

# **CleanSpace Holdings Pty Ltd and its controlled entities**

ACN: 150 214 636

## **Financial Statements**

**For the Year Ended 30 June 2020**

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Contents

For the Year Ended 30 June 2020

	<b>Page</b>
<b>Financial Statements</b>	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	39
Independent Audit Report	40

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Directors' Report For the Year Ended 30 June 2020

The directors present their report, together with the financial statements of the Group, being the CleanSpace Holdings Pty Ltd and its controlled entities, for the financial year ended 30 June 2020.

### Directors

The names of the directors in office at any time during, or since the end of, the year are:

<b>Names</b>	<b>Position</b>
Dan Kao	Director
Craig Lawn	Director
Clement Doherty	Director
William Highland	Director
Dr Alex Birrell	Director
Ronald Weinberger	Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### 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.

No significant change in the nature of these activities occurred during the year.

### Operating results

The consolidated profit of the Group after providing for income tax amounted to \$5,922,149 (2019: loss of \$1,064,292). This was as a result of increased sales in conjunction with a proportionally lower increase in expenses. The COVID-19 pandemic increased global demand for personal protective equipment.

### Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

### Environmental matters

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

## CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Directors' Report

### For the Year Ended 30 June 2020

#### Events after the reporting date

The Board of the Company is currently exploring strategic options which include a potential listing on the Australian Securities Exchange (ASX). No decision has been made in relation to a listing. As preparation for a potential listing, a general meeting of shareholders was held on 10 August 2020. At the meeting it was resolved to:

- Change the Company type of CleanSpace Holdings Pty Ltd from a Proprietary Limited Company Limited by Shares to a Public Company Limited by Shares;
- Change the name of the Company from CleanSpace Holdings Pty Ltd name to CleanSpace Limited (this was subsequently determined by ASIC to be unavailable and, as such the Company's name will be CleanSpace Holdings Ltd on conversion);
- Modify the Company's constitution to reflect that the Company will be a public company; and
- Adopt an ASX compliant constitution which only becomes effective immediately prior and subject to the admission of the Company on the official list of the ASX.

Additionally, on 1 August 2020 there were two new commercial leases entered (a lease and a sub-lease) for a five year period. The initial base rent is \$553,744 per annum.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### Indemnification and insurance of officers and auditors

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.

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 company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or 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 any part of those proceedings.

**CleanSpace Holdings Pty Ltd and its controlled entities**


ACN: 150 214 636

**Directors' Report**  
**For the Year Ended 30 June 2020**

**Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

  
Director: .....  
Dr Alex Birrell

  
Director: .....  
Ronald Weinberger

Dated 27 August 2020

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of CleanSpace Holdings Pty Ltd and its controlled entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, 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

27 AUGUST 2020  
SYDNEY, NSW

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

		2020	2019
	Note	\$	\$
Revenue	5	28,399,798	11,221,827
Other income	5	1,003,016	1,061,573
Raw materials and other costs of sales		(7,373,325)	(3,547,876)
Employee benefits expense	6	(7,835,244)	(4,038,404)
Depreciation expense	6	(431,063)	(250,158)
Legal and professional fees		(338,006)	(245,621)
Marketing and sales expense		(2,640,244)	(2,632,103)
Administration expense		(424,288)	(335,755)
Travel expense		(923,120)	(1,036,710)
Research and development expense		(1,189,930)	(758,907)
Intellectual property cost		(278,404)	(210,563)
Other expenses		(552,436)	(234,800)
Finance costs	6	(136,015)	(56,795)
<b>Profit/(loss) before income tax</b>		<b>7,280,739</b>	<b>(1,064,292)</b>
Income tax expense	8	(1,358,590)	-
<b>Profit/(loss) for the year</b>		<b>5,922,149</b>	<b>(1,064,292)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign controlled entities		10,995	-
<b>Total comprehensive income/(loss) for the year</b>		<b>5,933,144</b>	<b>(1,064,292)</b>

The accompanying notes form part of these financial statements.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Statement of Financial Position

As At 30 June 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	6,744,311	1,806,217
Trade and other receivables	11	8,706,739	2,114,795
Financial assets	10	3,576,179	2,034,376
Inventories	12	1,833,726	829,619
Other assets		159,864	16,447
<b>TOTAL CURRENT ASSETS</b>		<b>21,020,819</b>	<b>6,801,454</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	931,210	853,975
Deferred tax assets	24	915,206	-
Right-of-use assets	14	83,385	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,929,801</b>	<b>853,975</b>
<b>TOTAL ASSETS</b>		<b>22,950,620</b>	<b>7,655,429</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	4,336,326	1,118,497
Current tax liabilities	24	2,221,232	-
Contract liabilities	13	970,185	-
Borrowings	17	2,390,987	12,507
Provisions	18	331,093	82,949
Employee benefits	19	295,333	206,728
Lease liabilities	14	112,491	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,657,647</b>	<b>1,420,681</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	17	2,352,208	2,324,020
Deferred tax liabilities	24	43,962	-
Employee benefits	18	160,952	123,685
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,557,122</b>	<b>2,447,705</b>
<b>TOTAL LIABILITIES</b>		<b>13,214,769</b>	<b>3,868,386</b>
<b>NET ASSETS</b>		<b>9,735,851</b>	<b>3,787,043</b>
<b>EQUITY</b>			
Issued capital	20	14,347,548	14,331,884
Reserves	21	10,995	-
Accumulated losses		(4,622,692)	(10,544,841)
<b>TOTAL EQUITY</b>		<b>9,735,851</b>	<b>3,787,043</b>

The accompanying notes form part of these financial statements.



# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Statement of Changes in Equity

For the Year Ended 30 June 2020

		Issued capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Total \$
<b>Balance at 1 July 2019</b>		<b>14,331,884</b>	<b>(10,544,841)</b>	-	<b>3,787,043</b>
Profit for the year		-	5,922,149	-	5,922,149
Other comprehensive income	21	-	-	10,995	10,995
<i>Transactions with owners in their capacity as owners:</i>					
Share based payment transactions	20	15,664	-	-	15,664
<b>Balance at 30 June 2020</b>		<b>14,347,548</b>	<b>(4,622,692)</b>	<b>10,995</b>	<b>9,735,851</b>
<b>Balance at 1 July 2018</b>		14,304,622	(9,480,549)	-	4,824,073
Loss for the year		-	(1,064,292)	-	(1,064,292)
<i>Transactions with owners in their capacity as owners:</i>					
Share based payment transactions	20	27,262	-	-	27,262
<b>Balance at 30 June 2019</b>		<b>14,331,884</b>	<b>(10,544,841)</b>	-	<b>3,787,043</b>

The accompanying notes form part of these financial statements.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Statement of Cash Flows For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		24,286,820	11,633,966
Payments to suppliers and employees		(20,484,155)	(13,556,943)
Grants and government subsidies received		976,893	961,319
Interest received		59,443	76,333
Interest paid		4,363	-
Finance costs		(136,015)	(56,795)
Net cash provided by/(used in) operating activities	26	4,707,349	(942,120)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of plant and equipment		(399,647)	(95,425)
Proceeds from/(purchase of) financial assets		(1,541,803)	(1,405,273)
Net cash provided by/(used in) investing activities		(1,941,450)	(1,500,698)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		2,446,627	-
Repayment from borrowings		(156,462)	(2,689)
Net payment of lease liabilities		(117,970)	-
Net cash provided by/(used in) financing activities		2,172,195	(2,689)
Net increase/(decrease) in cash and cash equivalents held		4,938,094	(2,445,507)
Cash and cash equivalents at beginning of year		1,806,217	4,251,724
Cash and cash equivalents at end of financial year	9	6,744,311	1,806,217

The accompanying notes form part of these financial statements.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

### For the Year Ended 30 June 2020

The financial report covers CleanSpace Holdings Pty Ltd and its controlled entities ('the Group'). CleanSpace Holdings Pty Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 27 August 2020.

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.

The functional and presentation currency of the Group is Australian dollars.

#### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an a going concern and accruals basis and are based on historical costs unless otherwise stated in the notes.

#### 2 Change in Accounting Policy

##### Leases - Adoption of AASB 16

The Group has adopted AASB 16 *Leases* using the modified retrospective method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations. The reclassifications arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed in note 3(n).

##### Impact of adoption of AASB 16

Under AASB 117, the Group assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Group or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Group has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss on a straight line basis.

##### *Practical expedients used on transition*

AASB 16 includes a number of practical expedients which can be used on transition, the Group has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not reassessed on transition to AASB 16;
- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 July 2019;

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 2 Change in Accounting Policy (cont'd)

- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability;
- a single discount rate was applied to all leases with similar characteristics;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

#### Financial statement impact of adoption of AASB 16

The Group has recognised right-of-use assets of \$230,461 and lease liabilities of \$230,461 at 1 July 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 6%.

Operating lease commitments at 30 June 2019 financial statements	255,000
Discounted using the incremental borrowing rate at 1 July 2019	<u>250,962</u>
Add: Finance lease liabilities	22,950
Less: Exemption for short-term leases with 12 months or less as at 1 July 2019	<u>47,489</u>
<b>Lease liabilities recognised at 1 July 2019</b>	<b><u>230,461</u></b>

### 3 Summary of Significant Accounting Policies

#### 3.a. Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 27 to the financial statements.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.a. Basis for consolidation (cont'd)

##### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 relevant activities of the entity.

#### 3.b. 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 28.

#### 3.c. Foreign currency transactions and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

#### **Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.d. Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

#### *Tax consolidation*

CleanSpace Holdings Pty Ltd 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 Pty Ltd provided they are recoverable. CleanSpace Holdings Pty Ltd records the consolidated tax payable position of the tax consolidated group.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.e. Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### 3.f. Revenue and other income

##### Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

The revenue recognition policies for the principal revenue streams of the Group are:

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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.

Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration before the company has transferred the goods or services to the customer.

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

Research and Development Tax Incentives are recognised when it is reasonable that the Company has satisfied all criteria and conditions of the requirements set by the Australian Taxation Office. R&D Tax incentives are offset against the tax liability unless there is no tax liability available, in which case it is presented as "Other Income" in the statement of comprehensive income.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.f. Revenue and other income (cont'd)

Interest is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

#### 3.g. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### 3.h. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct material and direct labour. Cost is measured at the weighted average cost per unit.

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.

#### 3.i. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment.

##### Depreciation

Property, plant and equipment, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	13 - 25%
Motor Vehicles	13%
Office Equipment	20 - 33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.



# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.j. Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification*

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

#### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables, financial assets and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.j. Financial instruments (cont'd)

##### Financial assets (cont'd)

###### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

###### *Trade receivables and contract assets*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.j. Financial instruments (cont'd)

##### Financial assets (cont'd)

*Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

##### Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, government loans and finance lease liabilities.

Refer to note 17(a) for further details on the recognition and measurement of the Loans from NSW Health Administration Corporation.

#### 3.k. Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.l. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

#### 3.m. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

#### 3.n. Leases

*For comparative year*

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

*For current year*

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.n. Leases (cont'd)

##### **Lessee accounting**

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### *Exceptions to lease accounting*

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 3.o. Share capital

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

Preference share capital is measured at cost and is classified as equity if it is non-redeemable or redeemable only at the company's option, and any dividends are discretionary.

Equity-settled share-based payments to employees are measured at the fair value determined at the grant date, which is the date when the entity and the employee have a shared understanding of the terms and conditions of the arrangement. Share-based payment expenses are recognised over the vesting period, which is the period over which all specified vesting conditions must be met.

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 3 Summary of Significant Accounting Policies (cont'd)

#### 3.p. Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group or refer to Note 2 for details of the changes due to standards adopted.

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

### 4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

#### Key estimates - provision for employee benefits

Provisions for employee benefits are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Long term employee provisions are measured as the present value of future cash flows, accounting for inflation and probability factors.

#### Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible, by considering the ageing of receivables, communication with the debtors and prior history.

#### Key estimates - provision for warranties

Provision is made in respect of the Group's estimated liability on all products and services under warranty at the end of the reporting period. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the Group's history of warranty claims.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 5 Revenue and Other Income

	2020 \$	2019 \$
REVENUE		
Sale of goods	<b>28,399,798</b>	11,221,827
<b>5.a. Disaggregation of revenue from contracts with customers</b>		
<b>Timing of revenue recognition</b>		
Over time	-	-
At a point in time	<b>28,399,798</b>	11,221,827
	<b>28,399,798</b>	11,221,827
OTHER INCOME		
Government grants	<b>200,000</b>	67,057
Research and development tax incentive	<b>776,893</b>	894,262
Interest income	<b>59,443</b>	76,333
Other (expense)/income	<b>(33,320)</b>	23,921
	<b>1,003,016</b>	1,061,573

### 6 Expenses

FINANCE COST		
Interest on government loans	<b>89,941</b>	27,078
Bank fees	<b>36,545</b>	29,717
Interest expense on lease liability	<b>9,529</b>	-
	<b>136,015</b>	56,795
EMPLOYEE BENEFITS EXPENSE (1)		
Superannuation contributions	<b>274,530</b>	236,833
Employee wages and other expenses	<b>7,560,714</b>	3,801,571
	<b>7,835,244</b>	4,038,404
DEPRECIATION EXPENSE		
Property, plant and equipment	<b>283,987</b>	250,158
Right of use assets	<b>147,076</b>	-
	<b>431,063</b>	250,158
LEASES		
Minimal lease payments	<b>120,622</b>	121,613
Short-term lease payments	<b>31,652</b>	-
	<b>152,274</b>	121,613

(1) An additional \$960,222 (FY19 \$476,025) of employment expenses are included in Raw materials and other costs of sales.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 7 Auditors' Remuneration

	2020	2019
	\$	\$
Audit of the financial report by PKF	29,700	19,700
Preparation of the tax return by PKF	6,800	6,000
	<u>36,500</u>	<u>25,700</u>

### 8 Income Tax Expense

(a). The major components of tax expense (income) comprise:

Current tax expense

Current tax on profits for the year

2,229,834 -

**Total current tax expense/(benefit)**

**2,229,834 -**

Deferred tax expense

Increase in deferred tax assets

(871,244) -

**Total deferred tax expense/(benefit)**

**(871,244) -**

**Total income tax expense**

**1,358,590 -**

(b). Reconciliation of income tax to accounting profit:

Profit from continuing operations before income tax expenses

7,280,739 (1,064,292)

Tax at statutory rate of 27.5% (2019: 27.5%)

2,002,203 (292,680)

Add/less:

Tax effect of:

- Non-deductible items

(3,093) -

- R&D tax incentive

(419,099) -

- Recoupment of tax losses not previously brought to account

(221,421) 292,680

Income tax expense

1,358,590 -

### 9 Cash and Cash Equivalents

Cash at bank

6,744,311 1,806,217

### 10 Other Financial Assets

CURRENT

Financial assets held at amortised cost

3,576,179 2,034,376

Financial assets held at amortised cost consist of term deposits held with Australian banks.



# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 11 Trade and other receivables

	2020 \$	2019 \$
CURRENT		
Trade receivables	6,255,644	1,767,667
Allowance for expected credit loss	(2,496)	(8,413)
	<b>6,253,148</b>	<b>1,759,254</b>
Deposits	1,646,653	318,861
Other receivables	806,938	36,680
	<b>2,453,591</b>	<b>355,541</b>
	<b>8,706,739</b>	<b>2,114,795</b>

#### Allowance for expected credit losses

The company has recognised a loss of \$2,496 in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

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

	Expected credit loss rate		Carrying Amount		Allowance for expected credit losses	
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
Not overdue	0%	0%	5,045,178	1,690,369	-	-
0 to 3 months overdue	0.21%	10.88%	1,210,465	77,298	2,496	8,413
			<b>6,255,643</b>	<b>1,767,667</b>	<b>2,496</b>	<b>8,413</b>

### 12 Inventories

#### CURRENT

At cost:

Raw materials and consumables	1,303,015	720,946
Finished goods	164,396	108,673
Goods in transit	366,315	-
	<b>1,833,726</b>	<b>829,619</b>

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 13 Contract Balances

	2020	2019
	\$	\$
CURRENT		
Unearned revenue	970,185	-

#### Reconciliation of contract liabilities

Revenue recognised that was included in the contract liability balance at the beginning of the year

Opening balance	-	-
Payments received in advance	970,185	-

<b>Closing balance</b>	<b>970,185</b>	<b>-</b>
------------------------	----------------	----------

#### Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$970,185 as at 30 June 2020 (\$Nil as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

Within 6 months	970,185	-
-----------------	---------	---

### 14 Leases

The Group has applied AASB 16 using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

#### The Group as a lessee

The Group has leases over land and buildings.

Information relating to the leases in place and associated balances and transactions are provided below.

#### Buildings

The Group leases buildings for the operations and corporate office, the lease in the current period expires on the 15 July 2020, however includes a renewal option to extend the lease term by six months expiring on the 14 January 2021.

The Group leases a storage facility for a period of three months and a 2nd floor of an administration office on a month to month basis. These leases are deemed short-term lease so have been expensed as incurred and not capitalised as right-of-use assets.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 14 Leases (cont'd)

#### Right-of-use assets

	Buildings \$	Total \$
<b>Year ended 30 June 2020</b>		
Balance at beginning of year	230,461	230,461
Depreciation charge	(147,076)	(147,076)
<b>Balance at end of year</b>	<b>83,385</b>	<b>83,385</b>

#### Lease liabilities

	2020 \$	2019 \$
Lease liability at 1 July 2019	230,461	-
Payments	(117,970)	-
<b>Lease liability at 30 June 2020</b>	<b>112,491</b>	<b>-</b>

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$	1 - 5 years \$	> 5 years \$	Total undiscounted lease liabilities \$	Lease liabilities included in this Statement Of Financial Position \$
<b>2020</b>					
Lease liabilities	114,167	-	-	114,167	112,491

#### Extension options

The Group includes options in the leases to provide flexibility and certainty to the Group operations and reduce costs of moving premises and the extension options are at the Group's discretion.

At commencement date and each subsequent reporting date, the Group assesses where it is reasonably certain that the extension options will be exercised.

There are \$63,877 of additional future lease payments which are included in the lease liabilities as the Group has assessed that they will exercise the option to extend for an additional six month period. There is an additional of \$65,000 in potential future lease payments which are not included in lease liabilities as the Group has assessed that the exercise of the additional option is not reasonably certain.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 14 Leases (cont'd)

#### Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	2020	2019
	\$	\$
Expenses relating to leases of:		
Lease interest	(9,529)	-
Depreciation of right-of-use assets	(147,076)	-
	<u>(156,605)</u>	<u>-</u>

#### Statement of Cash Flows

Total cash outflow for leases	<u>127,500</u>	<u>-</u>
-------------------------------	----------------	----------

### 15 Property, plant and equipment

Plant and equipment		
At cost	1,768,775	1,655,185
Accumulated depreciation	(977,347)	(892,195)
	<u>791,428</u>	<u>762,990</u>
Motor vehicles		
At cost	132,833	64,379
Accumulated depreciation	(33,113)	(18,972)
	<u>99,720</u>	<u>45,407</u>
Office equipment		
At cost	107,069	112,563
Accumulated depreciation	(76,439)	(83,074)
	<u>30,630</u>	<u>29,489</u>
Computer software		
At cost	19,973	19,973
Accumulated depreciation	(10,541)	(3,884)
	<u>9,432</u>	<u>16,089</u>
	<u>931,210</u>	<u>853,975</u>

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 15 Property, plant and equipment (cont'd)

#### 15.a. Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment \$	Motor Vehicles \$	Office Equipment \$	Computer Software \$	Total \$
<b>Year ended 30 June 2020</b>					
Balance at the beginning of year	762,990	45,407	29,489	16,089	853,975
Additions	275,517	87,109	23,403	-	386,029
Disposals	(4,779)	(18,993)	(1,036)	-	(24,808)
Depreciation expense	(242,300)	(13,803)	(21,226)	(6,657)	(283,986)
<b>Balance at the end of the year</b>	<b>791,428</b>	<b>99,720</b>	<b>30,630</b>	<b>9,432</b>	<b>931,210</b>
<b>Year ended 30 June 2019</b>					
Balance at the beginning of year	912,895	53,455	39,483	-	1,005,833
Additions	70,988	-	7,340	19,973	98,301
Depreciation expense	(220,892)	(8,048)	(17,334)	(3,884)	(250,158)
<b>Balance at the end of the year</b>	<b>762,991</b>	<b>45,407</b>	<b>29,489</b>	<b>16,089</b>	<b>853,976</b>

### 16 Trade and Other Payables

	2020 \$	2019 \$
CURRENT		
Trade payables	1,341,279	580,955
Accrued expenses	2,995,047	537,542
	<b>4,336,326</b>	<b>1,118,497</b>

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 17 Borrowings

		2020 \$	2019 \$
CURRENT			
Unsecured liabilities:			
Loan from NSW Health Administration Corporation		<b>2,372,048</b>	-
Secured liabilities:			
Finance lease obligation	22	<b>18,939</b>	12,507
		<b>2,390,987</b>	12,507
NON-CURRENT			
Unsecured liabilities:			
Loan from NSW Health Administration Corporation		<b>2,337,811</b>	2,313,577
Secured liabilities:			
Finance lease	22	<b>14,397</b>	10,443
		<b>2,352,208</b>	2,324,020

#### Loan from NSW Health Administration Corporation

CleanSace Holdings Pty Limited (The Group) entered into a funding agreement with NSW Health Administration Corporation in January 2016. The funding is to be used solely for the CleanSpace Healthcare Respirator project, to develop a CleanSpace respirator specific for Health Care workers who are at risk infectious airborne diseases.

The Company is not required to make any repayments of the loan until the projects have achieved commercial success. The project has achieved commercial success as at 30 June 2020 and therefore has been classified as a current liability as repayment is expected to occur within the next 12 months.

The Group entered into an additional 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.

Similarly, the Company is not required to make any repayments of the loan until the projects have achieved commercial success. The project is expected to achieve commercial success during the 2022 financial year.

The applicable interest rate for both loans is calculated by using the annual Consumer Price Index (CPI).

### 18 Provisions

CURRENT			
Provision for warranties		<b>331,093</b>	82,949
<b>18.a. Movement in carrying amounts</b>			
Opening balance		<b>82,949</b>	-
Additional provisions		<b>339,668</b>	<b>142,406</b>
Provisions used		<b>(91,524)</b>	<b>(59,457)</b>
<b>Balance at 30 June 2020</b>		<b>331,093</b>	<b>82,949</b>

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 18 Provisions (cont'd)

Warranties AASB 137 (85).

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.

### 19 Employee Benefits

	2020 \$	2019 \$
CURRENT LIABILITIES		
Employee benefits	295,333	206,728
NON-CURRENT LIABILITIES		
Employee benefits	160,952	123,685

### 20 Issued Capital

54,460,746 (2019: 54,460,746) Ordinary shares	10,778,560	10,778,560
11,904,762 (2019: 11,904,762) Preference shares	3,000,000	3,000,000
6,636,495 (2019: 6,136,495) Employee N Class shares	568,988	553,324
	<b>14,347,548</b>	<b>14,331,884</b>

#### 20.a. Ordinary shares

	2020 No.	2019 No.
At the beginning of the reporting period	54,460,746	54,460,746
At the end of the reporting period	<b>54,460,746</b>	<b>54,460,746</b>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

#### 20.b. Employee N Class shares

	2020 No.	2019 No.
At the beginning of the reporting period	6,136,495	5,861,495
Shares issued during the year		
Shares issued	800,000	275,000
Employee termination	(300,000)	-
At the end of the reporting period	<b>6,636,495</b>	<b>6,136,495</b>

The holders of N Class Employee shares do not have the right to notice of, or vote or attend at, a meeting of the shareholders nor do they have the right to participate in any further issue of shares made by the Company. On a triggered event these shares will be reclassified as a ordinary share.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 20 Issued Capital (cont'd)

#### 20.c. Converting preference shares

	2020 No.	2019 No.
At the beginning of the reporting period	11,904,762	11,904,762
At the end of the reporting period	11,904,762	11,904,762

The Company does not have authorised capital or par value in respect of its share.

The holders of preference shares are entitled to vote and participate in dividends. Holders of preference shares receives 1.5 times the investment at a liquidity event at a share price below \$0.378. Above this share price the preference shares will convert to ordinary shares.

#### 20.d. Capital Management

The key objectives of the Company when managing capital is 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.

### 21 Reserves

#### Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### 22 Capital and Leasing Commitments

#### 22.a. Finance Leases

	2020 \$	2019 \$
Minimum lease payments:		
- not later than one year	18,939	12,507
- between one year and five years	14,397	10,443
Present value of minimum lease payments	33,336	22,950

Finance leases are in place for motor vehicles and normally have a term of 3 years. The leases have terms of renewal but no purchase option or escalation clauses. Renewals are at the option of the entity holding the lease.



# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 22 Capital and Leasing Commitments (cont'd)

#### 22.b. Operating Leases

	2020 \$	2019 \$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	-	190,000
- between one year and five years	-	65,000
	-	255,000

Refer to note 14 for information on leases held at 30 June 2020.

#### 22.c. Contracted Commitments

Committed at the reporting date but not recognised as liabilities, payable:  
Property, plant and equipment

288,222	-
---------	---

### 23 Financial Risk Management

The company holds the following financial instruments:

#### Financial assets

Cash and cash equivalents	6,744,311	1,806,217
Trade and other receivables	8,706,739	2,114,795
Other financial assets	3,576,179	2,034,376

#### Total financial assets

19,027,229	5,955,388
------------	-----------

#### Financial liabilities

Borrowings	4,743,195	2,336,527
Lease liability	112,491	-
Trade and other payables	4,336,326	1,118,497

#### Total financial liabilities

9,192,012	3,455,024
-----------	-----------

#### Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as liquidity risk, foreign exchange risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 23 Financial Risk Management (cont'd)

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient liquid cash to allow it to meet its liabilities as and when they fall due.

The Group manages its liquidity needs by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

#### *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.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 23 Financial Risk Management (cont'd)

#### (i) Foreign exchange 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.

### 24 Tax assets and liabilities

	2020	2019
	\$	\$
Income tax payable	2,221,232	-

#### 24.a. Deferred Tax Assets

The balance comprises temporary differences as follows:

Warranty provisions	91,051	-
Employee benefits provisions	122,290	-
Accruals	661,784	-
Other	40,081	-
<b>Total</b>	<b>915,206</b>	<b>-</b>

Movements in deferred tax assets:

	Opening Balance \$	(Charged)/credited to profit or loss \$	Closing Balance \$
<b>Deferred tax assets</b>			
Warranty provisions	-	91,051	91,051
Employee benefits provisions	-	122,290	122,290
Accruals	-	661,784	661,784
Other	-	40,081	40,081
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>915,206</b>	<b>915,206</b>

#### 24.b. Deferred Tax Liabilities

The balance comprises temporary differences as follows:

Prepayments	43,962	-
	<b>43,962</b>	<b>-</b>

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 24 Tax assets and liabilities (cont'd)

#### 24.b. Deferred Tax Liabilities (cont'd)

Movements in deferred tax assets:

	Opening Balance \$	(Charged)/credited to profit or loss \$	Closing Balance \$
<b>Deferred tax liabilities</b>			
Prepayments	-	43,962	43,962
<b>Balance at 30 June 2020</b>	-	43,962	43,962

### 25 Key Management Personnel Remuneration

Names and positions held of key management personnel in office at any time during the financial year are:

Dan Kao	Director
Ron Weinberger	Director
Craig Lawn	Director
Clement Doherty	Director
William Highland	Director
Dr Alex Birrell	Director
Elizabeth Harvey	Chief Financial Officer and Company Secretary

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

	2020 \$	2019 \$
Short-term employee benefits	1,106,756	601,697
Post-employment benefits	61,202	50,261
Share-based payments	8,496	13,747
	<b>1,176,454</b>	<b>665,705</b>

The company has issued non-recourse loans to KMPs related to Employee N class shares totalling \$49,885 (2019: \$35,485).

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 26 Cash Flow Information

#### 26.a. Reconciliation of result for the year to cashflows from operating activities

	2020 \$	2019 \$
Profit/(loss) for the year	5,922,149	(1,064,292)
Non-cash flows in profit:		
- depreciation	431,063	247,283
- issue of Employee N class shares	15,664	27,262
- impairment of receivables	5,917	12,977
- stock adjustments	15,333	7,710
- unrealised loss on foreign exchange	114,151	18,394
- interest on lease liability	6,878	-
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	(6,591,944)	(677,690)
- decrease/(increase) in other assets	(143,417)	(3,906)
- decrease/(increase) in inventories	(1,004,107)	(154,227)
- (increase)/decrease in deferred tax asset	(915,206)	-
- (decrease)/increase in trade and other payables	3,241,473	471,194
- (increase)/decrease in contract liabilities	970,185	-
- increase/(decrease) in income taxes payable	2,127,844	-
- increase/(decrease) in deferred tax liability	43,962	-
- (decrease)/increase in provisions	374,016	173,175
Cashflows from operations	<u>4,613,961</u>	<u>(942,120)</u>

#### 26.b. Non-cash financing and investing activities

Additions to the right-of-use assets	230,461	-
--------------------------------------	---------	---

### 27 Controlled Entities

	Principal place of business / Country of Incorporation	Percentage Owned (%) <sup>*</sup> 2020	Percentage Owned (%) <sup>*</sup> 2019
<b>Parent entity:</b>			
CleanSpace Holdings Pty Ltd	Australia	100	100
<b>Subsidiaries:</b>			
CleanSpace IP Pty Ltd	Australia	100	100
CleanSpace Technology Pty Ltd	Australia	100	100
CleanSpace Americas, Inc.	USA	100	100

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 28 Parent entity

The following information has been extracted from the books and records of the parent, CleanSpace Holdings Pty Ltd and its controlled entities and has been prepared in accordance with Accounting Standards.

	2020	2019
	\$	\$
<b>Statement of Financial Position</b>		
Assets		
Current assets	18,533,101	15,540,536
Non-current assets	3,200,887	3,200,887
Total Assets	21,733,988	18,741,423
Liabilities		
Current liabilities	2,231,545	5,313
Total Liabilities	2,231,545	5,313
Equity		
Issued capital	14,347,548	14,334,736
Retained earnings	5,154,895	4,401,374
Total Equity	19,502,443	18,736,110
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total (profit)/loss for the year	753,521	868,403
<b>Total comprehensive income</b>	753,521	868,403

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1 except for;

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

#### Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

#### Contractual commitments

The parent entity did not have any commitments as at 30 June 2020 or 30 June 2019.

### 29 Contingencies

At balance date, a bank guarantee is supported by a security deposit guarantee, for which no liability has been recorded in the financial statements. Total bank guarantees of the consolidated entity at 30 June 2020 were \$34,376 (2019: \$34,376).

### 30 Related Parties

#### 30.a. The Group's main related parties are as follows:

Key management personnel - refer to Note 25.

Subsidiaries - refer to Note 27

# CleanSpace Holdings Pty Ltd and its controlled entities

ACN: 150 214 636

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 30 Related Parties (cont'd)

#### 30.b. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2020	2019
	\$	\$
<b>Payment for services from an associate</b>		
Rental of storage space and car spaces	19,484	-
Employment services	3,110	-
Contractor Business Development services	25,375	-
<b>Receivables from and payable to related party</b>		
Contractor Business Development services owed by the company	22,750	-

The company has issued non-recourse loans to holders of Employee N class shares totalling \$106,765 (2019: \$88,765).

### 31 Events Occurring After the Reporting Date

The Board of the Company is currently exploring strategic options which include a potential listing on the Australian Securities Exchange (ASX). No decision has been made in relation to a listing. As preparation for a potential listing, a general meeting of shareholders was held on 10 August 2020. At the meeting it was resolved to:

- Change the Company type of CleanSpace Holdings Pty Ltd from a Proprietary Limited Company Limited by Shares to a Public Company Limited by Shares;
- Change the name of the Company from CleanSpace Holdings Pty Ltd name to CleanSpace Limited (this was subsequently determined by ASIC to be unavailable and, as such the Company's name will be CleanSpace Holdings Ltd on conversion);
- Modify the Company's constitution to reflect that the Company will be a public company; and
- Adopt an ASX compliant constitution which only becomes effective immediately prior and subject to the admission of the Company on the official list of the ASX.

Additionally, on 1 August 2020 there were two new commercial leases entered (a lease and a sub-lease) for a five year period. The initial base rent is \$553,744 per annum.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# **CleanSpace Holdings Pty Ltd and its controlled entities**

ACN: 150 214 636

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **32 Statutory Information**

The registered office and principal place of business of the company is:

CleanSpace Holdings Pty Ltd

16 - 18 Carlotta Street

Artarmon NSW 2064



## CleanSpace Holdings Pty Ltd and its controlled entities


ACN: 150 214 636


### Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of the consolidated group;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director .....  
  
Dr Alex Birrell

Director .....  
  
Ronald Weinberger

Dated 27 August 2020

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CLEANSPACE HOLDINGS PTY LTD AND ITS CONTROLLED ENTITIES

#### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of CleanSpace Holdings Pty Ltd (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (a) Giving a true and fair view of the company's financial position as at 30 June 2020, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards and 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 Company 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.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Liability limited by a scheme  
approved under Professional  
Standards Legislation

Sydney  
Level 8, 1 O'Connell Street  
Sydney NSW 2000 Australia  
GPO Box 5446 Sydney NSW 2001

p +61 2 8346 6000  
f +61 2 8346 6099

Newcastle  
755 Hunter Street  
Newcastle West NSW 2302 Australia  
PO Box 2368 Dangar NSW 2309

p +61 2 4962 2688  
f +61 2 4962 3245

## Responsibilities of the Directors 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 Company'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 Company or to cease operations, or has 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company'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 Company to cease to continue as a going concern.

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

- 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.

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.



PKF



SCOTT TOBUTT  
PARTNER

27 AUGUST 2020  
SYDNEY, NSW