

**CleanSpace Holdings Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	CleanSpace Holdings Limited
ABN:	91 150 214 636
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

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**2. Results for announcement to the market**

			\$
Revenues from ordinary activities	down	9.5% to	12,092,638
Loss from ordinary activities after tax attributable to the owners of CleanSpace Holdings Limited	down	27.9% to	(8,131,593)
Loss for the year attributable to the owners of CleanSpace Holdings Limited	down	27.9% to	(8,131,593)
		<b>2023 Cents</b>	<b>2022 Cents</b>
Basic earnings per share		(10.56)	(14.65)
Diluted earnings per share		(10.56)	(14.65)

*Dividends*

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

*Comments*

The loss for the consolidated entity after providing for income tax amounted to \$8,131,593 (30 June 2022: \$11,281,435).

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**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>28.69</u>	<u>38.80</u>

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

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

*Previous period*

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

**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

Not applicable.

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

International Financial Reporting Standards (IFRS)

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unmodified opinion has been issued.

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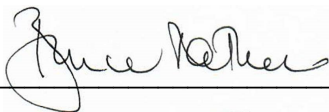
**11. Attachments**

*Details of attachments (if any):*

The Annual Report of CleanSpace Holdings Limited for the year ended 30 June 2023 is attached.

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**12. Signed**

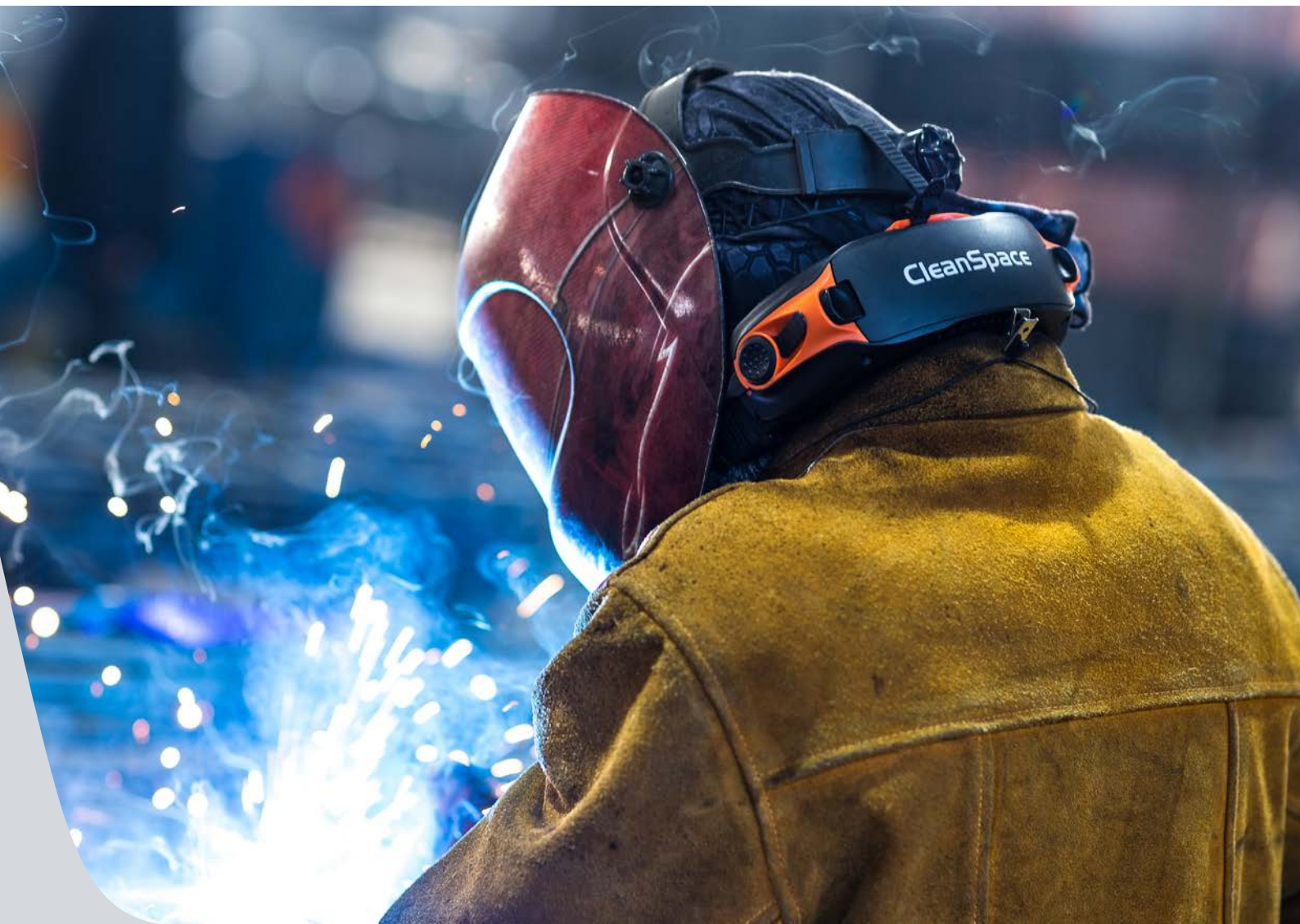
Signed  \_\_\_\_\_

Date: 28 August 2023

# CleanSpace<sup>®</sup>

R E S P I R A T O R S

Free the way you breathe



## Annual Report | 2023

**CleanSpace Holdings Limited**  
and its Controlled Entities

ABN 91 150 214 636





CleanSpace is a Sydney-based designer and manufacturer of respiratory protection equipment for healthcare and industrial solutions, founded by a team of biomedical engineers with experience in respiratory medical devices. CleanSpace is passionate about continually improving health outcomes, safety and standards of care for people who need it most. In the last 20 years, technology has driven unprecedented advances in protecting people's health, and we have brought this to personal respiratory protection. The Company continues to invest in research and development programs resulting in truly differentiated powered air purifying respirators (PAPRs).

CleanSpace has world class leading technology and advanced solutions for large employers and their staff that significantly increases the level of personal protection, improves ease of use and compliance, and achieves material cost savings and sustainability for their operations. Higher protection for frontline workers means better health outcomes for millions of people, now and into the future.

# CONTENTS

Chairman and CEO Letter .....	2	28. Key Management Personnel Disclosures .....	62
FY23 Highlights .....	4	29. Remuneration of Auditors .....	62
Directors' Report .....	14	30. Contingencies .....	63
Auditor's Independence Declaration .....	33	31. Commitments .....	63
General Information .....	34	32. Related Party Transactions .....	63
Statement of Profit or Loss and Other Comprehensive Income .....	35	33. Parent Entity Information .....	64
Statement of Financial Position .....	36	34. Interests in Subsidiaries .....	65
Statement of Changes in Equity .....	37	35. Events After the Reporting Period .....	65
Statement of Cash Flows .....	38	36. Reconciliation of Loss After Income Tax to Net Cash Used In Operating Activities .....	66
Notes to the Financial Statements .....	39	37. Earnings Per Share .....	66
1. Significant Accounting Policies .....	39	38. Share-Based Payments .....	67
2. Critical Accounting Judgements, Estimates and Assumptions .....	46	39. (Accumulated Losses)/Retained Profits .....	68
3. Revenue .....	48	Directors' Declaration .....	69
4. Other Income .....	48	Independent Auditor's Report .....	70
5. Expenses .....	49	Additional Shareholder Information .....	76
6. Income Tax Benefit .....	50	Corporate Governance Statement .....	78
7. Cash and Cash Equivalents .....	50	Corporate Directory .....	79
8. Trade and Other Receivables .....	50		
9. Inventories .....	51		
10. Other Assets .....	52		
11. Right-of-Use Assets .....	52		
12. Financial Assets .....	52		
13. Income Tax Receivable .....	52		
14. Property, Plant and Equipment .....	53		
15. Deferred Tax .....	54		
16. Trade and Other Payables .....	54		
17. Contract Liabilities .....	54		
18. Borrowings .....	55		
19. Lease Liabilities .....	55		
20. Income Tax Liability .....	55		
21. Employee Benefits .....	56		
22. Provisions .....	56		
23. Deferred Tax Liabilities .....	56		
24. Issued Capital .....	57		
25. Reserves .....	58		
26. Dividends .....	58		
27. Financial Instruments .....	59		

# CHAIRMAN AND CEO LETTER

FOR THE YEAR ENDED 30 JUNE 2023

Dear Shareholders,

We are pleased to present the CleanSpace Annual Report for the year ended 30 June 2023.

The Company has experienced another period of significant uncertainty and change but, importantly, finished the year in a stronger position. There are many positive signs suggesting that the worst of the pandemic disruption is behind us, the company is stabilising and beginning to strengthen again. The financial results overall for the year were mixed and certainly disappointing, but there are now reasons for optimism regarding its future prospects.

## Strategy

We have recognised the challenging nature of global healthcare markets, with high end-user inventory and tight budgets. We have also noted the recovery in our core industrial business across many markets. As a result, the Company's commercial strategy was reset during the year to be more realistic and focused with greater emphasis on the industrial sectors. Additionally, we implemented a necessary right sizing of the cost base to align it more closely with the current sales run rate, in order to conserve cash.

We are on a mission to transition the company from being historically a technology centric business to a highly commercial, customer focused business. We believe that this is essential in order to build the long term customer relationships and market penetration necessary for sustainable sales growth over time.

Our strategic priorities going forward are to:

1. Focus on our core business in industrial sectors, which we know very well and have deep experience in for over 12 years;
2. Realign resources from healthcare to industrial, whilst remaining committed in the long term to healthcare solutions and delivering near term, targeted opportunities;
3. Focus on markets where CleanSpace has a presence and solid foundation from which to drive future growth – the priority markets where we have a strong user base are France, US, UK, Germany, Nordics, Australia and Japan. There is significant opportunity for growth in these developed markets alone;
4. Build recurring revenue streams with additional innovative services and solutions. As well as selling respirator accessories such as filters and masks, we will offer reporting on respirator usage and performance; and

5. Tightly manage costs and cash to reflect the reality of the size of our current revenue base. By the close of FY23 we had eliminated ~\$8m of annual costs and reduced working capital requirements to free up cash.

These priorities will position the company for sustained sales growth over the coming years with strong foundations and a leaner, fitter organisation. This will create a path to profitability and a more sustainable cash position. We are making some difficult choices about investments and growth options, which are necessary to restore financial health to the business. But we anticipate that over time we will be able to pursue additional growth opportunities in a measured manner, and where we see strong returns.

## PPE Markets

Markets for respiratory protection have been significantly disrupted during the pandemic and this has affected all suppliers globally, including CleanSpace. Healthcare PPE continues to be impacted with ongoing high levels of PPE inventory, significant budget pressures, and nursing shortages at many healthcare facilities.

In industrial markets there was some 'panic' buying during the pandemic, while lockdowns heavily impacted smaller suppliers like CleanSpace. We are now rebuilding our presence and capability in industrial markets and developing greater awareness of our leading technology.

Although the global PPE market is estimated to be worth over US\$6b, the addressable market for CleanSpace PAPRs is more targeted, but still meaningful and growing. Many markets have critical regulations and legal requirements in place to protect the health and safety of workers. In a number of countries there is now a widespread recognition of the risk of silicosis amongst many other airborne risks.

## New products – CleanSpace PRO and CleanSpace Ultra

CleanSpace is fully committed to continual, disruptive innovation in its products and services. In the second half of FY23 the Company launched two new products with innovative technology and features including enhanced battery life, improved filters, a lighter weight design, and Bluetooth connectivity which is unique amongst PAPRs. This enables the user to monitor filter and battery usage and also review reporting of respirator functionality.



## Financial Performance

FY23 overall was a disappointing year as the company dealt with the post pandemic reality.

Overall sales for FY23 of \$12.1m were 9% below PCP, however there were some encouraging trends within this result:

- Industrial sales grew 41%;
- H2 sales were 1% higher than PCP and 11% higher than H1;
- Q4 sales grew 31% v PCP; and
- The prior year included >\$4m of pandemic related healthcare sales which did not repeat in FY23.

The company sold its products and services in 33 countries around the world during the year. 89% of business was in our top 6 countries: USA, France, UK, Australia, Denmark, Germany, and 93% of sales were industrial. Sales in Europe represented 59% of the business in FY23. Asia Pacific had a strong year in industrial, particularly in Australia where growth was 41%, whilst North America had a solid year with growth of 10%.

Healthcare sales in the year were primarily in Japan, SE Asia, Australia and US, where most of the pandemic sales were made and there is ongoing accessory usage. Sales from the newly launched CleanSpace e-shops in USA and Australia were very encouraging, indicating a promising demand for a more consumer oriented respiratory device. The European e-shop is also now live.

As well as simplifying our focus on a few key markets, the company also focused on strengthening its go-to-market model. 28 new distributor partners were carefully chosen to add to coverage and/or penetration of key segments in our core markets.

The profit and loss statement for the year shows an EBITDA loss of \$10.8m, an improvement of 23% from FY22. This was mainly driven by tighter cost control in the second half of the year with an estimated reduction of \$8m in annualised costs now delivered into the monthly cost run rate.

Cash at bank at 30 June 2023 was \$12.2m. Whilst this is lower than 30 June 2022, we have reduced the run rate outflow (due to cost savings and better working capital management) so that by the end of FY23 the run rate was approx. \$1m outflow per quarter. We expect this run rate can be reduced further during FY24.

## Organisation

Long standing CEO Alex Birrell resigned her position in January 2023 after 12 years in the role. Alex was one of the first employees in the Company and she was instrumental in developing CleanSpace into a viable presence in the PPE market. She leaves with the gratitude and thanks of the Board and staff for her contribution. Graham McLean was appointed Interim CEO in January and then on a permanent basis from March 2023.

The organisation has been slimmed during the course of FY23 with headcount 45% lower at 30 June 2023 v PCP. As employee costs are the largest cost in the Company, this has been a difficult but essential step in reshaping the cost base to be more sustainable into the future.

## Outlook

Now that the post pandemic disruption to global industrial and healthcare markets is subsiding, we are quickly positioning CleanSpace to resume its growth pathway. This is based on its innovative and market leading technology, and investment in key priority industrial markets around the world, whilst maintaining a presence in healthcare sectors. We are fully focused on engaging customers in key markets to drive sales growth and a path to profitability. FY24 is an important year for CleanSpace to demonstrate real progress towards our goals. We begin the year in a stronger position to accelerate this momentum.

Although we cannot predict exactly when the company will return to profitability we are confident that there will be months during FY24 when profit and cash flow are positive, and believe that this can be sustained on a regular basis going into FY25.

Finally we thank our shareholders, suppliers, customers and distributor partners for your support during recent years. Our Australian based, world class technology is truly making a difference to people's lives. Our appreciation also goes to our dedicated staff, many of whom are shareholders, for their dedication and belief in the CleanSpace story. We are confident that the best chapters in this story are yet to be written.

Graham McLean 

Graham McLean  
CEO

Bruce Rathie  
Chairman

# FY23 HIGHLIGHTS

## OPERATIONAL OVERVIEW

FY23 revenue was a disappointing \$12.1m (PCP \$13.4m) with healthcare especially affected by the legacy impacts of the pandemic. However industrial sales grew 41% and represented 93% of total revenue. Encouragingly gross margin remained very strong at 70% whilst cash at bank was a healthy \$12.2m.

## FINANCIAL PERFORMANCE

### REVENUE

**\$12.1M**

▼ FY22 \$13.4m

### GROSS MARGIN

**70%**

▼ FY22 73%

### CASH AT BANK

**\$12.2M**

AS AT 30 JUNE 2023

### H1 REVENUE

**\$5.7M**

▼ 19% v PCP

### H2 REVENUE

**\$6.4M**

▲ 1% v PCP

## COMMERCIAL STRATEGY – THE PATH TO SUSTAINABLE PROFITABILITY

As the post pandemic global PPE markets have begun to stabilise we have reviewed and reset our commercial strategy during FY23. A key philosophy that we have adopted is to transition from being a technology led company to a customer focused company. These priorities will position the company for sustained sales growth over the coming years with strong foundations and a leaner, fitter organisation.

## FOCUS AREAS

### Key Industrial Sectors

- Construction
- Infrastructure
- Mining
- Emergency Response
- Chemicals & Metals
- Pharmaceuticals

### Healthcare Sectors

- ICU
- Anaesthetists
- Respiratory
- Emergency Response

## PRIORITY MARKETS







## INNOVATION

# CLEANSPACE PRO CLEANSPACE ULTRA

Market disruption and innovation are core strengths at CleanSpace. In the second half of FY23 the company launched two innovative new products with enhanced technology and features. These best in class advances include:

- Enhanced battery life of up to 14 hours – much longer than a typical shift;
- Improved filters – 99.97% protection, with longer life so that they do not need to be replaced so frequently, depending on the environmental conditions;
- Smaller lighter weight design, so that a respirator unit now weighs under 450g;
- Enhanced 'AirSensit®' technology which is unique and detects the breath demands of the user 100 times per second and adjusts the airflow automatically, so that the user experiences a natural breathing cycle; and
- Finally the new products have Bluetooth connectivity which is also unique amongst PAPRs. This enables the user to monitor filter and battery usage and also review reporting of respirator functionality.



CleanSpace is fully committed to continual innovation in its products and services. We plan to extend our offering in FY24 and beyond, in order to maintain our reputation for outstanding and disruptive innovation in the market.

## GO TO MARKET MODEL

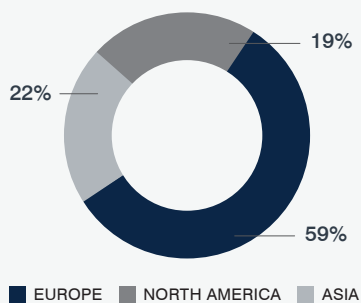
As well as simplifying our focus on a few priority markets, the company also focused on strengthening its go to market model. 28 key distributor partners were carefully chosen to add to coverage and or penetration of key segments in key markets. In all these key markets we have CleanSpace personnel, and sales agents (who are commission based, not employed) who manage these partnerships. Where appropriate our employees also deal with key accounts (larger end user customers) to ensure they receive the best possible service, support and training.



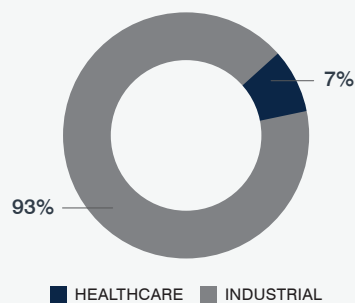
# FY23 HIGHLIGHTS

## REGIONAL HIGHLIGHTS

REVENUE BY REGION FY23



REVENUE BY SECTOR FY23



REVENUE

**\$12.1M**

### Europe (Sales \$7.1m)

FY23 was a consistently good year across a number of markets in Europe. The Company experienced 20%+ sales growth in all the priority markets of France, UK, Germany and Nordics reflecting a robust strengthening of demand from key industrial distributors and end users. Key customers in chemical, infrastructure, waste management and metal industries also engaged with the company and we anticipate that this will continue into FY24. Healthcare sales contribute a small proportion of European sales.

**Asia Pacific (Sales \$2.7m)**

Australia is the major market for the company in this region and the focus in FY23 was on industrial customers, especially in construction, infrastructure and mining. Industrial sales grew 41%, via key distributor partners. The current focus on silicosis prevention by regulators and government presents an opportunity for PPE solutions which will significantly mitigate the health risks from silica dust. The proposal to eliminate engineered stone is costly and not practical, and instead the solution needs to focus on improving worker respiratory protection.

Healthcare sales across Asia and Australia were significantly down from prior year as pandemic related sales eased. The Company does have active healthcare customers in many markets but revenue has been limited in the short term as in-market inventories are depleted.

**North America (Sales \$2.3m)**

FY23 revenue growth of 10% was a satisfactory performance although sales were lumpy with H1 growth and H2 decline due to distributor stocking orders. Key achievements were in mining and construction where sales were encouraging and progress was made to expand industrial distribution penetration with several new regional or sector specific channel partners and agents.

The Company's healthcare presence was boosted by the signing of two strategic GPO agreements in H2 which contributed to healthcare sales being 21% of total North America sales. Overall however the post pandemic challenges are most acutely felt in the US where hospital budgets are tight and existing inventory levels high.

Industrial  
sales grew  
41%

The focus was on industrial customers, especially in construction, infrastructure and mining.





# FY23 HIGHLIGHTS



## RESPIRATOR UNITS IN MARKET

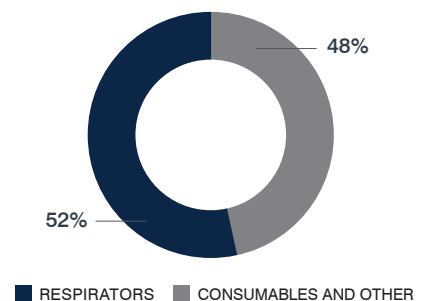
**CleanSpace has developed a significant network of end user customers over many years.**

The business model is to supply the respirator unit (generally a capital item) and also develop a recurring revenue stream of consumable accessories (generally filters and masks) which are replaced periodically during usage. The replacement period for consumables varies according to the demands of the specific environment and operation that the unit is used in, but generally filter replacement is far more frequent in industrial settings.

We estimate that there are 30,000 CleanSpace respirator units in operation across the world. This represents a significant user base of customers who value the protection and comfort of CleanSpace technology. Our goal is to develop recurring revenue streams for repeat consumable purchases. In addition there are also service, maintenance and training revenue streams.

In FY23 48% of total revenue was from accessory sales.

REVENUE BY PRODUCT FY23



## RECURRING REVENUE MODEL

The Company is now developing additional recurring revenue streams in long term partnership with corporate clients, including the introduction of reporting of respirator performance using Bluetooth connectivity. This provides a revenue stream on the basis of a fee per respirator unit per month. We also provide leasing and financing solutions to customers so that they can spread the cost of ownership over a contracted period of several years.



## BUSINESS MODEL, ORGANISATION AND COSTS

There has been considerable change in the organisation structure during and after the pandemic. As the pandemic related purchasing patterns eased, the Company needed to respond to the new market conditions and during FY23 has had to make some difficult decisions to reduce headcount. As the strategy was reset in FY23 we also needed to right size the company to support these priorities.

Headcount was reduced from 114 on 1 July 2022 to 63 at 30 June 2023. This includes production and part time headcount as well as staff employed overseas via third party providers.

As at 30 June 2023 CleanSpace staff by location were as follows:

Location	Staff
Australia	39
France	8
USA	9
Germany	2
Sweden	1
Spain	1
UK	1
Philippines	2

The executive leadership team was consolidated with regional sales leadership transitioning to a geographic rather than sector basis. We now have one Regional VP for each of North America, Europe and Asia Pacific with responsibility for all industrial and healthcare customers. All customer facing support programs globally are managed by a Commercial Solutions Director, including marketing, commercial solutions, training and service. These sales and marketing teams are complemented by the Innovation and Operations Director, responsible for R&D and Operations, and the CFO who has responsibility for all finance, HR and legal matters.

Employment costs form the bulk of the \$8m of annual savings that the Company has implemented in FY23.

At CleanSpace we are proud to employ a highly diverse group of people. We have employees from at least 18 countries.

33%

of the leadership team are female

25%

of the Board are female

45%

of staff are female



# FY23 HIGHLIGHTS

## CULTURE AND VALUES

At CleanSpace we believe that culture and people are critical to success alongside our outstanding technology and products. That's why we have spent time as a team reflecting on how we can optimise our performance as individuals and as a team.

We have recognised that the organisation is maturing as we grow and transition from a technology centric company to one that is finely attuned to the needs of our customers. We will do this by providing outstanding solutions, service and support that meet our customers needs and make it easy to do business with CleanSpace.

We have also mapped out the values that we strive to live by everyday:

- 1 **Integrity** – we behave in the right, ethical way every time
- 2 **Accountability** – we do what we say we will do
- 3 **Focus** – our priorities get all our attention
- 4 **Excellence** – everything we do to the highest standards
- 5 **Teamwork** – can complement individuals to provide greater results

Our goal is to deliver everything that we do to a very high standard, with quality and in an ethical manner.

## MANUFACTURING FACILITIES AND CERTIFICATIONS

CleanSpace has been a proud Australian manufacturer for over 12 years. All our products are made at our custom facility in St Leonards, New South Wales using lean manufacturing principles and with the capacity to produce over \$50m of products (in revenue).

In FY23 we were also able to reduce our manufacturing footprint by 50% and average packaging consumption by 25% per product shipped. We also fully embrace recycling of components and minimal waste principles. The facility is ISO9001 certified. As part of our commitment to world class quality we test every single filter that is manufactured.

As a manufacturer for powered respirators we comply with the following:

- **NIOSH 42CFR - Part 84 - US powered respirators**
- **CE EN12942 - EU powered respirators**
- **UKCA - UK powered respirators**
- **ASNZS1716 - AU/NZ powered respirators**



In addition, to be able to manufacturer intrinsically safe product for powered respirators, we also comply with the following EX certification:

- **IECEX 60079-0 - International EX certification**
- **ATEX - Europe EX certification**
- **ANZEx 16.3002X - Australian EX certification**
- **ETL - US EX certification**



With at least 99.97% protection, silicosis is on notice.

**CleanSpace**<sup>®</sup>  
RESPIRATORS  
Free the way you breathe

## PROVEN TECHNOLOGY FREES THE WAY WORKERS BREATHE

### Proven Respiratory Protection for Workers with Facial Hair

CleanSpace PAPRs have been proven to provide outstanding respiratory protection for all workers, including those with facial hair. This is increasingly important to employers and workers given the wide variety of facial hair preferences whether they be cultural, religious or just fashionable.

During FY23 a study report was completed from independent studies which brought together data from three sources:

- A world-first Workplace Protection Factor (WPF) study completed in the UK in October 2022;
- An Australian pilot WPF study from 2020; and
- Fit test data for 371 workers from around Australia.

These studies reported high – and remarkably consistent – levels of protection for CleanSpace PAPRs.

**Measured Protection Factors – Workers with Facial Hair – April 2023**

	WPF Study Australia 2019	WPF Study UK 2022	“Fit” Testing in Industry
Average	6,480	9,505	8,194
5th Percentile	1,309	1,285	1,337
Minimum	186	262	105

*The results show that workers with facial hair can confidently expect a protection factor of over 1200 for 95% of their working hours. They may never experience a single minute in which the protection is less than 100 (the minimum standard in AS 1715).*





# FY23 HIGHLIGHTS

## IMPROVING WORKER HEALTH AND SAFETY IN MANUFACTURING WITH CLEANSPACE

A US based lead manufacturer asked its workers to undertake a bi-monthly medical surveillance program as part of its commitment to managing potential exposure to lead. The company purchased CleanSpace respirators in October 2022 to help protect their workers from hazardous exposure levels.

The results were striking. The bi-monthly test results showed that employees who used CleanSpace respirators had significantly lower blood lead levels compared to initial tests. One employee with the highest initial blood lead levels saw a remarkable 42% reduction in blood lead levels over a two month period. The entire plant average fell by 10% during this time.

## HEALTHCARE USER ACCEPTANCE AND RESPIRATOR DEPLOYMENT

A number of studies and trials have been completed in the field of respiratory medicine and protection, with a focus on front line workers during the SARS-COVID 19 pandemic. A publication in the AJIC\* in July 2023 found that user acceptance of CleanSpace HALO was high and not considered a barrier to working uninhibited in healthcare settings.

As we face further airborne viruses that have a high risk of infection, hospitals will become more engaged to integrate innovative respiratory solutions into their daily PPE approach. CleanSpace Technology remains a leader in providing the world's lightest PAPR that provides superior protection so that a worker is able to free the way they breathe and focus on the work they need to do.

\*AJIC: American Journal of Infection Control



CleanSpace remains a leader in providing the world's lightest PAPR providing superior protection



# FINANCIAL REPORT



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the Group') consisting of CleanSpace Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

## DIRECTORS

The following persons were directors or officers of CleanSpace Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Director	Position
Bruce Rathie	Non-Executive Director and Chairman
Lisa Hennessy	Non-Executive Director
Dan Kao	Executive Director and Director of Innovation & Operations
Graham McLean	Executive Director and Chief Executive Officer (CEO)*
Dr Alexandra Birrell	Executive Director and former CEO*

\*On the 10th January 2023 the consolidated entity's Executive Director and CEO Dr Alexandra Birrell tendered her resignation. Dr Birrell's resignation as a Director of CleanSpace Holdings Limited was effective 13 February 2023. Mr Graham McLean was appointed by the Board as Interim CEO on 10th January 2023 and was subsequently appointed CEO on 22nd March 2023.

### Mr Bruce Rathie

#### *Independent Chairman and Non-Executive Director*

Interest in shares: 100,000

Interest in options: 600,000

Mr Rathie is an experienced company director having completed successful prior careers in law and investment banking. He practised as a partner in a large legal firm and acted as Senior Corporate Counsel to Bell Resources Limited in the early to mid-1980s. He studied for his MBA in Geneva and embarked on his investment banking career on his return to Sydney.

Mr Rathie was Head of the Industrial Franchise Group at Salomon Smith Barney in the late 1990s and led Salomons roles in the Federal Government's privatisations of Qantas, Commonwealth Bank and Telstra. He has over 20 years' experience as a professional non-executive company director and is currently Chair of 4DMedical Limited (ASX:4DX) and Non-Executive Director of Cettire Limited (ASX:CTT) and PolyNovo Limited (ASX:PNV). In the medical device space, Mr Rathie was previously Chairman of Anteo Diagnostics Limited and a Director of Compumedics Limited and USCOM Limited.

Mr Rathie is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

### Ms Lisa Hennessy

#### *Independent Non-Executive Director*

Interest in shares: 100,000

Interest in options: nil

Ms Hennessy is an American born Harvard Business School graduate and a highly experienced executive and company director with over 30 years of experience worldwide. Lisa has built an impressive career in Australia including her role as a successful angel investor and has extensive non-executive director experience across listed and private organisations.

Ms Hennessy is currently a Non-Executive Director of Adore Beauty Group Ltd (ASX:ABY) and sits on the boards of Aikenhead Centre for Medical Discovery (ACMD), and the Harvard Club of Victoria. She was previously on the board of Nitro Software Limited (ASX:NTO), Murray River Organics (ASX:MRG), Walter and Eliza Hall Institute of Medical Research Commercialisation Committee, Planet Innovation, FirstStep Investments and Arts Centre Melbourne Foundation. Prior to this, Lisa spent over a decade in strategy and M&A roles in the US, including Director of Strategy and M&A for Del Monte Foods, Director of M&A at GE Capital, and was also a Consultant at Bain & Company.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### DIRECTORS (CONT.)

Ms Hennessy holds a Bachelor of Science (Electrical Engineering) from Purdue University, an MBA from Harvard Business School and is a graduate and member of the Australian Institute of Company Directors.

Ms Hennessy is Chair of the Remuneration and Nomination Committee and Chair of the Audit and Risk Management Committee.

#### Mr Dan Kao

*Executive Director and Director of Innovation & Operations*

Interest in shares: 2,590,000

Interest in options: 68,418

Mr Kao, a former senior designer for Resmed Inc (Australia) (ASX:RMD), founded the business of CleanSpace in 2009 and has been a director of CleanSpace since April 2011. Mr Kao worked in the medical and healthcare industry for over 20 years, and has extensive experience in manufacturing, supply chain optimisation, quality management systems and in securing patents for innovative technologies in healthcare. Mr Kao is a previous winner of the Australian Design Award and holds a Bachelor of Mechanical Engineering (Hons) and Master of Biomedical Engineering.

#### Mr Graham McLean

*Executive Director and Chief Executive Officer*

Interest in shares: 53,758

Interest in options: nil

Mr McLean has financial and commercial experience within the medical technology sector. He also has an understanding of North America and UK listed entities having worked in finance and operations roles for international companies.

Mr McLean worked with NYSE-listed Stryker for 16 years and has medical device and healthcare experience. At Stryker, Mr McLean held several senior positions including as president for Japan, Australia/New Zealand and Asia Pacific when he was based in Singapore and Hong Kong. Mr McLean was also responsible for transforming Asia Pacific including restructuring their China distribution. Prior to Stryker, he held senior finance and operation roles in Asia and Europe including international consumer brands Lion

Nathan, Smiths Snackfoods (Pepsi), McVities (United Biscuits), United Distillers (Guinness) and Unilever.

Mr McLean is Non-Executive Director and Chair of Universal Biosensors, Inc. (ASX:UBI), an advisor to Bain & Company and GLG and a board member of Suicide Prevention Australia. He holds a Bachelor of Science (Geography) from Durham University, is a CPA, a Fellow of The Chartered Institute of Management Accountants and a graduate of the Australian Institute of Company Directors.

Mr McLean is member of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.

### COMPANY SECRETARY

#### Ms Elissa Hansen

*Company Secretary\**

Ms Hansen is Chartered Secretary with 20 years' experience as a Company Secretary. Ms Hansen has acted as the Company Secretary for a range of ASX listed companies. Ms Hansen is a Fellow of the Institute of Chartered Secretaries Australia, a Graduate Member of the Australian Institute of Company Directors and has a Bachelor of Commerce and a Graduate Diploma in Applied Corporate Governance.

\*Ms Elizabeth Harvey was Joint Company Secretary with Ms Hansen until 28th August 2023. Ms Harvey's resignation as Chief Financial Officer and Joint Company Secretary was effective 28th August 2023.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## BOARD AND COMMITTEE MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are shown in the following table. The Committees' charters are available on the Company's website.

	Board of Directors		Audit and Risk Committee		Remuneration & Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Bruce Rathie	12	12	5	5	2	2
Lisa Hennessy	12	12	5	5	2	2
Dan Kao	12	12	-	-	-	-
Graham McLean	12	12	5	5	2	2
Dr Alexandra Birrell	7	7	-	-	-	-

## DIVIDENDS

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

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the design, manufacture and sale of respirators and related products and services. The respirator solutions use proven, patented technology and miniaturisation design (collectively called AirSensit®) that significantly improve personal respiratory protection against dust, biological and gas airborne hazards.

There have been no significant changes in the nature of these activities during the year.

## OPERATING AND FINANCIAL REVIEW

The Company aims to deliver a new standard in personal respiratory protection in global industrial and healthcare markets. Through continual technology innovation, expertise in regulatory affairs and successful reference site adoption, CleanSpace aims to drive market awareness and penetration into key applications for frontline workers. CleanSpace advanced solutions enable managers and their staff to evolve their respiratory protection programs to dramatically improve protection (40 x compared to disposable masks) and manage risk through real time data on staff protection, compliance and fleet performance.



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$8,131,593 (30 June 2022: loss of \$11,281,435).

A summary of the results for the year is below:

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$	Change %
Revenue from sales of goods and services	12,092,638	13,358,258	9 U
Cost of sales	(3,687,361)	(3,606,214)	2 U
Gross profit	8,405,277	9,752,044	14 U
Operating expenses	(18,903,942)	(23,526,617)	20 F
Operating EBITDA	(10,498,665)	(13,774,573)	24 F
Share based payment expenses	(311,209)	(300,337)	4 U
Foreign currency gain/(loss)	21,512	(28,399)	>100 F
Other non-recurring items	11,532	38,552	70 U
EBITDA	(10,776,830)	(14,064,757)	23 F
Depreciation, amortisation and impairment	(1,042,976)	(1,005,373)	4 U
Finance cost	(6,766)	(206,838)	97 F
Loss before income tax	(11,826,572)	(15,276,968)	23 F
Income tax benefit	3,694,979	3,995,533	8 U
Loss after tax	(8,131,593)	(11,281,435)	28 F

### Sales, gross profit and margin

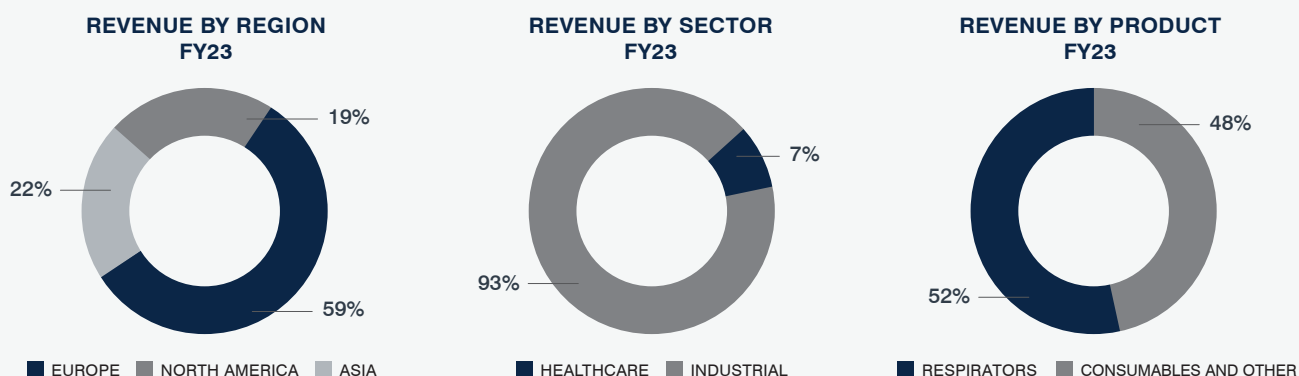
Sales for the year were \$12.1m, a decrease of 9% over the prior year. Gross margin was 70% (compared to 73% in the prior year). The lower sales and gross margin were driven by decreasing sales of healthcare respirators and accessories (which are mainly sold direct to the end-user). The majority of revenue was derived from a strengthening industrial business where products are sold through distribution channels that result in lower margins. Though sales were down year on year, sales in the second half of the year (2H FY23) were up 11% on sales in the first half of the year (1H FY23) and were also up by 1% on 2H FY22.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## REVIEW OF OPERATIONS (CONT.)

### Sales, gross profit and margin (cont.)



FY23 regional sales were Europe 59% (FY22: 41%) Asia 22% (FY22: 43%), North America 19% (FY22: 16%). The regional shift reflected the decline in healthcare sales in North America and Asia and a strengthening industrial business, particularly in Europe. Respirators contributed 52% of revenue (FY22: 47%). Consumables, accessories, and other revenue contributed 48% (FY22 53%) of total revenue for the year.

### Operating expenses

Operating expenses reduced by 20% compared to the prior year as the Group continued to implement cost management initiatives to drive efficiency and operate on a sustainably lower cost base. Operating expenses in H2 FY23 were down 25% compared to H2 FY22.

Operating expenses (excluding share-based payments) consist of:

	Year ended 30 June 2023 \$	Year ended 30 June 2022 \$	Change %
Employee benefits expense and staff related expenses	12,271,778	13,738,671	11 F
Marketing and sales expenses	2,271,036	4,054,498	44 F
Legal and professional fees	905,691	1,068,800	15 F
Research, development and intellectual property expenses	748,387	1,530,308	51 F
Other operating expenses (excluding depreciation, amortisation and impairment)	2,707,050	3,134,340	14 F
<b>Total</b>	<b>18,903,942</b>	<b>23,526,617</b>	<b>20 F</b>

- Employee benefits and staff related expenses decreased by 11% reflecting reductions in headcount that took place throughout the year, with annualised savings of greater than \$5m. The Group's headcount fell by 45% from June 2022 to June 2023. Employment costs remain the largest expense.
- Marketing and selling expenses were down 44% as the prior year included investment to accelerate government awareness to gain access to funding opportunities. The cost management program also removed some fixed costs related to selling agents, as the Company moved to a more variable cost base.
- Legal and professional fees decreased by 15%. Consulting costs fell by 40% largely due to a reduction in fees paid for professional services.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REVIEW OF OPERATIONS (CONT.)

#### Operating expenses (cont.)

This category also includes fees paid to Non-Executive Directors. FY23 Director fees were lower as the Chair and Non-Executive Directors took a 15% temporary pay cut for February to June 2023. Additionally, there was one less Non-Executive Director for part of the year.

- Research, development (R&D) and intellectual property (IP) expenses, were down 51% on the prior year due to timing of project spend. The majority of R&D work related to the new products that launched in FY23 occurred in FY22. There were also savings made in IP expenses as the company reviewed its approach to trademarks and patents. Other operating expenses decreased by 13%. This category includes general and administrative expenses such as public company costs, occupancy costs, travel and insurance. The Company continues to focus on operating efficiencies and managing its cash position. Key movements in FY23 include:
  - Travel and motor vehicle expenses increased 90% from FY22 as travel patterns returned to pre-COVID patterns.

- Administration costs decreased. As headcount reduced, this had flow-on effects to most expense categories, including:

- Occupancy costs, which decreased by 15% as the Company reduced its global footprint by closing offices in the Netherlands and Singapore; and
- Insurance costs, which decreased by 8%.

#### Depreciation, amortisation and impairment expenses

Depreciation, amortisation and impairment expenses were broadly in line with the prior year.

#### Finance cost net

Net interest expense decreased from \$206,838 in FY22 to \$6,766 in FY23. The increase in the interest expense on the NSW Medical Device Fund loan (which is at the Australian CPI rate) was offset by an increase in interest income due to rising interest rates.

#### Income tax benefit

The income tax benefit includes the impact of the research and development tax incentive.

### FINANCIAL POSITION

The following table provides a snapshot of important balances from the Group's statement of financial position as at 30 June 2023:

	As at 30 June 2023 \$	As at 30 June 2022 \$	Movement %
Cash (including term deposits)	12,157,909	24,302,687	(50)
Trade and other receivables	3,418,688	2,466,456	39
Inventories	2,990,269	3,744,154	(20)
Borrowings	(2,838,304)	(2,532,096)	12
Net assets	21,955,479	29,753,260	(26)

The company's balance sheet remains strong with cash of \$12.2m at 30 June 2023. The cash level decreased from \$24.3m at 30 June 2022 to \$12.2m at 30 June 2023 due to the operating losses incurred. The net cash outflow in FY23 H2 of \$4.3m was lower than the cash outflow in FY23 H1 (\$7.8m) as the impact of the cost management initiatives took effect and sales growth returned.

Trade and other receivables balances increased in FY23, mainly due to timing of sales. Q4 FY23 sales were 31% higher than Q4 FY22.

Inventory levels continued to be managed downwards, responding to the sales levels and freeing up working capital. The company continues to be well positioned to respond to potential supply constraints.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the Opinion of the Directors, other than the matters described above and in the Chairman and CEO Letter, and the FY23 Highlights on pages 2 to 12 of this Annual Report, there were no significant changes in the state of affairs of the Group during the financial year under review and to the date of this Annual Report.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Comments on expected results of the operations of the Group are provided in the Chairman and CEO Letter, and the FY23 Highlights on pages 2 to 12 of this Annual Report. The current operating environment continues to make accurate forecasting challenging. Further information on likely developments in the operations of the Group and the expected results of operations has not been included in the Annual report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

## RISK MANAGEMENT

The Board takes a proactive approach to risk management. Risks are actively monitored and managed by the Company's Board Audit and Risk committee who assists the Board in fulfilling its responsibility to the oversight of the Group's risk profile.

## KEY BUSINESS RISKS

The nature of the Group's business exposes it to certain risks. The Board, through its Audit and Risk Management Committee, regularly reviews the possible impact of these risks and seeks to minimise the impact through a commitment to its corporate governance principles and its various risk management functions. A number of specific risks that may impact the future performance of the Group are described below. Shareholders should note that this list is not a comprehensive list of the risks involved.

### a) Executing growth strategies

CleanSpace devotes significant time and resources to developing, monitoring, and reviewing the business strategy. The strategic initiatives, together with the Company's ability to successfully execute them, are critical to its future success and a return to sales growth. There are external risks associated with the implementation of these plans. The Board is confident that its thorough approach to the development, review, and execution of its strategy greatly reduces risk in this area.

### b) Market risks

The markets that the Company operate in vary significantly. The Company sells to approximately 30 countries around the world, all with varying market dynamics, with many local factors influencing the nature and growth rates of those markets. Secondly the Company sells into many different sectors from mining to infrastructure to healthcare settings. These market sectors also have a variety of dynamics which affect the business of suppliers, and which are not within the control of the Company. CleanSpace monitors these risks regularly and adjusts its strategies and priorities accordingly. The COVID pandemic is an example of significant disruption to global markets, particularly in healthcare, and some of the impacts on market conditions have been long lasting.

### c) Talent management risks

The successful operation of the Group depends on the performance and expertise of its key personnel, including senior executives and high performing employees with specialist skills. There can be no assurance that CleanSpace will be able to retain key personal or attract suitably qualified replacements and any failure to do so may adversely affect CleanSpace operating and financial performance.

The Group's priority remains taking care of its people and this risk is monitored closely in all markets.

### d) Operations and supply chain

The Group monitors and closely manages the ongoing supply chain risks, including reliance on suppliers of key materials in Asia and global shortages of certain materials.

No major disruption has occurred to the Group's global operations and supply chains over the last 12 months. Business continuity plans are in place that include risk mitigation strategies, and the business is well positioned to meet expected sales demand.



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### KEY BUSINESS RISKS (CONT.)

#### e) Cyber security

There are significant risks to business operations and continuity from the presence of cyber security risks. These impact all businesses including CleanSpace. There is risk to the continuity and integrity of the Company's business systems and data held in those systems. These are crucial for the ongoing smooth operation of the business. The Company has taken steps to mitigate against these potential risks including working with third party providers to provide an adequate level of security against potential attacks.

#### f) Product liability and brand reputation

Any defects in CleanSpace's products may harm its and its customers' workforce and CleanSpace's reputation and business. CleanSpace may also be subject to warranty and liability claims for damages related to defects in its products. In addition, the products may be subject to a recall, withdrawal or other regulatory action. The Group manages this risk by operating a compliant Quality Management System across all aspects of the design, manufacture and release of products to the market. The Group also has product liability insurance in place.

#### g) Competitors and new market entrants

CleanSpace operates in an environment where it is possible that new entrants or existing competitors may innovate and introduce new products to the market, that deliver a similar or superior solution and customer offering to that currently offered by CleanSpace, or, subject to competition law constraints, combine with other providers to deliver enhanced scale benefits with which CleanSpace is unable to compete with effectively. In such circumstances, there is a risk that CleanSpace is unable to compete successfully against existing or new competitors, which may cause the Company's business and financial performance to be harmed. To address this risk, CleanSpace has invested in R&D, as evidenced by the launch of two new products in FY23, and also continues to develop its product roadmap. CleanSpace also seeks appropriate patent, design and trademark protection and manages any identified IP risks.

### ENVIRONMENTAL REGULATION

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

### REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. The Board has determined the KMP of the Group are the individuals whose details are set out below.

Name	Position	Term
<b>Non-Executive Directors</b>		
Bruce Rathie	Non-Executive Director and Chair	Full financial year
Lisa Hennessy	Non-Executive Director	Full financial year
<b>Executives</b>		
Graham McLean	Executive Director and CEO*	Full financial year
Dan Kao	Executive Director and Director of Operations	Full financial year
Elizabeth Harvey	Chief Financial Officer and Joint Company Secretary	Full financial year
Dr Alexandra Birrell	Executive Director and former CEO	To 13 February 2023

\*Graham McLean was a Non-Executive Director prior to his appointment as CEO on 10 January 2023. The amounts disclosed in the remuneration report include his remuneration as Non-Executive Director prior to his appointment as CEO.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REMUNERATION REPORT (AUDITED) (CONT.)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

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

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors (the Board) ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

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

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;

- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting.

The Group has entered into an appointment letter with each of its Non-Executive directors. The annual fees awarded to Non-Executive Directors are as follows:

Base Fee	From 18 Oct 2021
Chair	\$150,000
Non-Executive Director	\$76,750

The following annual committee fees are payable to the Audit Committee and the Remuneration and Nomination Committee (with effect from 21 October 2020):

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REMUNERATION REPORT (AUDITED) (CONT.)

#### Principles used to determine the nature and amount of remuneration (cont.)

Committee Fees	Chairman Fee \$	Member Fee \$
Audit & Risk Management Committee	\$15,000	\$6,468
Remuneration & Nomination Committee	\$15,000	\$6,468

During the year ended 30 June 2023, the Chair and Non-Executive Directors took a voluntary temporary reduction in remuneration of 15% for the period February 2023 to June 2023.

#### Executive remuneration framework

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits (fixed remuneration);
- short-term performance incentives
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

#### Fixed remuneration

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

#### Performance-based (variable) remuneration

Performance based remuneration for key management personnel includes:

- Bonuses to reward individuals following an outstanding business contribution having regard to clearly specified performance targets; and

- Equity based remuneration, reflecting the Groups medium and long-term performance objectives

The Group has both a short-term incentive ('STI') program and a long term ('LTI') incentive plan.

#### Short-term incentive ("STI") program

In respect to the executives, the short-term incentive ('STI') program is designed to align the targets of the Group with their performance hurdles. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's can include (but are not necessarily limited to) the following elements:

- achievement of financial targets (e.g. revenue, earnings/profitability, operating expenses, cash flows);
- development and execution of strategic priorities;
- risk management;
- capital management; and
- product development.

The STI Program for executives was last approved by the Board in June 2023. The STI is an annual incentive program, under which senior executive are eligible to receive an annual award if they satisfy challenging strategic, operational and individual performance targets. Senior executives will be entitled to a STI up to a maximum dollar amount. The maximum amount will differ between individuals.

STI payments, if granted, are paid out within three months of the end of the performance period. The Board may, in its discretion, vary the payment period.

#### Long term ('LTI') incentive plan

The long-term incentives ('LTI') include long service leave and share-based payments. The Company may issue rights (being an entitlement to acquire a Share on the terms and conditions determined by the Board) or options (being an entitlement to acquire a Share subject to satisfaction of applicable conditions and exercise on the terms and conditions determined by the Board), under the terms of the Equity Incentive Plan and upon such additional terms and conditions as determined by the Board.

A summary of the key terms of the Equity Incentive Plan is set out below:

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## REMUNERATION REPORT (AUDITED) (CONT.)

### Long term ('LTI') incentive plan (cont.)

<b>Payment</b>	No payment is required for a grant of an award, unless otherwise stated in a grant letter, however the Board may set an exercise price for the exercise of the Options;
<b>Unvested awards</b>	<p><b>Participant shareholder entitlements:</b> a participant is not entitled to vote, receive dividends or distributions, or have any other rights of a shareholder until the underlying shares are allocated following vesting and, if applicable, exercise of the awards.</p> <p><b>Lapse of awards:</b> unless the Board determines, a participant's unvested awards will lapse in whole or in part upon the first to occur of:</p> <ul style="list-style-type: none"><li>– any condition imposed under the Rules or a grant letter not being satisfied;</li><li>– a circumstance or event described in the Rules or a grant letter that has the effect of lapsing an award; and</li><li>– the date specified in the grant letter, or if no date is specified, 15 years after the award was granted to the participant.</li></ul>
<b>Vesting of awards</b>	<p><b>Vesting:</b></p> <ul style="list-style-type: none"><li>– the Board will determine the extent to which awards vest and the date that the awards will vest;</li><li>– the Board may, in its absolute discretion, determine that an award vests early; and</li><li>– awards will lapse, in part or in full, to the extent that the Board determines that the attaching performance or service related conditions have not been satisfied.</li></ul> <p><b>Settlement:</b></p> <ul style="list-style-type: none"><li>– vested and, if applicable, exercised awards, will generally be settled with shares (but may, in certain circumstances, be cash settled or net settled); and</li><li>– the Board may at any time determine that disposal restrictions will apply to a share allocated on the vesting and exercise of an award.</li></ul>
<b>Dividend equivalents</b>	The Board may, in its absolute discretion, provide a "dividend equivalent" in respect of an award held by a participant, at any time until the award is settled. A "dividend equivalent" is an amount equal to the value of a dividend or distribution payment a participant would have received, had the participant held a share, rather than an award, and may be made in cash, or by providing shares, rights or options of similar value to the dividend. No dividend equivalent will be provided on an award that has lapsed.
<b>Ceasing employment</b>	<p>Notwithstanding any other provision of the Rules, or any grant letter, the Board retains absolute discretion to determine the treatment of vested or unvested awards, or the number of unvested awards that will vest or lapse upon a participant ceasing to be an employee.</p> <p><b>Unvested awards:</b></p> <ul style="list-style-type: none"><li>– if a participant ceases to be an employee prior to their awards vesting, by reason of termination for cause, their awards will lapse immediately.</li><li>– generally, however, if a participant ceases to be an employee prior to their awards vesting, their unvested awards will not lapse on cessation and:<ul style="list-style-type: none"><li>• where the attaching conditions include performance-related conditions, any service-related conditions will be deemed to have been satisfied, and those awards will be tested following the end of the vesting period, and will vest to the extent the performance related conditions have been satisfied; and</li></ul></li></ul>



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REMUNERATION REPORT (AUDITED) (CONT.)

#### Long term ('LTI') incentive plan (cont.)

##### Ceasing employment (cont.)

- where the attaching conditions include service-related conditions (but not performance-related conditions) the service-related conditions will be deemed to have been satisfied and those awards will vest following the end of the vesting period.
- if a participant ceases to be an employee due to death, all unvested awards will be transferred to the participant's estate.

##### Vested awards:

- unless the Board determines otherwise, a participant who ceases to be an employee must exercise any vested awards that require exercise by the earlier of:
  - 90 days of ceasing to be an employee; or
  - the date the award lapses.

Awards which are not exercised within this period will lapse; and

- if a participant ceases to be an employee by reason of termination for cause, all vested awards which have not been exercised will immediately lapse

##### Change of control

**Board discretion:** if an "Event"<sup>1</sup> occurs, the Board may determine, in its absolute discretion, the treatment of the participant's awards, and the timing of such treatment. This could include that the awards:

- vest in full or in part;
- remain subject to the applicable conditions and/or vesting periods;
- become subject to substitute or varied conditions and/or periods;
- convert to shares on a particular date; or
- may only be cash settled, or settled with securities other than ordinary shares.

##### Default treatment on a change of control:

- where the Board does not exercise the aforementioned discretion, on a change of control a pro rata number of participant's unvested awards will vest based on the proportion of the vesting period that has passed at the time of the change of control, and to the extent that any applicable performance-based conditions have been satisfied.
- where a participant holds a vested award at the date of the change of control event:
  - for each vested award requiring exercise, the participant will have 30 days from the date of the change of control event, or such other period as the Board determines, in which to exercise the award. Any awards not exercised within this period will lapse;
  - for each vested right not requiring exercise, the Company will have 30 days from the date of the Change of Control, or such other period as the Board determines, in which to settle the award;
  - for any share acquired on the vesting or, if applicable, exercise of awards that is subject to disposal restrictions, the Company shall have the disposal restrictions lifted within 30 days from the date of the change of control, or such other period as the Board determines.

<sup>1</sup> An "Event" means where a takeover bid is made for the Company and the Board resolves to recommend the bid to shareholders; where a court convenes a meeting of shareholders to be held to vote on a proposed scheme of arrangement pursuant to which control of the majority of shares in the Company may change; where a notice is sent to shareholders of the Company proposing a resolution for the winding up of the Company; or where any transaction or event is proposed that, in the opinion of the Board, may result in a person becoming entitled to exercise control over the Company.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## REMUNERATION REPORT (AUDITED) (CONT.)

### Long term ('LTI') incentive plan (cont.)

#### Malus and clawback

**Actions of a participant:** Where, in the opinion of the Board, a participant has or may obtain an unfair benefit as a result of an act which constitutes fraud, dishonest or gross misconduct, brings the group into disrepute, is in breach of his or her obligations to the group, or constitutes a failure to perform any act reasonably and lawfully requested of the participant, the Board may exercise its discretion to take actions with respect to the participant's awards. These actions could include resetting the applicable conditions and/or vesting period, deeming unvested awards to have lapsed or been forfeited, or where shares that have been allocated to a participant have been sold, requiring the participant repay the net proceeds of sale.

**Actions of any person:** Where, in the opinion of the Board, a participant has or may obtain an unfair benefit as a result of an act of any person which constitutes fraud, dishonesty, breach of obligations or gross incompetence, and results or is likely to result in a detrimental impact on Company performance then if an award:

- which would not have otherwise vested, vests or may vest, the Board may exercise its discretion to ensure that no unfair benefit is obtained; or
- which may otherwise have vested, does not vest, the Board may reconsider the satisfaction of the applicable conditions and reinstate and vest any award that may have lapsed to the extent that the Board determines appropriate in the circumstances, or make a new grant of awards that reflects the terms of the original award.

#### Amendment of the rules

So long as the rights of a participant are not materially reduced (other than if an amendment is made primarily to comply with present or future laws applicable to the Equity Incentive Plan), the Board may at any time, in its absolute discretion, amend, supplement or revoke all of the Rules, or any or all of the rights or obligations attaching to an award. The Board must provide written notification to participants so affected.

### Consolidated entity performance and link to remuneration

The Company aims to align its executive remuneration to our strategic and business objectives, which will ultimately lead to the creation of shareholder wealth. The table below shows the measures of the Groups' financial performance over the last five years:

	30 June 2023 \$	30 June 2022 \$	30 June 2021 \$	30 June 2020 \$	30 June 2019 \$
Sales revenue	12,092,638	13,358,258	49,925,566	28,405,539	11,221,827
Gross profit margin	70%	73%	77%	74%	68%
(Loss)/profit after income tax	(8,131,593)	(11,281,435)	11,387,122	5,922,149	(1,064,292)
Total comprehensive (loss)/income attributable to the owners of CleanSpace Holdings Limited	(8,108,990)	(11,276,077)	11,386,689	5,933,144	(1,064,292)
Cash flow from operations	(11,960,722)	(12,996,483)	13,456,596	4,707,349	(942,120)
Share price*	0.20	0.74	1.54	n/a	n/a

\*Company listed in October 2020.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REMUNERATION REPORT (AUDITED) (CONT.)

#### Details of remuneration

Details of the remuneration of KMPs of the company are set out in the following tables.

	Short-term benefits			Post-employment	Long-term benefits and incentives		Total
	Salary and fees \$	Cash bonus <sup>1</sup> \$	Annual leave accrued/ (used) Net \$	Superannuation contributions \$	Long service leave accrued \$	Share based compensation <sup>2</sup> \$	\$
<b>Non-Executive Directors</b>							
<b>Bruce Rathie</b>							
2023	138,237	-	-	14,515	-	60,341	213,093
2022	93,448	-	-	9,345	-	63,474	166,267
<b>Lisa Hennessy</b>							
2023	84,424	-	-	8,864	-	-	93,288
2022	49,207	-	-	4,921	-	-	54,128
<b>Dr Ronald Weinberger (resigned 31 December 2021)</b>							
2023	-	-	-	-	-	-	-
2022	79,038	-	-	7,904	-	-	86,942
<b>Craig Lawn (resigned 31 December 2021)</b>							
2023	-	-	-	-	-	-	-
2022	44,644	-	-	4,464	-	-	49,108
<b>William Highland (resigned 31 October 2021)</b>							
2023	-	-	-	-	-	-	-
2022	27,302	-	-	2,730	-	-	30,032
<b>Subtotal – Non-Executive Directors</b>							
2023	222,661	-	-	23,379	-	60,341	306,381
2022	293,639	-	-	29,364	-	63,474	386,477
<b>Executives</b>							
<b>Graham McLean</b>							
2023	164,047	-	6,158	17,225	120	70,625	258,175
2022	37,204	-	-	3,720	-	-	40,924
<b>Dr Alex Birrell (in FY23 from 1 July 2022 to 13 February 2023)</b>							
2023	271,237	-	7,001	28,480	6,213	40,820	353,751
2022	438,039	-	1,243	43,804	19,068	71,214	573,368
<b>Dan Kao</b>							
2023	285,020	-	(49,388)	29,927	6,587	18,059	290,205
2022	305,404	-	(17,980)	30,540	13,354	22,100	353,418
<b>Elizabeth Harvey</b>							
2023	276,923	-	8,495	29,077	5,558	23,376	343,429
2022	296,727	-	2,114	29,673	4,386	28,607	361,507
<b>Subtotal – Executives</b>							
2023	997,227	-	(27,734)	104,709	18,478	152,880	1,245,560
2022	1,077,374	-	(14,623)	107,737	36,808	121,921	1,329,217
<b>Grand total</b>							
2023	1,219,888	-	(27,734)	128,088	18,478	213,221	1,551,941
2022	1,371,013	-	(14,623)	137,101	36,808	185,395	1,715,694

<sup>1</sup> The Executives, the Remuneration and Nomination committee and the Board agreed that no cash bonus (STI) be paid in the year ended 30 June 2023 (2022: \$0).

<sup>2</sup> Graham McLean's remuneration for FY23 includes total fees earned for his role as CEO and, prior to his appointment as CEO in March 2023, as a Non-Executive Director and as Interim CEO. The remuneration disclosed for FY22 includes remuneration as a Non-Executive Director.

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REMUNERATION REPORT (AUDITED) (CONT.)

#### Share-based compensation

The amounts included in the table above in respect of share-based compensation granted under the equity-based payments component of remuneration represent the amortisation of the fair value at date of grant (or from the start of the service period if the equity grants are subject to shareholder approval) over the expected life of the instrument, taking into account the terms and conditions upon which the instruments were granted.

#### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2023 (2022: nil). Graham McLean's remuneration disclosed as share-based compensation includes expense for the following share-based payments which will be subject to approval at the 2023 AGM:

- As Interim CEO, in addition to his director fees, Graham McLean's remuneration comprised of \$300,000 per annum (pro rata for the time he spent in the role) in equity at a price equivalent to the 30 day VWAP immediately prior to the announcement.
- As CEO, the LTI award, subject to shareholder approval, consists of:
  - 225,000 Restricted Share Units ('RSU's) with a vesting period of 3 years:
    - 37,500 RSUs will vest on issue; and
    - The remaining 187,500 RSUs will vest in equal instalments (of 18,750) over the following 10 quarters; and
  - 525,000 Performance Rights ('PRs') with the following conditions:
    - Tranche 1 – 175,000 PRs will vest if the CSX share price for any consecutive 60 day period is \$1 or higher, on a Volume Weighted Average Price basis ('VWAP');
    - Tranche 2 – 175,000 PRs will vest if the CSX share price for any consecutive 60 day period is \$1.75 or higher (on a VWAP basis); and
    - Tranche 3 – 175,000 PRs will vest if the CSX share price for any consecutive 60 day period is \$2.50 or higher (on a VWAP basis).

These PRs will expire 90 days after the 2026 AGM.

The share-based payment expense for Mr McLean will be adjusted over the vesting period as further information becomes available to reflect the actual shares awarded and the fair value at grant date.



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### REMUNERATION REPORT (AUDITED) (CONT.)

#### Service arrangements – Executives

Remuneration and other terms of employment for key management personnel are formalized in service agreements. Details of these agreements are as follows:

Components	Requirement		
	Graham McLean*	Dan Kao**	Elizabeth Harvey***
Fixed remuneration including superannuation	\$400,000	\$335,944	\$326,400
Variable cash bonus (maximum) including superannuation	\$160,000	\$114,056	\$117,600
Fixed versus variable (%)	71% / 29%	75% / 25%	74% / 26%
Variable - other	Participation in the Group's LTI		
Contract duration	Ongoing		
Termination of employment (without cause) by the Company or by individual	3 months' notice		
Termination of employment (for cause) by the Company	Terminated immediately		

\* The arrangements for Graham McLean in his role as CEO will be subject to Shareholder approval at the 2023 AGM.

\*\* Effective 1 July 2020 and subject to annual review.

\*\*\* Elizabeth Harvey tendered her resignation, effective 28 August 2023.

Dan Kao and Elizabeth Harvey took voluntary temporary salary reductions of 15% for the period February 2023 to June 2023. Graham McLean took a voluntary 15% reduction in his Non-Executive Director fees from February 2023 to his appointment as CEO.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## REMUNERATION REPORT (AUDITED) (CONT.)

### KMP equity movements

Movements in equity interests held during the financial year by KMP, including their personally related parties are set out below.

		Balance at 1 Jul 2022 or date of KMP commencement	Vested during FY23	FY23 Bought	FY23 (Sold)	Other**	Balance at 30 June 2023
Instrument							
<b>Non-Executive Directors</b>							
<b>Bruce Rathie</b>	Ordinary Shares	-	-	100,000	-	-	100,000
	Unvested Options	600,000	(200,000)	-	-	-	400,000
	Vested Options	-	200,000	-	-	-	200,000
<b>Lisa Hennessy</b>	Ordinary Shares	-	-	100,000	-	-	100,000
<b>Executive Directors</b>							
<b>Graham McLean</b>	Ordinary Shares	-	-	53,758	-	-	53,758
<b>Dan Kao</b>	Ordinary Shares	2,530,000	-	60,001	(1)	-	2,590,000
	Unvested Options <sup>^</sup>	68,418	(34,209)	-	-	-	34,209
	Vested Options <sup>^</sup>	-	34,209	-	-	-	34,209
<b>Dr Alex Birrell</b>	Ordinary Shares	2,798,962	-	-	-	2,798,962	-
	Unvested Options <sup>^</sup>	220,470	(110,235)	-	-	(110,235)	-
	Vested Options <sup>*</sup>	-	110,235	-	-	(110,235)	-
<b>Executives</b>							
<b>Elizabeth Harvey</b>	Ordinary Shares	458,065	-	-	-	-	458,065
	Unvested Options <sup>^</sup>	88,562	(44,281)	-	-	-	44,281
	Vested Options	-	44,281	-	-	-	44,281

\* Unexercised vested options issued to non-executive directors were cancelled 3 months after the directors resigned (in accordance with the Equity Plan rules).

<sup>^</sup> The exercise price of the executive options granted in 2020 is \$4.41. They were granted on 22 October 2020 and expire on 21 October 2025. 50% vested on 25 August 2022, and 50% vest on 29 August 2023.

\*\* Other represents no longer being designated as a KMP, not necessarily a disposal or forfeit of holding.

### Other transactions with key management personnel and their related entities

There were no transactions with related parties in the year ending 30 June 2023 (30 June 2022: \$0).

There were no receivables due from or to related parties at 30 June 2023 (30 June 2022: \$0).

### Voting and comments made at the company's 2022 Annual General Meeting ('AGM')

At the most recent AGM held by the Company on 9 November 2022, 99.1% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2023

### SHARES UNDER OPTION

Unissued ordinary shares of CleanSpace Holdings limited under option at the date of this report can be found in Note 38 to the financial statements.

Details of equity options granted to key management personnel and exercised during the year are set out in the remuneration report section of this report.

### SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of CleanSpace Holdings Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

### INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are listed below:

	Consolidated	
	2023	2022
	\$	\$
Tax compliance	50,585	65,939

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

The directors are of the opinion that the services as disclosed above do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

## AUDITOR

PKF(NS) Audit & Assurance Limited Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

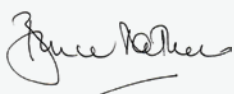
This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors.

*Graham McLean*

**Graham McLean**  
CEO

28 August 2023



**Bruce Rathie**  
Director



# AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2023



## Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of CleanSpace Holdings Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been:

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

PKF

SCOTT TOBUTT  
PARTNER

28 AUGUST 2023  
SYDNEY, NSW

PKF(NS) Audit & Assurance Limited  
Partnership  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

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PKF(NS) Audit & Assurance Limited Partnership is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.  
For office locations visit [www.pkf.com.au](http://www.pkf.com.au)

# GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2023

The financial statements cover CleanSpace Holdings Limited as a consolidated entity consisting of CleanSpace Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is CleanSpace Holdings Limited's functional and presentation currency.

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

CleanSpace Holdings Ltd  
Unit 5/39 Herbert St, St Leonards NSW 2065

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2023. The directors have the power to amend and reissue the financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 \$	2022 \$
<b>Revenue from the sale of goods and services</b>			
Revenue from the sale of goods and services	3	12,092,638	13,358,258
Cost of sales		(3,687,361)	(3,606,214)
<b>Gross profit</b>		<b>8,405,277</b>	<b>9,752,044</b>
Other income	4	11,532	38,552
<b>Expenses</b>			
Employee benefits and staff related expenses	5	(12,522,646)	(13,975,534)
Depreciation, amortisation and impairment expenses	5	(1,042,976)	(1,005,373)
Legal and professional fees		(966,032)	(1,132,274)
Marketing and sales expenses		(2,271,036)	(4,054,498)
Administration and other operating expenses		(2,685,538)	(3,162,739)
Research, development and intellectual property expenses		(748,387)	(1,530,308)
<b>Operating loss</b>		<b>(11,819,806)</b>	<b>(15,070,130)</b>
Finance income - interest		233,931	56,144
Finance costs	5	(240,697)	(262,982)
<b>Loss before income tax benefit</b>		<b>(11,826,572)</b>	<b>(15,276,968)</b>
Income tax benefit	6	3,694,979	3,995,533
<b>Loss after income tax benefit for the year attributable to the owners of CleanSpace Holdings Limited</b>	<b>39</b>	<b>(8,131,593)</b>	<b>(11,281,435)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		22,603	5,358
Other comprehensive income for the year, net of tax		22,603	5,358
<b>Total comprehensive income for the year attributable to the owners of CleanSpace Holdings Limited</b>		<b>(8,108,990)</b>	<b>(11,276,077)</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	37	(10.56)	(14.65)
Diluted earnings per share	37	(10.56)	(14.65)

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

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	Consolidated 2023 \$	2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	3,115,810	8,224,676
Trade and other receivables	8	3,418,688	2,466,456
Inventories	9	2,990,269	3,744,154
Other assets	10	547,284	663,025
Financial assets	12	9,042,099	16,078,011
Income tax receivable	13	1,143,373	-
<b>Total current assets</b>		<b>20,257,523</b>	<b>31,176,322</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	1,397,976	1,991,927
Right-of-use assets	11	1,008,635	1,473,473
Deferred tax	15	6,311,151	3,714,238
<b>Total non-current assets</b>		<b>8,717,762</b>	<b>7,179,638</b>
<b>Total assets</b>		<b>28,975,285</b>	<b>38,355,960</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	1,187,588	2,529,831
Borrowings	18	154,044	2,532,096
Lease liabilities	19	483,051	435,778
Income tax liability	20	79,549	56,870
Employee benefits	21	850,105	1,123,982
Provisions	22	458,123	338,758
Contract liabilities	17	86,433	-
<b>Total current liabilities</b>		<b>3,298,893</b>	<b>7,017,315</b>
<b>Non-current liabilities</b>			
Borrowings	18	2,684,260	-
Lease liabilities	19	679,787	1,162,838
Deferred tax liabilities	23	277,716	363,044
Employee benefits	21	79,150	59,503
<b>Total non-current liabilities</b>		<b>3,720,913</b>	<b>1,585,385</b>
<b>Total liabilities</b>		<b>7,019,806</b>	<b>8,602,700</b>
<b>Net assets</b>		<b>21,955,479</b>	<b>29,753,260</b>
<b>Equity</b>			
Issued capital	24	33,443,471	33,430,564
Reserves	25	745,045	479,701
Accumulated losses	39	(12,233,037)	(4,157,005)
<b>Total equity</b>		<b>21,955,479</b>	<b>29,753,260</b>

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



# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2021	33,430,564	534,006	6,764,430	-	40,729,000
Loss after income tax benefit for the year	-	-	(11,281,435)	-	(11,281,435)
Other comprehensive income for the year, net of tax	-	5,358	-	-	5,358
Total comprehensive income for the year	-	5,358	(11,281,435)	-	(11,276,077)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 38)	-	300,337	-	-	300,337
Transfer on the cancellation of options	-	(360,000)	360,000	-	-
Balance at 30 June 2022	33,430,564	479,701	(4,157,005)	-	29,753,260

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2022	33,430,564	479,701	(4,157,005)	-	29,753,260
Loss after income tax benefit for the year	-	-	(8,131,593)	-	(8,131,593)
Other comprehensive income for the year, net of tax	-	22,603	-	-	22,603
Total comprehensive income for the year	-	22,603	(8,131,593)	-	(8,108,990)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments (note 38)	-	311,209	-	-	311,209
Transfer on the cancellation of options	-	(55,561)	55,561	-	-
Transfer to issued capital	12,907	(12,907)	-	-	-
Balance at 30 June 2023	33,443,471	745,045	(12,233,037)	-	21,955,479

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		11,141,428	13,383,999
Payments to suppliers and employees (inclusive of GST)		(23,069,348)	(26,316,313)
		(11,927,920)	(12,932,314)
Interest received		233,931	56,144
Interest and other finance costs paid		(158,777)	(156,947)
Income taxes refunded/(paid)		(107,956)	36,634
Net cash used in operating activities	36	(11,960,722)	(12,996,483)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	14	(5,260)	(605,830)
Sale of/(purchase of) financial assets		7,035,912	(43,743)
Proceeds from disposal of property, plant and equipment		32,694	21,574
Net cash from/(used in) investing activities		7,063,346	(627,999)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		306,208	159,219
Repayment of leases		(517,698)	(517,165)
Net cash used in financing activities		(211,490)	(357,946)
Net decrease in cash and cash equivalents		(5,108,866)	(13,982,428)
Cash and cash equivalents at the beginning of the financial year		8,224,676	22,207,104
Cash and cash equivalents at the end of the financial year	7	3,115,810	8,224,676

In addition to the cash and cash equivalents in the Statement of Cash Flows above, the Company had term deposits of \$9,042,099 (June 2022: \$16,078,011). These term deposits are disclosed as financial assets in the balance sheet.

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

#### New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Comparatives are consistent with prior years, unless otherwise stated. There has been some reclassification to the prior year comparatives in order to be consistent with the current year classification.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher

degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CleanSpace Holdings Limited ('company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. CleanSpace Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### Principles of consolidation (cont.)

differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Foreign currency translation

The financial statements are presented in Australian dollars, which is CleanSpace Holdings Limited's functional and presentation currency.

### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Segment information

Operating segments are presented using the 'management' approach where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Revenue recognition

The consolidated entity recognises revenue as follows:

### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

### *Sale of goods*

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when control of the goods has transferred and there is no longer any ownership or effective control over the goods.

### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### Revenue recognition (cont.)

receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Tax Consolidation

CleanSpace Holdings Limited and its Australian wholly owned subsidiaries elected to implement the tax consolidation legislation and form a tax consolidated group.

Each individual entity within the tax consolidated group accounts for its own income tax expense and deferred tax balances following the policy as above. Any current tax balance payable or receivable by the entity based on its own results are accounted for as an intercompany balance to CleanSpace Holdings Limited provided they are recoverable. CleanSpace Holdings Limited records the consolidated tax payable position of the tax consolidated group.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

### Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### Investments and other financial assets (cont.)

the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

#### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5 years
Plant and equipment	3-7 years
Motor vehicles	8 years
Computer software	3 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial

direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

#### Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation

as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, performance rights, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model, or Monte Carlo model for



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### Employee benefits (cont.)

performance rights, that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, or Monte Carlo model for performance rights, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of CleanSpace Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by

the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial, Black-Scholes, or Monte Carlo model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT.)

#### Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

#### Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise

an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

#### Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

#### Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$
<b>NOTE 3. REVENUE</b>		
<b>Disaggregation of revenue</b>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Major product lines</i>		
Respirators revenue	6,249,125	6,230,780
Consumables, accessories and other revenue	5,843,513	7,127,478
	12,092,638	13,358,258
<i>Timing of revenue recognition</i>		
At a point in time	12,092,638	13,358,258

The Company has two main types of revenue:

- (1) *Respirator revenues*: reflects sales of the respirator units only; and
- (2) *Consumables, accessories and other revenues*: reflects all other revenue and revenue adjustments. This is substantially related to the sales of accessories and consumable items, including masks, filters and docking stations. It also includes service income, freight income, and deductions for customer rebates and payment incentives.

## Segment information

For the purposes of the internal reporting to the chief operating decision makers, business activities, performances and any associated assets and liabilities are viewed as a consolidated group.

	Consolidated	
	2023	2022
	\$	\$
<i>Revenue by region</i>		
Europe	7,082,936	5,532,770
Asia	2,697,304	5,714,021
North America	2,312,398	2,111,467
	12,092,638	13,358,258

## NOTE 4. OTHER INCOME

Net gain on disposal of property, plant and equipment	8,032	-
Government grants	3,500	-
Other income	-	38,552
	11,532	38,552



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$
<b>NOTE 5. EXPENSES</b>		
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	189,365	143,025
Property, plant and equipment	370,429	384,833
Right-of-use assets	464,838	469,945
Total depreciation	1,024,632	997,803
<i>Amortisation</i>		
Software	15,866	18,640
Total depreciation and amortisation	1,040,498	1,016,443
<i>Impairment</i>		
Trade receivables (impairment write-back)/impairment expense	2,478	(11,070)
Total depreciation, amortisation and impairment expenses	1,042,976	1,005,373
<i>Finance costs</i>		
Interest on government loans	158,777	156,611
Interest and finance charges paid/payable on lease liabilities	81,920	106,371
Finance costs expensed	240,697	262,982
<i>Net foreign exchange</i>		
Net foreign exchange (gain)/loss	(21,512)	28,399
<i>Leases</i>		
Short-term lease payments	58,162	46,816
<i>Employee benefits and staff related expenses (1)</i>		
Staffing costs included in the profit and loss statement consist of:		
Salaries, wages and other employee costs	10,572,818	11,984,299
Share-based payments	250,868	236,863
Superannuation	573,431	741,498
Pension and social security	618,080	487,142
Payroll tax	507,449	525,732
	12,522,646	13,975,534

(1) An additional \$771,375 (FY22: \$877,327) of employment expenses are included in costs of sales.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	Consolidated 2022 \$
<b>NOTE 6. INCOME TAX BENEFIT</b>		
<i>Income tax benefit</i>		
Current tax	(937,922)	(1,285,848)
Deferred tax	(2,418,735)	(2,709,685)
Adjustment recognised for prior periods	(338,322)	-
Aggregate income tax benefit	(3,694,979)	(3,995,533)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(11,826,572)	(15,276,968)
Tax at the statutory tax rate of 25%	(2,956,643)	(3,819,242)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
R&D tax incentive	(1,042,827)	(1,345,806)
Permanent differences - R&D expenses	599,326	773,452
Permanent differences - Other	51,555	6,607
	(3,348,589)	(4,384,989)
Under/(over) provision of income tax in the prior year	(338,322)	250,996
Change in provision of income tax as a result of a change in statutory tax rate	-	152,039
Impact of rates of foreign subsidiaries	(8,068)	(13,579)
Income tax benefit	(3,694,979)	(3,995,533)
<b>NOTE 7. CASH AND CASH EQUIVALENTS</b>		
<i>Current assets</i>		
Cash at bank	3,115,810	8,224,676
<b>NOTE 8. TRADE AND OTHER RECEIVABLES</b>		
<i>Current assets</i>		
Trade receivables	2,187,137	1,492,111
Less: Allowance for expected credit losses	(14,979)	(12,501)
	2,172,158	1,479,610
Other receivables	8,437	25,809
Deposits	1,238,093	961,037
	3,418,688	2,466,456

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 8. TRADE AND OTHER RECEIVABLES (CONT.)

#### Allowance for expected credit losses

The consolidated entity has recognised a loss of \$2,478 in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 %	2022 %	2023 \$	2022 \$	2023 \$	2022 \$
Not overdue	-	-	1,346,832	1,194,899	-	-
0 to 3 months overdue	-	4.21	491,662	297,212	-	12,501
Greater than 3 months	0.27	-	321,215	-	883	-
Over 6 months overdue	51.39	-	27,428	-	14,096	-
			2,187,137	1,492,111	14,979	12,501

	Consolidated	
	2023 \$	2022 \$
<b>Movements in the allowance for expected credit losses are as follows:</b>		
Opening balance	12,501	41,099
Additional provisions recognised	2,478	2,158
Receivables previously provided for recovered during the year	-	(12,982)
Receivables written off during the year as uncollectable	-	(17,293)
Impact of foreign exchange	-	(481)
Closing balance	14,979	12,501

### NOTE 9. INVENTORIES

<i>Current assets</i>		
Raw materials	3,544,432	4,043,837
Less: Provision for impairment	(824,468)	(756,782)
	2,719,964	3,287,055
Work in progress - at cost	41,962	6,570
Finished goods - at cost	380,353	577,640
Less: Provision for impairment	(152,010)	(127,111)
	228,343	450,529
	2,990,269	3,744,154

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$

## NOTE 10. OTHER ASSETS

### *Current assets*

Prepayments	547,284	663,025
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## NOTE 11. RIGHT-OF-USE ASSETS

### *Non-current assets*

Land and buildings - right-of-use	1,473,473	1,943,305
Less: Accumulated depreciation	(464,838)	(469,945)
Less: Foreign exchange movement	-	113
	1,008,635	1,473,473

The consolidated entity leases land and buildings for its offices, warehouses and production facility in St Leonards, Sydney, Australia. The agreements (a lease and sublease) were entered into in August 2020 and are for a term of 5 years, with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are to be on the same general terms. The entry into these leases created a Right-of-Use Asset of \$2,382,764 and a corresponding Lease Liability of the same value. In line with the requirements of AASB 16 Leases, the Right-of-Use Asset is being depreciated and the lease payments have been allocated between the Lease Liability and finance costs. Refer to Note 19 for Lease Liability balances.

## NOTE 12. FINANCIAL ASSETS

### *Current assets*

Financial assets held at amortised cost	9,042,099	16,078,011
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Financial assets held at amortised cost consist of term deposits held with Australian banks.

## NOTE 13. INCOME TAX RECEIVABLE

### *Current assets*

Income tax refund due	1,143,373	-
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$
<b>NOTE 14. PROPERTY, PLANT AND EQUIPMENT</b>		
<i>Non-current assets</i>		
Leasehold improvements - at cost	950,329	945,069
Less: Accumulated depreciation	(402,769)	(213,404)
	547,560	731,665
Plant and equipment - at cost	2,318,925	2,516,098
Less: Accumulated depreciation	(1,507,878)	(1,352,229)
	811,047	1,163,869
Motor vehicles - at cost	31,094	68,313
Less: Accumulated depreciation	(14,251)	(30,835)
	16,843	37,478
Office equipment - at cost	71,385	76,204
Less: Accumulated depreciation	(58,119)	(42,415)
	13,266	33,789
Computer software - at cost	47,604	47,604
Less: Accumulated depreciation	(38,344)	(22,478)
	9,260	25,126
	1,397,976	1,991,927

## Reconciliations

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

Consolidated	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Office equipment \$	Computer software \$	Total \$
Balance at 1 July 2021	562,696	1,222,561	65,394	53,310	43,766	1,947,727
Additions	311,994	289,064	-	4,772	-	605,830
Disposals	-	-	(15,998)	(854)	-	(16,852)
Exchange differences	-	-	1,720	-	-	1,720
Depreciation expense	(143,025)	(347,756)	(13,638)	(23,439)	(18,640)	(546,498)
Balance at 30 June 2022	731,665	1,163,869	37,478	33,789	25,126	1,991,927
Additions	5,260	-	-	-	-	5,260
Disposals	-	(10,025)	(14,637)	-	-	(24,662)
Exchange differences	-	-	1,112	-	-	1,112
Depreciation expense	(189,365)	(342,797)	(7,110)	(20,523)	(15,866)	(575,661)
Balance at 30 June 2023	547,560	811,047	16,843	13,266	9,260	1,397,976



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$
<b>NOTE 15. DEFERRED TAX</b>		
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	5,533,251	2,818,595
Employee benefit provisions	212,818	286,431
Provision for warranties	114,531	84,689
Accrued expenses	168,029	272,828
Other	38,402	30,722
Provision for inventory	244,120	220,973
Deferred tax asset	6,311,151	3,714,238

## NOTE 16. TRADE AND OTHER PAYABLES

<i>Current liabilities</i>		
Trade payables	263,933	640,825
Other payables	923,655	1,889,006
	1,187,588	2,529,831

Refer to note 27 for further information on financial instruments.

## NOTE 17. CONTRACT LIABILITIES

<i>Current liabilities</i>		
Deferred revenue	86,433	-
<b>Reconciliation of contract liabilities</b>		
Opening balance	-	2,921
Included in opening balance – transferred to revenue	-	(2,921)
Payments received in advance	86,433	-
<b>Closing balance</b>	<b>86,433</b>	<b>-</b>

### Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at 30 June 2023 was \$86,433 (30 June 2022: \$0).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023	2022
	\$	\$
<b>NOTE 18. BORROWINGS</b>		
<i>Current liabilities</i>		
Insurance premium funding loan	154,044	-
Loan from NSW Health Administration Corporation	-	2,529,164
Finance lease	-	2,932
	154,044	2,532,096
<i>Non-current liabilities</i>		
Loan from NSW Health Administration Corporation	2,684,260	-
	2,838,304	2,532,096

Refer to note 27 for further information on financial instruments.

## Loan from NSW Health Administration Corporation

The Company entered into a funding agreement with NSW Health Administration Corporation in September 2019. The funding is to be used solely for the aim to improve the adoption of an innovative re-usable respirator in acute care settings. The applicable interest rate for the loan is calculated by using the annual Consumer Price Index (CPI).

The Company is not required to make any repayments of the loan until the project has achieved commercial success. In the year ended 30 June 2023, the loan has been reclassified from current liabilities to non-current as the project is not expected to achieve commercial success during the 2024 financial year.

## NOTE 19. LEASE LIABILITIES

<i>Current liabilities</i>		
Lease liability	483,051	435,778
<i>Non-current liabilities</i>		
Lease liability	679,787	1,162,838
	1,162,838	1,598,616

Refer to note 27 for further information on financial instruments and note 11 for information on Right-of-Use Assets and related leases.

## NOTE 20. INCOME TAX LIABILITY

<i>Current liabilities</i>		
Income tax liability	79,549	56,870

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	2023 \$	Consolidated 2022 \$
<b>NOTE 21. EMPLOYEE BENEFITS</b>		
<i>Current liabilities</i>		
Annual leave	558,022	763,965
Long service leave	292,083	360,017
	850,105	1,123,982
<i>Non-current liabilities</i>		
Long service leave	79,150	59,503
	929,255	1,183,485

## NOTE 22. PROVISIONS

<i>Current liabilities</i>		
Warranties	458,123	338,758

### *Warranties*

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

The movement in the warranty provision during the year is set out below.

<b>Movement in warranty provision</b>		
Opening balance 1 July	338,758	498,758
Net additional provision/(release)	263,439	(66,638)
Provision used	(144,074)	(93,362)
Balance at 30 June	458,123	338,758

## NOTE 23. DEFERRED TAX LIABILITIES

### *Non-current liabilities*

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Property, plant and equipment	144,829	198,251
Prepayments	132,887	164,793
Deferred tax liability	277,716	363,044

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

	2023 Shares	2022 Shares	Consolidated 2023 \$	2022 \$
<b>NOTE 24. ISSUED CAPITAL</b>				
Ordinary shares - fully paid	77,054,583	77,019,523	33,443,471	33,430,564

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and the amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### Share buy-back

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

	2023 No.	2023 \$	2022 No.	2022 \$
Movements in share capital				
<b>Balance at the beginning of the year</b>	77,019,523	33,430,564	77,019,523	33,430,564
Shares issued under the employee share plan	35,060	12,907	-	-
<b>Balance at the end of the year</b>	77,054,583	33,443,471	77,019,523	33,430,564

### Capital management

The key objectives of the Company when managing capital are to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. There has been no change to capital risk management policies during the year.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

	Consolidated	
	2023 \$	2022 \$
<b>NOTE 25. RESERVES</b>		
Foreign currency reserve	38,523	15,920
Share-based payments reserve (note 38)	706,522	463,781
	745,045	479,701

The foreign currency reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations. The share-based payments reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

## Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve \$	Share-based payments reserve \$	Total \$
Balance at 1 July 2021	10,562	523,444	534,006
Foreign currency translation	5,358	-	5,358
Transfer on the cancellation of options	-	(360,000)	(360,000)
Share-based payments	-	300,337	300,337
Balance at 30 June 2022	15,920	463,781	479,701
Foreign currency translation	22,603	-	22,603
Transfer on the cancellation of options	-	(55,561)	(55,561)
Share-based payments	-	311,209	311,209
Transfer to issued capital	-	(12,907)	(12,907)
Balance at 30 June 2023	38,523	706,522	745,045

## NOTE 26. DIVIDENDS

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 27. FINANCIAL INSTRUMENTS

#### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

The company holds the following financial instruments:

	Consolidated	
	2023	2022
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	3,115,810	8,224,676
Trade and other receivables	3,418,688	2,466,456
Other financial assets	9,042,099	16,078,011
	15,576,597	26,769,143
<b>Financial liabilities</b>		
Borrowings	2,838,304	2,532,096
Lease liability	1,162,838	1,598,616
Trade and other payables	1,187,588	2,529,831
	5,188,730	6,660,543

#### Market risk

##### Foreign currency risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the Australian Dollar functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in United States Dollar and European Union Euro. The group does not currently hedge these exposures.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 27. FINANCIAL INSTRUMENTS (CONT.)

#### Market risk (cont.)

##### Foreign currency risk (cont.)

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

Consolidated	Assets		Liabilities	
	2023 \$	2022 \$	2023 \$	2022 \$
US dollars	608,167	197,974	(251,111)	(908,056)
Euros	1,430,815	1,369,442	(236,024)	(397,974)
Pound Sterling	199,905	229,290	(16,465)	(50,075)
Singapore dollars	66,173	75,969	(10,405)	(652)
Hong Kong dollars	-	-	(4,192)	-
Chinese Yuan	-	-	-	(38,827)
	2,305,060	1,872,675	(518,197)	(1,395,584)

The Group had net assets denominated in foreign currencies of \$1,786,862 (2022: \$477,091). Based on this exposure, had the Australian dollars weakened by 5%/ strengthened by 5% (2022: weakened by 5%/ strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$89,343 higher/\$89,343 lower (2022: \$23,855 higher/\$23,855 lower) and equity would have been \$67,007 higher/\$67,007 lower (2022: \$16,698 higher/\$16,698 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2023 was \$21,512 (2022: loss of \$28,399).

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to customers. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

##### Trade receivables and contract assets

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Terms are established for each customer. Customers who fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The Board receives monthly reports summarising the aged debtors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 27. FINANCIAL INSTRUMENTS (CONT.)

#### Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2023</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	263,933	-	-	-	263,933
Other payables	-	923,655	-	-	-	923,655
<i>Interest-bearing - fixed rate</i>						
Lease liability	6.00	483,051	534,180	145,607	-	1,162,838
Borrowings	6.02	154,044	366,113	2,318,147	-	2,838,304
Total non-derivatives		1,824,683	900,293	2,463,754	-	5,188,730
<b>Consolidated - 2022</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	694,653	-	-	-	694,653
Other payables	-	1,835,178	-	-	-	1,835,178
<i>Interest-bearing - fixed rate</i>						
Lease liability	6.00	435,778	483,051	679,787	-	1,598,616
Borrowings	5.32	2,532,096	-	-	-	2,532,096
Total non-derivatives		5,497,705	483,051	679,787	-	6,660,543

#### Fair value of financial instruments

The carrying amounts of trade and other receivables are assumed to approximate their fair value due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### Directors

The following persons were directors of CleanSpace Holdings Limited during the financial year:

Bruce Rathie	Director
Lisa Hennessy	Director
Dan Kao	Director
Graham McLean	Director
Dr Alexandra Birrell	Director ( <i>resigned 13 February 2023</i> )

#### Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Elizabeth Harvey	Chief Financial Officer and Joint Company Secretary
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#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2023 \$	Consolidated 2022 €
Short-term employee benefits and directors fees	1,219,888	1,371,011
Leave accruals (annual leave and long-service leave)	(9,256)	22,187
Post-employment benefits	128,088	137,101
Share-based payments	213,221	185,395
	1,551,941	1,715,694

No termination benefits were paid during the current or prior year.

Detailed remuneration disclosures are provided in the remuneration report within the Directors' report.

### NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by PKF, the auditor of the company:

<i>Audit services - PKF</i>		
Audit or review of the financial statements	106,750	105,000
<i>Other services - PKF</i>		
Tax compliance	50,585	65,939
	157,335	170,939

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 30. CONTINGENCIES

At balance date, bank guarantees were supported by security deposit guarantees, for which no liabilities have been recorded in the financial statements. Total bank guarantees of the consolidated entity at 30 June 2023 were \$406,768 (30 June 2022: \$406,768).

### NOTE 31. COMMITMENTS

The consolidated entity did not have any commitments at 30 June 2023 or 30 June 2022.

### NOTE 32. RELATED PARTY TRANSACTIONS

#### Parent entity

CleanSpace Holdings Limited is the parent entity.

#### Subsidiaries

Interests in subsidiaries are set out in note 34.

#### Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

#### Transactions with related parties

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

#### Receivables due from/payables due to related parties

There were no payables or receivables due from related parties at 30 June 2023 (30 June 2022: \$0).

#### Loans to/from related parties

There were no loans to or from related parties at 30 June 2023 (30 June 2022: \$0).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 33. PARENT ENTITY INFORMATION

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

	2023 \$	Parent 2022 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Loss after income tax	(877,417)	(1,259,242)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive loss	(877,417)	(1,259,242)
<b>Statement of financial position</b>		
Total current assets	29,294,763	33,289,286
Total non-current assets	6,775,885	3,201,156
Total assets	36,070,648	36,490,442
Total current liabilities	237,728	91,315
Total non-current liabilities	-	-
Total liabilities	237,728	91,315
Net assets	35,832,920	36,399,127
<b>Equity</b>		
Issued capital	33,446,323	33,433,416
Reserves	706,522	463,781
Retained profits	1,680,075	2,501,930
Total equity	35,832,920	36,399,127

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 34. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership Interest	
		2023 %	2022 %
<b>Parent Entity:</b>			
CleanSpace Holdings Pty Ltd	Australia	100	100
<b>Subsidiaries:</b>			
CleanSpace IP Pty Ltd	Australia	100	100
CleanSpace Technology Pty Limited	Australia	100	100
CleanSpace Americas, Inc	USA	100	100
CleanSpace Technology Singapore Pte Ltd	Singapore	100	100
CleanSpace NZ Ltd	New Zealand	100	100
CleanSpace Netherlands B.V.	Netherlands	100	100

### NOTE 35. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

## NOTE 36. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2023	2022
	\$	\$
Loss after income tax benefit for the year	(8,131,593)	(11,281,435)
<i>Adjustments for:</i>		
Depreciation and amortisation	1,040,498	1,016,444
Share-based payment	311,209	300,337
Net gain on disposal of non-current assets	(8,032)	(4,723)
Interest on lease liability	81,920	106,035
Foreign currency differences	21,492	3,525
<i>Change in operating assets and liabilities:</i>		
Increase in trade and other receivables	(952,232)	(23,881)
Decrease in inventories	753,885	865,786
Increase in income tax refund due	(1,143,373)	-
Increase in deferred tax assets	(2,596,913)	(2,658,990)
Decrease/(increase) in prepayments	115,741	(186,315)
Increase/(decrease) in trade and other payables	(1,342,243)	98,778
Increase/(decrease) in provision for income tax	22,679	(1,519,940)
Increase/(decrease) in deferred tax liabilities	(85,328)	220,031
Increase/(decrease) in employee benefits	(254,230)	230,786
Increase/(decrease) in other provisions	119,365	(160,000)
Increase/(decrease) in other operating liabilities	86,433	(2,921)
Net cash used in operating activities	(11,960,722)	(12,996,483)

## NOTE 37. EARNINGS PER SHARE

Loss after income tax attributable to the owners of CleanSpace Holdings Limited	(8,131,593)	(11,281,435)
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(10.56)	(14.65)
Diluted earnings per share	(10.56)	(14.65)
	<b>Number</b>	<b>Number</b>
Weighted average number of shares used in calculating basic earnings per share	77,025,841	77,019,523
Weighted average number of ordinary shares used in calculating diluted earnings per share	77,025,841	77,019,523

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 38. SHARE-BASED PAYMENTS

The Board approved the terms of the Company's umbrella equity-based long-term incentive plan ("Equity Incentive Plan") in 2020. Minor amendments were made to the plan in 2022 to cater for US staff. The Board may from time to time, operate the Equity Incentive Plan, determine employees who are eligible to participate and make an invitation to an employee to acquire awards or grant awards to an employee. These grants have been amortised on a straight line basis over the vesting period. Total expensed in the year ended 30 June 2023 under this plan was \$311,209 (30 June 2022: \$300,337).

#### Non-Executive Director options

On 29 November 2021 600,000 options were granted to a Non-Executive Director (NED) for nil consideration at an exercise price of \$2.18. 200,000 options vested on 18 October 2022, 200,000 have a vesting date of 18 October 2023 and 200,000 have a vesting date 18 October 2024.

339,621 NED Options were cancelled in the year ended 30 June 2022 following the resignation of the Directors to whom the options had been granted.

#### Employee options

On 22 October 2020, 444,169 Employee Options were granted for nil consideration at an exercise price of \$4.41. 50% of the options granted vested on 25 August 2022, and 50% would vest if the participants remained employed on 29 August 2023. 110,235 unvested options were forfeited during the year ended 30 June 2023 as a service condition was not met. On 9 July 2023, 110,235 unexercised vested options were cancelled following the resignation of an employee to whom options had been granted. On 29 August 2023, 44,281 unvested options were forfeited as a service condition was not met.

On 14 August 2022, an employee was granted 748,299 options with an exercise price of \$0.89. 25% vested on 14 August 2022. The remaining options were forfeited as service conditions were not met. The unexercised vested options were also cancelled in the year ended 30 June 2023.

Set out below are summaries of options granted:

2023								
Recipient	Grant date	Expiry date	Exercise price	Balance at 1 July 2022	Granted	Exercised	Expired/forfeited/other	Balance at 30 June 2023
Executives	22/10/2021	21/10/2025	\$4.41	444,169	-	-	(110,235)	333,934
NED	29/11/2021	18/01/2025	\$2.18	600,000	-	-	-	600,000
Employee	29/11/2021	18/01/2025	\$0.89	-	748,299	-	(748,299)	-
				1,044,169	748,299	-	(858,534)	933,934

2022								
Recipient	Grant date	Expiry date	Exercise price	Balance at 1 July 2021	Granted	Exercised	Expired/forfeited/other	Balance at 30 June 2022
Executives	22/10/2020	21/10/2025	\$4.41	444,169	-	-	-	444,169
NEDs	22/10/2020	21/10/2025	\$4.41	339,621	-	-	(339,621)	-
NED	29/11/2021	18/01/2025	\$2.18	-	600,000	-	-	600,000
				783,790	600,000	-	(339,621)	1,044,169

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2023

### NOTE 38. SHARE-BASED PAYMENTS (CONT.)

#### Share awards

During the year ended 30 June 2023, the Company issued 1,164,505 share awards (in FY22: nil). None of the awards were issued to KMPs. The awards generally vest over a period of three or four years. The fair value was measured based upon the closing price of the share on the date of the award. The following table summaries the movements in the awards granted including the weighted average fair value (WAFV).

Set out below are summaries of the restricted share awards granted under the plan:

	No. 2023	Weighted average fair value 2023	No. 2022	Weighted average fair value 2022
Outstanding at the beginning of the financial year	-	\$0.00	-	\$0.00
Granted	1,164,505	\$0.33	-	\$0.00
Forfeited	(135,067)	\$0.36	-	\$0.00
Exercised	(35,060)	\$0.37	-	\$0.00
Outstanding at the end of the financial year	994,378	\$0.32	-	\$0.00

#### Expense summary

For the year ended 30 June 2023, the Group recognised \$311,209 (30 June 2022: \$300,337) of share-based payment expense in relation to:

- Stock options \$108,467 (30 June 2022: \$300,337);
- Share awards \$196,774 (30 June 2022: \$0); and
- Performance rights \$5,698 (30 June 2022: \$0).

	Consolidated 2023 \$	Consolidated 2022 \$
<b>NOTE 39. (ACCUMULATED LOSSES)/ RETAINED PROFITS</b>		
(Accumulated losses)/retained profits at the beginning of the financial year	(4,157,005)	6,764,430
Transfer on the cancellation of options	55,561	360,000
(Accumulated losses)/retained profits at the beginning of the financial year - restated	(4,101,444)	7,124,430
Loss after income tax benefit for the year	(8,131,593)	(11,281,435)
Accumulated losses at the end of the financial year	(12,233,037)	(4,157,005)



# DIRECTORS' DECLARATION

## FOR THE YEAR ENDED 30 JUNE 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

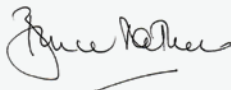
Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

*Graham McLean*

**Graham McLean**  
CEO

28 August 2023



**Bruce Rathie**  
Director

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2023



## TO THE MEMBERS OF CLEANSPACE HOLDING LIMITED

### Report on the Audit of the Financial Report

#### Opinion

We have audited the accompanying financial report of CleanSpace Holding Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2023, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

In our opinion, the financial report of CleanSpace Holding Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

#### Independence

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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Key Audit Matters

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

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Partnership  
ABN 91 850 861 839

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approved under Professional  
Standards Legislation

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# INDEPENDENT AUDITOR'S REPORT

## FOR THE YEAR ENDED 30 JUNE 2023



### Key Audit Matters (cont'd)

#### 1. Inventory existence and valuation

##### Why significant

As at 30 June 2023, the carrying value of inventory was \$2,990,269 (2022: \$3,744,154) as disclosed in note 9 of the financial report.

The Group's manufacturing planning processes consider forecast customer demand and access to materials from a range of suppliers. These factors impact on the quantity of raw material and finished goods inventory on hand and necessitate minimum inventory levels to ensure that the Group's sales objectives continue to be met.

A standard cost system is used to account for inputs to inventory. Management conducts regular analysis to determine the cost of inventory, and whether adjustment to the carrying amount is required to reflect net realisable value, if that is lower than cost.

Inventory is a significant asset of the Group, and accordingly we considered it a Key Audit Matter.

##### How our audit addressed the key audit matter

Our procedures included but were not limited to:

- Attending and observing year-end inventory counts performed by Management at locations of significance;
- Obtaining the third-party inventory confirmation in support of inventory held at other locations;
- Testing the accuracy of perpetual inventory records for a sample of products to check descriptions, quantities and the recording of inventory movements, including cut off around the balance date;
- Testing on a sample basis the reasonableness of raw material costs and finished good standard costs compared to actual costs of purchase and production;
- Considering the turnover cycle of inventory, assessing the allocation of purchase price and efficiency variances;
- Challenging the adequacy of provisions and adjustments made to inventory to ensure it is measured at the lower of cost and net realisable value on the basis of actual and forecast sales activity, and Management's assessment of qualitative factors; and
- Validating the data provided by management used to determine the rate of non-conformation raw material in the provision calculation.

# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2023



## 2. Revenue Recognition

### Why significant

The Group's sales revenue amounted to \$12,092,638 during the year (2022: \$13,358,258). Note 1 describes the accounting policies applicable to distinct revenue streams, noting that revenue from the sale of goods, after adjusting for discounts or allowances, is recognised upon the delivery of goods to customers.

On the basis of the significance of the account and the processes used to determine the recognition point, we have considered revenue recognition as a Key Audit Matter.

### How our audit addressed the key audit matter

Our procedures included but were not limited to:

- Documenting the design of the key revenue system and processes in the accounting system;
- Performing controls testing procedures over key controls to ensure the internal controls are operating effectively;
- Performing data analytics over schedule of invoices and credit notes to understand data, provide enhanced insights and identify potential exceptions and anomalies for further investigation;
- Evaluating a sample of revenue transactions and identifying contracted performance obligations, agreeing revenue amounts to purchase orders, proof of delivery, shipping terms and bank records. These procedures facilitated our assessment of the values recorded, and the timing of revenue recognition aligned to fulfilment of the Group's performance obligations, transferred at a point in time;
- Evaluating the cut-off process and its reliability to fairly account for dispatches not yet transferred to customers at the reporting date and the recognition of revenue in accordance with the Group's accounting policies;
- Reviewing the credit notes raised subsequent to balance date to ensure cut off of revenue was correctly applied; and
- Assessing the consistency of the Group's accounting policies disclosed in the financial report in respect of revenue recognition with the criteria prescribed by the applicable standard, AASB 15 *Revenue from contracts with customers*.

# INDEPENDENT AUDITOR'S REPORT

## FOR THE YEAR ENDED 30 JUNE 2023



### 3. Recognition and valuation of Deferred Tax Asset

#### Why significant

As disclosed in Note 15 of the financial report, at 30 June 2023 the Group has recorded a deferred tax asset of \$6,311,151 (2022: 3,714,238) relating to deductible temporary differences and tax losses incurred.

As noted in Note 1 of the financial report, deferred tax assets are only recognised if the Group considers it probable that future taxable income will be generated to utilise these temporary differences and losses.

Judgement is required in forecasting future taxable income.

Based on the above, we have considered the recognition and valuation of the deferred tax asset to be a Key Audit Matter.

#### How our audit addressed the key audit matter

We have assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income, in particular regarding the portion relating to tax losses carried forward as disclosed in Note 15 of \$5,533,251.

Our procedures included but were not limited to:

- Considering the recognition criteria under AASB 112 Income taxes;
- Assessing the reasonableness of key assumptions with respect to the FY 2024 forecast, as well as high level forecasts over a subsequent 4 year period;
- Review of recent financial performance and initiatives to confirm the impact of recent restructures and cost cutting exercises;
- Analysis of historical data relating to trends in revenue growth, in particular pre COVID; and
- Assessing the appropriateness of the disclosures included in Note 15 in respect of the deferred tax balances.

## Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.



# INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2023



## Directors' Responsibilities for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

## FOR THE YEAR ENDED 30 JUNE 2023



### Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of CleanSpace Holding Limited for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

#### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

SCOTT TOBUTT  
PARTNER

28 AUGUST 2023  
SYDNEY, NSW

# ADDITIONAL SHAREHOLDER INFORMATION

## CleanSpace has the following securities on issue as at 15 August 2023

Type	Security	Number of Securities	Number of Security Holders
ASX Listed	Fully paid ordinary shares	77,070,165	2,661
Unlisted	Employee Restricted Stock Units	994,378	27
Unlisted	Options exercisable at \$4.41 and expiring 21 October 2025	223,699	3
Unlisted	Options exercisable at \$2.18 and expiring 18 January 2025	600,000	1

## Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. There are no other classes of equity securities with voting rights.

## Distribution of Shareholders as at 15 August 2023

Fully Paid Ordinary Shares (Holdings Ranges)	Number of Holders	Number of Units	%
1 - 1,000	1,442	564,667	0.73
1,001 - 5,000	759	1,963,170	2.56
5,001 - 10,000	193	1,434,228	1.86
10,001 - 100,000	195	6,320,693	8.20
100,001 - over	72	66,787,407	86.66
<b>Totals</b>	<b>2,661</b>	<b>77,070,165</b>	<b>100.000</b>

## Unmarketable Holders

There are 1,642 shareholders holding less than a marketable parcel of CleanSpace shares based on the closing price of \$0.30 on 15 August 2023.

## On-Market Buy-back

CleanSpace Holdings Limited is not undertaking an on-market buy-back.

## Substantial Shareholders

The following shareholders have disclosed a substantial holding:

Holder Name	No. of Shares	% Voting Power
Jencay Capital Pty Limited	9,314,480	12.09
One Fund Services as trustee for CVC Emerging Companies Fund	9,257,535	12.02
Acorn Capital Limited	4,163,550	5.37

# ADDITIONAL SHAREHOLDER INFORMATION

## 20 Largest Shareholders

No.	Name	Number of Ordinary Shares Held	% of Issued Capital
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,353,374	13.43
2	ACME CO NO 7 PTY LTD <CVC EMERGING COMP INVESTEE>	9,257,535	12.01
3	CHATSWOOD WEALTH MANAGEMENT PTY LTD	3,850,000	5.00
4	MUTUAL TRUST PTY LTD	3,788,936	4.92
5	ALEX BIRRELL <BAF A/C>	2,798,962	3.63
6	DAN KAO	2,530,000	3.28
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,427,077	3.15
8	MIN FANG	2,057,248	2.67
9	PAFTEC INVESTMENT FUND PTY LTD <PAFTEC UNIT A/C>	1,855,497	2.41
10	ACORN CAPITAL PRIVATE OPPORTUNITIES FUND L P	1,670,391	2.17
11	BNP PARIBAS NOMS PTY LTD <DRP>	1,451,992	1.88
12	MR ALFRED HARRY HUGH MYERS <LUCY'S A/C>	1,449,481	1.88
13	UBS NOMINEES PTY LTD	1,295,719	1.68
14	MISS LINDA YING WANG <KAO AND WANG FAMILY A/C>	1,202,816	1.57
15	COLUMBUS INVESTMENT SERVICES LTD <KELLY PARTNERS #2 A/C>	1,191,542	1.55
16	NATIONAL NOMINEES LIMITED	941,227	1.22
17	GARRETT SMYTHE LTD	875,999	1.14
18	CHING MING LIU	843,406	1.09
19	JENNY HSU	815,734	1.06
20	RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	800,000	1.04
	Totals	51,456,936	66.77

# CORPORATE GOVERNANCE STATEMENT

CleanSpace Holdings Limited corporate governance practices have been developed by the Board using the framework of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th ed.).

Please refer to the CleanSpace website at <https://cleanspacetechnology.com/governance> to view our Corporate Governance Statement.



# CORPORATE DIRECTORY

CLEANSACE HOLDINGS LIMITED | ABN 91 150 214 636

## DIRECTORS

Mr Bruce Rathie  
Ms Lisa Hennessy  
Mr Dan Kao  
Mr Graham McLean

## COMPANY SECRETARY

Ms Elissa Hansen

## REGISTERED OFFICE

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## SHARE REGISTER

**Boardroom Pty Limited**  
Level 8, 210 George Street  
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Sydney NSW 2001  
Ph: +61 2 9290 9600  
Ph: 1300 737 760 (within Australia)

## AUDITOR

**PKF(NS) Audit & Assurance Limited Partnership**  
Level 8, 1 O'Connell Street  
Sydney NSW 2000

## TAX ADVISOR

**PKF Sydney Pty Limited**  
Level 8, 1 O'Connell Street  
Sydney NSW 2000

## LEGAL ADVISORS

**Gilbert + Tobin**  
Level 35, Tower 2  
200 Barangaroo Avenue  
Barangaroo NSW 2000

## STOCK EXCHANGE LISTING

CleanSpace Holdings Limited shares are listed on the Australian Securities Exchange

**ASX Code: CSX**

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**CleanSpace<sup>®</sup>**

RESPIRATORS

Free the way you breathe

