

APPENDIX 4D

EnviroSuite Limited and Controlled Entities
(previously known as Pacific Environment Limited)

ABN: 42 122 919 948

Interim Financial Report
For the half year ended 31 December 2016

Results for announcement to the market

	31 Dec 2016 \$'000	31 Dec 2015 \$'000	Movement	
			\$'000	%
Revenues from ordinary activities	8,592	9,715	(1,123)	(12)
(Loss)/profit from continuing operations before interest, tax, depreciation and amortisation	(868)	(358)	(510)	142
Attributable (loss)/profit after tax	(1,092)	(1,119)	27	2
Record date for determining entitlements to dividends	N/A	N/A	-	-
Net tangible assets per security (cents)	1.15	(0.32)	-	-

Additional Appendix 4D disclosure requirements can be found in the notes to the 31 December 2016 Interim Financial Report.

This report is based on the Interim Report for the half year ended 31 December 2016 which has been reviewed by WPIAS Pty Ltd with the Independent Auditors' Review Report included in the financial statements.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by EnviroSuite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

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Interim Report

for the half year ended

31 December 2016



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EnviroSuite Limited and Controlled Entities
ABN: 42 122 919 948
Interim Report
31 December 2016

Directors' Report

Your directors present their report on the consolidated entity consisting of EnviroSuite Limited (previously known as Pacific Environment Limited) ("the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2016 (also referred to in this report as the "Group").

Directors

The following persons were directors of EnviroSuite Limited during the entire half year and to the date of this report, unless otherwise stated:

David Johnstone (Chairman)

Robin Ormerod (Director)

Adam Gallagher (Director and Company Secretary)

Murray d'Almeida (resigned 1 September 2016)

Review of operations

Results

The Directors are pleased to report on the commercial progress of the EnviroSuite software platform and the continuing performance of the consulting business units in the six months to 31 December 2016.

Revenues

During the period, the consolidated Group recorded revenues of \$8,592,000, compared to \$9,715,000 for the same period last year. The primary contributors to the lower revenue number were a combination of discontinued operations in Victoria and one-off equipment sales in the prior year.

Earnings

In October 2016 the Group received a total of \$3,000,000 from the issue of shares to pursue the international distribution strategy for EnviroSuite, continue technical development and investment in the systems and processes required for the future growth of the Group in international markets. The expenditure of this capital in accordance with its purpose has had a material impact on the results for the half year resulting in earnings for the six months to 31 December 2016 as follows:

- Loss Before Interest, Tax, Depreciation and Amortisation ("EBITDA") \$868,000, compared to loss of \$358,000 in the same period last year;
- Net Loss After Tax ("NLAT") recorded was \$1,092,000, after including a \$105,000 tax expense adjustment relating to prior year, for an over provision for income tax. The comparative net loss after tax ("NLAT") in the same period last year was \$1,119,000.

The investment expenditure noted above as well as the scaling for international growth within the Group has impacted on the overall bottom line, however the pay-offs of this investment are already evident with new wins in target markets and the on-going development of the EnviroSuite platform summarised below.

EnviroSuite

As of January 2017, a permanent physical presence has been established in the USA and Europe to complement the existing Australasian team, with efforts in those regions exclusively focused on sales and business development, and leveraging strategic relationships.

Sales Pipeline

The global sales pipeline is growing more rapidly following the increased sales resources and the strategic relationships with groups like HDR in the USA and Odournet in Europe, as well as other partners and marketing initiatives, leading the EnviroSuite team into a number of new opportunities and distribution channels.

From this pipeline the company already has seen a number of new sales in different regions in Europe, North and South America, Asia and Australia, encompassing water and wastewater, food processing and mining companies. Other significant opportunities are being advanced in ports and heavy industrial, aquaculture, government and wastewater sectors.

Existing major trials with clients including Thames Water in the UK, and the US EPA's South Coast Air Quality Management District are nearing conclusion, while discussions are ongoing about future arrangements. Off the back of the South Coast trial, the Company has held meetings with other important government agencies in California and is discussing further opportunities in that sector.

Selection of recent wins

In addition to wins previously announced in Mexico and Australia below is a selection of more recent activities in our target international markets.

Vietnam

EnviroSuite has been notified that an application of its platform for a regional water utility has been accepted. The application allows real-time monitoring of water flow and pressure, allowing for the detection of losses of water from leakages in the pipe network. Other water industry opportunities currently under discussion in Vietnam are also expected to progress.

USA

EnviroSuite has been chosen by a food manufacturer, Leprino Foods, the largest Mozzarella cheese manufacturer in the USA to improve the management of odour complaints and emissions around a major processing facility. Odour management and reporting are key operational considerations for many food manufacturers and a significant opportunity for EnviroSuite in the USA and elsewhere.

Spain

In Europe, the environmental regulator responsible for the Port of Gijon in northern Spain has recently selected EnviroSuite's monitoring module as a platform for the real-time analysis and management of air quality data. Negotiations with heavy industries in the region are advanced with further project decisions imminent.

The growth prospects for EnviroSuite in the Australian market has been further bolstered by the resurgence of activity in the resources sector generating interest in our mining focused applications including weather forecasting, blasting, dust management and incident reporting.

Consulting

The consulting business had a solid underlying performance adjusted for the overhead associated with the Technology investment expenditure and the scaling of the Group noted above.

Since expanding into contaminated land and water in recent years the Group has achieved a greater level of sector diversity across infrastructure, agriculture and health. The re-emerging resources sector also bodes well for the future of business in both consulting and EnviroSuite.

During the first half the final earn-out payment was made to the vendor of DLA Environmental Services, the contaminated land business acquired in 2014. DLA has been a very successful acquisition for the Group providing additional earnings and broadening the Group's service offering.

The Directors thank the consulting staff for their continued efforts to uphold our strong reputation as the definitive air quality consultancy in Australia, with growing expertise in contaminated land, acoustics, waste management and water.

The board would like to take this opportunity to thank Ketha Mahesan for his services as CFO since the end of 2015. Ketha has played a key role in our transition to a global offering and leaves us well placed for continued growth. The board wish Ketha the very best as he embarks on his next corporate role that will allow him to be closer to his family.

Convertible Note

In October, Mr Robin Ormerod, the Managing Director and largest shareholder requested the final portion of his convertible note be converted to equity and as such the Group is now free of convertible debt.

The Directors and management are excited about the prospects for the Group through executing on a strategy that supports international expansion:

- Technology: capitalising on the momentum generated in international markets with people on the ground, new client wins, a growing pipeline and strategic partnering.
- Consulting: increasing efficiencies, gross margin improvements and organic growth in the consulting businesses.
- Acquisitions: potential acquisitions in desired territories that enable the Group to leverage on strong established client networks in those markets by presenting additional distribution channels for EnviroSuite.

The Directors wish to thank all shareholders for their continued support and interest in the Group.

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 4.

Rounding of amounts

The Company is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that legislative Instrument.

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



David Johnstone

Chairman

24 February 2017

**ENVIROSUITE LIMITED
(FORMERLY PACIFIC ENVIRONMENT LIMITED)
ABN 42 122 919 948
AND CONTROLLED ENTITIES**

**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 2016, there have been:

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

WPIAS Pty Ltd
Authorised Audit Company No. 440306



ROB ST CLAIR BCOM FCA RCA
ASSOCIATE

Dated this 24th day of February, 2017.

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WPIAS a Limited Partnership

WPIAS Pty Ltd ABN 99 163 915 482 an Authorised Audit Company



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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated Group	
		Half year ended 31 Dec 2016	Half year ended 31 Dec 2015
		\$'000	\$'000
Continuing Operations			
	Notes		
Revenue		8,585	9,708
Other income		-	39
Interest income		7	7
Changes in inventories of finished goods and work in progress		-	(98)
Client and project related costs		(996)	(1,706)
Employee benefits expense		(5,496)	(5,580)
Consultants expense		(350)	(552)
Travel expense		(224)	(328)
Rental expense		(340)	(300)
Directors' expense		(87)	(75)
Laboratory expense		(1,046)	(837)
Depreciation and amortisation expense		(532)	(498)
Finance costs		(90)	(145)
Other expenses		(921)	(636)
Loss before income tax		(1,490)	(1,001)
Income tax (expense)/benefit		293	161
Over/(under) provision for income tax in prior year		105	(279)
Loss for the half year		(1,092)	(1,119)
Other comprehensive income			
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive income for the half year		(1,092)	(1,119)
Net loss attributed to:			
Equity holders of EnviroSuite Limited		(1,092)	(1,119)
Total comprehensive income attributable to:			
Equity holders of EnviroSuite Limited		(1,092)	(1,119)
(Loss) per share from continuing operations attributable to the ordinary equity holders of the company		Cents	Cents
Basic loss per share		(0.55)	(0.81)
Diluted loss per share		(0.55)	(0.81)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

				Consolidated Group	
				As at 31 Dec 2016 \$'000	As at 30 Jun 2016 \$'000
				Notes	
ASSETS					
Current assets					
Cash and cash equivalents	3		2,955	1,338	
Trade and other receivables			2,643	4,258	
Other Assets			456	112	
Inventories			561	340	
Total current assets			6,615	6,048	
Non-current assets					
Property, plant and equipment			2,012	2,442	
Deferred tax assets			844	489	
Intangible assets			13,566	12,997	
Total non-current assets			16,422	15,928	
Total assets			23,037	21,976	
LIABILITIES					
Current liabilities					
Trade and other payables			2,903	3,062	
Borrowings	4,5		1,135	1,656	
Provisions			866	998	
Total current liabilities			4,904	5,716	
Non-current liabilities					
Borrowings	5		885	1,314	
Provisions			186	139	
Total non-current liabilities			1,071	1,453	
Total liabilities			5,975	7,169	
NET ASSETS			17,062	14,807	
EQUITY					
Issued capital			26,295	22,828	
Reserves			652	772	
Retained losses			(9,885)	(8,793)	
Total equity attributable to equity holders of EnviroSuite Limited			17,062	14,807	

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Notes	Consolidated Group	
		Half year ended 31 Dec 2016 \$'000	Half year ended 31 Dec 2015 \$'000
Cash flows from operating activities			
Receipts from customers		9,267	11,764
Payments to suppliers and employees		(9,571)	(10,870)
Other revenue		(304)	894
Interest received		1,528	(3)
Interest paid		7	7
		(74)	(137)
Net cash provided by operating activities		1,157	761
Cash flows from investing activities			
Payments for property, plant and equipment		(37)	(204)
Proceeds from sale of property, plant and equipment		18	-
Payments for acquisition of business		(862)	(300)
Payments for intangible assets		(763)	(599)
Net cash used in investing activities		(1,644)	(1,103)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Proceeds from issue of shares		3,000	18
Share issue transaction costs		(210)	-
Repayment of borrowings		(686)	(721)
Net cash provided by/(used in) financing activities		2,104	(703)
Net increase/(decrease) in cash and cash equivalents		1,617	(1,045)
Cash and cash equivalents at the beginning of the period		1,338	1,695
Cash and cash equivalents at the end of the period	3	2,955	650

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the half year ended 31 December 2016

1. Summary of significant accounting policies

a. Basis of Preparation

These general purpose interim financial statements for the half year reporting period ended 31 December 2016 have been prepared in accordance with the requirements of Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. EnviroSuite Limited (formerly Pacific Environment Limited) is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the Group are as described in Note 2. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of EnviroSuite Limited and its controlled entities (referred to as the "Consolidated Group" or "group"). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the group. Accordingly, it is recommended that this report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016 together with any public announcements made by EnviroSuite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b. Going Concern

The directors are aware of the risks and uncertainties associated with the assessment of going concern for the Group, namely achieving forecast cashflows, whether there is likely to be opportunity for additional capital raisings as required, continued support from financiers, and receipt of future cash Research and Development Tax incentives. In the context of the consolidated group's net loss of \$1,092,000 for the half-year ended 31 December 2016, notwithstanding expectations of improved performance for the year ended 31 December 2017, without mitigation due to these areas of support, there would be uncertainty whether the group would be able to continue as a going concern.

However, the Directors have taken into account all relevant circumstances and the financial report has been prepared on a going concern basis which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

The Directors of the company have determined that the going concern basis is appropriate having considered, Inter alia, the following factors:

- The Directors are confident of the ability to achieve forecast cash flows which, with the continuing support of financiers, continued receipt of the cash Research and Development Tax Incentives and additional capital raisings will enable the group to meet all its debts and liabilities as and when they become due and payable.
- Historically the Company has relied on a mix of internally generated cashflows and the proceeds from issues of new shares to fund its business activities. The Directors intend to continue to seek funding support from capital markets as required. Based on the Company's capacity and demonstrated willingness of the Directors to issue new shares as well as the capital raisings completed in the last two financial years, the Directors believe that it is reasonable to expect that external funding will continue to be available when required.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 31 December 2016

1. Summary of significant accounting policies (continued)

c. Accounting Policies

The accounting policies adopted and methods of computation applied in the preparation of the Interim financial report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

d. New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The Group has considered the implications of new or amended Accounting Standards and has determined that their application to the financial statements is either not relevant or not material.

e. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (EnviroSuite Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 9.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

f. Critical Accounting Estimates and Significant Judgments used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the June 2016 annual report.

2. Segment information

EnviroSuite Limited (ASX:EVS) ("the Group") provides environmental consulting, advice, solutions and services to help clients comply with environmental regulations, meet corporate responsibilities and improve operations and planning.

Management has determined that the consulting services are comprehensive, and complement each other. The structure of the operations is such that the services offered are unified and therefore the requirement for segment reporting does not apply. This has been based on the reports reviewed by the Board of Directors (chief operating decision makers) that are used to make strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 31 December 2016

3. Cash and cash equivalents

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash and cash equivalents as per the statement of financial position is reconciled to the statement of cash flows as follows:		
Cash at bank and on hand	2,955	650
Bank overdrafts	-	-
Balance per statement of cash flows	2,955	650

4. Current liabilities - Borrowings

Included in Current Liabilities at 31 December 2015 was an amount of \$900,000 (face value) for convertible notes.

On 10 May 2016, Robin Ormerod requested a partial conversion of his convertible note with the Group. The conversion of \$450,000 of outstanding principal into fully paid shares in the Group was executed on 10 May 2016, which resulted in an issue of 13,353,115 new shares and a reduction in the outstanding loan amount to \$433,331 with an associated reduction in interest charges to the Group.

On 10 October 2016, Robin Ormerod requested conversion of the remaining balance of his convertible note with the Group. The conversion of the remaining \$450,000 face value outstanding principal into fully paid shares in the Group was executed on 10 October 2016, which resulted in an issue of 13,353,115 new shares.

5. Borrowings

The Group's performance against banking covenants, including covenant compliance, is periodically reviewed by the debt financier, ANZ Banking Group. The annual review of the banking facility terms are yet to be finalised. As at the dates of this report the Group has not been notified of a breach of covenants.

6. Dividends

No dividends have been declared during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 31 December 2016

7. Related party transactions

Robin Ormerod is a director and shareholder of the Company. Robin received \$14,646 in interest payments (31 December 2015: \$62,058) in relation to the convertible note facility. The remaining balance of the convertible note was converted to shares on the 10th October 2016. ROKZAir Pty Ltd, an associate of Robin Ormerod, was paid \$133,332 during the half year to 31 December 2016 (31 December 2015: \$200,000) for consulting fees. Soliton Creative Pty Ltd (previously Alex Ormerod Photography), an associate of Robin Ormerod, was paid \$157,381 during the half year to 31 December 2016 (31 December 2015: \$77,746). Ian Edgehill, an associate of Robin Ormerod, was paid \$11,790 during the half year to 31 December 2016 (31 December 2015: \$28,652).

Murray d'Almeida was the Executive Chairman and Director of the company who resigned on 1 September 2016. His fees were paid to a related entity, MC Consultancy Pty Ltd. During the half year to 31 December 2016, in addition to director fees of \$15,000, MC Consultancy was paid \$30,000 for services provided to the company in relation to marketing communications and business development (31 December 2015: \$60,000).

Adam Gallagher is a director and company secretary of the company. His fees are paid to a related entity, Famile Pty Ltd. In addition to director fees of \$27,500 and secretarial fees of \$27,500 during the half year to 31 December 2016, Famile Pty Ltd was paid \$24,000 for services provided to the company in relation to the research and qualification of potential company acquisitions (31 December 2015: \$48,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 31 December 2016

8. Business combinations

Acquisition of Business

On 1 October 2014, DLA Environmental Services Pty Ltd, a wholly owned subsidiary of EnviroSuite Limited, acquired the assets of DLA Environmental (DLA) as a going concern.

	Fair value
	\$'000
Purchase consideration:	
- Cash	1,021
- Deferred consideration (i)	1,654
	<u>2,675</u>
Less:	
Property, plant and equipment	101
Employee benefits	(81)
Identifiable assets acquired and liabilities assumed	<u>20</u>
	<u>2,655</u>
Goodwill (ii)	<u><u>2,655</u></u>

- (i) The consideration paid to acquire DLA consisted of deferred payments if maintainable profit targets were met. In November 2016 based on reaching profit targets, final payment made was \$861,829. The difference between the estimated final payment of \$826,883 and the actual final payment was recognised in the profit and loss of \$34,946.
- (ii) The goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of DLA. No amount of the goodwill is deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the half year ended 31 December 2016

9. Controlled Entities

Controlled Entities Consolidated	Principal Place of Business	Percentage Owned *	
		As at 31 Dec 2016	As at 30 Jun 2016
Parent Entity			
EnviroSuite Limited #	Sydney, Australia	100%	100%
Subsidiaries of EnviroSuite Limited			
Pacific Environment Holdings Pty Ltd	Sydney, Australia	100%	100%
Pacific Environment Pty Ltd ##	Sydney, Australia	100%	100%
DLA Environmental Services Pty Ltd	Sydney, Australia	100%	100%
EnviroSuite Operations Pty Ltd ###	Sydney, Australia	100%	100%
EnviroSuite Corp**	United States of America	100%	100%

* Percentage of voting power in proportion to ownership

** Formerly known as Metriqa Corp.

Previously known as Pacific Environment Limited

Previously known as Pacific Environment Operations Pty Ltd

Previously known as EnviroSuite Pty Ltd

10. Contingent Liabilities and events occurring after reporting date

Subsequent to 31 December 2016 a claim against the company was made as a result of an alleged breach of a contract by the company. The claim is being defended by the company and the company considers it is not practicable to estimate the potential liability at this stage.

The group has potential exposure to guarantees it has issued to third parties in relation to property leases.

There are no other matters or circumstances that have arisen since 31 December 2016 that have significantly affected, or may significantly affect:

- the Group's operations in future financial periods, or
- the results of those operations in future financial periods, or
- the Group's state of affairs in future financial periods.

DIRECTORS' DECLARATION

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

1. The financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB134: Interim Financial reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date.
2. In the Directors' opinion 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

24 February 2017

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**ENVIROSUITE LIMITED ABN 42 122 919 948
AND CONTROLLED ENTITIES**

(Formerly Pacific Environment Limited and Controlled Entities)

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Envirosuite Limited (formerly Pacific Environment Limited) which comprises the Consolidated Statement of Financial Position as at 31 December 2016, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows, for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditors' Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, 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 2016 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. As the auditor of Envirosuite Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Envirosuite Limited for the half-year ended 31 December 2016, which may be included on the company's or other websites. The company's directors are responsible for the security, controls and integrity of the information on websites. We have not been engaged to report on the integrity of the company's or other websites. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the reviewed financial report presented on the website.

.../2

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**ENVIROSUITE LIMITED ABN 42 122 919 948
AND CONTROLLED ENTITIES**

(Formerly Pacific Environment Limited and Controlled Entities)

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(b) - Going Concern, of the financial report. The consolidated group incurred a net loss of \$1,092,000 for the half-year ended 31 December 2016 and a net loss of \$1,606,000 for the full year ended 30th June 2016. The consolidated group is dependent on achieving forecast cash flows, continued support of financiers, continued receipt of cash research and development tax incentives and additional capital raisings. Without the foregoing, uncertainty exists in relation to the following matters:-

- (i) the ability of the group to continue as a going concern, and therefore the ability to pay its debts as and when they become due and payable and to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report; and
- (ii) whether an impairment adjustment is required to the carrying amount of goodwill of \$10,269,972 included in Intangible Asset, as at 31 December 2016 in accordance with AASB 136: Impairment of Assets; and
- (iii) whether it is probable that future taxable income will be available against which part, or all, of the deferred tax asset of \$844,000 can be utilized and therefore whether the deferred tax asset should be recognised in accordance with AASB 112: Income Taxes as at 31 December 2016.

WPIAS Pty Ltd

Authorised Audit Company No. 440306



ROB ST CLAIR BCOM FCA RCA
ASSOCIATE

Dated this 24th day of February, 2017.

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