An aerial photograph of a winding asphalt road that curves through a dense, lush green forest. Several cars are visible on the road, including a blue car and a white car. The road has white lane markings. The forest is thick with various types of trees, some showing early autumn colors. The overall scene is captured from a high angle, looking down on the road and the surrounding woods.

Our Purpose

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



WHAT'S INSIDE

- At a glance
- Directors' Report
- Financial Statements

Key Metrics

\$49.0m

Annual Recurring Revenue
+ 15.3% PCP

391

Client sites
+ 16.0% PCP

\$26.8m

Statutory revenue
+ 13.8% PCP

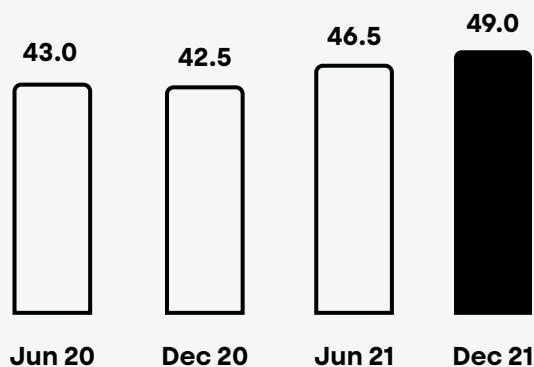
48.4%

Gross profit
+ 16.6% PCP

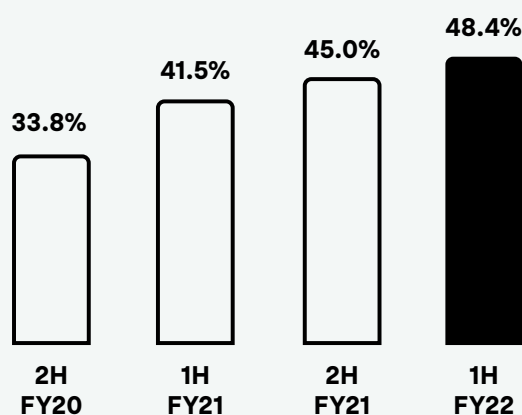
\$(2.0m)

Adjusted EBITDA (loss)
Improved 44.9% PCP

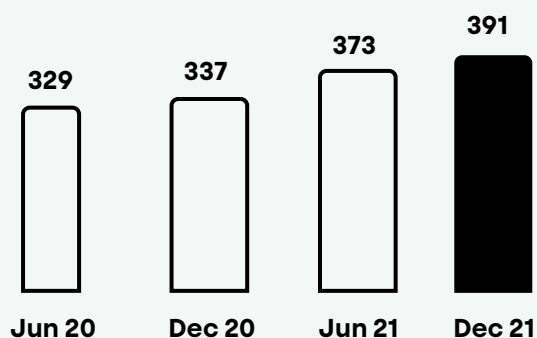
ARR GROWTH



GROSS PROFIT %¹



TOTAL SITES





Envirosuite is a global leader in environmental intelligence and is a trusted partner to the world's leading industry operators in Aviation, Mining & Industrial, Waste & Wastewater and Water.

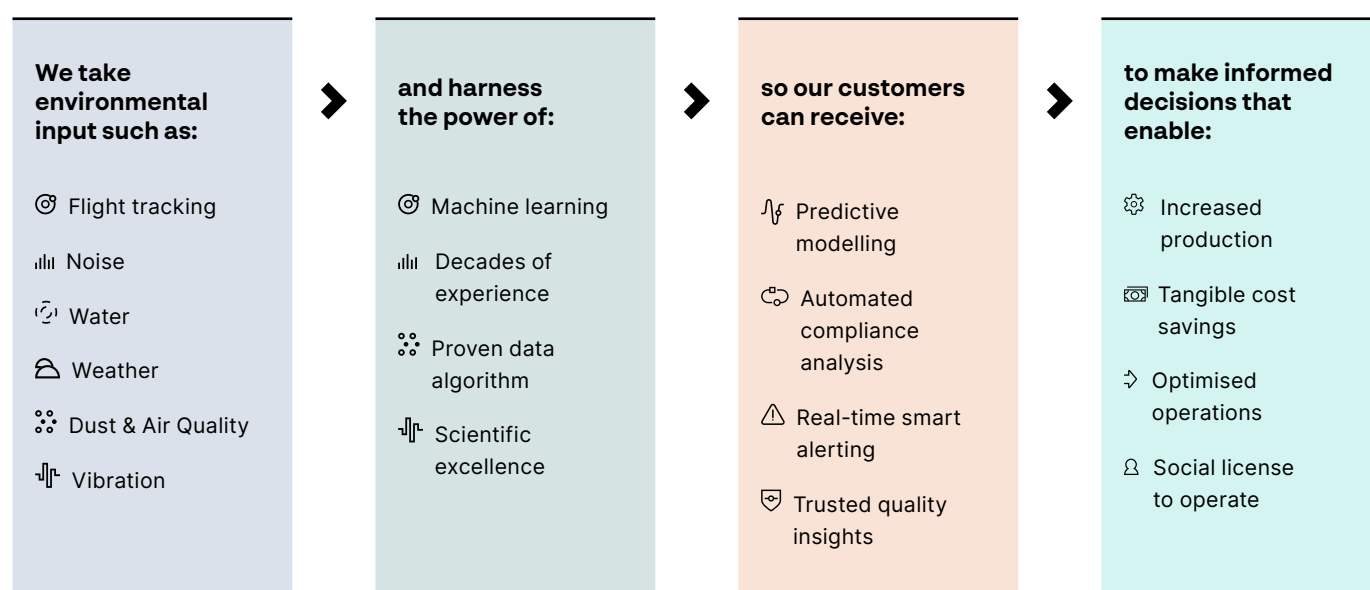
Envirosuite provides industry with Software as a Service (SaaS) and Solution as a Service in managing and mitigating their environmental impacts on communities in relation to noise, vibration, odour, dust, air quality and water quality.

Envirosuite's proprietary software combines leading-edge science and innovative technology

with industry expertise to help businesses unlock value beyond compliance, allowing them to engage with communities and to make real-time decisions to minimise costs and optimise operations.

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

WHAT IS ENVIRONMENTAL INTELLIGENCE?



DIRECTORS' REPORT

Your directors present their report, together with the interim financial statements of the consolidated entity (referred to hereafter as the Group or Envirosuite) consisting of Envirosuite Limited (ABN: 42 122 919 948) (referred to hereafter as the Company) and its controlled entities, for the financial half- year ended 31 December 2021.

Directors

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

David Johnstone (Non-executive Chairman)

Peter White (Non-executive Director) - Resigned 25 November 2021

Hugh Robertson (Non-executive Director)

Sue Klose (Non-executive Director)

Principal activities and significant changes in nature of activities

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

In December 2021, the Group raised \$10,469k of equity (\$9,946k net of transaction costs), through an institutional placement with the funds raised to be used to accelerate growth in the Group's strategic water segment, EVS Water.



Operating results and review of operations for the year

Operating Results

The loss of the Group after providing for income tax amounted to \$5,802k (31 December 2020: \$7,808k)

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2021	30 Jun 2021	31 Dec 2020	30 June 2021	31 Dec 2020	30 June 2021	31 Dec 2020
Recurring revenue	21,580	20,320	20,071	1,260	1,509	6.2%	7.5%
Non-recurring revenue	5,216	4,677	3,477	539	1,739	11.5%	50.0%
Other revenue	21	8	17	13	4	162.5%	23.5%
Total revenue	26,817	25,005	23,565	1,812	3,252	7.2%	13.8%
Cost of revenue	(14,069)	(13,991)	(13,989)	(78)	(80)	0.6%	0.6%
Gross profit	12,748	11,014	9,576	1,734	3,172	15.7%	33.1%
Operating expenses	(18,507)	(14,665)	(17,290)	(3,842)	(1,217)	(26.2%)	(7.0%)
Other income/(expense)	37	3	(380)	34	417	1,133.3%	109.7%
Operating deficit	(5,722)	(3,648)	(8,094)	(2,074)	2,372	(56.9%)	29.3%
Net Loss after tax	(5,802)	(4,689)	(7,808)	(1,113)	2,006	(23.7%)	25.7%
Adjusted EBITDA	(1,964)	(930)	(3,562)	(1,034)	1,598	(111.2%)	44.9%
<i>Other Key Metrics</i>							
ARR	48,955	46,472	42,515	2,483	6,440	5.3%	15.1%
Sites	391	373	337	18	54	4.8%	16.0%
Recurring revenue as % of total revenue	80.5%	81.3%	85.2%	(0.8%)	(4.7%)	(1.0%)	(5.5%)
Gross profit %	47.5%	44.0%	40.6%	3.5%	6.9%	7.9%	17.0%

Key Highlights

- Total revenue of \$26,817k of which 80.5% is recurring, increased \$3,252k (13.8%) over 1H FY21 (PCP) predominantly due to strong growth in project revenue in the America's and strong Annual Recurring Revenue (ARR) sales over the prior 12 months converting into booked recurring revenue during the current reporting period.
- Gross profit (statutory) continues to improve with gross profit of 47.5%, showing steady growth from 44.0% in prior period and 40.6% in PCP.
- Operating expenses increased 7.0% over PCP as a result of investment in EVS Water, Product Development and transformation project costs including the transition from private data centres to AWS and a new ticketing system.
- Adjusted EBITDA loss of \$1,964k represents a significant improvement over \$3,562k loss in the PCP due to revenue growth. Adjusted EBITDA is lower than the prior period due to the additional operating expenses incurred in investing in EVS Water, Product Development and transformation project costs.

¹ PCP is the prior comparative period from 1 July 2020 to 31 December 2020.

Revenue

Revenue by Region

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2021	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Recurring revenue							
Asia Pacific	7,012	6,319	6,247	693	765	11.0%	12.2%
EMEA	7,611	7,364	7,615	247	(4)	3.4%	(0.1%)
America	6,957	6,637	6,209	320	748	4.8%	12.1%
Recurring revenue	21,580	20,320	20,071	1,260	1,509	6.2%	7.5%
Trading revenue							
Asia Pacific	10,493	8,426	7,726	2,067	2,767	24.5%	35.8%
EMEA	8,664	8,321	9,252	343	(588)	4.1%	(6.4%)
America	7,639	8,250	6,570	(611)	1,069	(7.4%)	16.3%
Total Trading revenue	26,796	24,997	23,548	1,799	3,248	7.2%	13.8%
ARR							
Asia Pacific	17,784	15,159	13,004	2,625	4,781	17.3%	36.8%
EMEA	16,048	16,365	15,271	(317)	777	(1.9%)	5.1%
America	15,123	14,948	14,240	175	883	1.2%	6.2%
Total ARR	48,955	46,472	42,515	2,483	6,440	5.3%	15.1%
Sites							
Asia Pacific	170	150	131	201	39	13.3%	29.8%
EMEA	107	105	99	2	8	1.9%	8.1%
America	114	118	107	(4)	7	(3.4%)	6.5%
Number of sites	391	373	337	18	54	4.8%	16.0%

Strong ARR sales wins over the past 12 months in the America's and EMEA have driven the increase in recurring revenue of \$1,509k (7.5%) compared with PCP. Recurring revenues for the current reporting period were impacted by global supply issues causing delays in project implementations.

Revenue growth of \$3,248k (13.8%) compared with the PCP included strong growth in non-recurring revenue (up 50.0% against PCP) mainly in the Americas within Omnis and Aviation. Revenues in Asia Pacific were lower in the current reporting period than in PCP, predominantly due to PCP including significant low margin non-recurring revenues in China that were not repeated in this current reporting period.



Revenue by Product Family

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2021	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Recurring revenue							
EVS Aviation	15,425	14,710	14,339	715	1,085	4.9%	7.6%
EVS Omnis	6,092	5,587	5,712	505	380	9.0%	6.6%
EVS Water	63	23	20	40	43	173.9%	215.0%
Total Recurring revenue	21,580	20,320	20,071	1,260	1,509	6.2%	7.5%
Trading revenue							
EVS Aviation	17,426	16,836	15,231	590	2,195	3.5%	14.4%
EVS Omnis	9,307	8,135	8,297	1,172	1,010	14.7%	12.2%
EVS Water	63	26	20	37	43	142.3%	215.0%
Total Trading revenue	26,796	24,997	23,548	1,799	3,248	7.2%	13.8%
ARR							
EVS Aviation	32,041	31,770	30,089	271	1,952	0.9%	6.5%
EVS Omnis	16,538	14,637	12,387	1,901	4,151	13.0%	33.5%
EVS Water	376	65	39	311	337	478.5%	864.1%
Total ARR	48,955	46,472	42,515	2,483	6,440	5.3%	15.1%
Sites							
EVS Aviation	167	163	161	4	6	2.5%	3.7%
EVS Omnis	219	207	175	12	44	5.8%	25.1%
EVS Water	5	3	1	2	4	66.7%	400.0%
Total Sites	391	373	337	18	54	4.8%	16.0%

New Aviation sites won in the prior period drove an increase in Aviation recurring revenues of \$1,085k against the PCP. Non-recurring Aviation revenue has also seen growth when compared to the PCP as the effects of COVID on the Aviation industry started to reduce and client project spend has started to increase.

New Omnis sites won over the past 12 months have driven Omnis recurring revenues up \$380k (6.6%) compared to the PCP, however the impact of these new sales wins was reduced due to supply chain issues impacting the delivery of instrumentation and associated revenue recognition. Non-recurring revenue in Omnis was significantly up on PCP (24.4%) due to material deals in the mining industry in South America.

While revenues from Water are minimal in the current reporting period, there have been significant new ARR sales wins during the current reporting period, with revenue expected to materially increase over the next 12 months.

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

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2021	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Net loss after tax	(5,802)	(4,689)	(7,808)	(1,113)	2,006	(23.7%)	25.7%
Add back: Tax expense / (benefit)	(51)	890	(422)	(941)	371	(105.8%)	87.9%
Add back: Net finance expense / (income)	131	150	136	(19)	(5)	(12.7%)	(3.7%)
Add back: Depreciation & amortisation	4,072	3,746	3,250	326	822	8.7%	25.3%
EBITDA	(1,650)	97	(4,844)	(1,747)	3,194	(1,801.0%)	65.9%
Less: AASB 16 depreciation & interest	(855)	(831)	(747)	(24)	(108)	(2.9%)	(14.5%)
Add back: Share-based payments	311	(359)	1,306	670	(995)	186.6%	(76.2%)
Add back: Foreign currency losses / (gains)	118	(87)	380	205	(262)	235.6%	(68.9%)
Add back: Transaction and integration costs	112	250	343	(138)	(231)	(55.2%)	(67.3%)
Adjusted EBITDA	(1,964)	(930)	(3,562)	(1,034)	1,598	(111.2%)	44.9%

EBITDA is a non-IRFS measure and is calculated by adding back depreciation, amortisation and interest from net loss before tax. Adjusted EBITDA also adds back share-based compensation expense, foreign currency gains and losses, and transaction and integration costs (which are seen as non-recurring) and excludes the impacts of adopting AASB 16, as the application of the standard results in operating expenses being excluded from EBITDA.

For the half-year ended 31 December 2021, the Group reported an Adjusted EBITDA loss of \$1,964k, an improved result over the \$3,562k loss incurred in the PCP due to strong revenue growth. Adjusted EBITDA was down on the prior period ended 30 June 2021 due to costs associated with investment in EVS Water, Product Development and transformation project costs.



Financial Position

A\$000	31 Dec 2021	30 Jun 2021	Movement \$
Cash and cash equivalents	23,714	17,640	6,074
Current assets	39,817	33,665	6,152
Current liabilities	(17,919)	(16,083)	(1,836)
Net current assets	21,898	17,582	4,316
Total tangible assets	46,096	40,034	6,062
Net tangible assets	22,403	17,491	4,912
For the period ending: Net cash from / (used in) operating activities	(1,562)	(8,510)	6,948

Cash and Cash Equivalents increased by \$6,074k during the current reporting period, predominantly due to a capital raise in December 2021 for \$10,469k (\$9,946k net of transaction costs) of additional equity to fund further expansion of EVS Water. The remaining decrease in cash related to:

- \$1,562k from operating activities
- \$1,087k cash used in the acquisition of intangible assets which relate to capitalised product development costs
- \$800k in payments for Property, Plant and Equipment
- \$423k other cashflows

Total cash used in operating activities when adding capitalised development costs and repayment of lease liabilities ("Adjusted Operating Cashflow") was an outflow of \$3,559k, this is down from \$3,882k in the prior period and \$5,064k in the PCP, showing consistent improvement in the cash management of the business.

The Group has a healthy balance sheet following the cash raised during the current financial period, the lack of debt on the balance sheet (other than lease liabilities) and the strong management of Adjusted EBITDA and operating cashflows during the period.

The Directors continue to monitor the impacts of the COVID-19 pandemic on group operations and respond appropriately to risks identified.

Significant changes in the state of affairs

Nothing significant of note.

Dividends paid or recommended

No dividends were paid by the Group to members during the period. No dividends were recommended or declared for payment to members during the half-year.

Events after the reporting period

The Directors are not aware of any matters or circumstances that have arisen since 31 December 2021 that have significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments and expected results of operations

There are no likely developments in the operations of the Group that were not finalised at the date of this report.

Environmental regulation

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

Indemnification and insurance of officers or auditor

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

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

Proceedings on behalf of the Company

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Rounding of amounts

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

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



David Johnstone

Chairman

23 February 2022

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

23 FEBRUARY 2022
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2021

		Consolidated Group	
		Half year ended	
	Notes	31 December 2021 \$'000	31 December 2020 \$'000
Trading revenue		26,796	23,548
Other revenue		21	17
Total revenue	3	26,817	23,565
Cost of revenue	4	(14,069)	(13,989)
Gross profit		12,748	9,576
Operating expenses			
Sales and marketing		(6,607)	(6,213)
Product development		(5,160)	(3,921)
General and administrative		(6,740)	(7,156)
Total operating expenses	4	(18,507)	(17,290)
Other income and expense		37	(380)
Operating deficit		(5,722)	(8,094)
Net finance expense		(131)	(136)
Loss before income tax		(5,853)	(8,230)
Income tax benefit		51	422
Loss after income tax		(5,802)	(7,808)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		269	(365)
Other comprehensive income for the year, net of tax		269	(365)
Total comprehensive income/(loss) for the year		(5,533)	(8,173)
Net (loss)/profit attributed to:			
Equity holders of Envirosuite Limited		(5,802)	(7,808)
Total comprehensive loss for the half year attributable to the owners of Envirosuite		(5,533)	(8,173)
		Cents	Cents
Basic earnings / (loss) per share		(0.49)	(0.76)
Diluted earnings / (loss) per share		(0.49)	(0.76)

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

Consolidated Group

	Notes	31 December 2021 \$'000	30 June 2021 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		23,714	17,640
Trade and other receivables		11,051	11,555
Other assets		2,570	1,996
Inventories		2,482	2,474
Total current assets		39,817	33,665
Non-current Assets			
Property, plant and equipment		3,411	3,047
Right of use assets		2,817	3,253
Deferred tax assets		1,100	878
Intangible assets	5	108,797	108,931
Other assets		51	69
Total non-current assets		116,176	116,178
TOTAL ASSETS		155,993	149,843
LIABILITIES			
Current Liabilities			
Trade and other payables		9,806	7,973
Revenue in advance		3,063	2,686
Employee benefit provisions		3,434	3,894
Lease liabilities and other borrowings		1,616	1,530
Total current liabilities		17,919	16,083
Non-current Liabilities			
Employee benefit provisions		169	141
Lease liabilities and other borrowings		1,879	2,472
Deferred tax liabilities		3,726	3,847
Total non-current liabilities		5,774	6,460
TOTAL LIABILITIES		23,693	22,543
NET ASSETS		132,300	127,300
EQUITY			
Issued capital	6	180,657	169,520
Reserves		9,925	11,928
Retained losses		(58,282)	(54,148)
TOTAL EQUITY		132,300	127,300

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Ordinary shares \$'000	Reserves \$'000	Retained losses \$'000	Total Equity \$'000
At 1 July 2020	155,908	11,740	(41,663)	125,985
Comprehensive income				
Loss for the year	-	-	(7,808)	(7,808)
Other comprehensive income for the year	-	(365)	-	(365)
Total comprehensive loss for the year	-	(365)	(7,808)	(8,173)
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares (Institutional Placement)	155	(194)	-	(39)
Employee share options - value of employee services	-	1,346	-	1,346
Shares options expired	-	(10)	10	-
Total transactions with owners and other transfers	155	1,142	10	1,307
At 31 December 2020	156,063	12,517	(49,461)	119,119
At 1 July 2021	169,520	11,928	(54,148)	127,300
Comprehensive income				
Loss for the year	-	-	(5,802)	(5,802)
Other comprehensive income for the year	-	269	-	269
Total comprehensive loss for the year	-	269	(5,802)	(5,533)
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares (Institutional Placement)	10,469	-	-	10,469
Transaction costs of capital raising (inc. tax effect)	(447)	-	-	(447)
Shares issued / to be issued to employees	915	(915)	-	-
Employee share options - value of employee services	200	311	-	511
Shares options expired	-	(1,668)	1,668	-
Total transactions with owners and other transfers	11,137	(2,272)	1,668	10,533
At 31 December 2021	180,657	9,925	(58,282)	132,300

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Consolidated Group

	Notes	Half year ended	
		December 2021 \$'000	December 2020 \$'000
Cash flows from operating activities			
Receipts from customers		26,328	27,142
Payments to suppliers and employees		(27,146)	(33,526)
		(818)	(6,384)
Other revenue		(267)	(57)
Taxes paid		(483)	(78)
Interest received		9	15
Interest paid		(3)	-
Net cash used in operating activities		(1,562)	(6,504)
Cash flows from investing activities			
Payments for property, plant and equipment		(800)	(538)
Payments for acquisition of business		-	(5,470)
Payments for intangible assets		(1,087)	(1,500)
Net cash used in investing activities		(1,887)	(7,508)
Cash flows from financing activities			
Net proceeds / (repayment) from borrowings		28	-
Proceeds from issue of shares		10,669	-
Share issue transaction costs		(524)	-
Repayment of lease liabilities		(910)	(677)
Net cash (used in)/ provided by financing activities		9,263	(677)
Net (decrease) / increase in cash and cash equivalents		5,814	(14,689)
Effects of exchange rate changes on cash and cash equivalents		260	1
Cash and cash equivalents at the beginning of the half year		17,640	24,385
Cash and cash equivalents at the end of the period		23,714	9,697

The accompanying notes form part of these financial statements.

NOTES TO INTERIM FINANCIAL STATEMENTS

18 (1.) Summary of significant accounting policies

19 (2.) Segment information

20 (3.) Revenue

21 (4.) Expenses

22 (5.) Intangible assets

24 (6.) Issued Capital

24 (7.) Commitments and Contingencies

25 (8.) Interest in subsidiaries

25 (9.) Subsequent events



NOTES TO FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2021

These consolidated interim financial statements and notes represent those of Envirosuite Limited and controlled entities (the "Consolidated Group" or "Group"). The financial statements are presented in Australian dollars.

The financial statements were authorised for issue on 23 February 2022 by the Directors of the Company.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half year financial report

The consolidated interim financial statements, being a general purpose report, have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the statement of cashflows. Cost is based on the fair values of consideration in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as and should be read in conjunction with the financial statements and related notes included in the Group's annual report for the year ended 30 June 2021 and any public announcements made by Envirosuite Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. This half year report does not include all the notes of the type normally included in annual financial report.

(b) New accounting standards and interpretations

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

None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period.

2. SEGMENT INFORMATION

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

Segment assets and liabilities are not presented as they are not regularly provided to the CODM.

Regional

Half-year ended					
31 December 2021					
\$'000 Consolidated	Asia Pacific	EMEA	America	Corporate	Total
Recurring revenue	7,612	6,957	7,011	-	21,580
Non recurring revenue	1,054	681	3,481	-	5,216
Other revenue	-	-	-	21	21
Total operating revenue	8,666	7,638	10,492	21	26,817
Cost of revenue	(6,190)	(3,467)	(4,412)	-	(14,069)
Gross profit	2,476	4,171	6,080	21	12,748
Operating expenses	(1,841)	(1,748)	(2,428)	(12,490)	(18,507)
Other income/(expense)	(215)	121	215	(84)	37
Operating deficit before tax	420	2,544	3,867	(12,553)	(5,722)
Net finance income/(expense)	(18)	(8)	(15)	(90)	(131)
Net profit (loss) before tax	402	2,536	3,852	(12,643)	(5,853)

Half-year ended					
31 December 2020					
\$'000 Consolidated	Asia Pacific	EMEA	America	Corporate	Total
Recurring revenue	7,615	6,209	6,247	-	20,071
Non recurring revenue	1,637	361	1,479	-	3,477
Other revenue	-	10	-	7	17
Total operating revenue	9,253	6,580	7,726	7	23,565
Cost of revenue	(5,721)	(3,972)	(4,268)	(28)	(13,989)
Gross profit	3,531	2,608	3,458	(21)	9,576
Operating expenses	(2,083)	(1,882)	(1,779)	(11,545)	(17,290)
Other income/(expense)	52	(27)	(187)	(218)	(380)
Operating deficit before tax	1,501	699	1,492	(11,785)	(8,094)
Net finance income/(expense)	(8)	(1)	(22)	(105)	(136)
Net profit (loss) before tax	1,493	698	1,470	(11,890)	(8,230)



2. SEGMENT INFORMATION (Continued)

The Group also has adopted a secondary operating segment which is each Product family, being EVS Aviation, EVS Omnis and EVS Water. CODM's are provided with reporting on the recurring and non-recurring revenue for these additional operating segments.

Product family

Half-year ended 31 December 2021					
\$'000 Consolidated	EVS Aviation	EVS Omnis	EVS Water	Corporate	Total
Recurring revenue	15,425	6,092	63	-	21,580
Non recurring revenue	2,001	3,215	-	-	5,216
Other revenue	-	-	-	21	21
Total operating revenue	17,426	9,307	63	21	26,817

Half-year ended 31 December 2020					
\$'000 Consolidated	EVS Aviation	EVS Omnis	EVS Water	Corporate	Total
Recurring revenue	14,339	5,712	20	-	20,071
Non recurring revenue	892	2,585	-	-	3,477
Other revenue	-	10	-	7	17
Total operating revenue	15,231	8,307	20	7	23,565

3. REVENUE

	Consolidated – Half Year Ended	
	31 December 2021 \$'000	31 December 2020 \$'000
Recurring revenue	21,580	20,071
Non recurring revenue	5,216	3,477
Trading revenue	26,796	23,548
Other revenue	21	17
Other revenue	21	17
Total revenue	26,817	23,565

4. EXPENSES

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

	Consolidated – Half Year Ended	
	31 December 2021 \$'000	31 December 2020 \$'000
Cost of revenue and operating expenses		
Cost of revenue	(14,069)	(13,989)
Total operating expenses	(18,507)	(17,290)
Total cost of revenue and operating expenses	(32,576)	(31,279)
<i>Total cost of revenue and operating expenses are comprised of:</i>		
Employment costs	(15,907)	(16,300)
Share based compensation	(310)	(1,306)
Consultants and contractors	(2,501)	(1,715)
Professional fees	(1,294)	(1,289)
Computer expenses	(2,633)	(2,119)
Equipment costs	(1,761)	(1,694)
Building costs	(1,253)	(1,009)
Director's fees	(181)	(129)
Audit and accounting fees	(295)	(169)
Depreciation and amortisation (excl intangible asset – software amortisation)	(3,154)	(2,496)
Other operating expenses	(3,456)	(3,693)
Sub-total	(32,745)	(31,919)
Software development cost - capitalised	1,087	1,394
Intangible asset – software amortisation	(918)	(754)
R&D costs capitalised, net	169	640
Total cost of revenue and operating expenses	(32,576)	(31,279)

5. INTANGIBLE ASSETS

Reconciliations of the carrying amounts of the various components of intangible assets at the beginning and end of the current half year and prior half year are presented in the table below.

31 December 2021		Internally Developed Software	Acquired Software	Other Intangibles	Total
\$'000 Consolidated	Goodwill				
Cost value					
Balance as at 1 July 2021	89,513	11,070	11,372	5,193	117,148
Acquired in business combination	-	-	-	-	-
Additions	-	998	87	1,415	2,500
Write off	-	-	(222)	-	(222)
Effects of foreign exchange	12	-	-	-	12
Balance as at 31 December 2021	89,525	12,068	11,237	6,608	119,438
Accumulated amortisation					
Balance as at 1 July 2021	-	(4,263)	(2,693)	(1,261)	(8,217)
Amortisation for the period	-	(918)	(1,049)	(485)	(2,452)
Write off	-	-	28	-	28
Balance as at 31 December 2021	-	(5,181)	(3,714)	(1,746)	(10,641)
Net book value	89,525	6,887	7,523	4,862	108,797

31 December 2020		Internally Developed Software	Acquired Software	Other Intangibles	Total
\$'000 Consolidated	Goodwill				
Cost value					
Balance as at 1 July 2020	89,383	8,769	9,398	5,103	112,653
Acquired in business combination	-	-	1,205	-	1,205
Additions	83	1,287	106	103	1,580
Balance as at 31 December 2020	89,466	10,056	10,709	5,206	115,437
Accumulated amortisation					
Balance as at 1 July 2020	-	(2,784)	(616)	(315)	(3,714)
Amortisation for the period	-	(754)	(1,025)	(473)	(2,251)
Balance as at 31 December 2020	-	(3,538)	(1,640)	(787)	(5,965)
Net book value	89,466	6,518	9,069	4,419	109,472

Other intangibles consist of customer relationships, brand value and intellectual property.

Impairment tests

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation.

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired according to AASB 136 "Impairment of Assets". In consideration of paragraph 20 of AASB 136, the Group uses the valuation technique of Fair Value less costs to sell. According to paragraph 61 of AASB 13 "Fair Value Measurement" the Group has used valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value using primarily observable inputs rather than unobservable inputs. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Most transactions in our industry are undertaken based on revenue (ARR) based metrics.

There are three regional Cash Generating Units (CGU) which are aligned with the operating segments disclosed in Note 2 and against which goodwill and other intangible assets are allocated and tested. Goodwill has been allocated to each CGU as follows:

5. INTANGIBLE ASSETS (Continued)

	December 2021
	\$'000
Asia Pacific	37,705
Americas	22,107
EMEA	29,713
Total Goodwill allocated	89,525

The Group performed an impairment test on each of the CGUs including the goodwill allocated to them as at 31 December 2021. Based on this impairment test, the recoverable value of each CGU, based on their calculated fair value less costs to sell, was identified as being greater than their carrying value and therefore, no impairment was recognised. The fair value was determined based on applying EnviroSuite Limited's revenue multiple of 4.55x, as calculated by dividing the market capitalisation of EnviroSuite by the forecast of the next twelve months (NTM) revenue and applying this revenue multiple to internal forecasts of NTM revenue for each CGU. The market capitalisation of EnviroSuite was based on the 30-day VWAP of EnviroSuite Limited's closing share price as quoted on the Australian Stock Exchange (ASX). This approach is consistent with that used in the prior period and in the prior comparative period (PCP).

The impairment assessment methodology, valuation techniques, assumptions and calculations were reviewed by an external independent expert and found to be reasonable. A cross reference was made to readily accessible market transaction data from recent transactions for comparable entities in our industry. The transaction details of these acquisitions were reviewed by the independent expert. The comparable transactions had EV/Revenue multiples ranging from 4x NTM to 13x NTM.

The recoverable amount of internally developed software is determined based on a relief-from-royalty method (value-in-use) method, which is based on the theory that the intangible asset owner would be willing to pay a reasonable royalty to use the intangible asset assuming that they did not already own the asset. These calculations use revenue projections based on financial forecasts approved by management covering a five year period with a terminal value included. A royalty rate of 7% has been applied against these revenue projections to calculate the assumed royalty which is then discounted using a weighted average cost of capital of 8.9% (1HY21: 6.1%). Based on this calculation, there was no impairment charge to be recorded against internally developed software (1HY21: nil).

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



6. ISSUED CAPITAL

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

	Note	As at 31 December 2021 \$'000	As at 30 June 2021 \$'000
1,254,462,540 fully paid ordinary shares	a	180,657	169,520
		<u>180,657</u>	<u>169,520</u>

a. Ordinary Shares

	Number	\$'000
Balance at 1 July 2021	1,193,839,427	169,520
Shares issued during the half year	60,623,113	11,137
Balance at 31 December 2021	<u>1,254,462,540</u>	<u>180,657</u>

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

As the shareholders' meeting each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Options

For the half year ended 31 December 2021, the Company issued the following options:

- Nil issued to directors (2020: 2,000,000).
- Nil issued to investors. (2020: Nil)

Performance rights

For the half year ended 31 December 2021, the Company issued the following performance rights:

- Nil issued to directors. (2020: 4,000,000).
- 9,083,333 issued to employees (2020: Nil).

7. COMMITMENTS AND CONTINGENCIES

Contingencies

The Group has potential exposure to guarantees it has issued to third parties in relation to the performance and obligation of controlled entities with respect to property lease rentals and customer contractual obligations amounting to \$1,242,277 (2020: \$1,878,289).

8. INTEREST IN SUBSIDIARIES

Parent entity

The parent entity within the Group is Envirosuite Limited

Subsidiaries

Entity Name	Country of Incorporation	31 December 2021 %	31 December 2020 %
Envirosuite Operations Pty Ltd	Australia	100	100
Envirosuite Holdings Pty Ltd	Australia	100	100
Envirosuite Corp	USA	100	100
Envirosuite Europe Sociedad Limitada	Spain	100	100
Envirosuite Canada Inc.	Canada	100	100
Envirosuite Chile SpA	Chile	100	100
Envirosuite Colombia S.A.S. ⁽¹⁾	Colombia	100	100
Beijing Envirosuite Environmental Science & Technology ⁽¹⁾	China	100	100
Hengli Ruiyan Environmental Engineering Co. Ltd ⁽¹⁾	China	100	100
Envirosuite Brasil Comercializacao De Equipamentos Ltda ⁽²⁾	Brazil	100	100
AqMB Pty Ltd ⁽³⁾	Australia	100	100
AqMB Holdings Pty Ltd ⁽³⁾	Australia	100	100
Envirosuite Holdings No 2 Pty Ltd	Australia	100	100
Envirosuite Australia No 2 Pty Ltd	Australia	100	100
EMS Bruel & Kjaer Pty Ltd	Australia	100	100
Envirosuite Inc	USA	100	100
EMS Bruel & Kjaer Iberica S.A.	Spain	100	100
Envirosuite Denmark Aps	Denmark	100	100
Envirosuite BV	Netherlands	100	100
Envirosuite UK Ltd	United Kingdom	100	100
Envirosuite Korea Ltd	South Korea	100	100
Envirosuite Taiwan Ltd	Taiwan	100	100

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

(2) Envirosuite Brazil was established July 2020.

(3) Acquired 100% of the issued capital of AqMB Pty Ltd and AqMB Holdings Pty Ltd in August 2020

Transactions with other related parties

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

9. SUBSEQUENT EVENTS

The Directors are not aware of any matters or circumstances that have arisen since 31 December 2021 that have significantly affected or may significantly affect the operations of the Group in subsequent financial years, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS DECLARATION

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

- (a) The financial statements and notes set out on pages 13 to 25 are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Australian Accounting Standards AASB 134: Interim Financial Reporting; and
 - (ii) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the half-year ended on that date of the Consolidated Group; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



David Johnstone, Chairman

23 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ENVIROSUITE LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of EnviroSuite Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement and statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of EnviroSuite Limited is not in accordance with the *Corporations Act 2001* including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

PKF Brisbane Audit ABN 33 873 151 348

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF BRISBANE AUDIT



SHAUN LINDEMANN
PARTNER

23 FEBRUARY 2022
BRISBANE

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CORPORATE DIRECTORY

Envirosuite Limited

ABN: 42 122 919 948

Board of Directors

David Johnstone Chairman	Sue Klose Director
Hugh Robertson Director	

Company Secretary

Adam Gallagher

Registered office and principal place of business

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

Phone: 02 8484 5819

Share Registry

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

Phone: 02 9290 9600

Auditor

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

Phone: 07 3839 9733

Stock Exchange Listing

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