

Escient Pty Ltd



ABN 20 613 555 810

Annual Report - 30 June 2022

Escient Pty Ltd
Directors' report
30 June 2022

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2022.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stephen Mabbs
Thomas Stianos

Principal activities

We help organisations deal with today's ever-changing landscape so they can thrive in its complexity. And we help them make a more positive impact, by becoming more human and being purpose led. We do this through providing the following services:

- Human-centred design;
- Business analysis, management and IT consulting;
- Strategic planning and change management;
- Architecture services; and
- Program and project management.

No significant changes in the nature of the Company's activity occurred during the financial year.

Dividends

Dividends paid during the financial year were as follows:

	2022 \$	2021 \$
Interim dividend for the year ended 30 June 2022 of 15 cents (2021: 10 cents) per ordinary share	405,740	245,074
Final dividend for the year ended 30 June 2021 of 15 cents per ordinary share	372,254	-
	<u>777,994</u>	<u>245,074</u>

A final dividend of 15 cents per share has been declared for the financial year ended 30 June 2022.

Review of operations

The profit for the Company after providing for income tax amounted to \$1,677,143 (30 June 2021: \$3,644,222).

Escient grew revenues by 17% in FY22 despite a reduced workforce and market challenges. Workforce capacity was impacted by illness as well as a catch-up on leave following the FY21 COVID restrictions. The year also represented the largest investment in the company's history with over \$1.5m being committed to new systems and a number of other initiatives aimed to give Escient the foundation to scale. This impacted EBITDA which exceeded budget but was 30% below FY21.

These initiatives and investments will also impact the FY23 financial performance and are expected to underpin ongoing growth in future years. The Company saw new leadership in the NSW business. It also commenced face to face workshops that brought leadership teams together from across the country for the first time in two years.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report.

Environmental regulation

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnity and insurance of officers

During the financial year, the Company paid a premium in respect of a contract to insure the directors 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.

Auditor's independence declaration

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

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



Stephen Mabbs
Director



Thomas Stianos
Director

21 September 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE
DIRECTORS OF ESCIENT PTY LTD

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022
there have been:

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

William Buck

William Buck (SA)
ABN: 38 280 203 274



M. D. King
Partner

Adelaide, 21st September 2022

Escient Pty Ltd
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Escient Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Revenue			
Sales revenue	3	28,672,220	24,597,994
Billable employee benefits expense		(18,247,620)	(16,524,014)
Other costs of sales		(2,163,235)	(667,897)
		<u>8,261,365</u>	<u>7,406,083</u>
Other income	4	12,746	1,045,569
Expenses			
Rent		(6,126)	9,718
Administrative employee benefits expense		(3,761,115)	(2,891,175)
Depreciation and amortisation		(318,713)	(325,682)
Contribution to trust		(217,490)	-
Other expenses		(1,699,377)	(572,818)
Finance expenses		(90,319)	(54,810)
		<u>2,180,971</u>	<u>4,616,885</u>
Profit before income tax expense		2,180,971	4,616,885
Income tax expense	5	(503,828)	(972,663)
Profit after income tax expense for the year	23	1,677,143	3,644,222
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,677,143</u>	<u>3,644,222</u>

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

Escient Pty Ltd
Statement of financial position
As at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	6	6,165,239	7,900,318
Trade and other receivables	7	3,266,227	3,287,792
Contract assets	8	31,800	49,200
Income tax refund due	12	761,192	-
Other assets	9	236,150	96,735
Total current assets		<u>10,460,608</u>	<u>11,334,045</u>
Non-current assets			
Property, plant and equipment	10	239,146	284,172
Right-of-use assets	11	721,311	488,693
Deferred tax assets	13	825,577	1,091,095
Other assets	9	93,311	31,425
Total non-current assets		<u>1,879,345</u>	<u>1,895,385</u>
Total assets		<u>12,339,953</u>	<u>13,229,430</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,276,136	2,994,676
Contract liabilities	15	70,708	210,830
Lease liabilities	16	290,553	141,944
Income tax liabilities	17	-	703,527
Employee benefits	18	942,417	846,892
Total current liabilities		<u>2,579,814</u>	<u>4,897,869</u>
Non-current liabilities			
Lease liabilities	16	479,175	363,708
Deferred tax liabilities	20	406,229	296,112
Employee benefits	18	521,613	368,149
Provisions	19	55,713	54,263
Total non-current liabilities		<u>1,462,730</u>	<u>1,082,232</u>
Total liabilities		<u>4,042,544</u>	<u>5,980,101</u>
Net assets		<u>8,297,409</u>	<u>7,249,329</u>
Equity			
Issued capital	21	3,075,451	2,690,266
Reserves	22	(506,818)	(270,564)
Retained profits	23	<u>5,728,776</u>	<u>4,829,627</u>
Total equity		<u>8,297,409</u>	<u>7,249,329</u>

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

Escient Pty Ltd
Statement of changes in equity
For the year ended 30 June 2022

	Ordinary shares \$	Option reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2020	2,235,479	754,441	1,430,479	4,420,399
Profit after income tax expense for the year	-	-	3,644,222	3,644,222
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,644,222	3,644,222
Shares issued during the year	454,787	-	-	454,787
Options cancelled during the year	-	(1,025,005)	-	(1,025,005)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 24)	-	-	(245,074)	(245,074)
Balance at 30 June 2021	<u>2,690,266</u>	<u>(270,564)</u>	<u>4,829,627</u>	<u>7,249,329</u>
	Ordinary shares \$	Option reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	2,690,266	(270,564)	4,829,627	7,249,329
Profit after income tax expense for the year	-	-	1,677,143	1,677,143
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,677,143	1,677,143
Shares issued during the year	385,185	-	-	385,185
Options cancelled during the year	-	(236,254)	-	(236,254)
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 24)	-	-	(777,994)	(777,994)
Balance at 30 June 2022	<u>3,075,451</u>	<u>(506,818)</u>	<u>5,728,776</u>	<u>8,297,409</u>

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

Escient Pty Ltd
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		31,409,029	26,578,200
Payments to suppliers and employees		(30,097,669)	(22,852,536)
Other receipts		12,746	48,214
Receipts from government grants		-	1,296,000
Interest received		-	355
Interest paid		(90,319)	(54,810)
Income taxes paid		(1,592,912)	(1,192,401)
Net cash from/(used in) operating activities		(359,125)	3,823,022
Cash flows from investing activities			
Payments for property, plant and equipment	10	(1,132)	-
Net cash used in investing activities		(1,132)	-
Cash flows from financing activities			
Proceeds from issue of shares	21	385,185	454,787
Payment for options buy-back		(653,321)	(1,025,005)
Dividends paid	24	(777,994)	(245,074)
Repayment of lease liabilities		(328,692)	(315,065)
Net cash used in financing activities		(1,374,822)	(1,130,357)
Net increase/(decrease) in cash and cash equivalents		(1,735,079)	2,692,665
Cash and cash equivalents at the beginning of the financial year		7,900,318	5,207,653
Cash and cash equivalents at the end of the financial year	6	<u>6,165,239</u>	<u>7,900,318</u>

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

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 Company 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 the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

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.

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 Company'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.

Revenue recognition

The Company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: 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.

Note 1. Significant accounting policies (continued)

Rendering of services

The Company earns revenue from provision of professional services, incorporating consulting advice. Revenue is recognised over time in the accounting period when services are rendered.

Fee arrangements include fixed fee arrangements, unconditional fee for service agreements ("time and materials") and variable fee arrangements.

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone-based approach.

Estimates of revenues (including interim billing), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In fee for service contracts, revenue is recognised up to the amount of fees that the Company is entitled to invoice for services performed to date based on contracted rates.

The Company estimates variable fee arrangements by using a most likely amount approach on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and variable consideration is included in revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal.

A receivable in relation to these services is recognised when a bill has been invoiced, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Statement of financial position balances relating to revenue recognition

Contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or the before payment is due, the Company presents the contract as a contract asset, unless the Company's rights to that amount of consideration are unconditional, in which case the Company recognises a receivable.

When an amount of consideration is received from a customer prior to the entity transferring a good or service to the customer, the Company presents the contract as a contract liability.

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.

Note 1. Significant accounting policies (continued)

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.

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

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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 Company 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.

Impairment of financial assets

The Company 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 Company'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 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.

Financial liabilities

The Company 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 Company comprise of trade payables and lease liabilities.

Note 1. Significant accounting policies (continued)

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), leasehold improvements and right-of-use assets over their expected useful lives as follows:

Office equipment	20% - 30%
Leasehold improvements	10%
Right-of-use assets	25%

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 Company. 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 Company 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 Company 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.

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 Company'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.

Note 1. Significant accounting policies (continued)

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.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company 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.

Equity-settled compensation

The Company operates an employee share and option scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Binomial pricing model which incorporates all market vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Company revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

Share-based payments

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

Equity-settled transactions are awards of shares, 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 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 Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 1. Significant accounting policies (continued)

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, 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 Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company 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.

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 Australian Taxation Office (ATO). 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 ATO 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 ATO, are presented as operating cash flows.

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

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 Company 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 or Black-Scholes 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.

Revenue from contracts with customers involving provision of professional services

When determining the nature, timing and amount of revenue to be recognised, the following critical estimates and judgements were applied and are considered to be those that have the most significant effect on revenue recognition.

Percentage of Completion

The percentage of completion is estimated with reference to the actual costs incurred as a percentage of total costs expected to be incurred.

Provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

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.

Recovery of deferred tax assets

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

Note 3. Sales revenue

	2022 \$	2021 \$
Sales revenue from contracts with customers	<u>28,672,220</u>	<u>24,597,994</u>

Note 4. Other income

	2022 \$	2021 \$
Finance income	(139)	355
Government grants	12,885	997,000
Other grants	-	47,429
Other income	-	785
Other income	<u>12,746</u>	<u>1,045,569</u>

Note 5. Income tax expense

	2022 \$	2021 \$
<i>Income tax expense</i>		
Current tax	128,194	1,161,712
Deferred tax expense	345,058	(222,101)
Change in tax rate	30,576	33,052
Aggregate income tax expense	<u>503,828</u>	<u>972,663</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>2,180,971</u>	<u>4,616,885</u>
Tax at the statutory tax rate of 25% (2021: 26%)	545,243	1,200,390
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	(71,991)	(260,779)
Change in tax rate	30,576	33,052
Income tax expense	<u>503,828</u>	<u>972,663</u>

Note 6. Cash and cash equivalents

	2022 \$	2021 \$
<i>Current assets</i>		
Cash at bank and in hand	<u>6,165,239</u>	<u>7,900,318</u>

Note 7. Trade and other receivables

	2022 \$	2021 \$
<i>Current assets</i>		
Trade receivables	3,234,742	3,261,172
Other receivables	31,485	26,620
	<u>3,266,227</u>	<u>3,287,792</u>

Note 8. Contract assets

The Company has recognised the following contract asset from contracts with customers:

	2022 \$	2021 \$
<i>Current assets</i>		
Work in progress	<u>31,800</u>	<u>49,200</u>

Escient Pty Ltd
Notes to the financial statements
30 June 2022

Note 9. Other assets

	2022	2021
	\$	\$
<i>Current assets</i>		
Accrued revenue	1,625	17,107
Prepayments	234,525	79,628
	<u>236,150</u>	<u>96,735</u>
<i>Non-current assets</i>		
Security deposit	<u>93,311</u>	<u>31,425</u>

Note 10. Property, plant and equipment

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	374,803	374,803
Less: Accumulated depreciation	(141,982)	(103,213)
	<u>232,821</u>	<u>271,590</u>
Office equipment - at cost	41,111	39,979
Less: Accumulated depreciation	(34,786)	(27,397)
	<u>6,325</u>	<u>12,582</u>
	<u>239,146</u>	<u>284,172</u>

Reconciliations

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

	Leasehold improvements \$	Office Equipment \$	Total \$
Balance at 1 July 2021	271,590	12,582	284,172
Additions	-	1,132	1,132
Depreciation expense	(38,769)	(7,389)	(46,158)
Balance at 30 June 2022	<u>232,821</u>	<u>6,325</u>	<u>239,146</u>

Note 11. Right-of-use assets

	2022	2021
	\$	\$
<i>Non-current assets</i>		
Right-of-use asset	1,592,245	1,087,071
Less: Accumulated amortisation	(870,934)	(598,378)
	<u>721,311</u>	<u>488,693</u>

Note 11. Right-of-use assets (continued)

Reconciliations

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

	Right of use asset \$	Total \$
Balance at 1 July 2021	488,693	488,693
Additions	423,393	423,393
Revaluation increments	81,781	81,781
Depreciation expense	(272,556)	(272,556)
Balance at 30 June 2022	<u>721,311</u>	<u>721,311</u>

Note 12. Income tax refund due

	2022 \$	2021 \$
<i>Current assets</i>		
Income tax refund due	<u>761,192</u>	<u>-</u>

Note 13. Deferred tax assets

	2022 \$	2021 \$
<i>Non-current assets</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	19,913	7,160
Employee benefits	366,007	315,911
Accrued expenses	12,037	463,935
Lease liabilities and provision for makegood	424,094	301,156
Other assets	3,526	2,933
Deferred tax asset	<u>825,577</u>	<u>1,091,095</u>

Note 14. Trade and other payables

	2022 \$	2021 \$
<i>Current liabilities</i>		
Trade payables	521,194	277,859
Accrued expenses	156,529	54,160
Other payables	598,413	2,662,657
	<u>1,276,136</u>	<u>2,994,676</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Note 15. Contract liabilities

The Company has recognised the following contract liabilities from contracts with customers:

	2022 \$	2021 \$
<i>Current liabilities</i>		
Unearned income	70,708	210,830

Note 16. Lease liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Lease liability	290,553	141,944
<i>Non-current liabilities</i>		
Lease liability	479,175	363,708
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	335,899	173,772
One to five years	554,984	376,768
More than five years	-	77,858
	890,883	628,398

Note 17. Income tax liabilities

	2022 \$	2021 \$
<i>Current liabilities</i>		
Current tax liability	-	703,527

Note 18. Employee benefits

	2022 \$	2021 \$
<i>Current liabilities</i>		
Annual leave	922,617	846,892
Long service leave	19,800	-
	942,417	846,892
<i>Non-current liabilities</i>		
Long service leave	521,613	368,149

Note 19. Provisions

	2022 \$	2021 \$
<i>Non-current liabilities</i>		
Lease make good	55,713	54,263

Note 19. Provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease makegood \$
2022	
Carrying amount at the start of the year	54,263
Unwinding of discount	1,450
	<u>55,713</u>
Carrying amount at the end of the year	<u>55,713</u>

Note 20. Deferred tax liabilities

	2022 \$	2021 \$
<i>Non-current liabilities</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Right of use assets	398,062	282,639
Work in progress	-	12,792
Other assets	8,167	681
	<u>406,229</u>	<u>296,112</u>
Deferred tax liability	<u>406,229</u>	<u>296,112</u>

Note 21. Issued capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares - fully paid	<u>2,704,933</u>	<u>2,450,743</u>	<u>3,075,451</u>	<u>2,690,266</u>
	Date	Shares	Issue price	\$
Balance	01/07/2021	2,450,743		2,690,266
Shares issued during the year	11/08/2021	9,348	\$1.15	10,750
Shares issued during the year	18/08/2021	21,600	\$1.15	24,840
Shares issued during the year	17/09/2021	68,182	\$1.65	112,500
Shares issued during the year	30/09/2021	28,864	\$4.23	122,095
Shares issued during the year	01/10/2021	26,196	\$0.00	-
Shares issued during the year	23/12/2021	100,000	\$1.15	115,000
		<u>254,190</u>		<u>385,185</u>
Balance	30/06/2022	<u>2,704,933</u>		<u>3,075,451</u>

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 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.

Note 22. Reserves

	2022 \$	2021 \$
Share option reserve	<u>(506,818)</u>	<u>(270,564)</u>

Share option reserve

The reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised the amount in the share option reserve is transferred to share capital.

Note 23. Retained profits

	2022 \$	2021 \$
Retained profits at the beginning of the financial year	4,829,627	1,430,479
Profit after income tax expense for the year	1,677,143	3,644,222
Dividends paid (note 24)	<u>(777,994)</u>	<u>(245,074)</u>
Retained profits at the end of the financial year	<u>5,728,776</u>	<u>4,829,627</u>

Note 24. Dividends

Dividends paid during the financial year were as follows:

	2022 \$	2021 \$
Interim dividend for the year ended 30 June 2022 of 15 cents (2021: 10 cents) per ordinary share	405,740	245,074
Final dividend for the year ended 30 June 2021 of 15 cents per ordinary share	<u>372,254</u>	<u>-</u>
	<u>777,994</u>	<u>245,074</u>

Note 25. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements are as follows:

	2022 \$	2021 \$
<i>Financial assets</i>		
Financial assets amortised at cost		
Cash and cash equivalents	6,165,239	7,900,318
Trade and other receivables	<u>3,266,227</u>	<u>3,287,792</u>
	<u>9,431,466</u>	<u>11,188,110</u>

Note 25. Financial risk management (continued)

	2022	2021
<i>Financial liabilities</i>		
Trade and other payables	1,276,136	2,994,676
Lease liabilities	769,728	505,652
	<u>2,045,864</u>	<u>3,500,328</u>

Note 26. Key management personnel disclosures

Compensation

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

	2022 \$	2021 \$
Aggregate compensation	<u>828,757</u>	<u>624,813</u>

Note 27. Remuneration of auditors

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

	2022 \$	2021 \$
<i>Audit services -</i>		
Audit or review of the financial statements	<u>30,950</u>	<u>25,300</u>
<i>Other services -</i>		
Preparation of the tax return	8,115	7,210
Advice for dividends and distributions	-	1,683
	<u>8,115</u>	<u>8,893</u>
	<u>39,065</u>	<u>34,193</u>

Note 28. Contingent assets

In the opinion of the directors, the Company did not have any contingencies at 30 June 2022 except for the following:

The Company has provided a bank guarantee of \$31,425 (30 June 2021: \$31,425) in relation to the lease for the Adelaide office and \$61,886 (30 June 2021: \$0) in relation to the lease for the Brisbane office.

Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 30. Share-based payments

At 30 June 2022, Escient Pty Ltd has the following share-based payment schemes:

The Company has an Option Plan in existence which forms an important part of a comprehensive remuneration strategy for the Company's directors and employees and aligns their interests with those shareholders by linking rewards to the long term success of the Company and its financial performance.

Note 30. Share-based payments (continued)

The weighted average remaining contractual life of options outstanding at year end was 5 years. The weighted average exercise price of outstanding shares at the end of the reporting period was \$1.30.

Set out below are summaries of options granted under the plan:

	Number of options 2022	Weighted average exercise price 2022	Number of options 2021	Weighted average exercise price 2021
Outstanding at the beginning of the financial year	2,315,913	\$1.21	3,211,122	\$1.19
Granted and vested	126,741	\$3.07	-	\$0.00
Exercised	(199,130)	\$1.32	(402,029)	\$1.13
Cancelled	(230,459)	\$1.24	(493,180)	\$1.14
Outstanding at the end of the financial year	<u>2,013,065</u>	\$1.30	<u>2,315,913</u>	\$1.21
Vested and exercisable at the end of the financial year	<u>2,013,065</u>	\$1.30	<u>2,315,913</u>	\$1.21

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2022 Number	2021 Number
01/05/2017	01/05/2027	268,750	268,750
14/08/2017	14/08/2027	1,442,500	1,673,448
13/09/2017	13/09/2027	35,343	35,343
04/09/2018	04/09/2028	139,731	338,372
29/10/2021	29/10/2022	118,771	-
28/02/2022	28/02/2032	5,109	-
27/05/2022	27/05/2032	2,861	-
		<u>2,013,065</u>	<u>2,315,913</u>

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29/10/2021	29/10/2031	\$4.23	\$3.06	82.00%	5.91%	1.17%	\$2.400
28/02/2022	28/02/2032	\$4.51	\$3.19	82.00%	5.91%	1.50%	\$2.590
27/05/2022	27/05/2032	\$4.51	\$3.10	82.00%	5.91%	1.78%	\$2.620

Note 31. Statutory information

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

Escient Pty Ltd
Level 20, 115 King William Street
Adelaide SA 5000

Escient Pty Ltd
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2022 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.

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



Stephen Mabbs
Director



Thomas Stianos
Director

21 September 2022

Escient Pty Ltd

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Escient Pty Ltd. (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Simplified Disclosures 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 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* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 – Simplified Disclosures 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 ability of the Company 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 the 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 this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

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, related safeguards.

William Buck

William Buck (SA)
ABN 38 280 203 274

M.D. King

M.D. King
Partner

Adelaide, 21st September 2022