envirosuite
(ASX: EVS)

Appendix 4D

Interim Financial Report

Results for Announcement to the Market
For the half year ended 31 December 2017

	Half year ended 31 Dec 2017 $'000	Half year ended 31 Dec 2016 $'000	Movement $'000	%
Revenues from ordinary activities	1,142	2*	1,140	57,503%
(Loss)/profit from continuing operations before interest, tax, depreciation and amortisation	-2,495	-552	-1,943	352%
Attributable (loss)/profit after tax	-1,891	-1,092	-799	73%
Record date for determining entitlements to dividends	N/A	N/A	-	-
Net tangible assets / (liabilities) per security (cents)	3.05	1.15	-	-

*NOTE: In June 2017 Envirosuite completed the sale of the Pacific Environment Consulting division. This involved the sale of corporate entities that included Envirosuite's technology business which was transferred back to Envirosuite Limited as part of the transaction. This accounts for the negligible accounting revenues from ordinary activities in the half year to 31 December 2016.

Additional Appendix 4D disclosure requirements can be found in the notes to the 31 December 2017 Interim Financial Report.

Additional key points to complement the information contained in the Appendix 4D are highlighted in the Directors Report.

Control Gained or Lost over Entities in the Half-year

On 19 December 2017, the company acquired the assets of Odotech Inc and 100% of the issued capital of Odotech SpA. Odotech Canada and SpA contributed $132,260 to the Group's consolidated loss from ordinary activities during the period.

Envirosuite Europe Sociedad Limitada was incorporated on 12 December 2017.

This report is based on the Interim Report for the half year ended 31 December 2017 which has been reviewed by PKF Hacketts 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 2017 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.

Interim Report

for the Half Year ending
31 December 2017 for
Envirosuite Limited
ABN: 42 122 919 948
and its controlled entities

Contents

Directors' Report

Your directors are pleased to present their report on the consolidated entity consisting of Envirosuite Limited ("the Company") and the entities it controlled at the end of, and during, the half year ended 31 December 2017 (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 (Managing Director)
Peter White (Chief Executive Officer, appointed Director 10 July 2017)
Adam Gallagher (Director and Company Secretary)

Review of operations

Key points:

For clarification and to complement an informed reading of the Appendix 4D and the accompanying financial statements contained in the Half Year report the Directors would like to draw particular attention to the following points:

- The group operated a combined consulting and technology business in the previous period (to 31/12/2016) which changed on 26 June 2017 with the divestment of consulting.
- During the reporting period to 31/12/2017 the group incurred one-off payments related to the finalisation of the consulting divestment and the purchase of Odotech of $1.61m (inclusive of payments to advisors) and $0.72m respectively
- The net operational cash burn for the half year was $3.47m. Cash burn is operational outflows less non recurring payments.
- The R&D claim of $1.3m included in the accounts is split in the profit and loss statements in accordance with the accounting standards between other revenues ($0.6m) and discontinued operations ($0.7m) on account of the divestment transaction to reflect the apportionment of the R&D claim between technology (continuing) and consulting (discontinued).

Further details on the above points are contained in the Report.

Results

The Directors are pleased to report on the progress of the business in the six months to 31 December 2017.

Revenues

During the period, the consolidated Group recorded revenues of $1.14 million, compared to $8.59 million for the same period last year noting that the former year includes the consulting businesses that were sold in June 2017. Comparing like-for-like the annualised subscription revenues relating to the Envirosuite software platform as at 31 December 2017 (which is now the primary focus of the group) was $1.85 million, compared to $1.57 million as at 30 June 2017.

Earnings

Net loss for the period was $1.89 million, compared to $1.09 million for the same period last year. Net of the discontinued activities though including revenues from the Technology division, the comparison is a loss of $2.5m compared to a loss of $0.4m in the previous financial year.

Highlights from the first half

The divestment transaction whereby the group sold its consulting businesses to become a pure technology business was completed on 26 June 2017 and the post-completion steps were undertaken through the September quarter with a small number of outstanding items that are expected to be finalised by 30 June 2018.

Mr Peter White re-joined the company as Chief Executive Officer and director on 10 July 2017.

The new group came together for a conference in mid-July to set the strategic direction of the company post the consulting sale, re-introduce Peter White, and finalise the 2018 business plan.

Key internal milestones achieved during the first half include:

- A strategic marketing and sales program commenced in October 2017.
- Several key sales hires were appointed in our target markets of UK, Europe and USA through November and December 2017.
- The group acquired the assets of Odotech Inc and hired 24 of the former team members across Canada, Chile and Europe.
- The Group now comprises more than 60 people across 7 countries, with international offices in San Francisco, Montreal, Santiago and Madrid.

The Directors regard the achievements of the last half of the 2017 calendar year to be as transformational in their potential for future shareholder value as the divestment transaction completed in the first half of 2017.

Sales

While the pipeline and team grew considerably in the six-month period to 31 December 2017, sales completions slowed while the activities to form the new Technology group were underway. The recently released quarterly report outlined several examples of recent sales and the next update to be released in early April will add further to this. There were significant wins in the regulatory sector in the USA as well as the wastewater sector in Europe. The pipeline of prospective sales continues to build and a number of significant opportunities are nearing contract stage.

Personnel

North and South America

During November and December the number of people in the Americas increased from 3 to over 25 located in Chile, California, Denver and Montreal. The majority of the increase is due to the Odotech acquisition, but we have also increased the sales force in the USA. The Odotech group has 4 dedicated sales people in the Americas.

Europe and UK

Similarly, the team in Europe/UK has grown in the last two months from one person to six, all but one of whom are focused on sales. We are already starting to see the initial results coming through with several new wins in the region.

Australia

We recently appointed a senior strategic sales person to focus on Channel Partner management for the Group. This appointment complements the existing client relationship management support functions.

Acquisitions

The Group completed the purchase of the assets of Odotech Inc in mid-December. Odotech Inc was a business based in Montreal, Canada that had been supplying technology solutions predominantly to the Wastewater industry for nearly twenty years. Its product “Odowatch” has over the past 12 years been sold to more than 100 clients globally and there remain approximately 80 clients. Importantly, the key features and client-sought outcomes from the Odowatch platform are already able to be delivered by the existing Envirosuite platform. The Envirosuite development group will continue to work on the integration of the differentiating features of Odowatch into the Envirosuite platform in the coming quarter with the aim of providing an enhanced Envirosuite platform across the customer base of both Envirosuite and the acquired Odotech business. The combination of Envirosuite and Odowatch has produced a world-leading solution provider for the environmental management of odour-related issues, which are of increasing concern for industry and regulators globally.

The strategic transaction achieves the removal of a competitor and provides new clients in our target regions, as well as bringing new talent and experience into our sales and development teams. The acquisition is consistent with the company’s previously stated approach to acquisitions in that it provides both expanded distribution and technical capabilities for the Envirosuite platform.

No further acquisitions are contemplated at this time. However, the Directors remain open to similar opportunities where substantial incremental value across clients, pipeline revenues, IP and regional presence can be gained for Envirosuite at an opportunistic price.

Financial Year 2018

The Directors and management anticipate a stronger revenue performance in the second half of the financial year from the early results produced by the activities of the newly expanded team and operations.

The Directors wish to thank shareholders for their 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
23 February 2018

PKF Hacketts

PKF

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 2017, 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 Hacketts

PKF HACKETTS AUDIT

SHAUN LINDEMANN
PARTNER

23 FEBRUARY 2018
BRISBANE

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Consolidated Group	
Continuing Operations	**Notes**	**Half year ended 31 Dec 2017 $'000**	**Half year ended 31 Dec 2016 $'000**
Revenue		1,061	-
Other income		587	-
Bargain purchase gain	4	19	-
Interest income		81	2
Client and project related costs		(622)	-
Employee benefits expense		(1,702)	(50)
Consultants expense		(754)	(216)
Travel expense		(187)	(1)
Rental expense		(128)	-
Directors' expense		(91)	(87)
Over provision of prior year R&D Tax Incentive		-	(93)
Depreciation and amortisation expense		(98)	-
Finance costs		(10)	(37)
Odotech Acquisition Costs		(190)	-
Net foreign exchange loss		(53)	-
Other expenses	5	(428)	(105)
(Loss)/profit before income tax		**(2,515)**	**(587)**
Income tax (expense)/benefit		15	132
Over/(under) provision for income tax in prior year		-	58
(Loss)/profit for the year from continuing operations		**(2,500)**	**(397)**
Discontinued Operations			
Profit/(loss) from discontinued operations after tax	3	609	(696)
Net profit/(loss) for the year		**(1,891)**	**(1,092)**
Total comprehensive income for the half year		**(1,891)**	**(1,092)**
Net (Loss) attributable to:			
Equity holders of Envirosuite Limited		**(1,891)**	**(1,092)**
Total comprehensive income attributable to:			
Equity holders of Envirosuite Limited		**(1,891)**	**(1,092)**
(Loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the company		**Cents**	**Cents**
Basic and diluted (Loss) per share from continuing and discontinued operations		(0.82)	(0.55)
Basic and diluted (Loss) per share from continuing operations		(1.08)	(0.20)
Basic and diluted Profit/(loss) per share from discontinued operations		0.26	(0.35)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

Consolidated Group

	Notes	As at 31 Dec 2017 $'000	As at 30 June 2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		5,668	11,471
Trade and other receivables		3,017	866
Other assets		236	146
Total current assets		8,921	12,483
Non-current Assets			
Property, plant and equipment		303	13
Deferred tax assets		392	246
Intangible assets	8	4,492	3,782
Total non-current assets		5,187	4,041
Total Assets		**14,108**	**16,524**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,534	2,403
Borrowings		60	-
Provisions		389	237
Total current liabilities		1,983	2,640
Non-current Liabilities			
Provisions		40	31
Other Payable		163	-
Total non-current liabilities		203	31
Total liabilities		**2,186**	**2,671**
Net assets		**11,922**	**13,853**
EQUITY			
Issued capital		26,281	26,281
Reserves		503	700
Retained losses		(14,862)	(13,129)
Total equity attributable to equity holders of Envirosuite Limited		**11,922**	**13,853**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2017 — Consolidated Group

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2016	22,828	772	(8,793)	14,807
Comprehensive income				
Loss for the period	-	-	(1,092)	(1,092)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(1,092)	(1,092)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued to employees	165	(165)	-	-
Shares issued on partial conversion of Convertible Loan	450	-	-	450
Issue of shares (Institutional Placement)	3,000	-	-	3,000
Transaction costs of capital raising (inc. tax effect)	(148)	-	-	(148)
Employee share options – value of employee services	-	45	-	45
Total transactions with owners and other transfers	3,467	(120)	-	3,347
At 31 December 2016	26,295	652	(9,885)	17,062

	Ordinary shares $'000	Reserves $'000	Retained losses $'000	Total Equity $'000
At 1 July 2017	26,281	700	(13,129)	13,853
Comprehensive income				
Loss for the period	-	-	(1,891)	(1,891)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(1,891)	(1,891)
Transactions with owners, in their capacity as owners, and other transfers				
Employee share options settled	-	(197)	158	(39)
Total transactions with owners and other transfers	-	(197)	158	(39)
At 31 December 2017	26,281	503	(14,862)	11,922

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Consolidated Group

	Notes	Half year ended 31 Dec 2017 $'000	Half year ended 31 Dec 2016 $'000
Cash flows from operating activities			
Receipts from customers		1,111	9,267
Payments to suppliers and employees		(5,310)	(9,571)
		(4,199)	(304)
Other revenue		26	1,528
Interest received		32	7
Interest paid		(2)	(74)
Net cash provided by operating activities		**(4,143)**	**1,157**
Cash flows from investing activities			
Payments for property, plant and equipment		(229)	(37)
Proceeds from sale of property, plant and equipment		-	18
Payments for acquisition of business	4	(430)	(862)
Payments for intangible assets		(781)	(763)
Payments for sale of business	3	(281)	-
Net cash used in investing activities		**(1,721)**	**(1,644)**
Cash flows from financing activities			
Proceeds from borrowings		60	-
Proceeds from issue of shares		-	3,000
Share issue transaction costs		-	(210)
Repayment of borrowings		-	(686)
Net cash provided by/(used in) financing activities		**60**	**2,104**
Net increase/(decrease) in cash and cash equivalents		(5,804)	1,617
Effects of exchange rate changes on cash and cash equivalents		2	-
Cash and cash equivalents at the beginning of the period		11,471	1,338
Cash and cash equivalents at the end of the period		**5,668**	**2,955**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Summary of significant accounting policies

a. Basis of Preparation

These condensed consolidated interim financial statements for the half year reporting period ended 31 December 2017 have been prepared in accordance with the requirements of Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Envirosuite 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 (previously known as Pacific Environment 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 2017 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.

These interim financial statements were authorised for issue on 23 February 2018.

b. 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 2017.

c. 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.

d. 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 10.

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.

e. 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 2017 annual report.

Income tax benefit (expense)

The determination of the taxation treatment applied to the discontinued operations disclosed in Note 3 required significant estimates and judgements in relation to treatment of intragroup loans, goodwill, and the determination and valuation of asset cost bases for tax purposes.

1. Summary of significant accounting policies (continued)

e. **Critical Accounting Estimates and Significant Judgments used in Applying Accounting Policies (continued)**

Intangible assets

a. **Description of the Group's Intangible Assets**

Software – Software is carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of ten years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent the recoverable amount is lower than the carrying amount.

b. **Key assumptions and accounting policy**

Costs incurred in developing and acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction, are capitalised to software and systems.

Costs capitalised include external indirect costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over 10 years.

c. **R&D rebate**

The group has included an R&D rebate as receivable as at 31 December 2017. The calculation for this rebate has been prepared by an external independent firm. The entitlement for this rebate has also been considered by management and the preparer of the rebate claim. As at the date of this report the claim has not been lodged, and as such judgement exists around its valuation and recoverability.

Refer Note 8 (intangible assets note) for key assumptions and estimates involved in the valuation of intangible assets.

2. Segment information

Historically the Group provided superior environmental consulting, advice, solutions and services to help clients comply with environmental regulations, meet corporate responsibilities and improve operations and planning.

On 26 June 2017 the sale of the Group's consulting practice was completed and the Group is now one segment being the development and sale of its technology platform.

3. Discontinued Operations

Envirosuite Limited sold its 100% equity interests (the sale) in its subsidiaries, Pacific Environment Holdings Pty Ltd, Pacific Environment Operations Pty Ltd and DLA Environmental Services Pty Ltd (collectively known as "the consulting practice") for $15 million to Environmental Resource Management (ERM). The sale of the consulting practice to ERM occurred on 26 June 2017 (the completion date) in accordance with a Share Sale and Purchase Agreement (SPA).

The purchase price was subject to a net debt and working capital adjustment. The process to agree or determine the amount of the adjustment has been completed. Further, there are various post completion steps and ongoing terms and conditions set out in the SPA and related agreements that must be completed, observed or complied with by Envirosuite Limited after completion including, inter alia:-

- the determination and release of amounts in escrow pending certain conditions/events; and
- transfers of various contracts.

The income and expenses incurred in the current period relating to the discontinued operation sold during the year ended 30 June 2017, which is included in the profit/(loss) from discontinued operations per the statement of profit or loss and other comprehensive income is as follows:

3. Discontinued Operations (continued)

	Consolidated Group	
	31 Dec 2017 $'000	**31 Dec 2016 $'000**
Revenue & other income	744	8,591
Expenses	-	(9,494)
Profit/(loss) before income tax	744	(903)
Income tax benefit	-	207
Profit after tax attributable to the discontinued operation	744	(696)
Loss on sale before income tax	(266)	-
Income tax expense	131	-
Loss on sale after income tax	(135)	-
Total Profit/(loss) after tax attributable to the discontinued operation	**609**	**(696)**

	2017 $'000	**2016 $'000**
The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:		
Net cash inflow/(outflow) from operating activities	-	289
Net cash inflow/(outflow) from investing activities	(281)	(1,609)
Net cash inflow/(outflow) from financing activities	-	(827)
Net cash decrease generated by the discontinued operation	(281)	(2,147)

4. Business Combinations

On 19 December 2017, the Group acquired the assets of Odotech Inc and 100% of the issued capital of Odotech SpA, an environmental technology company. On 5 December 2017 the Group incorporated Odotech Canada which holds the assets acquired. The business and company offer a full line of technological services and solutions for proactive management of environmental problems encountered by industries and municipal services.

The acquisition is part of the Group's overall strategy to expand globally its environmental software operations in the technology industry.

Through acquiring 100% of the issued capital of Odotech spA (Chile), the Group has obtained control of the company.

The incorporation and acquisition of the Odotech Inc business (Chile and Canada) involved the purchase of the Odotech technology and client base.

Odotech Inc and Odotech spA (Chile)	**Fair Value $'000**
Purchase consideration:	
- Cash	442
- Less Cash Retained in Odotech spA (Chile)	(12)
	430
Less:	
Receivables	366
Work in Progress	181
Prepayments	67
Inventory	57
Property, plant and equipment	72
Intellectual Property	16
Payables	(59)
Taxes Payable	(11)
Employee Benefits	(32)
Wages Payable	(4)
Accrued Liabilities	(21)
Deferred Income	(183)
Identifiable assets acquired and liabilities assumed	**449**
Bargain purchase	**(19)**
Purchase consideration settled in cash	430
Cash outflow on acquisition	**430**

4. Business Combinations (continued)

The acquisition of Odotech Canada and Chile resulted in a combined loss of $132,260 and revenue of $61,848 which are included in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017.

Had the results relating to Odotech Canada and Chile been consolidated from 1 July, consolidated revenue of the consolidated group would have been $2,131,059 and consolidated loss of the consolidated group would have been ($2,437,586) for the half-year ended 31 December 2017.

Included within other expenses in the statement of profit or loss and other comprehensive income are acquisition related costs totalling $189,851. The costs include legal fees and travel costs incurred during the due diligence period.

5. Other Expenses

Included in Other Expenses for the period ended 31 December 2017 are the following expenses:

	31 Dec 2017 $'000	31 Dec 2016 $'000
Conferences & Seminars	(26)	-
Subscriptions & Licences	(52)	-
Advertising & Promotion	(37)	-
Recruitment Costs	(59)	-
Bad Debts Expense	(60)	-
Insurance	(70)	(5)
ASX Related	(30)	(53)
Other Expenses	(94)	(47)
Total Other Expenses	**(428)**	**(105)**

6. Current liabilities - Borrowings

Included in Current Liabilities at 31 December 2017 is an amount for $59,791 for Insurance Premium Funding for the year. At 31 December 2016 this balance was nil.

7. Dividends

No dividends have been declared during the reporting period.

8. Intangible Assets

	31 Dec 2017 $'000	30 Jun 2017 $'000
Software*		
Cost opening balance	4,022	5,180
Additions - capitalised	781	1,612
Write-off	-	(226)
Disposal	-	(2,544)
	4,803	4,022
Amortisation opening balance	(240)	(2,094)
Additions – Amortisation	(87)	(331)
Disposal		2,185
	(327)	(240)
Intellectual Property	16	-
Total	**4,492**	**3,782**

*Following the completion of the sale of the consulting practice, the Group engaged an external valuer to complete a valuation of the intellectual property owned by Envirosuite Holdings Pty Ltd. The valuer concluded a fair value of $3,850,000. The valuation used an average of three methods being (a) value in use (b) costs to replicate and (c) market value. The value in use method involved a 5 year discontinued cashflow with terminal value and included the following significant unobservable inputs: weighted average cost of capital: 14.6%; and royalty rate: 7%.

9. Related party transactions

Mr Robin Ormerod is a Director and Shareholder of the Company. ROKZair Pty Ltd, an entity associated with Mr. Ormerod, was paid a one-off payment of $25,000 for his efforts in completing the ERM transaction during the half year to 31 December 2017 (31 December 2016: $133,332). Mr Ormerod entered into an employment contract with the Group on 1 November 2016 and hence no further fees will be paid to ROKZair Pty Ltd.

David Johnstone is a non-executive director and shareholder of the company. His fees are paid to a related entity, Doak Pty Ltd which received $50,000 in fees during the half year to 31 December 2017 (31 December 2016: $43,333).

Soliton Creative Pty Ltd (previously Alex Ormerod Photography), an associate of Robin Ormerod, was paid $119,741 during the half year to 31 December 2017 (31 December 2016: $157,381), for the provision of design and website services, and marketing collateral production. The majority of the marketing and design team that were previously contracted through Soliton Creative Pty Ltd, entered into employment agreements with the group on 1 October 2017.

Adam Gallagher is a director and company secretary of the company. During the half year to 31 December 2017 his

9. Related party transactions (continued)

fees were paid to a related entity, Famile Pty Ltd for director fees of $35,000, secretarial fees of $45,000 and a one-off payment of $35,000 for managing and completing the divestment transaction with ERM (31 December 2016: $79,000).

Former Director, Murray d'Almeida was the Executive Chairman of the company and resigned on 1 September 2016. His fees were paid to a related entity, MC Consultancy Pty Ltd. No further fees have been paid to MC Consultancy Pty Ltd since Mr d'Almeida's resignation including during the half year to 31 December 2017 (31 December 2016: director fees of $15,000 and MC Consultancy was paid $30,000 for services provided to the company in relation to marketing communications and business development).

10. Controlled Entities

		Percentage Owned *	
Controlled Entities Consolidated	**Principal Place of Business**	**As at 31 Dec 2017**	**As at 30 Jun 2017**
Parent Entity			
Envirosuite Limited	Brisbane, Australia	100%	100%
Subsidiaries of Envirosuite Limited			
Envirosuite Operations Pty Ltd	Brisbane, Australia	100%	100%
Envirosuite Holdings Pty Ltd	Brisbane, Australia	100%	100%
Envirosuite Corp	United States of America	100%	100%
Envirosuite Europe (i)	Madrid, Spain	100%	-
Odotech Canada (ii)	Montreal, Canada	100%	-
Odotech SpA (iii)	Santiago, Chile	100%	-

*Percentage of voting power in proportion to ownership

(i) Incorporated 12 December 2017
(ii) Incorporated 5 December 2017
(iii) Purchased 19 December 2017

11. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2017 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.

12. Contingent Liabilities

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 amounting to $103,982 (30 June 2017:$84,000)

12. Contingent Liabilities (continued)

The Group has recorded a receivable balance at year-end relating to the sale of the consulting practice, which is currently held in escrow with the release subject to the completion of a number of conditions. The Directors have no reason to believe that these conditions will not be completed.

There have been no other changes in contingent liabilities since the last annual reporting period.

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 16 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 2017 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

23 February 2018

PKF Hacketts

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ENVIROSUITE LIMITED

Report on the Half-Year Financial Report

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 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the 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 2017, 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.

Other Matter

The financial report of EnviroSuite Limited for the year ended 30 June 2017 was audited by another auditor who expressed a qualified opinion, due to limitation of scope, on that financial report on 31 August 2017.

As a result of procedures conducted and additional disclosures provided in the interim financial report, the matters which resulted in the prior period qualified audit opinion have been satisfactorily addressed and accordingly, are no longer relevant and material to the current period's interim financial report.

Our opinion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the 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 Hacketts Audit
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Directors' Responsibility for the Half-Year 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 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 2017 and its performance for the half year ended on that date, and complying with Australian 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 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 Hacketts

PKF HACKETTS AUDIT

SHAUN LINDEMANN
PARTNER

23 FEBRUARY 2018
BRISBANE

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envirosuite

Corporate Directory

Envirosuite Limited
ABN: 42 122 919 948

Board of Directors

Peter White
Chief Executive Officer

David Johnstone
Chairman

Robin Ormerod
Managing Director

Adam Gallagher
Director

Company Secretary

Adam Gallagher

Registered office and principal place of business

Level 19, 240 Queen Street,
Brisbane, Queensland 4000

Phone: 07 3004 6400

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Phone: 02 9290 9600

Auditor

PKF Hacketts Audit
Level 6, 10 Eagle St
Brisbane, QLD, 4000

Phone: 07 3839 9733

Stock Exchange Listing

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

Website Address

www.envirosuite.com