Phoslock Environmental Technologies Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Phoslock Environmental Technologies Limited
ABN:	88 099 555 290
Reporting period:	For the year ended 31 December 2021
Previous period:	For the year ended 31 December 2020

2. Results for announcement to the market

The comparative financial statements for the prior period has been restated as described in note 2.

				$'000
Revenues from ordinary activities	down	8.4%	to	6,297
Underlying Earnings/(Loss) Before Interest and Tax ('Underlying EBIT')	up	7.6%	to	(7,872)
Loss from ordinary activities after tax attributable to the owners of Phoslock Environmental Technologies Limited	down	84.6%	to	(3,937)
Loss for the year attributable to the owners of Phoslock Environmental Technologies Limited	down	84.6%	to	(3,937)

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

Comments
The loss for the Group after providing for income tax amounted to $3,937,000 (31 December 2020: $25,492,000).

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Revenue	6,297	6,878
Net Operating Profit/(Loss) after Tax ('NPAT')	(3,937)	(25,492)
Add: income tax (benefit)/expense	-	(272)
Add: Finance costs	78	204
Add: Impairment/(reversals) of receivables	(2,441)	10,935
Add: Impairment/(reversals) of assets	1,631	7,381
Add: Share-based expense (reversal)/expense	-	(30)
Add: Foreign exchange losses/(gains)	129	67
Less: Interest revenue	(92)	(106)
Less: Remeasurement of lease liabilities	(3,240)	-
Underlying Earnings / (Loss) Before Interest and Taxes ('Underlying EBIT') *	(7,872)	(7,313)

* Underlying EBIT is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for the add back of income tax, finance costs and certain non-cash income and expense items that are deemed to not have an ongoing affect to the underlying performance of the business. The Company believes that presenting Underlying EBIT provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Refer to the Operating and financial review section for more information on the Group's results for the year.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.04	4.69

The net tangible assets calculation does not include rights-of-use assets of $322,000 (31 December 2020: $165,000) but includes the lease liabilities of $1,292,000 (31 December 2020: $3,836,000).

4. Control gained over entities

Name of entities	Incorporation date
Phoslock Inc (USA – Delaware)	6 January 2021

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements are in the process of being audited.

11. Attachments

Details of attachments (if any):

The Preliminary Final Report of Phoslock Environmental Technologies Limited for the year ended 31 December 2021 is attached.

---

12. Signed

As authorised by the Board of Directors

Signed ______________________ Date: 28 February 2022

Lachlan McKinnon
Managing Director
Melbourne

Phoslock Environmental Technologies Limited

ABN 88 099 555 290

Preliminary Final Report - 31 December 2021

Contents

Operating results

Revenue for the period was $6,297,000 down 8.4% on the $6,878,000 generated in the prior corresponding period. Consistent with statements made at the first half of 2021, the business continued to face headwinds during the year as a result of COVID-related impacts which contributed to project delays and the continued priority given by government authorities to manage COVID related health initiatives.

Gross profit was $3,586,000 for the full year (Full Year to 31 December 2020: $4,103,000). The gross profit margin was 57% for the full year (Full Year to 31 December 2020: 60%). The gross profit margin was slightly down on prior corresponding period as a result of higher freight costs in the period partially offset by favourable pricing, particularly in Europe, and slightly lower project application costs.

Underlying EBIT for the year was a loss of $7,872,000 compared to a loss of $7,313,000 in the prior corresponding period. Lower sales volume / revenue flowing to gross margin was partially offset with lower operating expenses in the period. Following on from commentary at 30 June 2021, operating expenses were lower in the reporting period, however they remained relatively high as a result of continued expenditure on interim management and restructuring costs in China, ongoing legal expenses as a result of the fraud and mismanagement investigations, higher auditing costs consistent with the Board strategy to enable the Company to lift the suspension of trading on the ASX and consultancy costs relating to reviews of the R&D program and the Company's manufacturing/supply chain strategy. These reviews are well advanced.

NPAT for the Group for the full year amounted to a loss of $3,937,000; (Full Year to 31 December 2020 restated: loss of $25,492,000). The prior corresponding period included a number of non-cash adjustments to receivables, inventory, plant property & equipment and right of use assets (see notes to the accounts for FY 2020). As foreshadowed in Subsequent Events in the 2020 full year accounts, the 31 December 2021 reporting period includes non-cash adjustments to the right-of-use asset (leases) as a result of the Group signing a lease modification with its landlord in relation to the Zheijang Phoslock Environmental Technologies Ltd (China)('PETZ') factory. The modification reduced the lease term, square footage and overall cost and is part of the ongoing effort to right-size the business. The value of this adjustment was $3,240,000.

As reported in early January 2022, the Company secured a settlement in relation to all outstanding receivables involving a former customer and related party in China, Beijing BHZQ Environmental Engineering Technology Co. Ltd ('BHZQ'). The settlement concluded all arbitration and court cases for claims and counterclaims initiated by PET or BHZQ against one another. Further details on this matter can be found below under the sub heading Impairment of Receivables.

The 2021 year includes the receipt of the Phase 1 payment ($536,000) relating to works completed at Xingyun Lake in China. Given circumstances and uncertainties at the time, the receivable relating to the full payment for this work was impaired in the first half of the 2020 financial year. Although the part-payment was a positive outcome, payment for the balance of the project remains outstanding and the Company is yet to receive written confirmation of the receivable from the customer, or acknowledgment that it is past due, despite several requests to that effect.

Consistent with stated inventory accounting policy, within the 2021 period, updates were made to the Group's provision for impairment of finished goods, the details of which can be found in note 8 of these accounts.

Within the year, the business added to existing tax losses in Australia that will be utilised against profits in future periods.

Cash Flows

Operating Cash Flow for the full year was a cash outflow of $6,926,000 (Full Year to 31 December 2020: outflow of $12,554,000), representing an improvement of $5,628,000 during the year. Cash payments from customers for the year were $8,766,000 (Full Year to 31 December 2020: $6,130,000).

Cash payments to suppliers and employees for the full year were $15,469,000 (Full Year to 31 December 2020: $19,568,000). Receipts from customers came primarily from the previously announced contract to remediate Kralingse Plus Lake, in the city of Rotterdam, The Netherlands. The business also secured payments from a number of Australian customers including the Gold Coast council, Hydroscience in Brazil, Sepro in the USA and a number of smaller customers in China. Continued cash outflows associated with due diligence on the previously announced manufacturing footprint analysis and R&D activities were incurred FY 2021. Despite these outflows, the decrease in cash outflows vs the prior period relates primarily to lower employee payments and lower manufacturing related activity. The prior period included higher spending on inventory levels as a result of the manufacturing plant building safety stocks as insurance against possible COVID-related shutdowns. The 2021 period also included higher tax payments as the Company continued to resolve legacy tax issues identified in the accounting investigations.

New plant, equipment, and intangibles for the full year 2021 totalled $51,000. This was mainly for the Chinese manufacturing facilities and fit out of the new Melbourne offices in South Yarra.

Financial position

Current assets of the Group as at 31 December 2021 were $29,836,000 made up of cash ($22,991,000); trade and other receivables ($2,882,000) and inventories ($3,305,000) and other assets ($658,000).

Current liabilities of the Group as at 31 December 2021 were $3,825,000 made up of trade / other payables, lease liabilities, employee liabilities and direct/indirect taxes payable.

The net assets of the Group were $25,8714,000 as at 31 December 2021 (31 December 2020: $29,647,000), a decrease of $3,773,000 from 31 December 2020. Despite the net cash outflow of operating cash outflow of $6,926,000 during the year, it was partially offset by the revised lease adjustments and restatement of receivables detailed above.

As a result, cash and cash equivalents increased to $22,991,000 as at 31 December 2021 (31 December 2020: $30,441,000).

The full year financial statements have been prepared on a going concern basis of accounting, which assumes, the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business, supported by the Group's strong cash position (as above) and net current asset position of $26,011,000 as at 31 December 2021 (2020: $32,514,000). At balance date, the Group had no external loan facilities.

Whilst the Group expects to utilise some of its available cash reserves to support its operating activities in the short term, and settle amounts relating to external advisor costs arising from the ongoing litigation as a result of the Board investigation, the Group's current cashflow forecasts indicate that the cash held by the Group will be sufficient to support its operating activities and pay creditors as and when they fall due for no less than 12 months from the date of this directors' report.

Impairment of receivables

On 10 January 2022, the Group obtained a $1,800,000 settlement of outstanding receivables and recognised a reversal equal to this amount as at 31 December 2021 (31 December 2020: loss of $2,121,000). The amount was received in two equal instalments in mid-January 2022 and mid-February 2022.

As noted in the 31 December 2020 financial statements, the Group identified an amount of A$349,000 in accounts payable, which related to a contractual obligation to pay a third party connected with transactions under investigation. The contract was characterised as labour services connected to the Xingyun Lake Project. Due to concerns regarding the interdependency of the contracts related to the Xingyun Lake Project, management concluded that the recoverability of outstanding accounts receivable in relation to this contract was uncertain, notwithstanding that the terms of the Xingyun Lake contract did not require payment until 31 March 2021. Management therefore concluded to impair the outstanding balance recognising an allowance for expected credit losses of $6,403,000 as at 31 December 2020 in relation to this contract.

Within the current year, the Company received the Phase 1 payment ($536,000) relating to works completed at Xingyun Lake. The part payment resulted in a partial write back of the impairment provision maintained at 31 December 2020. Although this recent part-payment is a positive outcome, it is for initial work, not the bulk of the project application. The Company is yet to receive written confirmation of the receivable from the customer, or acknowledgment that it is past due, despite several requests to that effect.

At around the same time, the Company extinguished the contractual obligation to pay the third party connected to the Xingyun Lake Project. This resulted in a write back of an accounts payable provision of A$349,000 as a credit to the profit or loss account "other income", in accordance with accounting standards.

Notwithstanding the release of the contractual obligation, it remains management's judgment that the recoverability of outstanding accounts receivable for Xingyun Lake continues to be uncertain and the impairment provision remains.

The Company remains in constant contact with Xingyun Lake officials to secure payment. Recently, officials of the lake have made preliminary overtures to reach agreement on a payment plan. These types of overtures in the past have borne little fruit. Should the Lake officials agree to a payment plan and demonstrate a consistency of payment to the plan, management will assess its judgement on the balance of that receivable in line with the Group policy.

Both of these transactions have been treated as other income items as they are deemed to not have an ongoing affect on the underlying performance of the business. Management believes that presenting Underlying EBIT provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Phoslock Environmental Technologies Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 Restated $'000
Revenue			
Sales revenue		6,297	6,878
Cost of sales		(2,711)	(2,775)
Gross profit		3,586	4,103
Other income	5	3,822	298
Interest revenue calculated using the effective interest method		92	106
Expenses			
Distribution		(121)	(98)
Marketing		(202)	(330)
Occupancy		(82)	(342)
Director, listing and professional fees		(6,598)	(4,124)
Administration		(5,166)	(6,887)
Reversals/(impairment) of receivables	7	2,441	(10,935)
Reversals/(impairment) of assets	6	(1,631)	(7,381)
Share-based expense reversal		-	30
Finance costs	6	(78)	(204)
Loss before income tax benefit		(3,937)	(25,764)
Income tax benefit		-	272
Loss after income tax benefit for the year attributable to the owners of Phoslock Environmental Technologies Limited		(3,937)	(25,492)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		107	408
Other comprehensive income for the year, net of tax		107	408
Total comprehensive income for the year attributable to the owners of Phoslock Environmental Technologies Limited		(3,830)	(25,084)
		Cents	Cents
Basic earnings per share	18	(6.30)	(4.21)
Diluted earnings per share	18	(6.30)	(4.21)

Refer to note 2 for detailed information on Restatement of comparatives.

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

Phoslock Environmental Technologies Limited
Statement of financial position
As at 31 December 2021

	Note	31 Dec 2021 $'000	Consolidated 31 Dec 2020 Restated $'000	31 Dec 2019 Restated $'000
Assets				
Current assets				
Cash and cash equivalents		22,991	30,441	14,959
Trade and other receivables	7	2,882	2,726	12,443
Inventories	8	3,305	3,959	4,726
Other		658	331	723
Total current assets		29,836	37,457	32,851
Non-current assets				
Property, plant and equipment	9	15	73	1,566
Right-of-use assets	10	322	165	699
Intangibles	11	241	187	184
Total non-current assets		578	425	2,449
Total assets		30,414	37,882	35,300
Liabilities				
Current liabilities				
Trade and other payables		3,023	3,659	7,657
Lease liabilities	12	520	544	352
Income tax		-	444	708
Employee benefits		282	296	549
Total current liabilities		3,825	4,943	9,266
Non-current liabilities				
Lease liabilities	12	772	3,292	326
Other		-	-	19
Total non-current liabilities		772	3,292	345
Total liabilities		4,597	8,235	9,611
Net assets		25,817	29,647	25,689
Equity				
Issued capital	13	92,398	92,398	63,326
Reserves	14	1,092	985	607
Accumulated losses		(67,673)	(63,736)	(38,244)
Total equity		25,817	29,647	25,689

Refer to note 4 for detailed information on Restatement of comparatives.

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

Consolidated	Issued capital $'000	Option reserves $'000	Foreign currency translation reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2020	63,387	30	577	(38,237)	25,757
Restatement of comparatives (note 2)	(61)	-	-	(7)	(68)
Balance at 1 January 2020 - restated	63,326	30	577	(38,244)	25,689
Loss after income tax benefit for the year	-	-	-	(25,492)	(25,492)
Other comprehensive income for the year, net of tax	-	-	408	-	408
Total comprehensive income for the year	-	-	408	(25,492)	(25,084)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 13)	29,072	-	-	-	29,072
Share-based payments	-	(30)	-	-	(30)
Balance at 31 December 2020	92,398	-	985	(63,736)	29,647

Consolidated	Issued capital $'000	Option reserves $'000	Foreign currency translation reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2021	92,398	-	985	(63,736)	29,647
Loss after income tax expense for the year	-	-	-	(3,937)	(3,937)
Other comprehensive income for the year, net of tax	-	-	107	-	107
Total comprehensive income for the year	-	-	107	(3,937)	(3,830)
Balance at 31 December 2021	92,398	-	1,092	(67,673)	25,817

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

Phoslock Environmental Technologies Limited
Statement of cash flows
For the year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,766	6,130
Receipts from research and development grant and other income		215	620
Payments to suppliers and employees (inclusive of GST)		(15,469)	(19,568)
Interest received		87	106
Interest and other finance costs paid		-	(1)
Income taxes refunded/(paid)		(525)	159
Net cash used in operating activities		(6,926)	(12,554)
Cash flows from investing activities			
Payments for property, plant and equipment	9	(51)	(31)
Payments for intangibles	11	(92)	(21)
Proceeds from disposal of property, plant and equipment		2	-
Net cash used in investing activities		(141)	(52)
Cash flows from financing activities			
Proceeds from issue of shares	13	-	30,004
Share issue transaction costs		-	(932)
Repayment of lease liabilities		(480)	(1,113)
Net cash from/(used in) financing activities		(480)	27,959
Net increase/(decrease) in cash and cash equivalents		(7,547)	15,353
Cash and cash equivalents at the beginning of the financial year		30,441	14,959
Effects of exchange rate changes on cash and cash equivalents		97	129
Cash and cash equivalents at the end of the financial year		22,991	30,441

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

Note 1. General information

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

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

Unit D
Level 2, Como Centre
650 Chapel Street
South Yarra Victoria 3141

Note 2. Restatement of comparatives

During the year the Group continued to undertake a review of its financial position and financial performance in order to identify, quantify and account for transactions connected with previously disclosed accounting irregularities. The process also included a review of prior period accounting transactions and judgments dating back to 2017. Consequently, the Company identified accounting errors made in prior periods and amended previous accounting estimates and judgements, which are detailed below.

Where appropriate, the Group has restated prior period comparatives in relation to these matters.

In respect to prior periods, the Group has made the following adjustments which impact:
- the comparative statement of financial position as at 31 December 2019 and 31 December 2020;
- the opening statement of financial position of the comparative period as at 31 December 2019; and
- the comparative statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020 and 31 December 2019.

The following adjustments were made:

(1) An error was found in the initial estimate arising from the finalisation of analysis by the Group's tax advisors with respect to payroll tax associated with the vesting of options issued to employees for 31 December 2019 and prior. The initial estimate was made in 31 December 2020 and has been corrected in the same period.
(2) De-recognition of a liability for the opening balance 31 December 2019 to correct for a duplicate intercompany invoice input in error. The transaction related to an intercompany transaction between the Company's UK subsidiary and parent made in 2016.
(3) To record amortisation expense for Patents to be in line with the Company's Intangible Assets (Patents) Accounting policy for transactions dating back to 2017.
(4) De-recognition of a prepayment held as at 31 December 2019 and recognition of an expense for the period ended 31 December 2019 related to the registration of the Phoslock® product under the EU's REACH program. REACH is the European system for the registration of chemical substances without which substances such as Phoslock can't be manufactured, imported or sold in the EU.
(5) The Company has become aware that 610,000 ordinary shares in the Company were invalidly issued to one of its wholly-owned subsidiaries in 2017 and 2019. These transactions have been accounted for and adjusted accordingly to reflect that the purported issue was void.
(6) De-recognition of an overprovision for income tax in China tax at 31 December 2020 which should have been written back in that year.

Note 2. Restatement of comparatives (continued)

The effects of these adjustments and the impact on the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income for the 31 December 2020 comparative period and 31 December 2019 opening statement of financial position were as follows:

	As at 31 December 2020				As at 31 December 2019			
	Assets increase / (decrease) $'000	Liabilities (increase) / decrease $'000	Equity (increase) / decrease $'000	Profit increase / (decrease) $'000	Assets increase / (decrease) $'000	Liabilities (increase) / decrease $'000	Equity (increase) / decrease $'000	Retained earnings increase / (decrease) $'000
Adjustment 1	-	87	(87)	87	-	-	-	-
Adjustment 2	-	69	(69)	-	-	69	(69)	69
Adjustment 3	(22)	-	22	(10)	(12)	-	12	(12)
Adjustment 4	(58)	-	58	6	(64)	-	64	(64)
Adjustment 5	(61)	-	61	-	(61)	-	61	-
Adjustment 6	-	159	(159)	159	-	-	-	-
	(141)	315	(174)	242	(137)	69	68	(7)

The effects of these adjustments on the statement of profit or loss on the comparative period 30 June 2020 and year ended 31 December 2020 were as follows:

	Year ended 31 December 2020				Year ended 31 December 2019			
	Revenue increase / (decrease $'000	Gross profit increase) / (decrease) $'000	Operating profit increase / (decrease) $'000	Profit after tax increase / (decrease) $'000	Revenue increase / (decrease) $'000	Gross profit increase / (decrease) $'000	Operating profit increase / (decrease) $'000	Profit after tax increase / (decrease) $'000
Adjustment 1	-	-	87	87	-	-	-	-
Adjustment 2	-	-	-	-	-	-	69	69
Adjustment 3	-	-	(10)	(10)	-	-	(12)	(12)
Adjustment 4	-	-	6	6	-	-	(64)	(64)
Adjustment 5	-	-	-	-	-	-	-	-
Adjustment 6	-	-	-	159	-	-	-	-
	-	-	83	242	-	-	(7)	(7)

Note 2. Restatement of comparatives (continued)

These transactions have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated statement of financial position	31-Dec-20 Reported $'000	Increase/ (decrease) $'000	31-Dec-20 Restated $'000	31-Dec-19 Reported $'000	Increase/ (decrease) $'000	31-Dec-19 Restated $'000
Assets						
Current assets						
Cash and cash equivalents	30,441	-	30,441	14,959	-	14,959
Trade and other receivables	2,726	-	2,726	12,443	-	12,443
Inventories	3,959	-	3,959	4,726	-	4,726
Other assets	450	(119)	331	848	(125)	723
Non-current assets						
Property, plant and equipment	73	-	73	1,566	-	1,566
Right-of-use assets	165	-	165	699	-	699
Intangibles	209	(22)	187	196	(12)	184
Total assets	38,023	(141)	37,882	35,437	(137)	35,300
Liabilities						
Current liabilities						
Trade and other payables	3,815	(156)	3,659	7,726	(69)	7,657
Lease liabilities	544	-	544	352	-	352
Income tax	603	(159)	444	708	-	708
Employee benefits	296	-	296	549	-	549
Non-current liabilities						
Lease liabilities	3,292	-	3,292	326	-	326
Other liabilities	-	-	-	19	-	19
Total liabilities	8,550	(315)	8,235	9,680	(69)	9,611
Equity						
Issued capital	92,459	(61)	92,398	63,387	(61)	63,326
Reserves	985	-	985	607	-	607
Accumulated losses	(63,971)	235	(63,736)	(38,237)	(7)	(38,244)
Total equity	29,473	174	29,647	25,757	(68)	25,689

Note 2. Restatement of comparatives (continued)

Consolidated statement of profit or loss	Year ended 31 Dec 2020 Reported $'000	Increase/ (decrease) $'000	Year ended 31 Dec 2020 Restated $'000	Year ended 31 Dec 2019 Reported $'000	Increase/ (decrease) $'000	Year ended 31 Dec 2019 Restated $'000
Sales revenue	6,878	-	6,878	19,757	-	19,757
Cost of sales	(2,775)	-	(2,775)	(8,343)	-	(8,343)
Gross profit	4,103	-	4,103	11,414	-	11,414
Other income	298	-	298	571	-	571
Interest revenue calculated using the effective interest method	106	-	106	96	-	96
Distribution	(98)	-	(98)	(159)	-	(159)
Marketing	(336)	6	(330)	(643)	(64)	(707)
Occupancy	(342)	-	(342)	(129)	-	(129)
Director, listing and professional fees	(4,124)	-	(4,124)	(2,869)	-	(2,869)
Administration	(6,964)	77	(6,887)	(7,831)	57	(7,774)
Impairment of receivables	(10,935)	-	(10,935)	-	-	-
Impairment of assets/(reversals of impairment)	(7,381)	-	(7,381)	(189)	-	(189)
Share-based expense reversal	30	-	30	(30)	-	(30)
Finance costs	(204)	-	(204)	(73)	-	(73)
	(29,950)	83	(29,867)	(11,256)	(7)	(11,263)
Income tax expense	113	159	272	(1,241)	-	(1,241)
Profit after income tax	(25,734)	242	(25,492)	(1,083)	(7)	(1,090)
	Cents Reported	Cents Adjustment	Cents Restated	Cents Reported	Cents Adjustment	Cents Restated
Basic earnings per share	(4.25)	0.04	(4.21)	(0.21)	-	(0.21)
Diluted earnings per share	(4.25)	0.04	(4.21)	(0.21)	-	(0.21)

Note 3. Operating segments

Identification of reportable operating segments
The Group is organised into four operating segments based on geographical areas: Australia/NZ, Europe/UK, US/Canada/Brazil and China. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews Underlying EBIT (earnings before interest and tax adjusted for non-cash items). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Intersegment transactions
Intersegment sales were made at an internally determined transfer price. The price is based on what would be realised in the event the sale was made to an external party at arm's-length. Intersegment sales are eliminated on consolidation.

Corporate charges are allocated to reporting segment based on the segment's overall proportion of revenue generation within the Group. The Board believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Note 3. Operating segments (continued)

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the year ended 31 December 2021, approximately 72% of the Group's external revenue was derived from sales to two customers (31 December 2020: approximately 87% of the Group's external revenue was derived from sales to four customers).

Operating segment information

Consolidated - 31 Dec 2021	Australia/NZ $'000	Europe/UK $'000	US/Canada/ Brazil $'000	China $'000	Eliminations $'000	Total $'000
Revenue						
Sales to external customers	358	4,068	1,053	818	-	6,297
Intersegment sales	2,218	9	517	1,321	(4,065)	-
Total sales revenue	2,576	4,077	1,570	2,139	(4,065)	6,297
Interest revenue	92	-	-	5	(5)	92
Total revenue	2,668	4,077	1,570	2,144	(4,070)	6,389
Underlying EBIT*	(9,100)	1,361	138	(1,010)	739	(7,872)
Interest revenue						92
Remeasurement of lease liabilities						3,240
Foreign exchange losses						(129)
Reversal of impairment of receivables						2,441
Reversal of impairment of assets						(1,631)
Finance costs						(78)
Loss before income tax expense						(3,937)
Income tax expense						-
Loss after income tax expense						(3,937)
Assets						
Segment assets	40,757	3,005	10	7,934	(21,292)	30,414
Total assets						30,414
Liabilities						
Segment liabilities	4,381	2,371	9	1,898	(4,062)	4,597
Total liabilities						4,597

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2020	Australia/NZ $'000	Europe/UK $'000	US/Canada/ Brazil $'000	China $'000	Eliminations $'000	Total $'000
Revenue						
Sales to external customers	132	629	2,876	3,241	-	6,878
Intersegment sales	353	107	-	2,332	(2,792)	-
Total sales revenue	485	736	2,876	5,573	(2,792)	6,878
Interest revenue	47	-	-	60	(1)	106
Total revenue	532	736	2,876	5,633	(2,793)	6,984
Underlying EBIT*	(7,258)	(87)	1,524	(838)	(654)	(7,313)
Interest revenue						106
Foreign exchange losses						(67)
Impairment of receivables						(10,935)
Impairment of assets						(7,381)
Share-based expense reversal						30
Finance costs						(204)
Loss before income tax benefit						(25,764)
Income tax benefit						272
Loss after income tax benefit						(25,492)
Assets						
Segment assets	79,810	815	-	8,976	(51,719)	37,882
Total assets						37,882
Liabilities						
Segment liabilities	34,560	1,486	-	6,424	(34,235)	8,235
Total liabilities						8,235

* Underlying EBIT is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit or loss under AAS adjusted for the add back of income tax, finance costs and certain non-cash income and expense items that are deemed to not have an ongoing affect to the underlying performance of the business. The Company believes that presenting Underlying EBIT provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Note 4. Revenue

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Geographical regions		
Australia/NZ	358	132
Europe/UK	4,068	629
US/Canada/Brazil	1,053	2,876
China	818	3,241
	6,297	6,878
Timing of revenue recognition		
Goods transferred at a point in time	5,927	6,833
Services transferred at a point in time	370	45
	6,297	6,878

Seasonality of operations
The Group's sale of goods segment is subject to seasonal fluctuations as a result of weather conditions. In particular, the sales and application of Phoslock® in northern China and European regions are affected by the winter weather conditions, which occur primarily from November to February.

Note 5. Other income

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Net foreign exchange loss	(129)	(67)
Net gain on disposal of property, plant and equipment	-	7
Remeasurement of lease liabilities	3,240	-
Research and development grants	(17)	273
Other income	728	85
Other income	3,822	298

Remeasurement of lease liabilities
Refer to note 12 for more information.

Other
During the period the Company extinguished the contractual obligation to pay the 3rd party connected to the Xingyun Lake Project. This resulted in a write back of an accounts payable provision of $357,000 as a credit to the profit or loss in accordance with accounting standards. This also includes freight collected from customer for product transportation and rental income as a result of the sub lease in Lime Street Sydney.

Note 6. Expenses

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	49	169
Buildings right-of-use assets	69	512
Office equipment right-of-use assets	7	7
Total depreciation	125	688
Amortisation		
Patents	38	10
Total depreciation and amortisation	163	698
Impairment		
Plant and equipment	58	-
Inventories	871	1,921
Plant and equipment	-	1,377
Rights-of-use assets	703	4,083
Total impairment	1,632	7,381
Finance costs		
Interest and finance charges paid/payable on borrowings	-	1
Interest and finance charges paid/payable on lease liabilities	78	203
Finance costs expensed	78	204
Leases		
Short-term lease payments	31	342
Superannuation expense		
Defined contribution superannuation expense	143	231
Payroll tax expense		
Reversal of payroll tax expense*	(562)	-

* At 31 December 2020, the Group recognised an estimate for the Australian payroll tax liability expected to arise in connection with the vesting of options issued to employees. As of 30 June 2021, the Group received additional information which clarified the tax status of relevant individuals and resulted in a reduction in the expected liability of $649,000, $562,000 of which has been recognised within profit or loss in the current period and $87,000 has been recognised as a restatement to prior period (note 2). As of 31 December 2021, the Group has finalised the lodgements with respective tax authorities. Per final notice of assessment, final tax liability is $223,000 with $163,000 paid in December 2021 and the remaining $60,000 was settled in January 2022.

Note 7. Trade and other receivables

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Current assets		
Trade receivables	10,944	12,976
Less: Allowance for expected credit losses	(8,062)	(10,350)
	2,882	2,626
Grant income receivables	-	100
	2,882	2,726

Allowance for expected credit losses

As at 30 June 2021 the receivable from BHZQ remained due, at that time the probability of collection was deemed remote, notwithstanding the Group's continued efforts to recover the amount including taking the matter to arbitration. The Group recognised an impairment provision of $2,121,000 for the half year ended June 30 2021 for the amount outstanding from BHZQ. This amount constitutes the full balance owing.

On 10 January 2022, the Group obtained a $1,800,000 settlement of outstanding receivable and recognised a reversal equal to this amount as at 31 December 2021 (31 December 2020: loss of $2,121,000). The amount has been received in two equal instalments in mid-January 2022 and mid-February 2022.

As noted in note 2 and , the Group has identified an amount of $349,000 at 31 December 2020, which related to a contractual obligation to pay a third party connected with transactions under investigation in connection with the Group's Chinese operations. The Group was party to a contemporaneous sales contract on the Xingyun Lake Project.

Due to concerns regarding the interdependency of the two contracts related to the Xingyun Lake Project, the Board concluded that the recoverability of outstanding accounts receivable in relation to this contract is uncertain. The Board concluded to continue impair the outstanding balance recognising an allowance for expected credit losses of $6,403,000 as at 31 December 2020 in relation to this contract.

During the year, the Company received the Phase 1 payment ($536,000) relating to works completed at Xingyun Lake. The part payment resulted in a partial write back of the impairment provision maintained at 31 December 2020. Although this recent part-payment is a positive outcome, it is for initial work, not the bulk of the project application. The Company is yet to receive written confirmation of the receivable from the customer, or acknowledgment that it is past due, despite several requests to that effect.

During the current period, the Company extinguished the contractual obligation to pay the third party connected to the Xingyun Lake Project. This resulted in a write back of an account payable provision of $349,000 as a credit to other income in the statement of profit or loss, in accordance with accounting standards.

Notwithstanding the release of the contractual obligation, it remains management's judgment that the recoverability of outstanding accounts receivable for Xingyun Lake continues to be uncertain and the impairment provision remains.

The Company remains in frequent contact with Xingyun Lake officials to secure payment. Throughout 2021 officials of the Lake made overtures to reach agreement on a payment plan. These types of overtures in the past have borne little fruit. Should the officials agree to a payment plan and demonstrate a consistency of payment to the plan, management will re-assess its judgement on the balance of that receivable.

Note 7. Trade and other receivables (continued)

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

	Carrying amount		Allowance for expected credit losses	
Consolidated	31 Dec 2021 $'000	31 Dec 2020 $'000	31 Dec 2021 $'000	31 Dec 2020 $'000
Not overdue	1,372	11,068	-	8,913
0 to 3 months overdue	81	264	-	-
3 to 6 months overdue	366	21	-	-
Over 6 months overdue	9,125	1,623	8,062	1,437
	10,944	12,976	8,062	10,350

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Opening balance	10,350	-
Additional provisions/(reversals) recognised	(3,047)	10,935
Foreign exchange translation	759	(585)
Closing balance	8,062	10,350

Note 8. Inventories

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Current assets		
Raw materials - at cost	877	1,012
Finished goods - at cost	4,238	4,319
Less: Provision for impairment	(1,810)	(1,372)
	2,428	2,947
	3,305	3,959

The Group concluded that its inventory holding exceeded short term demand in light of the continued impacts of COVID-19 and reduced business activity in China following the Board investigation. While directors believe there is a limited risk of its inventory (both raw materials and finished goods) becoming obsolete or expiring, based on the factors outlined above, the Board concluded to impair all or portions of inventory that are not associated with a committed order or is under contract negotiation with a memorandum of understanding (MOU).

The Chinese Manufacturing facility ('PWSC') holds $1,546,000 worth of Phoslock that has been defined as having a quality issue or defect in the product during the manufacturing process which renders it non-resaleable or non-useable in its current state, and therefore has been fully provided for.

Note 9. Property, plant and equipment

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Non-current assets		
Plant and equipment - at cost	2,283	2,341
Less: Accumulated depreciation	(793)	(335)
Less: Impairment	(1,475)	(1,933)
	15	73
Motor vehicles - at cost	76	76
Less: Accumulated depreciation	(76)	(76)
	-	-
	15	73

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

Consolidated	Plant and equipment $'000
Balance at 1 January 2020	1,566
Additions	31
Exchange differences	22
Impairment of assets	(1,377)
Depreciation expense	(169)
Balance at 31 December 2020	73
Additions	50
Disposals	(5)
Exchange differences	4
Impairment of assets	(58)
Depreciation expense	(49)
Balance at 31 December 2021	15

Impairment
As at 30 June 2020 the Group identified an indicator of impairment with respect to the Group's property, plant and equipment, arising from the operating loss incurred by the Group during the period. In light of this, the Group undertook an impairment assessment which resulted in the recognition of an impairment loss which reduced the carrying value of Phoslock (Changxing) Water Solutions (China) (a subsidiary of the Group) plant, property and equipment assets to $nil.

The recoverable amount of the CGU associated with the Group's Chinese operations was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use). The recoverable amount of the CGU was lower than the carrying amount of the assets within the CGU and therefore an impairment loss was recognised on property, plant and equipment in the comparative period as outlined above.

This impairment loss reflects the uncertainty regarding the future operating performance of the Group in light of the loss incurred in the current year, volatile market conditions associated with COVID-19 and uncertainty regarding the future performance of the Group's Chinese operations.

Note 9. Property, plant and equipment (continued)

In accordance with accounting standards, an impairment loss on property, plant and equipment assets can be reversed where there is evidence that the conditions that resulted in the impairment loss are no longer present. The Group intends to reassess the position adopted at future balance dates, as it did as at 31 December 2021, with reference to current and future trading performance at that time.

The value in use model was created to test whether the CGU generates cash when taking into consideration the relative age and condition of the assets and capacity constraint of the plant as a result of treating the wastewater appropriately (3,000 tonnes p/a).

Given the above, combined with market pricing of the product and the overheads inherent in the business, the model indicated that the recoverable amount of the CGU was lower than the carrying amount of the assets within the CGU and therefore an impairment loss was recognised on property, plant and equipment in the comparative period as outlined above.

Note 10. Right-of-use assets

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Non-current assets		
Land and buildings - right-of-use	1,959	4,106
Less: Accumulated depreciation	(60)	(93)
Less: Impairment	(1,580)	(3,865)
	319	148
Office equipment - right-of-use	14	28
Less: Accumulated depreciation	(11)	(11)
	3	17
	322	165

The Group leases land and buildings for its office and factory facilities under agreements of between 3 to 10 years with options to extend. On renewal, the terms of the leases are renegotiated.

The Group also leases office equipment under contracts of 4 years.

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

Consolidated	Buildings right-of-use $'000	Office equipment right-of-use $'000	Total $'000
Balance at 1 January 2020	689	10	699
Additions	4,068	15	4,083
Exchange differences	(14)	(1)	(15)
Impairment of assets	(4,083)	-	(4,083)
Depreciation expense	(512)	(7)	(519)
Balance at 31 December 2020	148	17	165
Additions	336	-	336
Lease modifications	(96)	(7)	(103)
Depreciation expense	(69)	(7)	(76)
Balance at 31 December 2021	319	3	322

Note 10. Right-of-use assets (continued)

Impairment
As at 31 December 2020 the Group identified an indicator of impairment with respect to its China Operations right-of-use assets, primarily lease assets, arising from the operating loss incurred by the Group during the period. In light of this, the Group undertook an impairment test which resulted in the recognition of an impairment loss which reduced the carrying value of the right-of-use asset to $nil.

The recoverable amount of the CGU associated with the Group's Chinese operations was estimated based on the present value of the future cash flows expected to be derived from the CGU (value in use). The recoverable amount of the CGU was lower than the carrying amount of the assets within the CGU and therefore an impairment loss was recognised on right-of-use assets in the comparative period as outlined above. This impairment loss reflects the uncertainty regarding the future operating performance of the Group in light of the loss incurred in the current year, volatile market conditions associated with COVID-19 and uncertainty regarding the future performance of the Group's Chinese operations.

In accordance with accounting standards, an impairment loss on right-of-use assets can be reversed where there is evidence that the conditions that resulted in the impairment loss are no longer present. The Group intend to reassess the position adopted at future balance dates with reference to current and future trading performance at that time.

On 11 January 2021 the Group signed a lease modification with its landlord in relation to the Zheijang Phoslock Environmental Technologies Ltd (China) ('PETZ') factory which reduced the lease term, square footage and overall cost. This is part of the ongoing effort to right size the business as a result of the investigation findings and current trading conditions. This resulted in recognition of gain on remeasurement of lease liabilities of $3,240,000 (note 5) presented as other income in the statement of profit or loss for the year ended 31 December 2021.

Note 11. Intangibles

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 Restated $'000
Non-current assets		
Patents - at cost	281	218
Less: Accumulated amortisation	(40)	(31)
	241	187

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

Consolidated	Patents $'000
Balance at 1 January 2020 - restated	184
Additions	21
Amortisation expense	(18)
Balance at 31 December 2020	187
Additions	92
Amortisation expense	(38)
Balance at 31 December 2021	241

Note 12. Lease liabilities

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Current liabilities		
Lease liability	520	544
Non-current liabilities		
Lease liability	772	3,292
	1,292	3,836

On 11 January 2021, the Group signed a lease modification with its landlord in relation to the Zheijang Phoslock Environmental Technologies Ltd (China)('PETZ') factory which reduced the lease term, square footage and overall cost. This is part of the ongoing effort to right size the business as a result of the investigation findings and current trading conditions. This resulted in recognition of gain on remeasurement of lease liabilities of $3,240,000 (note 5) presented as other income in the statement of profit or loss for the year ended 31 December 2021.

Note 13. Issued capital

	Consolidated			
	31 Dec 2021 Shares	31 Dec 2020 Shares	31 Dec 2021 $'000	31 Dec 2020 Restated $'000
Ordinary shares - fully paid	625,000,509	625,000,509	92,398	92,398

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance - restated	1 January 2020	564,991,694		63,326
Issuance of shares institutional placement	17 April 2020	24,000,000	$0.50	12,000
Issuance of shares share purchase plan	7 May 2020	30,308,815	$0.50	15,154
Issuance of shares to key management personnel	3 June 2020	5,700,000	$0.50	2,850
Transaction costs				(932)
Balance	31 December 2020	625,000,509		92,398
Balance	31 December 2021	625,000,509		92,398

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

In the prior year, the Company has become aware that 610,000 ordinary shares in the Company were invalidly issued to one of its wholly-owned subsidiaries in 2017 and 2019. These transactions have been accounted for and adjusted accordingly to reflect that the purported issue was void. The Company is in the process of formally rescinding the purported issue and is taking the necessary steps to request a correction to its registered details to remove these void shares, to reflect that the Company has 624,390,509 ordinary shares on issue.

Note 13. Issued capital (continued)

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

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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.

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

The Group would look to raise capital when an opportunity to invest or expand its business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants in relation to office equipment. Meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 December 2020 Annual Report.

Note 14. Reserves

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Foreign currency reserve	1,092	985

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Option reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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

Consolidated	Foreign currency $'000	Option $'000	Total $'000
Balance at 1 January 2020	577	30	607
Foreign currency translation	408	-	408
Option expense reversals	-	(30)	(30)
Balance at 31 December 2020	985	-	985
Foreign currency translation	107	-	107
Balance at 31 December 2021	1,092	-	1,092

Note 15. Dividends

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

Note 16. Contingent liabilities

The Group is continuing to assess certain regulatory compliance, legal and operational matters connected with its Chinese operations which may result in penalties being imposed, or the Group incurring additional costs associated with rectification and remediation activities. These include regulatory matters (in Australia and in China), potential civil proceedings, income tax and other associated tax matters as well as environmental matters. As at the date of this financial report it is not possible to measure theses obligations with sufficient reliability as they remain subject to the outcome of future events not wholly within the control of the entity. The Group will recognise a liability for these amounts if and when the possible obligations are confirmed and can be reliably measured.

The Group identified certain adjustments associated with historical income tax deductions, research and development activities and withholding tax matters which resulted in the restatement of prior period comparatives. These adjustments may result in penalties or interest in future periods. As at the date of this report, other than items detailed in this report, no amount has been provided for such costs as it is not possible to measure theses obligations with sufficient reliability as they remain subject to the outcome of future events not wholly within the control of the entity. These matters may require amendments to previously lodged income tax returns and therefore create an uncertain tax position in relation to the tax authorities' views in relation to these corrections. In addition, these adjustments may result in penalties or interest in future periods.

Note 17. Related party transactions

Parent entity
Phoslock Environmental Technologies Limited is the parent entity.

Transactions with related parties related to fraud
In the prior year, the Group identified that previous members of Key Management Personnel ('KMP') (Mr Zhigang Zhang - resigned 30 September 2020, Mr Ningping Ma- resigned 30 September 2020 and Mr Tingshan Liu- resigned 31 December 2020) had relationships with the following entities that rendered them to be related parties of the Group up to the date of the resignation of these KMPs, which had not been disclosed:

Entity	Relationship
Beijing Hualijia Environmental Engineering Technology Co., Ltd ('BHEET')	100% directly owned by Mr Zhang
Beijing BHZQ Environmental Engineering Technology Co., Ltd ('BHZQ')	27.19% indirectly owned by Mr Zhang 2.81% indirectly owned by Mr Ma Both are directors of BHZQ
Beijing Kelin Haohua Environmental Technology Development Co., Ltd ('BKHETD')	80% directly owned by Mr Zhang 15% directly owned by Mr Liu Both are directors of BKHETD

Note 17. Related party transactions (continued)

The following are the transactions with the above related entities:

Transactions	Entity	Year ended 31 Dec 2021* $	Year ended 31 Dec 2020 $
Sales of Phoslock® and bacteria agents (Xinfeng River Ecological Remediation)	BHZQ	-	807,104
Sales of aeration machines (Xinfeng River project)	BHZQ	-	185,696
Purchase of consulting service (Car rental service)	BHEET	-	9,512
Purchase of consulting service (Venue hire service)	BHEET	-	11,890

* There are no more transactions with the above related parties as they are no longer KMP during the year ended 31 December 2021.

Receivable from and payable to related parties related to fraud
The receivable from and payable to the above related parties are as follows:

	31 December 2021		31 December 2020	
	Trade and other receivables $	Trade and other payables $	Trade and other receivables $	Trade and other payables $
BHEET**	-	-	1,591	202,566
BHZQ*	-	-	-	-
	-	-	1,591	202,566

* Represents value of receivables after provision for expected credit loss had been fully written-off as of 31 December 2021.
** There were trade and other receivables of $1,729 and trade and other payables of $256,117 as of 31 December 2021 but these are no longer disclosed as BHEET is not a related party as at 31 December 2021.

Note 17. Related party transactions (continued)

Transactions with related parties previously disclosed

The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2021 $	31 Dec 2020 $
Payment for services provided by relatives of key management personnel:		
Margaret Schuitema - part-time employment**	-	91,509
Yolanda Winks - part-time employment***	-	20,001
Venus Ho - part-time employment****	-	11,253
Payment for services provided by companies related to key management personnel:		
Payment for rent - Link Traders (Aus) Pty Ltd*	38,961	138,000
Payment for investor relations fees - Serenity Holdings Pty Ltd*	55,756	245,238

* related party of Laurence Freedman, related party up to date of retirement which is 25 May 2021.
** related party of Robert Schuitema, ceased being a related party as at 25 May 2020.
*** related party of Andrew Winks, ceased being a related party as at 31 December 2021.
**** related party of Chris Hui, ceased being a related party as at 12 June 2020.

Receivable from and payable to related parties

Other than the receivable and payable to related party which were previously not disclosed presented above, there were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions outside of China were made on normal commercial terms and conditions and at market rates.

Board investigations

The updated details of these matters are detailed in the 16 Nov 2021 disclosure ('PET Nov 2021 Business Update') the details of which can be found at https://www.phoslock.com.au/investor-centre/presentations/.

Note 18. Earnings per share

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 Restated $'000
Loss after income tax attributable to the owners of Phoslock Environmental Technologies Limited	(3,937)	(25,492)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	62,500,509	605,068,761
Weighted average number of ordinary shares used in calculating diluted earnings per share	62,500,509	605,068,761
	Cents	Cents
Basic earnings per share	(6.30)	(4.21)
Diluted earnings per share	(6.30)	(4.21)

Note 18. Earnings per share (continued)

3,000,000 (2020: 26,000,000) options were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 19. Events after the reporting period

Since 31 December 2021, the Group’s operations have continued to be impacted by the COVID-19 pandemic and related Government actions imposed in key markets to slow the spread of the virus. As the global outbreak of COVID-19 continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group’s business activities.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.