The Environmental Group Limited
And its controlled entities
ABN 89 000 013 427
Appendix 4E (Listing Rule 4.3A)
Preliminary financial report
For the year ended 30 June 2017
Results for announcement to the market

(Previous corresponding period: Year ended 30 June 2016)

		Change from 30 June 2016	% Change from year ended 30 June 2016		30 June 2017
					$
Revenues from ordinary activities	Up	6,957,321	27%	to	32,684,131
Total profit from continuing operations before taxation	Up	2,010,037	4212%	to	2,057,760
Total profit from continuing operations after taxation	Up	1,712,107	13587%	to	1,699,506
Total comprehensive profit for the year	Up	1,726,127	12344%	to	1,712,143
Net profit for the year attributable to members	Up	1,674,900	7704%	to	1,696,641

Dividends	Amount per security	Franked amount per security
Final dividend proposed:	**0.06 cents**	**0.06 cents**
Interim dividend paid:	**Nil**	**Nil**
Record date for determining entitlements to the dividends:		**15 September 2017**
Payment date		**29 September 2017**

Net tangible assets per security compared to the corresponding period.	2017	2016
	Cents per	Cents per security
Net Tangible Assets per Security	**1.52**	**0.58**

This report is based on audited accounts

Commentary on Results for the Year

This year we completed reorganising our business model and the implementation of a clearer strategic direction for EGL.

The business model reset (explained last year) required both a structural and a mindset change throughout the organisation to improve our overall company performance. Growth has been redefined to embrace targeted marketing to build cash flow and gross margins.

The outcome is a 27% increase in revenue to $32.6M delivering an underlying EBIT of $2.2M, comparing favourably to last year's EBIT of $271K. Gross margin increased by 50% to $9M following a lift in gross margin percentages from 18% to 28%. The order pipeline reflects our marketing successes as progressively announced throughout the year.

Our balance sheet today is significantly stronger than last year including a cash increase to almost $6M from $2M. A significant reduction in debt from $2M in 2015—16 to $1M at the close of 2016—17 was a result of improved financial management controls. These cash resources will be utilised to organically grow the business and identify opportunities for future acquisitions.

The EGL Group continues to focus on safety, quality and the environment. This is an essential element our corporate governance and drive for sustainable growth whilst protecting natural resources, our valuable people, business culture and the reputation of our customers.

Our excellent systems record means EGL continues to grow within Australia and abroad. We have commenced our plan for the Group to use an Integrated Management System (IMS) that will ensure that wherever our company and employees are working, the systems and outcomes will be easy to understand and consistent to follow. We expect to roll out the IMS across the EGL Group by the end of 2017—18.

As part of our Strategic Planning Process, EGL has established Strategic Statements which include goals on investor returns and our aim to achieve a market capitalisation of over $20M within three years. This is supported by the three year EGL Strategic Plan. The Strategic Plan specifically targets organic growth through already identified opportunities, and resetting our business model. Although not specifically articulated in the three year strategic plan, acquisition opportunities may enhance anticipated outcomes.
Our business units comprise Baltec and TAPC. I am pleased to advise that both operations exceeded budgeted revenue and gross margin. Baltec is a leading supplier of inlet and exhaust systems for large gas turbines to blue ribbon customers. Our innovative energy enhancement programs improve performance of aging turbine fleets around the world, and have provided significant growth opportunities in the established markets of Baltec. TAPC manufactures pollution reduction and control equipment for the process industries. It completed an excellent year, and will continue to grow through focused marketing and committed staff. Initial successes in the export market are expected to continue.

EGL continually improves in all areas of the business including strength in the market and the diversity of markets in which it operates and the quality and renewed commitment of its people. EGL's Strategy actively encourage growth and recruitment of global teams, selecting the best people who respect our cultural diversity and deliver high quality to the customer. EGL have enjoyed market growth by winning work in Central America and the United States of America (USA) and increasing product offerings.

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STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	Consolidated 2017 $	2016 $
Revenue from continuing operations	6	**32,684,131**	**25,726,811**
Subcontracting and material costs	7(d)	(23,701,058)	(19,723,983)
Gross profit		**8,983,073**	**6,002,828**
Employee expenses	7(b)	(3,415,754)	(3,189,819)
Occupancy expenses		(245,784)	(212,036)
Marketing expenses		(319,686)	(248,537)
Travel expenses		(402,238)	(459,153)
Professional fees		(1,017,049)	(865,512)
Professional fees - Legal Proceedings	7(f)	(403,873)	
Depreciation and amortisation	7(a)	(226,225)	(71,411)
Other expenses		(734,103)	(683,603)
Operating Profit		**2,218,361**	**272,757**
Interest expense		(164,610)	(228,735)
Interest income		4,009	3,701
Profit before tax		**2,057,760**	**47,723**
Income tax benefit/(expense)	8(a)	(358,254)	(60,324)
Profit for the year from continuing operations		**1,699,506**	**(12,601)**
Discontinued operations			
Profit/Loss for the year from discontinued operations	20	12,637	(1,383)
Profit for the year		**1,712,143**	**(13,984)**
Other comprehensive income			
Issue of options		-	-
Total comprehensive income for the year		**1,712,143**	**(13,984)**
Attributable to:			
Non-controlling interest		**(15,502)**	**35,725**
Total comprehensive income for the year		1,696,641	21,741
Earnings per share for loss attributable to the ordinary equity holders of the Group	9	**Cents**	**Cents**
Basic earnings per share			
Profit from continuing operations before taxation		0.95	0.02
Profit from continuing operations after taxation		0.79	(0.01)
Loss from discontinued operations		0.01	-
Total		**0.80**	**(0.01)**
Diluted eanings per share			
Profit from continuing operations after taxation		0.79	(0.01)
Loss from discontinued operations		-	-
Total		**0.79**	**(0.01)**

This statement should be read in conjunction with the notes to the financial statements

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		Consolidated	
		2017	**2016**
	Notes	**$**	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	10	5,571,840	3,115,448
Trade and other receivables	11	7,426,872	5,425,107
Inventories	12	69,318	120,283
Other current assets	13	248,473	316,184
Other financial assets	16	134,591	126,360
Total Current Assets		**13,451,094**	**9,103,382**
Non-Current Assets			
Deferred tax assets	8(d)	1,577,561	1,996,038
Property, plant and equipment	14	545,832	699,302
Intangible assets	15	9,182,837	9,182,837
Total Non-Current Assets		**11,306,230**	**11,878,177**
Total Assets		**24,757,324**	**20,981,559**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	9,258,352	5,243,867
Financial liabilities	18	245,222	703,010
Tax liabilities	8(c)	-	-
Short term borrowings and Bank overdrafts	10	-	1,117,081
Short-term provisions	19	380,583	350,393
Total Current Liabilities		**9,884,157**	**7,414,351**
Non-Current Liabilities			
Financial liabilities	18	797,313	1,105,947
Deferred tax liabilities	8(e)	3,852	58,659
Long-term provisions	19	42,010	68,520
Total Non-Current Liabilities		**843,175**	**1,233,126**
Total Liabilities		**10,727,332**	**8,647,477**
Net Assets		**14,029,992**	**12,334,082**
EQUITY			
Equity attributable to the ordinary equity holders of the Group			
Issued capital	21(a)	21,759,831	21,759,831
Retained earnings		(7,879,226)	(9,575,870)
Reserves	21(b)	209,494	225,730
Minority interest		(60,107)	(75,609)
Total Equity		**14,029,992**	**12,334,082**

This statement should be read in conjunction with the notes to the financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Share Capital	Retained Earnings	Reserve	Total attributable to Owners of parent	Non-Controlling interest	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 30 June 2015	**21,005,632**	**(9,597,611)**	**201,550**	**11,609,571**	**(39,884)**	**11,569,687**
Total comprehensive income for the year	-	21,741	-	21,741		21,741
Shares issued	754,199			754,199		754,199
Options issued			-	-		-
Foreign translation			24,180	24,180		24,180
Non-Controlling Interest					(35,725)	(35,725)
Balance at 30 June 2016	**21,759,831**	**(9,575,870)**	**225,730**	**12,409,690**	**(75,609)**	**12,334,081**
Total comprehensive income for the year	-	1,696,641	-	1,696,641		1,696,641
Shares issued	-			-		-
Options issued			-	-		-
Foreign translation			(16,233)	(16,233)		(16,233)
Non-Controlling Interest					15,502	15,502
Balance at 30 June 2017	**21,759,831**	**(7,879,229)**	**209,497**	**14,090,099**	**(60,107)**	**14,029,992**

This statement should be read in conjunction with the notes to the financial statements

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

		Consolidated	
		2017	2016
	Notes	$	$
Operating activities			
Receipts from customers		33,950,779	28,632,394
Payments to suppliers and employees		(29,369,299)	(29,322,663)
Interest paid		(164,610)	(230,311)
Interest received		4,009	3,701
Income taxes paid		-	-
Net cash from continuing operations		4,420,879	(916,879)
Net cash (used in)/from discontinued operations	20	-	-
Net cash provided by operating activities	22	**4,420,879**	**(916,879)**
Investing activities			
Contingent consideration paid for subsidiary		-	-
Net Purchases of plant and equipment		(72,751)	(47,320)
Proceeds from shareholders- rights issued		-	754,199
Proceeds from sale of plant and equipment		-	1,271
Increase (Decrease in fixed term deposit)		(8,231)	(990)
Net cash from continuing operations		(80,982)	707,160
Net cash used in investing activities		**(80,982)**	**707,160**
Financing activities			
Payment of dividends		-	-
Payments on cancellation of shares			
Proceeds from borrowings		40,935	-
Repayment of borrowings		(807,357)	(212,081)
Net cash from continuing operations		(766,422)	(212,081)
Net cash from/(used in) discontinued operations	20	-	-
Net cash used in financing activities		**(766,422)**	**(212,081)**
Net decrease in cash and cash equivalents		**3,573,475**	**(421,800)**
Cash and cash equivalents at the beginning of the financial year		1,998,367	2,420,167
Cash realised - discontinued operations		-	-
Cash and cash equivalents at the end of the financial year	10	**5,571,842**	**1,998,367**

Note 2. Summary of significant accounting policies

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

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis, based on historical cost modified by the revaluation of selected non-current assets and financial instruments for which fair value basis of accounting has been applied.

The financial report is presented in Australian dollars.

Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Certain Australian Standards and interpretations have been recently issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2017. For more information on these standards and interpretations, refer to note 2(W).

(A) Basis of consolidation

The consolidated financial statements comprise the financial statements of EGL and its subsidiaries as at 30 June each year.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from the intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and ceases to be consolidated from the date on which control is transferred out of the group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(B) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 2(J)) or a gain from a discounted purchase. The method adopted for the measurement of goodwill will impact on the measurement of any Non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(C) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, deposits held as security by financial institutions and other short-term deposits with an original maturity 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within other financial liabilities in current liabilities on the statement of financial position.

(D) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised at fair value.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or, default payments are considered objective evidence of possible impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(E) Inventories

Raw materials, finished goods and stores

Raw materials, finished goods and stores are measured at the lower of cost and net realisable value. Costs are assigned on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Work-in-progress

Cost includes both variable and fixed costs relating to specific contracts, and those costs are attributed to the contract activity in general and that can be allocated on a reasonable basis.

(F) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular purchases and sales of financial assets are recognised on the trade date, the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to Key Management Personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment.

(G) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred. Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the specific asset. Depreciation rates used are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Leasehold Improvements	10%	Straight-line
Plant and Equipment	7.5% - 40%	Diminishing-value
Motor Vehicles	15% - 22.5%	Diminishing-value

The assets' residual values, useful lives and amortisation methods are reviewed periodically and adjusted if appropriate.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(H) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(I) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(J) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated includes the EGL Pollution Control and EGL Gas Turbine cash generating units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

The Group performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for all cash generating units to which goodwill and indefinite lived intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 15.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles other than goodwill

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

	Trade Mark	**Licences**	**Goodwill**	**Development costs**
Useful lives	Indefinite	Indefinite	Indefinite	5 years
Method used	Not amortised or revalued	Not amortised or revalued	Not amortised or revalued	Amortised
Internally generated / Acquired	Acquired	Acquired	Acquired	Internally Generated
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Where an indicator of impairment exists

(K) Trade and other payables

Trade and other payables are carried at cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(L) Other financial liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are attributable to a qualifying asset.

(M) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

(N) Employee leave benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(O) Share-based payment transactions

Equity settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award.
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by the Group to employees of subsidiaries are recognised in the group financial statements. The expense recognised by the Group is the total expense associated with all such awards.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

(P) Contributed equity

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

(Q) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Products

Revenue and earnings on capital work contracts are recognised using the percentage of completion method in the ratio of costs incurred to estimated final costs. Revenue recognised on uncompleted capital work contracts in excess of amounts billed to customers is reflected as an asset. Amounts billed to customers in excess of revenue recognised on uncompleted capital work contracts are reflected as a liability. Revenue from sales other than capital work contracts is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the customer.

Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(R) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that has been disposed of and:

- Represents a separate major line of business or geographical area of operations.
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and is further analysed in note 20.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

(S) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

EGL and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The head entity, EGL and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, EGL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

(T) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends).
- The after tax effect of dividends.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary share; divided by the weighted average number of ordinary shares.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

(U) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences are recognised in profit or loss.

(V) Comparative figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

Note 3. Significant 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 and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(a) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. The ability to utilise tax losses acquired as part of a business combination (i.e. losses brought into the tax consolidated group on acquisition of a subsidiary) are subject to the satisfaction of certain transfer tests.

(b) Significant accounting estimates and assumptions

Impairment of Goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using either a value in use discounted cash flow of methodology or fair value less costs to sell model to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment losses were recognised in the current year in respect of goodwill. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 15.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed periodically and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

Provision for Warranties

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

Capital Work Contracts and Work in Progress

Capital Work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Capital Work Contract profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Judgement is exercised in determining the stage of completion of the contract and in reliably estimating the total contract revenue and contract costs to completion.

Provision for Stock Obsolescence

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made.

Note 4. Financial risk management

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits, bank loans, and finance leases.

The Group manages its exposure to key financial risks, including interest rate and currency risk with the objective of supporting the delivery of the Group's financial targets whilst protecting future financial security.

The main financial risks that arise in the normal course of business for the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. Liquidity risk is monitored through the development of future rolling cash flow forecasts. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk.

The Board has continued the policy that no speculative trading in financial instruments be undertaken.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of financial instruments are disclosed in Note 2(F) to the financial statements.

Set out below by category are the carrying amounts of all of the Group’s financial instruments recognised in the financial statements. The carrying amounts approximate their fair value.

	Consolidated	
	2017	**2016**
	$	**$**
Financial Assets		
Cash and cash equivalents	5,571,840	3,115,448
Trade and other receivables	7,426,872	5,425,107
Financial assets	134,591	126,360
	13,133,303	**8,666,915**
Financial Liabilities		
Trade and other payables	9,258,352	5,243,867
Loans from companies controlled by Directors	751,600	1,501,484
Bank Facilities and lease liability	290,935	1,424,554
	10,300,887	**8,169,905**

Risk exposure and Responses

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that are used. Interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts.

The following tables summarise interest rate risk, for the Group together with effective weighted average interest rates at reporting date.

At current interest rates and based on amounts at reporting date, over the course of a full year, a movement of 100 basis points in borrowing rates, considered reasonable in respective of current market conditions, with an accompanying change in deposit rates would increase or decrease pre-tax profit for the group by $46,638 (2016: $3,158), directly impacting the equity in the Group.

Consolidated	Weighted Average Interest rate	Floating interest rate $	Non-interest bearing $	Total $
30 June 2017				
Financial Assets				
Cash at bank and on hand	0.81%	3,999,867	-	3,999,867
Cash on deposit as security for Project bonds	0.001%	1,571,973		1,571,973
Trade and other receivables		-	7,426,872	7,426,872
Term deposits and bank bills	0.10%	134,591	-	134,591
		5,706,431	**7,426,872**	**13,133,303**
Financial Liabilities				
Loans from Directors	7.50%	751,600	-	751,600
Property Loan lease liability and overdrafts	5.55%	290,935	-	290,935
Trade and other payables		-	9,258,352	9,258,352
		1,042,535	**9,258,352**	**10,300,887**
Net Financial assets		**4,663,896**	**(1,831,480)**	**2,832,416**
30 June 2016				
Financial Assets				
Cash at bank and on hand	0.01%	1,840,412	-	1,840,412
Cash on deposit as security for Project bonds	0.00%	1,275,036		1,275,036
Trade and other receivables		-	5,425,107	5,425,107
Term deposits and bank bills	0.10%	126,360	-	126,360
		3,241,808	**5,425,107**	**8,666,915**
Financial Liabilities				
Loans from Directors	8.50%	1,501,484	-	1,501,484
Property Loan lease liability and overdrafts	4.93%	1,424,554	-	1,424,554
Trade and other payables		-	5,243,867	5,243,867
		2,926,038	**5,243,867**	**8,169,905**
Net Financial assets		**315,770**	**181,240**	**497,010**

Foreign currency risk

The Group has transactional currency exposure arising from those sales and purchases which are denominated in United States Dollars and Euros. From time to time the Group hold cash denominated in United States dollars and Euro. Currently the Group has no foreign exchange hedge programmes in place. Transaction exposures, where possible, are netted off across the Group to reduce volatility and provide a natural hedge.

The financial assets denominated in US Dollars and Euros at reporting date are as follows:

	Consolidated			
	2017		2016	
	USD A$	Euro A$	USD A$	Euro A$
Financial Assets				
Cash and cash equivalents	3,592,099	1,464,889	1,862,491	845,190
Trade and other receivables	3,741,134	1,632,684	3,461,820	637,707
Financial Liabilities				
Trade and other payables	4,956,556	76,264	2,793,527	150,346

At current exchange rates sourced from the Reserve Bank of Australia, and based on foreign denominated payables and receivables at reporting date, if the Australian dollar was 5% higher, the impact on before tax profit, with all other variables held constant, would be a decrease of $257,047 (2016: decrease of $183,968), directly impacting the equity in the Group. If the Australian dollar was 10% lower, the impact on before tax profit, with all other variables held constant, would be an increase of $599,776 (2016: increase of $429,259), directly impacting the equity in the Group.

Credit risk

Credit risk arises from the financial assets of the Group which comprise cash and cash equivalents, trade and other receivables, term deposit and bank bills. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Group trade only with creditworthy third parties. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet all financial commitments in a timely and cost-effective manner. The Group constantly reviews the liquid position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2017	2016
	$	$
6 months or less	9,418,347	6,945,245
6 – 12 months	123,595	118,714
1 – 5 years	758,945	1,105,947
	10,300,887	**8,169,906**

Note 5. Segment information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment.
- The manufacturing process.
- The type or class of customer for the products or services.
- The distribution method.
- Any external regulatory requirements.

Types of products and services by segment

The Group's primary reporting format is business segments. The Group operates substantially in Australia and the environmental sector. Revenue, profit and assets relate to operations in Australia and Indonesia. The Indonesian business is not considered material such that it would be meaningful to report a distinct business segment this business has therefore been included in the products business segment. The following are the reportable segments:

- **Products segment** incorporates the operations related to the supply, design, construction and installation services to industry, this segment includes activities related to air pollution control, pressure sewer systems and design and manufacture of gas turbine equipment and solutions which incorporates the TAPC Pollution Control Dust and Fume (Electrostatic Precipitators and Filtration businesses) and Gas vapour business units and the Baltec design and manufacture business.
- **Services segment** reflects the services provided by MMS the discontinued operation.
- **The Corporate Segment** incorporates the expenditures and assets incurred by the EGL group head office.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

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

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Segment performance

The following table present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2017 and 30 June 2016.

(i) Revenue

	Products $	Services $	Coporate $	Total $
Year ended 30 June 2017				
Revenue				
From external customers	32,684,131	-	-	32,684,131
Total segment revenue	**32,684,131**	**-**	**-**	**32,684,131**
Expenses from continuing operations				
Subcontracting and material costs	(23,701,058)	-	-	(23,701,058)
Employee benefit expense	(2,681,937)	-	(733,817)	(3,415,754)
Occupancy expenses	(245,784)	-	-	(245,784)
Professional fees	(54,608)	-	(962,441)	(1,017,049)
Professional Fees - Legal Proceedings			(403,873)	(403,873)
Deprecation and amortisation	(224,178)	-	(2,047)	(226,225)
Impairment of non financial assets	-	-	-	-
Other expenses	(1,459,741)	-	(156,887)	(1,616,628)
Tax expense	(792,919)	-	434,665	(358,254)
Total expenses from continuing operations	**(29,160,225)**	**-**	**(1,824,400)**	**(30,984,625)**
Income/(Expenses) from discontinued operations	**-**	**12,637**	**-**	**12,637**
Segment net profit/(loss)	**3,523,906**	**12,637**	**(1,824,400)**	**1,712,143**

	Products $	Services $	Coporate $	Total $
Year ended 30 June 2016				
Revenue				
From external customers	**25,726,811**	**-**	**-**	**25,726,811**
Total segment revenue	**25,726,811**	**-**	**-**	**25,726,811**
Expenses from continuing operations				
Subcontracting and material costs	(19,723,983)	-	-	(19,723,983)
Employee benefit expense	(2,654,503)	-	(535,316)	(3,189,819)
Occupancy expenses	(212,036)	-	-	(212,036)
Professional fees	(972,221)	-	106,709	(865,512)
Deprecation and amortisation	(68,937)	-	(2,474)	(71,411)
Impairment of non financial assets	-	-	-	-
Other expenses	(1,481,294)	-	(135,033)	(1,616,327)
Tax expense	(245,080)	-	184,756	(60,324)
Total expenses from continuing operations	**(25,358,054)**	**-**	**(381,358)**	**(25,739,412)**
Income/(Expenses) from discontinued operations	**-**	**(1,383)**	**-**	**(1,383)**
Segment net profit/(loss)	**368,757**	**(1,383)**	**(381,358)**	**(13,984)**

(ii) Assets

	Products $	Corporate $	Total $
Year ended 30 June 2017			
Assets			
Total Segment Assets	19,615,112	5,142,212	24,757,324
Year ended 30 June 2016			
Assets			
Total Segment Assets	15,034,112	5,947,447	20,981,559

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies to a single external customer in the products segment who accounts for 14.6% of external revenue (2016: 20.8%). The next most significant client accounts for 11.2% (2016: 6.67 %) of external revenue.

The totals presented for the Group's operating segment reconcile to the key financial figures as presented in its financial statements as follows:

(iii) Reconciliation to financial statement

	2017 $	2016 $
Revenues		
Total reportable segment revenues	32,684,131	25,726,811
Discontinued operations	-	-
Group revenues	**32,684,131**	**25,726,811**
Assets		
Total reportable segment assets	24,757,324	20,981,559
Group assets	**24,757,324**	**20,981,559**

Note 6. Revenue

	Consolidated	
	2017 $	2016 $
Revenue		
Product	32,684,131	25,726,811
Revenue from continuing operations	**32,684,131**	**25,726,811**
Revenue from discontinued operations	-	-
Other revenue		
Interest income	4,009	3,701
	4,009	**3,701**
Total revenue	**32,688,140**	**25,730,512**

NOTE 7. EXPENSES

The loss before income tax includes the following specific expenses.

	Consolidated	
	2017	**2016**
	$	**$**
(a) Depreciation, impairment and amortisation included in the income statement		
Depreciation of equipment	83,063	48,540
Depreciation of vehicles	19,731	18,712
Depreciation of leasehold improvements	123,430	4,159
	226,225	**71,411**
(b) Employee benefits expense		
Wages and salaries	2,415,170	2,254,731
Defined contribution superannuation expense	352,679	295,497
Other employee benefits expense	647,905	639,591
	3,415,754	**3,189,819**
(c) Minimum lease payments		
Rent leases	1,266,522	141,821
Operating lease	298,092	308,102
(d) Cost of sales	23,701,058	19,723,983
(e) Foreign exchange (gains)/losses	(38,594)	20,178
(f) Professional Fees - legal proceedings	403,873	-
Significant items comprise legal fees incurred to date plus a reasonable estimate of expected fees which will be required to defend Federal Court Application brought by Peter Bowd the former CEO. The company intends to vigourously defend this case.		

Mr Bowd is seeking damages of an ongoing nature. The Company understands that the amount of the claim could exceed AUD $500,000. As the Board of EGL believes that the Company's termination of Mr Bowd's employment was lawful, and the claim is without foundation, no amount has been provided in these financial statements, furthermore the company will be seeking to recover all legal costs.

NOTE 8. INCOME TAX

	Consolidated	
	2017	**2016**
	$	**$**
(a) Income tax (benefit)/expense		
Current tax	602,149	52,771
Deferred tax	(243,895)	7,553
	358,254	60,324
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
Total accounting profit / (loss) before income tax expense	**2,057,760**	**47,726**
Tax at the Australian tax rate of 30%	594,075	67,906
Tax at the Overseas tax rate of 25%	19,378	(44,657)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments in respect of current income tax of previous years		
Recognition of deferred tax	(232,237)	(3,998)
Sundry items	(22,962)	41,073
Aggregate Income tax expense/(benefit)	**358,254**	**60,324**
The applicable weighted average effective tax rates are as follows:	17%	126%

(c) Tax liabilities

There were no tax liabilities for the year, as losses carried forward have been utilised.

(d) Deferred tax asset			Consolidated		
	Opening Balance	**Charged to income**	**Charged directly to Equity**	**Exchange Differences**	**Closing Balance**
	$	**$**	**$**	**$**	**$**
Fixed assets	40,664	(11,408)	-	-	29,256
Accruals	124,497	(40,043)	-	-	84,454
Provisions	209,267	(74,660)	-	-	134,607
Other	-	69,412	-	-	69,412
Tax losses	1,724,516	(46,207)	-	-	1,678,309
Balance at 30 June 2016	2,098,944	(102,906)	-	-	1,996,038
Fixed assets	29,256	14,910	-	-	44,166
Accruals	84,454	188,816	-	-	273,270
Provisions	134,607	23,241	-	-	157,848
Equity raising costs	-		-	-	-
Other	69,412	(37,816)	-	-	31,596
Tax losses	1,678,309	(607,628)	-	-	1,070,681
Balance at 30 June 2017	1,996,038	(418,477)	-	-	1,577,561

(e) Deferred tax liability

	Consolidated				
	Opening Balance	Charged to income	Charged directly to Equity	Exchange Differences	Closing Balance
	$	$	$	$	$
Other	101,834	(43,175)	-	-	58,659
Balance at 30 June 2016	**161,894**	**(60,060)**	**-**	**-**	**58,659**
Other	58,659	(54,807)	-	-	3,852
Balance at 30 June 2017	**58,659**	**(54,807)**	**-**	**-**	**3,852**

(f) Tax losses

	Consolidated	
	2017	2016
	$	$
Unused tax losses for which no deferred tax asset has been recognised	817,016	817,016
Potential tax benefit at 30%	245,105	245,105

No deferred tax asset has been recognised for these tax losses as they relate to pre consolidated losses transferred in from subsidiaries and are subject to available fraction calculations.

Note 9. Earnings per share

The following reflects the income used in the basic and diluted earnings per share calculation:

(a) Earnings used in calculating earnings per share

	Consolidated	
	2017	2016
Basic and diluted earnings per share	$	$
Net profit from continuing operations attributable to ordinary equity holders of the parent	1,699,506	(12,601)
Net loss from discontinued operations attributable to ordinary equity holders of the parent	12,637	(1,383)

(b) Weighted average number of shares

	Consolidated	
	2017 Number	2016 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	215,932,258	210,632,938
Weighted average number of ordinary shares used in calculating dilutive earnings per share	215,931,893	215,931,893

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

(c) Information concerning the classification of securities

Unexercised options, including those granted to key management personnel as described in note 30, were not included in the determination of basic earnings per share or dilutive earnings per share in 2017 or 2016 as they were considered antidilutive.

NOTE 10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	**2016**
	$	**$**
Cash at bank and in hand	3,999,867	1,840,412
Cash on deposit held as security for bonds issued by financial institutions	1,571,973	1,275,036
Balance per Statement of Financial Position	**5,571,840**	**3,115,448**
Bank overdrafts	**-**	**(1,117,081)**

Reconciliation of cash
Cash at the end of financial year shown in the Statement of Cash Flow is reconciled to items in the Statement of Financial Positions as follows

Cash and cash equivalents at the end of the financial year	5,571,840	3,115,448
Less bank overdrafts	-	(1,117,081)
Cash and cash equivalents per cash flow	**5,571,840**	**1,998,367**

Cash on deposit as security for bonds
Consistent with previous years, cash on deposit held as security for bonds issued by financial institutions are included in Cash and Cash Equivalents

Cash at bank and in hand

The cash at bank are both non-interest bearing and interest bearing with rates between 0.001% and 0.1% per annum overdrafts currently bear interest at 5.55% per annum.
Included in cash and cash equivalents are deposits with financial institutions as security for performance and warranty bonds amounting to amounting to $1,706,562 (June 2016 - $1,275,036).

NOTE 11. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017	**2016**
	$	**$**
Current		
Trade receivables	7,039,268	5,046,087
Allowance for impairment loss (a)	-	(35,686)
	7,039,268	**5,010,401**
Other receivables	387,604	414,706
	7,426,872	**5,425,107**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing vary between 30 and 60 days day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Amounts are included in other expenses in the statement of comprehensive income.

Movements in the provision for impairment loss were as follows:	2017	2016
	$	$
At 1 July	35,686	35,686
Charge for the year	-	-
Amounts written off	(35,686)	-
	-	**35,686**

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	Current	30 days	60 days PDNI*	90+ days PDNI*	90+ days CI*
2017	Consolidated	7,039,268	2,868,759	2,924,997	209,945	999,881	35,686
2016	Consolidated	5,046,087	3,357,252	427,674	430,280	795,194	35,686

* Past due not impaired ('PDNI'); Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated $999,881 (2016: $795,194). Payment terms on these amounts have not been re-negotiated however credit is being monitored until full payment is made. Each business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

NOTE 12. INVENTORIES

	Consolidated	
	2017	2016
	$	$
Raw Materials at cost	124,294	143,509
Provision for Stock Obsolesence	(54,976)	(23,223)
At net realisable value	69,318	120,286
Raw materials	69,318	52,300
	69,318	**52,300**

Inventory write-down

Write-down of inventories to net realisable value amounted to $31,753 for the year ended 30 June 2017 (2016: Nil).

NOTE 13. OTHER CURRENT ASSETS

	Consolidated	
	2017	2016
	$	$
Prepayments	159,627	149,231
Other assets	88,846	166,953
	248,473	**316,184**

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2017					
Opening net book amount	376,670	170,802	24,823	127,007	699,302
Additions	-	71,562	-	6,385	77,946
Transfers			-	-	-
Disposals	-	-	(817)	(4,374)	(5,191)
Impairment					-
Depreciation and amortisation charge - continuing operations	-	(83,063)	(19,731)	(123,430)	(226,225)
Closing net book amount	376,670	159,300	4,275	5,587	545,832
At 30 June 2017					
Cost	376,670	963,707	233,640	167,180	1,741,197
Accumulated depreciation and amortisation	-	(804,407)	(229,365)	(161,594)	(1,195,365)
Net book amount	376,670	159,300	4,275	5,587	545,832

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2016					
Opening net book amount	376,670	173,293	43,534	131,166	724,664
Additions	-	47,320	-	-	47,320
Transfers		-	-	-	-
Disposals	-	(1,270)			(1,270)
Impairment					-
Depreciation and amortisation charge - continuing operations	-	(48,540)	(18,712)	(4,159)	(71,411)
Closing net book amount	376,670	170,803	24,822	127,007	699,302
At 30 June 2016					
Cost	376,670	784,487	260,775	165,796	1,587,728
Accumulated depreciation and amortisation	-	(613,684)	(235,953)	(38,789)	(888,426)
Net book amount	376,670	170,803	24,822	127,007	699,302

All depreciation and impairment charges are included within depreciation and amortisation and impairment of non-financial assets respectively.

NOTE 15. INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts

Consolidated	Goodwill	Trademark	Licences	Development	Total
	$	$	$	$	$
Year ended 30 June 2017					
Opening Net book amount	9,180,127	2,710	-	-	9,182,837
Acquisition through business combination	-	-	-	-	-
Impairment	-	-	-	-	-
Pre acquisition net assets	-				-
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**
At 30 June 2017					
Cost	9,180,127	2,710	-	-	9,182,837
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**
Year ended 30 June 2016					
Opening Net book amount	9,106,408	2,710	-	-	9,109,118
Acquisition through business combination	-	-	-	-	-
Impairment	-	-	-	-	-
Pre acquisition net assets	73,719	-	-	-	73,719
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**
At 30 June 2016					
Cost	9,180,127	2,710	-	-	9,182,837
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**

(b) Description of the Group’s intangible assets and goodwill

(i) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(ii) Licences

Licences have been acquired through business combinations and are carried at cost less accumulated impairment losses. These intangible assets have been determined to have indefinite useful lives. The licenses have been granted on an ongoing basis with no expiry date, however the license provider may withdraw their consent at any time.

(iii) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 5 years. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

NOTE 16. FINANCIAL ASSETS

	Consolidated 2017 $	Consolidated 2016 $
Current		
Term deposits and Bank bills	134,591	126,360

NOTE 17. TRADE AND OTHER PAYABLES

	Consolidated 2017 $	Consolidated 2016 $
Trade payables	6,181,713	4,372,567
Sundry creditors and other payables	3,076,639	871,300
	9,258,352	**5,243,867**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 4.

Fair values

The carrying amount of the Group's trade and other payables approximate their fair value.

NOTE 18. FINANCIAL LIABILITIES

	Note	Consolidated 2017 $	Consolidated 2016 $
Current			
Obligations under finance leases and hire purchase contracts	25	40,935	57,473
Director Loan	29	204,287	645,537
		245,222	**703,010**
Non Current			
Obligations under finance leases, hire purchase contracts anc	25	250,000	250,000
Directors' Loan	29	547,313	855,947
		797,313	**1,105,947**

(a) Fair values

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Interest rate and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 4.

NOTE 19. PROVISIONS

	Consolidated 2017 $	2016 $
Current		
Long service leave	80,387	62,557
Annual leave	300,196	287,836
Restructure		
Legal costs		
Earnout	-	-
	380,583	**350,393**
Non-Current		
Long service leave	42,010	68,520
	42,010	**68,520**

Movements in provisions

Movement in each class of provision during the financial year, other than provision relating to employee benefits, are set out below:

Consolidated	**Employee leave provision $**	**Earnout provision $**	**Total $**
At 30 June 2016	418,913	-	418,913
Arising during the year	238,306	-	238,306
Utilised	(234,625)	-	(234,625)
At 30 June 2017	**422,593**	**-**	**422,593**

Note 20. Assets and disposal groups classified as discontinued operations

Mine Assist Mechanical Pty Ltd (formerly Moranbah Mechanical Services Pty Ltd)

On 24th April 2014 the EGL Board of Directors resolved to cease funding the loss making operations of Mine Assist Mechanical Pty Ltd ("MMS"), a wholly owned subsidiary of the Group. MMS operated a mechanical workshop located in Moranbah Qld. Accordingly, MMS ceased to operate. As a result, revenue and expenses, gains and losses relating to the discontinuation of that business unit have been eliminated from the profit or loss statement from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss (see loss for the year from discontinued operations).

The operating loss of MMS is summarised as follows:

	2017 $	2016 $
Employee expenses	-	(280)
Occupancy expenses	464	-
Professional fees	249	-
Other expenses	-	(120)
Operating (loss)/profit	**713**	**(400)**
Interest expense	-	(1,576)
Other Income	(18,766)	-
(Loss)/profit from discontinued operations before tax	**(18,053)**	**(1,976)**
Income tax benefit/(expense)	5,416	593
(Loss)/profit for the year	**(12,637)**	**(1,383)**

The carrying amounts of assets and liabilities in this discontinued group are summarised as follows:

	2017 $	2016 $
Assets		
Cash and cash equivalents	86	155
Trade and other receivables	-	212
Non-Current Assets		
Deferred tax assets	5,971	5,971
Assets included in disposal group	6,057	6,338
Liabilities		
Trade and other payables	-	18,635
Intergroup indebtedness	164,368	158,588
Deferred tax liabilities	-	64
Liabilities included in disposal group	164,368	177,287

Cash flows generated by MMS for the reporting period are as follows:

	2017 $	2016 $
Operating activities		
Payments to suppliers and employees	(69)	(20,304)
Interest paid	-	(1,576)
Total Operating activities	**(69)**	**(21,880)**
Total Investing activities	-	-
Financing activities		
Loans received from related parties	-	21,600
Total Financing activities	-	21,600
Net decrease in cash and cash equivalents	**(69)**	**(280)**
Cash and cash equivalents at the beginning of the financial year	**155**	**435**
Cash and cash equivalents at the end of the financial year	**86**	**155**

Note 21. Issued capital and reserves

(a) Share capital

Ordinary shares	Consolidated 2017 $	2016 $
215,931,711 fully paid shares (2016: 215,931,711).	**21,759,831**	**21,759,831**

Fully paid ordinary shares (with no par value) carry one vote per share and carry the right to dividends.

Movements in ordinary share capital:

Date	Details	Number of Ordinary Shares	Share Capital $
30-Jun-14	Balance	162,060,389	21,005,632
30-Jun-15	Closing Balance	**162,060,389**	**21,005,632**
29-Jul-15	Rights Issue	53,871,322	754,199
30-Jun-16	**Closing Balance**	**215,931,711**	**21,759,831**
30-Jun-17	**Closing Balance**	**215,931,711**	**21,759,831**

(b) Reserves

There were no movements in reserves during the financial year relating to an issue of options. Foreign currency translation on a foreign subsidiary totaling a loss of $16,236 (2016: Profit - $24,183). The remaining balance relates to employee benefits used to record the value of share based payments provided to employees as part of their remuneration.

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The table below summarises total capital managed by the Group:

	2017 $	2016 $
Total borrowings *	10,300,887	8,169,905
Less cash and cash equivalents**	(5,571,840)	(3,115,448)
Net debt	**4,729,047**	**5,054,457**
Total equity	14,029,992	12,334,082
Total capital	**18,759,039**	**17,388,538**
Net debt/total equity	34%	41%

* Includes interest bearing liabilities, borrowings and trade and other payables

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group’s debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management seeks to manage the Group’s capital by assessing the Group’s financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues, where possible.

Note 22. Statement of cash flows reconciliation

	Consolidated	
	2017	2016
	$	$
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit/(loss) from operating activities after tax	1,712,143	(13,984)
Non-cash flows in profit from operating activities:	-	-
Depreciation, amortisation & impairment	226,225	71,411
Pre-Acquisition Net assets	-	(162,928)
Unrealized Foreign Exchange Losses	(16,233)	24,183
(Increase) / decrease in Receivables	(2,001,765)	332,902
(Increase) / decrease in Inventories	50,968	416
(Increase) / decrease in Prepayments	67,711	26,724
Decrease in Deferred tax assets	418,477	102,906
(Decrease) / increase in Payables	4,014,480	(1,274,828)
(Decrease) / Increase in Provisions	3,682	19,494
Increase / (decrease) in Deferred tax Liabilities	(54,809)	(43,175)
Net cash provided by / (used in) from operating activities	**4,420,879**	**(916,879)**

(b) Non-cash financing and investing activities

During the year the consolidated group acquired plant and equipment and effected leasehold improvements with an aggregate value of nil (2016: $47,320) by means of finance leases.

Note 23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(a):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2017 %	2016 %
The Environmental Group Share Plans Pty Limited	Australia	Ordinary	**100**	100
Environmental Group (Operations) Pty Limited +	Australia	Ordinary	**100**	100
(formerly Environmental Systems Pty Limited)				
Total Air Pollution Control Pty Limited	Australia	Ordinary	**100**	100
Mine Assist Mechanical Pty Limited	Australia	Ordinary	**100**	100
(formerly Moranbah Mechanical Services Pty Limited)				
Bridge Management Services Pty Limited	Australia	Ordinary	**100**	100
(formerly Bowen Basin Pipe Services Pty Limited)				
Baltec IES Pty Ltd	Australia	Ordinary	**100**	**100**
PT Baltec Exhaust and Inlet System	Indonesia	Ordinary	**80**	**80**

Note 24. Commitments

Leasing commitments

Operating lease commitments

The Group has entered into commercial leases on certain items of property and equipment. Equipment leases are generally taken over a 24 - 48 month period.

Future minimum rentals payable under Non-cancellable operating leases as at 30 June 2017 are as follows:

	Consolidated	
	2017	2016
	$	$
Within one year	153,271	116,553
Later than one year but not more than five years	711,730	25,268
After more than five years	401,522	-
	1,266,522	**141,821**

Finance leases and hire purchase commitments

The Group leases motor vehicles and items of plant and equipment. These leases have an average term of 4 years.

Commitments in relation to finance and hire purchase arrangements are as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
	$	$	$
30 June 2017			
Lease payments	-	-	-
Finance charges	-	-	-
Net present values	**-**	**-**	**-**
30 June 2016			
Lease payments	59,428	-	59,428
Finance charges	(1,956)	-	(1,956)
Net present values	**57,472**	**-**	**57,472**

Note 25. Dividends

a) Recognised Amounts
There were no dividends paid or declared during the current year (2016: nil)

b) Unrecognised Amounts
Dividends Declared after end of year

The directors have today declared a final fully-franked dividend of 0.06 cents per share for the 2017 financial year totalling $129,559 The record date for this dividend is 15th September 2017 and the payment date will be 29th September 2017.

	Cents per share	Total amount $'000	Date of Payment
Final Dividend	0.06	130	29-Sep-17

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

(a) Franking credit balance

The amount of franking credits available for the subsequent financial year is:

	Consolidated	
	2017	**2016**
	$	**$**
Franking account balance as at the end of the financial year:	1,777,102	1,777,102
	1,777,102	**1,777,102**

Tax rates

The tax rate at which paid dividends have been franked is 30%.

Note 26. Events after the reporting date

There no matters or circumstances which have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Note 27. Contingent Liabilities

Guarantees

The group has given bank guarantees to unrelated parties in respect of performance guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance guarantees for the Group at 30 June 2017 are $3,624,907 (2016: $3,625,826).

Legal proceedings

The Company has been named as a respondent to Federal Court proceedings commenced against it by a former Company employee in May 2017. The employee primarily alleges that the dismissal involved breaches of the general protections contained in the *Fair Work Act 2009*. The Company believes that it complied with its statutory and contractual obligations, and is defending the proceedings. At this stage, it is not known whether the proceedings will resolve within the financial year ended 30 June 2018.

The damages being sought are of an ongoing nature. The Company understands that the amount of the claim could exceed AUD $500,000. As the Board of EGL believes that the Company's termination of Mr Bowd's employment was lawful and the claim is without foundation, no amount has been provided in these financial statements.