

22 February 2023

Appendix 4D

Summary Interim Financial Report

Results for announcement to the market
For the financial half year ended 31 December 2022

	Consolidated Group		Variance to prior period	
	Half Year ended 31 December 2022	Half Year ended 31 December 2021		
	\$'000	\$'000	\$'000	%
Revenues from ordinary activities	27,581	26,817	764	2.8%
Profit/(loss) after tax from ordinary activities attributable to members	(6,148)	(5,802)	(346)	(6.0%)
Net profit/(loss) attributable to members	(6,148)	(5,802)	(346)	(6.0%)
Net tangible assets/(liabilities) per security (cents)	0.8	1.8		

The net tangible asset backing per security of 0.8 cents presented above is inclusive of right-of-use assets and lease liabilities. The net tangible asset per security, at 31 December 2022, would reduce to 0.6 cents (31 December 2021: 1.6 cents) if right-of-use assets were excluded, and lease liabilities were included in the calculation.

In February 2023, the Group completed a global restructure involving a combination of supplier reviews and consolidation of personnel roles within the Group. The impact on personnel represented a 4.5% reduction in headcount across the globe. The financial impact of these adjustments has been assessed with additional financial information provided within the Interim Financial Statements assuming the restructure had occurred effective 1 July 2022. Please refer to page 9 for further details.

Dividends and distributions

The company has not declared, and does not propose to pay, any dividends for the half year ended 31 December 2022.

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 2022.

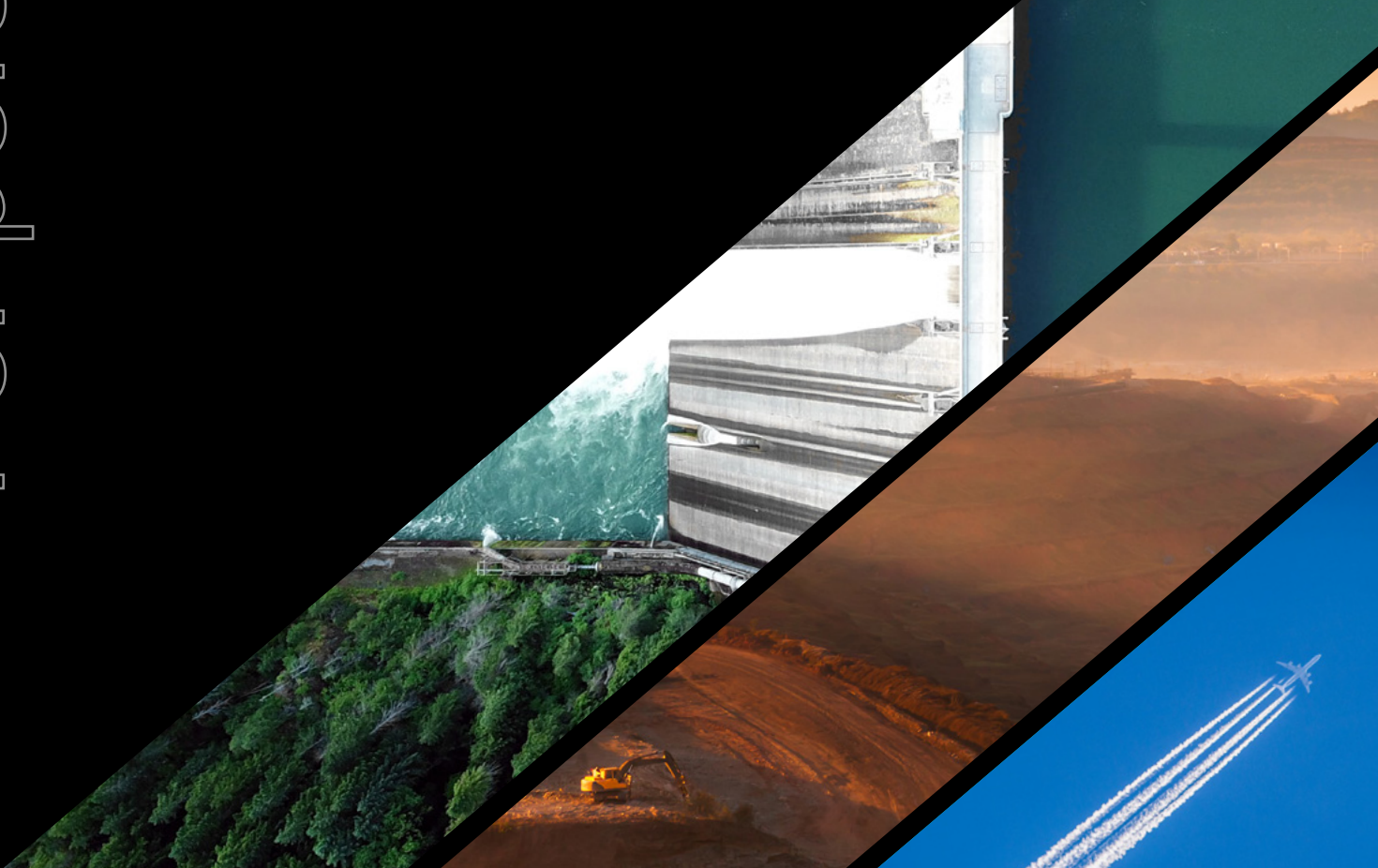
This report is based on Interim Financial Statements which have been reviewed by PKF Brisbane Audit.



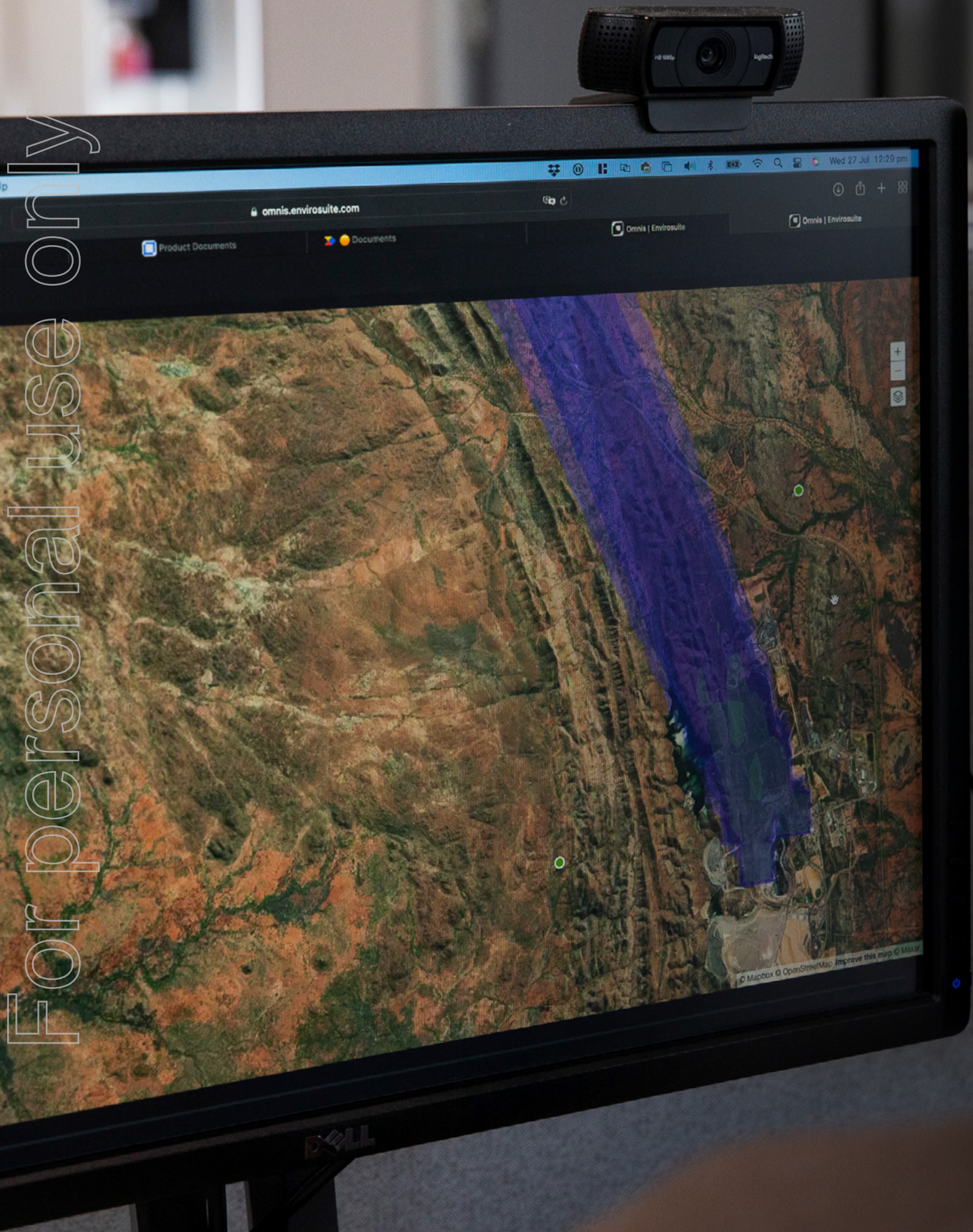
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Interim Report

For the half year ended 31 December 2022



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Whats inside

- At a glance
- Directors' Report
- Financial Statements

Key Metrics

\$56.9m

Annual Recurring Revenue

+ 16.3% PCP

436

Client sites

+ 11.5% PCP

\$27.6m

Statutory revenue

+ 2.8% PCP

51.4%

Gross profit*

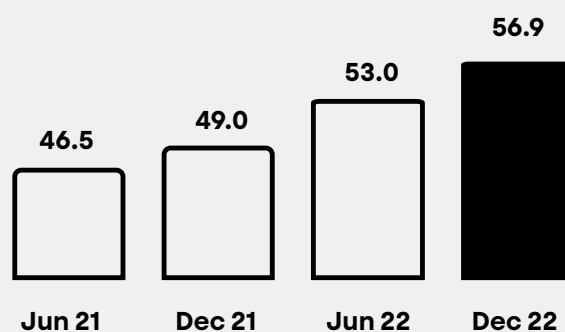
+ 6.1% PCP

\$(0.5)m

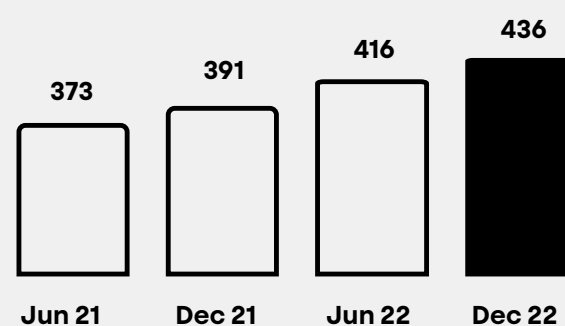
Adjusted EBITDA (loss)

Improved 75.3% PCP

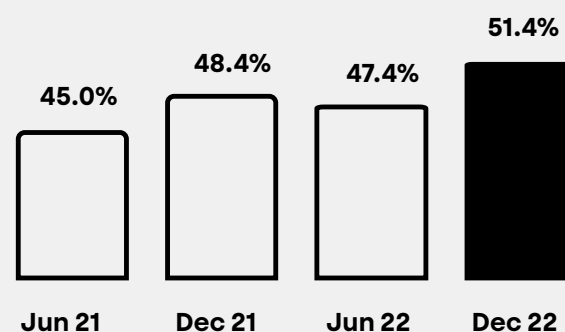
ARR (\$m)



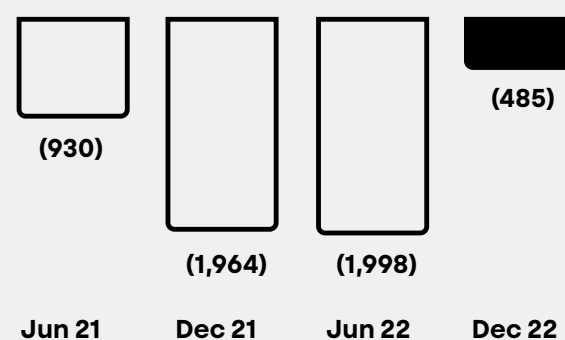
SITES



GROSS PROFIT %



ADJUSTED EBITDA (\$'000)





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

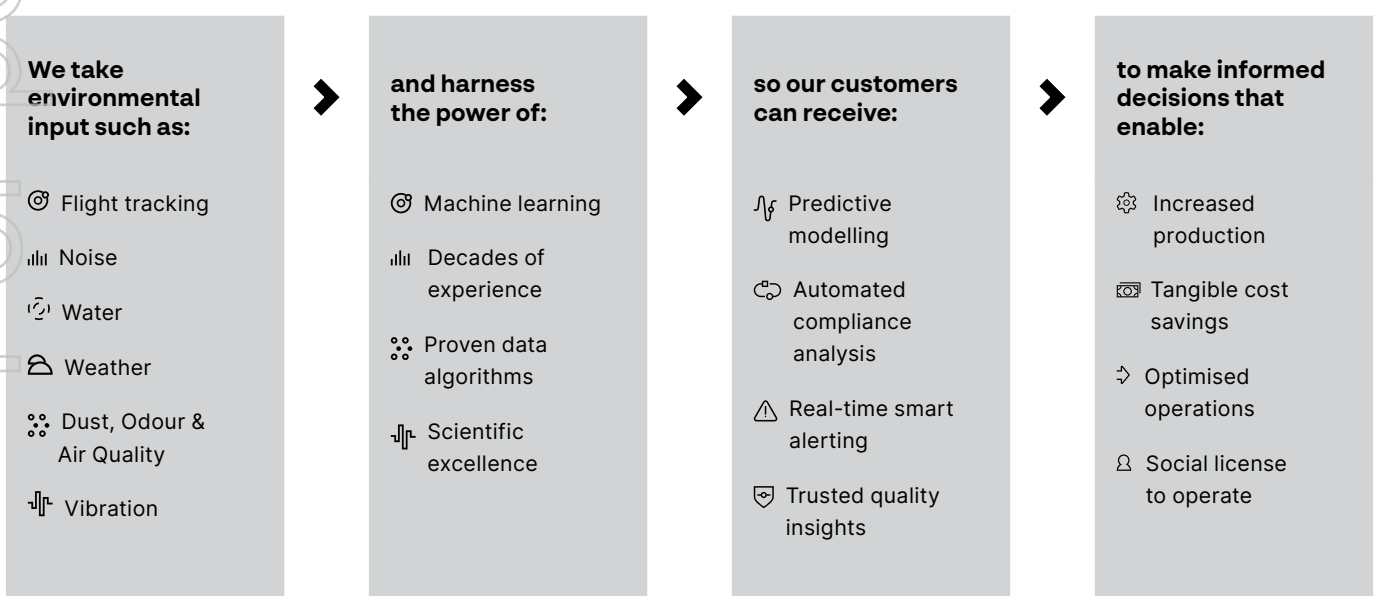
Envirosuite provides industry operators with Software as a Service (SaaS) and Solution as a Service for managing and mitigating their impacts on communities and the environment in relation to noise, vibration, odour, dust, air quality and water.

Envirosuite's software combines leading-edge science and innovative technology with industry expertise to produce predictable and actionable

insights so businesses can unlock value beyond compliance, allowing them to engage with communities and make real-time decisions to reduce risk and optimise their 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 2022.

Directors

The following persons were directors of the Company at any time during, or since the end of, the financial half year up to the date of this report unless otherwise stated.

David Johnstone (Non-executive Chair)

Jason Cooper (Managing Director and CEO)

Hugh Robertson (Non-executive Director)

Sue Klose (Non-executive Director)

Stuart Bland (Non-executive Director)

Tim Ebbeck (Non-executive Director) – Resigned 30 September 2022

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.

Operating and Financial Review

Operating Results

The loss of the Group after providing for income tax amounted to \$6,148k (31 December 2021: \$5,802k)

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2022	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Recurring revenue	24,156	22,297	21,580	1,859	2,576	8.3%	11.9%
Non-recurring revenue	3,279	4,347	5,216	(1,068)	(1,937)	(24.6%)	(37.1%)
Other revenue	146	(2)	21	148	125	7400.0%	595.2%
Total revenue	27,581	26,642	26,817	939	764	3.5%	2.8%
Cost of revenue	(13,732)	(14,286)	(14,069)	554	337	3.9%	2.4%
Gross profit	13,849	12,356	12,748	1,493	1,101	12.1%	8.6%
Operating expenses	(20,138)	(19,262)	(18,507)	(876)	(1,631)	(4.5%)	(8.8%)
Other income / (expense)	(129)	53	37	(182)	(166)	(343.4%)	(448.6%)
Operating deficit	(6,418)	(6,853)	(5,722)	435	(696)	6.3%	(12.2%)
Net Loss after tax	(6,148)	(7,393)	(5,802)	1,245	(346)	16.8%	(6.0%)
Adjusted EBITDA	(485)	(1,998)	(1,964)	1,513	1,479	75.7%	75.3%
Other Key Metrics							
ARR (\$m)	56,923	53,044	48,955	3,879	7,968	7.3%	16.3%
Sites	436	416	391	20	45	4.8%	11.5%
Recurring revenue as % of total revenue	87.6%	83.7%	80.5%	3.9%	7.1%	4.6%	8.8%
Gross profit %	50.2%	46.4%	47.5%	3.8%	2.7%	8.3%	5.6%

Key Highlights

- Total recurring revenue increased \$2,576k (11.9%) over 1H FY22 (PCP¹) with strong growth in EVS Omnis and EVS Aviation driven by ARR sales performance globally. While Americas and EVS Omnis continue to perform strongly, EVS Aviation ARR was up 13.7% on PCP basis.
- Gross profit (statutory) continues to improve with gross profit of 50.2%, showing steady growth from 46.4% in prior period² and 47.5% in PCP.
- Operating expenses increased 8.8% over PCP as the Company develops the product suite capability in line with the product roadmap strategy and increases operational depth within existing geographic footprint. Ongoing global transformation projects continue as planned, including data centre migration and scaling of the Group's centre of excellence in the Philippines.
- Adjusted EBITDA loss of \$485k represents a significant improvement of over 75% on prior period and PCP through a combination of underlying revenue growth, gross margin expansion and strong operating cost management.

¹ PCP is the prior comparative period from 1 July 2021 to 31 December 2021.

² Prior period is the period from 1 January 2022 to 30 June 2022.

Revenue

Revenue by Region

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2022	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Recurring revenue							
Asia Pacific	7,929	7,760	7,612	169	317	2.2%	4.2%
EMEA	7,351	6,944	6,957	407	394	5.9%	5.7%
America	8,876	7,593	7,011	1,283	1,865	16.9%	26.6%
Recurring revenue	24,156	22,297	21,580	1,859	2,576	8.3%	11.9%
Trading revenue							
Asia Pacific	8,906	8,390	8,666	516	240	6.2%	2.8%
EMEA	7,965	8,903	7,638	(938)	327	(10.5%)	4.3%
America	10,564	9,351	10,492	1,213	72	13.0%	0.7%
Total Trading revenue	27,435	26,644	26,796	791	639	3.0%	2.4%
ARR							
Asia Pacific	18,204	17,224	16,048	980	2,156	5.7%	13.4%
EMEA	16,974	15,915	15,123	1,059	1,851	6.7%	12.2%
America	21,745	19,905	17,784	1,840	3,961	9.2%	22.3%
Total ARR	56,923	53,044	48,955	3,879	7,968	7.3%	16.3%
Sites							
Asia Pacific	119	116	107	3	12	2.6%	11.2%
EMEA	125	125	114	-	11	-	9.6%
America	192	175	170	17	22	9.7%	12.9%
Number of sites	436	416	391	20	45	4.8%	11.5%

Strong ARR growth globally continues, with the Group experiencing 16.3% increase on PCP, improving from 15.1% 1H FY22 PCP. While the Americas continues to perform strongly, Asia Pacific and EMEA sales have demonstrated significant improvement over PCP.

Recurring revenue within the Americas continues the strong growth, representing ongoing success of the Australian developed technology in a globally significant market. Non-recurring revenue within the current period is down on a PCP basis, with particular impact in Q1. Q2 non-recurring revenue rebounded to expected levels as projects commenced globally.



Revenue by Product Family

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2022	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Recurring revenue							
EVS Aviation	16,509	15,636	15,425	873	1,084	5.6%	7.0%
EVS Omnis	7,457	6,607	6,092	850	1,365	12.9%	22.4%
EVS Water	190	54	63	136	127	251.9%	201.6%
Total Recurring revenue	24,156	22,297	21,580	1,859	2,576	8.3%	11.9%
Trading revenue							
EVS Aviation	17,885	17,535	17,426	350	459	2.0%	2.6%
EVS Omnis	9,312	9,045	9,307	267	5	3.0%	0.1%
EVS Water	238	64	63	174	175	271.9%	277.8%
Total Trading revenue	27,435	26,644	26,796	791	639	3.0%	2.4%
ARR							
EVS Aviation	36,432	33,908	32,041	2,524	4,391	7.4%	13.7%
EVS Omnis	19,391	18,139	16,538	1,252	2,853	6.9%	17.3%
EVS Water	1,100	997	376	103	724	10.3%	192.6%
Total ARR	56,923	53,044	48,955	3,879	7,968	7.3%	16.3%
Sites							
EVS Aviation	182	172	167	10	15	5.8%	9.0%
EVS Omnis	240	231	219	9	21	3.9%	9.6%
EVS Water	14	13	5	1	9	7.7%	180.0%
Total Sites	436	416	391	20	45	4.8%	11.5%

Growth in EVS Aviation ARR of 13.7% on PCP provides further support in the recovery of the aviation sector globally. The sector improvement along with the Group's expansion of product capability including carbon emissions modeling has underlined this improvement. EVS Aviation remains the largest recurring revenue product segment representing 68.3% of total recurring revenue for this reporting period.

EVS Omnis recurring revenue growth over PCP reflects the ARR growth experienced historically as new projects are implemented. Importantly, EVS Omnis ARR growth continues at 17.3% over PCP supporting future recurring revenue growth. The mining and resources industry trend towards improved ESG analysis for decision making continues to support this growth. Expansion of product capability in line with the product roadmap has resonated strongly with existing and potential new customers.

The Company has released product updates to EVS Water that has increased the speed at which SeweX can be deployed for new customers and introduced new functionality for larger, more complex sewer networks. These updates will enable more timely recognition of ARR as recurring revenue.

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

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2022	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Net loss after tax	(6,148)	(7,393)	(5,802)	1,245	(346)	16.8%	(6.0%)
Add back: Tax (benefit) / expense	(342)	461	(51)	(803)	(291)	(174.2%)	(570.6%)
Add back: Net finance expense	72	79	131	(7)	(59)	(8.9%)	(45.0%)
Add back: Depreciation & amortisation	4,590	4,085	4,072	505	518	12.4%	12.7%
EBITDA	(1,828)	(2,768)	(1,650)	940	(178)	34.0%	(10.8%)
Less: AASB 16 depreciation & interest	(527)	(833)	(855)	306	328	36.7%	38.4%
Add back: Share-based payments	(216)	1,166	311	(1,382)	(527)	(118.5%)	(169.5%)
Add back: Foreign currency losses / (gains)	112	(320)	118	432	(6)	135.0%	(5.1%)
Add back: Restructuring cost savings	1,548	-	112	1,548	1,436	-	1282.1%
Add back: Transaction and integration costs	306	-	-	306	306	-	-
Add back: Philippines set up costs	159	245	-	(86)	159	(35.1%)	-
Add back: Property make good provisions	(39)	512	-	(551)	(39)	(107.6%)	-
Adjusted EBITDA	(485)	(1,998)	(1,964)	1,513	1,479	75.7%	75.3%

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

Substantial improvement in Adjusted EBITDA loss of over 75% on PCP to a loss of \$485k has been achieved through a combination of factors including revenue growth, improved gross margin and management's focus on global cost management. As the Company continues on its path to profitability, ongoing review of the global operating model continues to evolve ensuring the go-to-market strategy remains focused and efficient. This includes the Company's Philippines Centre of Excellence (CoE) that became effective in July 2022 and continues to expand to support the operational growth of the Group.

Along with the Philippines CoE, the Group continues to explore the global locations of labour, ensuring efficiency in operations while maintaining the product development outlined in the product roadmap, retaining a highly focused sales organisation and customer support. In February 2023, the Group completed a global restructure involving a combination of supplier reviews and consolidation of personnel roles within the Group. The impact on personnel represented a 4.5% reduction in headcount across the globe.

The Restructure was completed in February 2023. For the purpose of determining adjusted EBITDA, an add back of the Restructure impacted supplier and personnel costs incurred in 1H FY23 has been made assuming the Restructure was effective from 1 July 2022. These expenses meet the definition of non-recurring costs and therefore have been excluded from Adjusted EBITDA for the current period.



Financial Position

A\$000	31 Dec 2022	30 Jun 2022	Movement \$
Cash and cash equivalents	11,906	16,292	(4,386)
Current assets	31,090	34,979	(3,889)
Current liabilities	(22,673)	(19,657)	(3,016)
Net current assets	8,417	15,322	(6,905)
Total tangible assets	40,186	41,114	(928)
Net tangible assets	10,499	16,097	(5,598)

Adjusted Operating Cash Flow

A\$000	For the half year ended			Movement \$		Movement %	
	31 Dec 2022	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Cash used in operating activities (statutory)	(128)	(1,626)	(1,562)	1,498	1,434	92.1%	91.8%
Less: Repayment of AASB 16 lease payments	(584)	(968)	(910)	384	326	39.7%	35.8%
Add back: Restructuring cost savings	1,548	-	112	1,548	1,436	-	1282.1%
Add back: Transaction and integration costs	306	-	-	306	306	-	-
Add back: Philippines set up costs	159	245	-	(86)	159	(35.1%)	-
Cash used in operating activities excluding capitalised development costs	1,301	(2,349)	(2,360)	3,650	3,661	155.4%	155.1%
Capitalised development costs	(2,998)	(3,663)	(1,087)	665	(1,991)	18.2%	(175.8%)
Adjusted operating cash outflow	(1,697)	(6,012)	(3,447)	4,315	1,750	71.8%	50.8%

Cash and Cash Equivalents decreased by \$4,386k during the current reporting period.

- Cash used in operating activities (statutory) improved significantly to almost break-even at \$128k outflow, down from \$1,626k in prior period and \$1,562k PCP
- Adjusted operating cash outflow of \$1,697k has shown even greater improvement, up from \$6,012k outflow in the prior period and \$3,447k in the PCP. The significant impact to adjusted operating cash flow has been the add back of cash impact of the Restructure cost savings on the same basis as for Adjusted EBITDA

The cause of the decrease in cash related to revenue generating investment activities and some financing activities:

- \$2,998k cash used in the acquisition of intangible assets (PCP: \$1,087k) which consist of capitalised product development costs across EVS Aviation, EVS Omnis and EVS Water;
- \$1,049k in payments for Property, Plant and Equipment (PCP: \$800k) which includes investment in revenue generating assets, being equipment leased to customers of \$870k; and
- \$584k in payments for lease liabilities related to buildings (PCP: \$910k).

The Group has a strong balance sheet with no debt (other than lease liabilities) and strong management of Adjusted EBITDA and operating cash flows during the period.

Net tangible assets has decreased by \$5,598k largely due to a decrease in cash and cash equivalents \$4,386k, an increase in revenue in advance of \$1,596k due to timing of billings and an increase in trade payables of \$1,741k due to timing of payments, offset partially by an increase in inventory and property, plant and equipment.

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

Significant changes in the state of affairs

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

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 2022 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 13.

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
21 February 2023

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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 2022, 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 BRISBANE AUDIT



TIM FOLLETT
PARTNER

21 FEBRUARY 2023
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348

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CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated Group	
		Half year ended	
		31 December 2022 \$'000	31 December 2021 \$'000
Trading revenue		27,435	26,796
Other revenue		146	21
Total revenue	3	27,581	26,817
Cost of revenue	4	(13,732)	(14,069)
Gross profit		13,849	12,748
Operating expenses			
Sales and marketing		(6,741)	(6,607)
Product development		(6,650)	(5,160)
General and administrative		(6,747)	(6,740)
Total operating expenses	4	(20,138)	(18,507)
Other (expense) / income		(129)	37
Operating deficit		(6,418)	(5,722)
Net finance expense		(72)	(131)
Net loss before tax		(6,490)	(5,853)
Income tax benefit		342	51
Net loss after tax		(6,148)	(5,802)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		354	269
Other comprehensive income for the half year, net of tax		354	269
Total comprehensive loss for the half year		(5,794)	(5,533)
Net loss attributed to:			
Equity holders of Envirosuite Limited		(6,148)	(5,802)
Total comprehensive loss for the half year attributable to the owners of Envirosuite		(5,794)	(5,533)
		Cents	Cents
Basic loss per share		(0.49)	(0.49)
Diluted loss per share		(0.49)	(0.49)

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

Consolidated Group

	Notes	31 December 2022 \$'000	30 June 2022 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		11,906	16,292
Trade and other receivables		11,982	12,448
Other assets		3,896	3,884
Inventories		3,306	2,355
Total current assets		31,090	34,979
Non-current Assets			
Property, plant and equipment		4,145	3,508
Right of use assets	5	3,421	1,711
Deferred tax assets		1,218	972
Intangible assets	6	108,074	108,652
Other assets		1,530	916
Total non-current assets		118,388	115,759
TOTAL ASSETS		149,478	150,738
LIABILITIES			
Current Liabilities			
Trade and other payables		10,208	8,467
Revenue in advance		5,688	4,092
Other liabilities		1,498	1,526
Employee benefit provisions		4,159	4,527
Lease liabilities and other borrowings	5	1,120	1,045
Total current liabilities		22,673	19,657
Non-current Liabilities			
Employee benefit provisions		183	160
Lease liabilities and other borrowings		3,009	1,206
Deferred tax liabilities		3,822	3,994
Total non-current liabilities		7,014	5,360
TOTAL LIABILITIES		29,687	25,017
NET ASSETS		119,791	125,721
EQUITY			
Issued capital	7	181,283	180,597
Reserves		10,110	10,798
Retained losses		(71,602)	(65,674)
TOTAL EQUITY		119,791	125,721

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Ordinary shares \$'000	Reserves \$'000	Retained losses \$'000	Total Equity \$'000
At 1 July 2021	169,520	11,928	(54,148)	127,300
Comprehensive income				
Loss for the half year	-	-	(5,802)	(5,802)
Other comprehensive income for the half year	-	269	-	269
Total comprehensive loss for the half year	-	269	(5,802)	(5,533)
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	10,469	-	-	10,469
Transaction costs of capital raising (inc. tax effect)	(447)	-	-	(447)
Shares issued / to be issued to employees	915	(915)	-	-
Options and performance rights issued - value of services	200	311	-	511
Share options and performance rights expired or lapsed	-	(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
At 1 July 2022	180,597	10,798	(65,674)	125,721
Comprehensive income				
Loss for the half year	-	-	(6,148)	(6,148)
Other comprehensive income for the half year	-	354	-	354
Total comprehensive loss for the half year	-	354	(6,148)	(5,794)
Transactions with owners, in their capacity as owners, and other transfers				
Issue of shares	-	-	-	-
Shares issued / to be issued to directors	80	-	-	80
Shares issued / to be issued to employees	606	(606)	-	-
Options and performance rights issued – value of services	-	(216)	-	(216)
Shares options and performance rights expired or lapsed	-	(220)	220	-
Total transactions with owners and other transfers	686	(1,042)	220	(136)
At 31 December 2022	181,283	10,110	(71,602)	119,791

The accompanying notes form part of these financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

Consolidated Group

	Notes	Half year ended	
		December 2022 \$'000	December 2021 \$'000
Cash flows from operating activities			
Receipts from customers		29,485	26,328
Payments to suppliers and employees		(29,621)	(27,146)
		(136)	(818)
Other revenue		146	(267)
Taxes paid		(157)	(483)
Interest received		21	9
Interest paid		(2)	(3)
Net cash used in operating activities		(128)	(1,562)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,049)	(800)
Payments for intangible assets		(2,998)	(1,087)
Net cash used in investing activities		(4,047)	(1,887)
Cash flows from financing activities			
Net proceeds from borrowings		19	28
Proceeds from issue of shares		-	10,669
Share issue transaction costs		-	(524)
Repayment of lease liabilities		(584)	(910)
Net cash (used in)/ provided by financing activities		(565)	9,263
Net (decrease) / increase in cash and cash equivalents		(4,740)	5,814
Effects of exchange rate changes on cash and cash equivalents		354	260
Cash and cash equivalents at the beginning of the half year		16,292	17,640
Cash and cash equivalents at the end of the period		11,906	23,714

The accompanying notes form part of these financial statements.

NOTES TO INTERIM FINANCIAL STATEMENTS

20 (1.) Summary of significant accounting policies

21 (2.) Segment information

22 (3.) Revenue

23 (4.) Expenses

23 (5.) Right of use assets and lease liabilities

24 (6.) Intangible assets

25 (7.) Issued capital

25 (8.) Commitments and contingencies

26 (9.) Interest in subsidiaries

26 (10.) Subsequent events



NOTES TO FINANCIAL STATEMENTS

For the Financial Half-Year Ended 31 December 2022

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 21 February 2023 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 cash flows. 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 2022 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.

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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 2022

\$'000 Consolidated	Asia Pacific	EMEA	America	Corporate	Total
Recurring revenue	7,929	7,351	8,876	-	24,156
Non-recurring revenue	977	614	1,688	-	3,279
Other revenue	-	-	-	146	146
Total operating revenue	8,906	7,965	10,564	146	27,581
Cost of revenue	(4,762)	(4,343)	(4,627)	-	(13,732)
Gross profit	4,144	3,622	5,937	146	13,849
Operating expenses	(1,625)	(1,243)	(2,447)	(14,823)	(20,138)
Other income/(expense)	-	-	-	(129)	(129)
Operating deficit before tax	2,519	2,379	3,490	(14,806)	(6,418)
Net finance income/(expense)	(10)	(2)	(11)	(49)	(72)
Net profit (loss) before tax	2,509	2,377	3,479	(14,855)	(6,490)

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)



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 2022

\$'000 Consolidated	EVS Aviation	EVS Omnis	EVS Water	Corporate	Total
Recurring revenue	16,509	7,457	190	-	24,156
Non-recurring revenue	1,376	1,855	48	-	3,279
Other revenue	-	-	-	146	146
Total operating revenue	17,885	9,312	238	146	27,581

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

3. REVENUE

For the six months ended 31 December

	2022 \$'000	2021 \$'000
Recurring revenue	24,156	21,580
Non-recurring revenue	3,279	5,216
Trading revenue	27,435	26,796
Other revenue	146	21
Other revenue	146	21
Total revenue	27,581	26,817

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.

	For the six months ended 31 December	
	2022 \$'000	2021 ¹ \$'000
Cost of revenue and operating expenses		
Cost of revenue	(13,732)	(14,069)
Total operating expenses	(20,138)	(18,507)
Total cost of revenue and operating expenses	(33,870)	(32,576)
<i>Total cost of revenue and operating expenses are comprised of:</i>		
Employment costs	(17,930)	(15,907)
Share based compensation	216	(310)
Consultants and contractors	(1,969)	(2,501)
Professional fees	(1,926)	(1,973)
Computer expenses	(4,315)	(2,633)
Equipment and associated costs	(1,621)	(1,927)
Building costs	(707)	(1,253)
Director's fees	(216)	(181)
Audit and accounting fees	(267)	(295)
Depreciation and amortisation (excl intangible asset – software amortisation)	(2,740)	(3,154)
Other operating expenses	(3,402)	(2,611)
Sub-total	(34,877)	(32,745)
Software and IP development cost - capitalised	2,857	1,087
Intangible asset – software and IP amortisation	(1,850)	(918)
R&D costs capitalised, net	1,007	169
Total cost of revenue and operating expenses	(33,870)	(32,576)

- (1) The presentation of the six months ended 31 December 2021 was restated to present like for like comparison to the six months ended 31 December 2022. \$679k of professional fees were reclassified from Other operating expenses to Professional fees and \$166k of associated equipment costs were reclassified from Other operating expenses to Equipment and associated costs.

5. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of Use Assets and Lease Liabilities increased significantly from 30 June 2022 to 31 December 2022 as a result of entering into a new building lease to enable the move of the Group's corporate head office to 385 Bourke Street, Melbourne.



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

31 December 2022					
\$'000 Consolidated	Goodwill	Internally Developed Software	Acquired Software	Other Intangibles	Total
Cost value					
Balance at 1 July 2022	89,551	15,523	10,942	5,960	121,976
Additions	-	2,471	-	387	2,858
Effects of foreign exchange	(19)	-	(2)	-	(21)
Balance at 31 December 2022	89,532	17,994	10,940	6,347	124,813
Accumulated amortisation					
Balance at 1 July 2022	-	(6,313)	(4,803)	(2,208)	(13,324)
Amortisation for the period	-	(1,689)	(1,092)	(634)	(3,415)
Reclassification	-	120	-	(120)	-
Balance at 31 December 2022	-	(7,882)	(5,895)	(2,962)	(16,739)
Net book value	89,532	10,112	5,045	3,385	108,074

31 December 2021					
\$'000 Consolidated	Goodwill	Internally Developed Software	Acquired Software	Other Intangibles	Total
Cost value					
Balance at 1 July 2021	89,513	11,070	11,372	5,193	117,148
Additions	-	998	87	1,415	2,500
Write off	-	-	(222)	-	(222)
Effects of foreign exchange	12	-	-	-	12
Balance at 31 December 2021	89,525	12,068	11,237	6,608	119,438
Accumulated amortisation					
Balance 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 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

Impairment tests

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

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

At 31 December 2022 the Group noted no indicators of impairment, therefore no impairment assessment was completed.

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7. ISSUED CAPITAL

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

	31 December 2022	31 December 2022	30 June 2022	30 June 2022
Movements in ordinary shares	Number	\$'000	Number	\$'000
Balance at 1 July	1,255,268,970	180,597	1,193,839,427	169,520
Issue of ordinary shares - exercising of employee and director share options	-	-	2,000,000	28
Issue of ordinary shares - employee performance rights	4,181,373	606	6,511,653	1,039
Issue of ordinary shares - directors	467,836	80	-	-
Issue of ordinary shares - institutional and share placement	-	-	52,345,620	10,469
Issue of ordinary shares - transaction costs of capital raising (inc. tax effect)	-	-	-	(548)
Issue of ordinary shares - Employee Share Plan - \$1k offer	-	-	572,270	89
Ordinary shares on issue at 31 Dec	1,259,918,179	181,283	1,255,268,970	180,597

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 2022, the Company issued the following options:

- 2,000,000 issued to directors (2021: Nil)
- Nil issued to investors (2021: Nil)

Performance rights

For the half year ended 31 December 2022, the Company issued the following performance rights:

- Nil issued to directors (2021: Nil)
- 1,724,861 issued to employees (2021: 9,083,333)

8. 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 \$1,414,463 (2021: \$1,242,277).



9. INTEREST IN SUBSIDIARIES

Parent entity

The parent entity within the Group is Envirosuite Limited

Subsidiaries

Entity Name	Country of Incorporation	31 Dec 2022 %	31 Dec 2021 %
Envirosuite Operations Pty Ltd	Australia	100	100
Envirosuite Holdings Pty Ltd	Australia	100	100
Envirosuite Corp	USA	100	100
Envirosuite Europe Sociedad Limitada	Spain	100	100
Envirosuite Canada Inc.	Canada	100	100
Envirosuite Chile SpA	Chile	100	100
Envirosuite Colombia S.A.S. ⁽¹⁾	Colombia	100	100
Beijing Envirosuite Environmental Science & Technology ⁽¹⁾	China	100	100
Hengli Ruiyan Environmental Engineering Co. Ltd ⁽¹⁾	China	100	100
Envirosuite Brasil Comercializacao De Equioamentos Ltda.	Brazil	100	100
AqMB Pty Ltd.	Australia	100	100
AqMB Holdings Pty Ltd.	Australia	100	100
As Maybe Max Pty Ltd.	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
Envirosuite Ibérica S.A.U	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.

Transactions with other related parties

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

10. SUBSEQUENT EVENTS

The Directors are not aware of any matters or circumstances that have arisen since 31 December 2022 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.

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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 15 to 26 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 at 31 December 2022 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

21 February 2023

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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 2022, and the consolidated income statement and statement of comprehensive income, 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 2022, 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.

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.

PKF Brisbane Audit ABN 33 873 151 348

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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 2022 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

TIM FOLLETT
PARTNER

21 FEBRUARY 2023
BRISBANE

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Corporate Directory

Envirosuite Limited

ABN: 42 122 919 948

Board of Directors

David Johnstone
Chair

Hugh Robertson
Director

Stuart Bland
Director

Jason Cooper
Managing Director

Sue Klose
Director

Company Secretary

Adam Gallagher

Registered office and principal place of business

Envirosuite Limited
Level 30, 385 Bourke Street
Melbourne VIC 3000

Phone: 02 8484 5819

Share Registry

Boardroom Pty Limited
Level 8, 210 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)