ANNUAL REPORT

2018

EGL

The Environmental Group Limited

To **enable clients** to contribute to a **cleaner environment** through **improved emissions controls** and **facility efficiency**, with expert teams safely delivering **proven engineered solutions** to global markets to **create value for shareholders, staff and the industries it serves.**

CONTENTS

The Environmental Group Limited (EGL) 2017–18 Annual Report covers the operations of the Environmental Group for the financial year ended 30 June 2018. These financial statements are based on information available on the date of this report as required by law or regulation (ASX Listing Rules).

Financial statements are not guarantees or predictions of EGL's future performance. Known and unknown risks which are beyond our control may cause actual results to differ materially from those expressed in the statements contained in this report.

EGL STRATEGIC STATEMENTS

The EGL strategic statement encompasses seven key focus areas which together guide the Group's work. These aspects reflect the core values that have helped to define our collaborative culture and continue to drive our business forward.

ENGINEERED SOLUTIONS

Inspire teams to resolve challenges by delivering tailored and unique solutions across a range of disciplines creating a point of difference and meeting customer requirements.

GLOBAL MARKETS

Maximise EGL's diverse international workforce expanding on its 20 year international footprint and experience, to grow market share in traditional and emerging markets in established global networks.

GROWTH

Develop strategic partnerships and collaborations with expert knowledge, solutions and experience to accelerate growth, market penetration and profitability.

CLEANER ENVIRONMENT

Develop integrated solutions to assist customers to meet the highest level of regulatory and reporting requirements.

To find innovative outcomes to complex and emerging environmental issues across multiple industry sectors.

SAFETY AND CONTINUOUS IMPROVEMENT

Recognise safety as non-negotiable for stakeholders and the communities EGL operate in.

Drive continuous improvement in all areas of EGL business operations through targeted investment in IT systems, training and staff engagement.

VALUE

Maintain a diversity of customers in a range of geographical markets in order to provide resilience in cash flow, margins, sustainable financial performance and reduce exposure to any one market segment.

Achieve positive shareholder returns to drive long-term share price growth, increased liquidity of shares and regular dividend payments.

EXPERT TEAMS

Nurture teams of skilled professionals with structured mentor programs, formal training and education to drive a culture of innovation and continuous improvement.

Maintain an organisational structure that delivers consistent management practices, good governance and flexibility to evolve in line with growth strategies.

Recruit globally to engage a diverse group of highly skilled people to create an inclusive culture and respect of individuality.

The following provides a snapshot of the Group's performance against stated strategic goals established in 2017. While tracking against these goals demonstrates that overall progress is positive, it also highlights where we will focus attention in the coming years to ensure goals are met.

PROVIDE A SAFE, COLLABORATIVE AND SUPPORTIVE CULTURE

A major joint project for TAPC and Baltec IES is a testament of our collaborative culture. We would like to thank all of our team in achieving zero lost time injuries for the year.

DEVELOP OPTIMAL ACCESS TO DEBT AND EQUITY FUNDING TO SUPPORT TARGETED BUSINESS GROWTH

Achieved a major improvement in banking facilities and fully paid down interest bearing debt.

ACHIEVE IMPROVED SHAREHOLDER RETURNS VIA DIVIDENDS AND GROWTH IN SHARE VALUE

Dividends paid in 2017 and 2018. Share price increased by 111% year on year.

DEVELOP AND IMPLEMENT AN INTEGRATED MANAGEMENT SYSTEM BY 2018–19

This was achieved during the year, along with key ISO accreditations for the Group.

ENSURE WORLD CLASS STAFF TRAINING AND CAREER OPPORTUNITIES

Implemented a range of staff training, including AIM membership and training programs. Continued professional development was integrated into staff KPIs and performance appraisal system.

TARGET $50M TURNOVER BY 2020 WITH AN EBIT OF GREATER THAN 8%

Continuing strategic work to achieve EBIT; currently behind schedule but remain positive for 2020 target.

TARGET A CAPITALISATION OF OVER $20M IN THREE YEARS

Progress towards this target is well underway.

EXPAND EXISTING MARKETS AND DEVELOP NEW MARKETS FOR OUR PRODUCTS AND SERVICES

Successfully completed projects in Central Africa and signed a significant contract in China. Expanded focus on service and repairs division and spare parts sales.

IDENTIFY STRATEGIC ALLIANCES AND ACQUISITION OPPORTUNITIES

Signed an MOU for a minor acquisition to strengthen and extend strategic skill set.

ACHIEVE WORLD LEADERSHIP IN OUR TECHNOLOGY AND MARKETS

The Group continues to win contracts globally, reinforcing our capability as a market leader.

CHAIRMAN'S REPORT

The Group is in a robust position to tender for attractive projects which were previously beyond the Group's working capital capabilities.

Dear Shareholders,

On behalf of the board I am pleased to present the EGL Annual Report for FY2017–18. I wish to extend foremost thanks to our staff, management team and the board for their continued hard work throughout the year. Once again, your efforts have helped the Group reach a number of strategic targets, and provided a solid foundation for the achievement of future goals. I would also like to thank our shareholders for their continued interest and support.

This year has been one of consolidation for the Group's business model, which has served to reinforce the previous year's achievements. Despite a tightening market our results remain consistent. I am proud of this tangible reflection of our teams' consistent performance.

The Environmental Group Limited (ASX: EGL) has recorded a profit of $1,568,810 after providing for income tax and non-controlling interests. Echoing FY17 results, this demonstrates improved stability after a decade of volatility for EGL. Our focus remains on strengthening the balance sheet to ensure funding to support the contract pipeline, maximising organic growth potential and to take advantage of acquisition opportunities.

Baltec IES demonstrated continued strong performance despite major delays in the awarding of contracts from customers in a challenging market. Achievements included the successful delivery of a project in Central Africa and in July 2018, the signing of a significant contract in China, both new markets for the company. An increased focus on repairs and maintenance together with sales of spare parts contributed positively to the full year result and will continue to be developed in FY19. Recruitment and training throughout the year focused on the continuous development of our engineering expertise in line with the strategic goal to maintain world class standards in this area.

TAPC maintained a profit for the year, with significant investment into business acquisition and marketing efforts to support the business into FY19 and beyond. As indicated in half-year results and EGL market announcements, several measures have already been taken to improve the TAPC contract pipeline. Whilst the first half of FY19 is anticipated to provide a negative return, these undertakings are expected to positively impact results in the latter half of FY19. Achievements for the TAPC business during the year included the successful delivery of a major project for a mining asset based in Turkey. As previously announced TAPC also established offices and engaged business development staff in Western Australia and has initiated a strategic acquisition in Queensland to pursue growing local market opportunities.

Overall, the Group holds a strong financial position with excellent liquidity and a growing asset base. Net tangible assets per ordinary security improved by 26.3%. Interest bearing debt has been repaid in full during the current year, resulting in the net debt-to-equity ratio dropping from 34% to 13%. Further, with increased bank facilities the Group is in a robust position to tender for attractive projects which were previously beyond the Group's working capital capabilities.

Shareholder value has been enhanced by growth in share price and dividends. On 24 August 2018 the directors declared a final dividend of 0.06 cents per share with a record date of 21 September 2018 to be paid on the 5 October 2018.

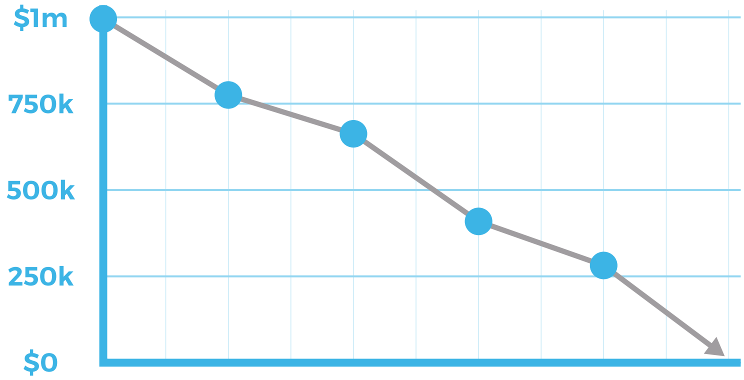
Notably, we have marked the completion of year one of our three-year strategic plan and provide a snapshot of our performance against the related strategic goals on page 5 of this report. EGL maintains an enduring commitment to its sustainability primarily through supporting our highly skilled, culturally diverse workforce. This is evidenced by our uncompromising focus on safety, and investment in staff training and development.

Further consolidating our position as a market leader is the Group-wide ISO certification achieved during the year. This followed the implementation of an integrated management system to enable a streamlined tendering and project execution process across the Group.

The directors anticipate continued profitability into FY2018–19 as we build on our clear strategic mandates. In particular, the solid foundations created this year have aligned our businesses for sustainable growth.

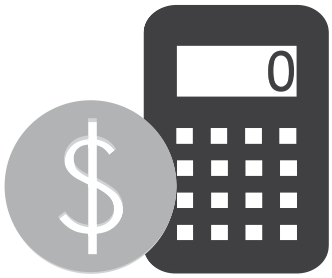
Lynn Richardson
Chairman

TOTAL REVENUE
$32.1 MILLION

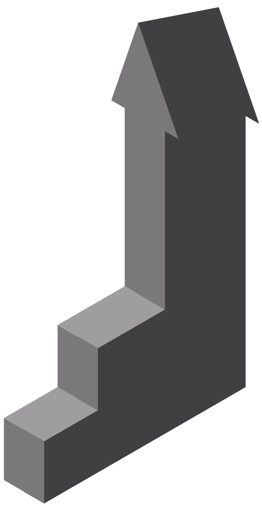


INTEREST BEARING DEBT REDUCED TO
ZERO FROM 1 MILLION

EBIT $2.1M



NET ASSETS
$15.3 MILLION



GROSS MARGIN
26.7%

BALTEC IES

Proudly Australian, Baltec IES is a truly globalised company providing cutting-edge engineering solutions to the worldwide power industry. As the largest subsidiary of EGL, our work focuses on delivering tailored design and equipment for optimising large-scale gas turbine power projects. With customers on every continent and an established presence in over 40 countries, it's unsurprising that export sales represent over 90 per cent of Baltec IES's revenue.

The values of diversity, tolerance and equality underpin everything we do. Coupled with our unique Australian perspective, customers identify Baltec IES as a company guided by fairness and a dedication to high quality equipment and service. Our expert teams comprise some of the best engineering minds in the world and include team members from over 15 different countries. Together, these elements combine to facilitate sustainable growth for the business.

Throughout 2017–18, Baltec IES has maximised its global and local opportunities to continue its strong growth in core business operations. We are particularly proud of our critical contribution towards an industry award-winning project located in the Middle East, which won 'The Best Global Project' across all engineering categories. Baltec IES was lauded for our team's agility without compromising on quality. Further performance highlights during the year include:

- Achievement of an ambitious profit target while maintaining investment levels to enhance our capability and provide staff with professional development opportunities.
- Signing our first Chinese contract in a fiercely competitive market.
- Successful year one implementation of the three-year strategic plan, notably establishing the new service and spares groups within the business.

As we look ahead to the year ahead and beyond, it is clear that the energy sector will continue to be a challenging market space. The growing political, environmental and investment focus on renewable energy technologies is influencing a more strategic transition away from coal-source power. Gas turbine power plants are considered a gateway technology from coal to renewables, therefore this transition signals significant ongoing opportunities for Baltec IES. Our three-year strategic plan is designed to position Baltec IES to take best advantage of these opportunities through diversifying our products and technologies.

Diversification has seen us push into new areas and provide clients with fresh offerings, including after-sales services such as equipment repairs and maintenance. We have invested in a power enhancement division that is, among other things, developing enhanced cooling technologies which target new markets in the industry. Baltec IES understands the business imperative for keeping one eye on the future via prudent investment to further diversify our product offerings. Likewise, our efforts in developing unique emission-reduction technologies demonstrate our enduring commitment to the clean energy sector.

Sinan Boratav
General Manager Baltec IES

OPERATIONAL OVERVIEW

Total Air Pollution Control (TAPC) is Australia's leading single-source supplier for air pollution control equipment and services. We provide expertly engineered solutions to remove pollutants from industrial gas and air streams. Our philosophy is focused on excellent customer service, strategic problem solving and innovative product design. With our knowledgeable teams serving more than 100 industry groups across Australia, New Zealand, South East Asia and the Pacific, TAPC is a well-established provider.

The 2017–18 financial year marked a period of significant change in order to align the business for future growth. This involved the creation of dedicated divisions for business development, project management and operations, specialist engineering, and services and parts. These initiatives, along with other positive achievements will aid recovery from lower than budgeted revenue results in the second half of the financial year. In particular, these include:

- Practical completion of a $7 million gas and vapour scrubber project in Turkey (commenced early 2017)
- Implementation of a customer relationship management system to assist forward sales and opportunity pipeline management
- Implementation of an integrated management system leading to triple standards certification achieved for the Group.

Gary Bruce
General Manager TAPC

The next financial year will see us consolidate operations and pursue burgeoning opportunities in the local market. We have initiated a strategic acquisition in Queensland to provide enhanced global experience in the design and manufacture of Electrostatic Precipitators (ESPs) and broadening our geographic footprint in this specialist area. This echoes our intentions to expand services to support the Western Australia mining industry, marked by our recently established Perth office. The needs of mines and associated processing facilities continue to represent strong opportunities for TAPC to provide specialist equipment and after-sales expertise. In particular, the exponential rise of lithium mining provides a clear invitation for sustained growth.

EGL Water is the Group's newest subsidiary established to evaluate the commercial development of a pioneering waste water treatment process. In December 2017, EGL secured patents for a new technology which has the potential for applications across multiple markets. Patents and rights are for the territories of Australia, New Zealand, PNG, Indonesia, Vietnam and Thailand.

The technology, when proven, should represent a cost-effective, scalable option for use across a range of waste and contaminated waters.

Given the early stages in the development of this new technology, the Board has taken a conservative approach to its development and commercialisation. In addition to EGL's own testing it has secured Commonwealth Government funding to conduct an 18-week study of the technology's efficacy with Victoria University's Institute for Sustainable Industries & Liveable Cities. This study is using benchtop and pilot plant testing to investigate the potential impact of the technology on Municipal Wastewater, High BOD Water, Leachate and PFAS Containing Water.

Baltec's equipment installed at a 2,000MW Power Plant in Middle East

KEY PROJECT HIGHLIGHTS

Plant scrubbers for a Turkish gold mine

This project, for a gold mine located in Turkey, was one of TAPC's largest during the year. We supplied the following pollution control gas scrubbing systems to support a copper sulfide expansion project:

- Acidulation Scrubber System
- Iron Arsenic Scrubber
- Kiln Mercury Carbon Scrubber System
- Electrowinning Cells Mercury Scrubbing System
- POX Scrubbing System (T1 & T2)
- POX Safety System (T1 & T2).

The design of the systems was unique compared with similar systems previously manufactured by TAPC. Key components were fabricated using Duplex 2205 material which is known for its superior strength and high corrosion resistance. Other notable features included the improved design of a variable throat venturi scrubber, and cyclone separators for treatment of the various gaseous elements and substances.

Working with the client in a remote province of Turkey presented a range of logistical and cultural challenges. The TAPC team navigated these with our trademark collaborative approach and lateral project management thinking. Our long experience of working successfully in international settings means our focus can always remain on delivering quality product. This project was no exception. It stands as a global reference site that echoes our strategic goal to grow market share in traditional and emerging markets in established global networks.

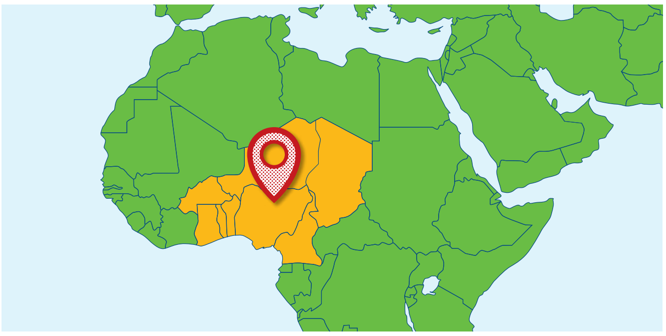
Power plant owner chooses Baltec IES as preferred supplier

The owner of a gas turbine power plant located in the Middle East was experiencing problems with the plant's diverter damper and hydraulic systems due to improper maintenance and set up. Baltec IES was directly engaged to provide supervision and technical support for the equipment. Since our involvement there has been a significant improvement in reliability of the equipment, and all operational and safety issues have been remediated.

We have developed a strong relationship with the client which has granted Baltec IES an exclusive maintenance contract for the diverter damper systems. This is a unique arrangement for Baltec IES and demonstrates the ongoing value our team brings to the facility. Our team attends the plant during every winter outage to perform maintenance. Importantly, this allows us to give junior staff members valuable experience within an operational power plant, further enhancing our people's expertise.

Recent client feedback shows that Baltec IES continues to meet their high expectations: "Baltec's in-depth technical experience in the fields of mechanical, process and control engineering has been essential to supporting our plant successfully meet and additionally exceed its Reliability and Availability targets."

Fast-track project achieved in Central Africa

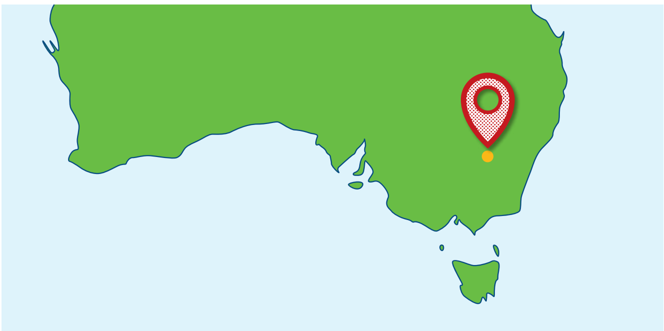


Baltec IES's contribution to another project during the year - a power plant located in Central Africa - demonstrates our responsiveness to clients' needs. A fast-track project completed in nine months, this project followed an iterative design process that, once again, saw Baltec IES thinking outside the box. We supplied a bypass stack with a diverter damper, guillotine damper and silencers. The plant's hydraulics arrangement was changed to improve the efficiency of hydraulic oil consumption. This is the first time that we used a new type of silencer that is built into the stack walls and abates noise in the absence of attenuating baffles. The benefits of this type of silencer design are improved flow and reduced pressure drop.

A major logistical challenge was the requirement to deliver all the equipment in large, preformed pieces to reduce the client's site erection time. This meant supplying equipment upwards of eight meters high to seven meters wide. The diverter was sent in one piece - a component that is typically delivered as 11 separate pieces on similar projects.

Baltec IES is proud of the work we do to enhance the efficiency of our client's assets, wherever they are around the world. Strong diversity within our own team is reflected in the varied places we deliver our services. This successful project reaffirms Baltec IES as a truly competitive company on the global stage.

Brownfield project requires complex engineering solution



This Brownfield project involved Baltec IES and TAPC working together to supply a self-supporting exhaust stack with a silencer for an Australian-based power plant. The client required a turnkey solution to create a more efficient and cost-effective power station. The project came with particular constraints that were a first for our teams. The brief requested a transition from a combined cycle power station to a peaking station that would bypass the boiler. However, the client wanted to preserve the boiler for future use if needed. This presented a challenge for our engineers to install new equipment around the decommissioned boiler. In addition, the client wanted to achieve this transition without applying for additional EPA permits to operate, which meant adhering to unchanged footprint, stack height and noise limits.

The project was delivered on time, reflecting the substantial amount of planning Baltec IES and TAPC undertook to ensure the unusual constraints would not hinder success. The client was particularly satisfied that we commissioned on schedule, while also meeting all EPA regulations.

BOARD OF DIRECTORS

Ms Lynn Richardson - Chairman (Non-Executive)
Appointed to the Board: 22 May 2015; elected Chairman 23 November 2017.

A graduate of the Australian Institute of Company Directors, Lynn holds an MBA from the Australian Graduate School of Entrepreneurship along with qualifications in professional accounting and educational research.

Lynn brings a unique blend of business and academic expertise in the entrepreneurial arena. A varied 20-year career is complemented with Lynn's passion for continuous improvement, which defines her approach to business leadership.

Lynn is also a director of Sustain: The Australian Food Network. She has previously held educational and industry board positions, affording her a range of industry contexts to draw from. Prior to her current position as EGL Chairman, Lynn was a member of the Baltec IES executive committee where her significant strategic leadership contributed to the company's growth.

EGL
The Environmental Group Limited

Mr David Cartney - Director (Non-Executive)
Appointed to the Board on 22 September 2014.

David has over 20 years' experience as an independent and Non-Executive board director and chairman, David provides strong commercial acumen and adds value as an independent director strengthening EGL's Corporate governance, leadership and risk management. David's experience spans electrical contracting and switchboard manufacture, agricultural export, IT maintenance and back up, banking, airlines, surgical hospitals, buying groups, timber processing and wholesale, medico legal, education and financial services.

David is a Fellow of the Australian Institute of Company Directors with the Directors' Diploma from the University of New England and is a member of the Institute of Directors in London. He is a Chartered Accountant in both Scotland and Australia and has a number of qualifications including a Master's degree from the University of St Andrews.

Mr Dean Dowie - Director (Non-Executive)
Appointed to the Board on 25 May 2017.

Dean has more than 15 years' international experience driving growth across numerous market sectors in the Environmental, Water and Energy markets. Dean recently returned to Australia after working in Senior Executive roles based out of London and Paris. Dean holds the position of Chief Operating Officer with one of the world's largest Environmental management companies. Dean's International experience and global contacts will assist EGL with their growth plans.

Dean holds an MBA from La Trobe University, has studied Corporate Strategy at Harvard Business School and is a Graduate of the Australian Institute of Company Directors.

Mr Ellis Richardson - Director (Executive)
Appointed to the Board on 29 November 2013.

Ellis is a foundation Fellow of The Institute of Company Directors, a member of The Institute of Engineers Australia and a Chartered Engineer. He has over thirty years of business experience including - CEO of Comeng: Australia's premier rolling stock manufacturer producing trams, trains and locomotives; Managing Director of Evans Deakin Industries: producers of rolling stock in addition to power stations and draglines for the mining industry; and later in the venture capital industry.

EGL is committed to attracting and retaining the very best engineering minds from around the world. We continue to invest in our people through tailored training and ongoing mentor programs. In the years to come we plan to build on our knowledge-sharing culture by exposing junior staff to a wider range of diverse projects. These opportunities are expected to arise as a result of extending our product and service offerings across the Group.

Our areas of focus for 2018–19 exhibit EGL's responsive approach to the shifting market climate. With increasing momentum towards sustainable technologies and agile solutions, EGL is driving product innovation to grow into new markets.

Examples of what is on the horizon include:

- A joint research project with Victoria University to investigate the market potential for a pioneering waste water treatment process. Preliminary results are expected in the first half of FY19 with commercial benefit expected to impact the second half results
- Strategic growth of our sales teams to ensure targeted pursuit of contracts
- Continued consolidation of business systems to enhance operational efficiency and transparency
- Continued investment into new technologies to complement existing products and services
- Maintaining a strong focus on growing services; in particular, spare parts and maintenance contracts.

CONTENTS

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of The Environmental Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were Directors of The Environmental Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms Lynn Richardson
Chairman (Non-Executive)
Appointed to the Board on 22 May 2015. Appointed Non-Executive Chairman 23 November 2017.

Mr David Cartney
Director (Non-Executive)
Appointed to the Board 22 September 2014. Resigned as Chairman 23 November 2017.

Mr Dean Dowie
Director (Non-Executive)
Appointed to the Board 25 May 2017.

Mr Ellis Richardson
Director (Executive)
Appointed to the Board 29 November 2013.

Interests in the shares and options of the Group and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of The Environmental Group Limited ('EGL') were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
E. Richardson^	100,503,500	-
D. Cartney	1,300,000	-
L. Richardson^	3,571,429	-
D. Dowie	16,809	-

Company Secretary

Mr Andrew Bush has held the role Company Secretary since 1 July 2017, Andrew is a Fellow Certified Practising Accountant, Associate Member of the Institute of Chartered Management Accountants and a Fellow of the Institute Chartered Secretaries and Administrators.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2018 $	2017 $
Final dividend for year ended 30 June 2017 was 0.06 cents per share	129,599	-

Recognised amounts

The Directors' declared a fully franked final dividend on the 23 August 2017 of 0.06 cents for the year ended 30 June 2017 paid on 29th September 2017 a total distribution of $129,559.

Unrecognised Amounts

On the 24 August 2018 the directors declared a final dividend for the year ended 30 June 2018 of 0.06 cents per ordinary share to be paid on 5 October 2018, a total estimated distribution of $129,559 based on the number of shares on issue at 24 August 2018. As the dividend was fully franked, there was no income tax consequences for the owners of EGL relating to this dividend.

Principal activities

The principal activities during the year of entities within the consolidated entity were water, design, application and servicing of innovative gas and vapour emission control systems, inlet and exhaust systems for gas turbines and engineering services to a wide variety of industries.

There were no significant changes to the activities of the Group during the year. The Group's Mission Statement, Strategic Statements and Goals are outlined on page 4.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $1,568,810 (30 June 2017: $1,696,641).

Significant changes in the state of affairs

In the opinion of the Directors', no other significant changes, not otherwise disclosed in this report or the consolidated financial statements occurred in the state of affairs of the Group during the financial year under review.

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, the following events have arisen since 30 June 2018 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.

The parent entity guaranteed a lease obligation of $111,356 for a subsidiary of the group of (see note 41).

The Group entered into a memorandum of understanding on 2 August 2018 to purchase the assets of Baltec East Asia Pty Ltd (Trading as Baltec Australia).The purchase value will be in the order of $240,000 secured by 33.3% cash, 33.3% by an EGL share issue and 33.4% earn out (refer note 43).

Likely developments and expected results of operations

In the opinion of the Directors', no other significant changes, not otherwise disclosed in this report or the consolidated financial statements occurred in the state of affairs of the Group during the financial year under review.

Environmental regulation

The Group's operations may have an environmental impact. Where the Group undertakes site installation work it is typically incumbent upon the Group to address environmental issues in relation to those sites. This usually involves the preparation and implementation of an Environmental Management Plan for the site. Activities of this nature and environmental issues generally are addressed by and carried out under The Environmental Group Management System.

No significant environmental issues were reported or recorded on any EGL sites during the financial year and the Group met all its obligations in this area.

Information on Directors

Ms Lynn Richardson
Chairman (Non-Executive) Appointed to the Board: 22 May 2015; elected Chairman 23 November 2017.

A graduate of the Australian Institute of Company Directors, Lynn holds an MBA from the Australian Graduate School of Entrepreneurship along with qualifications in professional accounting and educational research. Lynn brings a unique blend of business and academic expertise in the entrepreneurial arena. A varied 20-year career is complemented with Lynn's passion for continuous improvement, which defines her approach to business leadership.

Lynn is also a director of Sustain: The Australian Food Network. She has previously held educational and industry board positions, affording her a range of industry contexts to draw from. Prior to her current position as EGL Chairman, Lynn was a member of the Baltec IES executive committee where her significant strategic leadership contributed to the company's growth.

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David has over 20 years' experience as an independent and Non-Executive board director and chairman, David provides strong commercial acumen and adds value as an independent director strengthening EGL's Corporate governance, leadership and risk management.

David's experience spans electrical contracting and switchboard manufacture, agricultural export, IT maintenance and back up, banking, airlines, surgical hospitals, buying groups, timber processing and wholesale, medico legal, education and financial services. David is a Fellow of the Australian Institute of Company Directors with the Directors' Diploma from the University of New England and is a member of the Institute of Directors in London. He is a Chartered Accountant in both Scotland and Australia and has a number of qualifications including a Master's degree from the University of St Andrews.

Mr Ellis Richardson
Director (Executive) Appointed to the Board 29 November 2013.
Ellis is a foundation Fellow of The Institute of Company Directors, a member of The Institute of Engineers Australia and a Chartered Engineer. He has over thirty years of business experience including - CEO of Comeng: Australia's premier rolling stock manufacturer producing trams, trains and locomotives; Managing Director of Evans Deakin Industries: producers of rolling stock in addition to power stations and draglines for the mining industry; and later in the venture capital industry.

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

Full Board	Attended	Held
Ms Lynn Richardson	12	12
Mr Dean Dowie	12	12
Mr Ellis Richardson	12	12
Mr David Cartney	12	12

Nomination & Remuneration Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Dean Dowie	2	2
Mr Ellis Richardson	-	-
Mr David Cartney	2	2

Audit & Risk Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Dean Dowie	2	2
Mr Ellis Richardson	-	-
Mr David Cartney	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Shares under option

Unissued ordinary shares of The Environmental Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
23 November 2013	29 November 2018	$0.05	20,000,000

The total number of outstanding Board and Executive options represents 9.26% (2017: 9.26%) of the total number of issued ordinary shares in the capital of EGL at 30 June 2018.

Shares issued on the exercise of options

There were no ordinary shares of The Environmental Group Limited issued on the exercise of options during the year ended 30 June 2018 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

The Company continues to be involved in Federal Court litigation commenced against it by a former Company employee in May 2017. The matter is listed for trial in October 2018. If the former employee is successful, the amount of the claim could exceed AUD $500,000. As The Board of EGL believes the Company's termination of employment was lawful and the claim is without foundation, no amount has been provided in these financial statements.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 36 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former partners of McIntosh Bishop

There are no officers of the company who are former partners of McIntosh Bishop.

Auditor's independence declaration

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

Auditor

McIntosh Bishop continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of directors

Ms Lynn Richardson
Chairman (Non-Executive)

24 August 2018

REMUNERATION REPORT

This Remuneration report outlines the Directors and Executive Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and the Corporate Regulations 2001. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise).

For the purposes of this report, the term Executive encompasses the Chief Executive, Senior Executives, and Secretaries of the Group.

Remuneration committee and philosophy

The objective of the Group's remuneration policy is to ensure that Senior Executives of the Group are motivated to pursue the long-term growth and success of the Group within an appropriate control framework and that there is a clear relationship between performance and remuneration.

The remuneration structures offered to Senior Executives are designed to attract and retain suitable qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creating value for shareholders. The remuneration structures take into account:

- The capacity and experience of the Senior Executives.
- The Senior Executives' ability to control the performance of areas of the Group's business.
- The Group's performance including earnings and overall returns to shareholders.
- The amount of incentives within each Senior Executives' remuneration.

Executive and Non-Executive Directors remuneration

The Executive and Non-Executive Directors of the Company are entitled to a fee that is determined by the Remuneration Committee on the commencement of the role and on an annual basis thereafter. The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders based on the size and nature of the company.

Each Non-Executive Director receives a maximum fee of $48,000 for being a Director of the company. The Chairman of the Board receives a maximum fee of $150,000. No additional fee is paid to a Director who sits on a Board committee.

The Directors do not receive retirement benefits in excess of their Directors fees, nor do they participate in any incentive programs. The remuneration of Directors for the periods ended 30 June 2018 and 30 June 2017 are detailed in tables 1 and 2 respectively of this report.

Executive remuneration

Total remuneration for Senior Executives is described below:

Fixed remuneration

Fixed remuneration is provided, being a guaranteed salary that is set by reference to market conditions, the scope and nature of the Executive's role and their performance and experience. Market research of both an informal and formal nature is periodically undertaken to determine market salary levels. Group superannuation contributions are included in the fixed remuneration. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The fixed remuneration component of Executives is detailed in table 1 of this report.

Group performance and Directors and Executives' remuneration

The remuneration policy and practices are aimed at aligning remuneration of key staff with the performance of the Group with the wealth of the shareholders. Other than reflected within the tables below, no short term or long term incentives have been paid for the 2018 financial year.

Additional information

The earnings of the Group for the five years to 30 June 2018 are summarised below:

	2014 ($)	2015 ($)	2016 ($)	2017 ($)	2018 ($)
Sales Revenue	18,859,499	26,650,858	25,726,811	32,684,131	32,186,547
Profit after income tax	779,714	369,659	21,741	1,696,641	1,551,180

	2014 ($)	2015 ($)	2016 ($)	2017 ($)	2018 ($)
Share price at financial year end (cents)	2.10	1.90	3.00	1.70	3.60
Total dividends declared (cents per share)	-	-	-	0.06	0.06
Number of shares issued	162,060,389	162,060,389	215,931,711	215,931,711	215,931,711

Executives

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing three month's written notice or providing payment in lieu of the notice period with the exception of the Group General Manager and CFO who have a three month written notice period. The Group may terminate these contracts at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group including Directors of the Group:

- **Ms Lynn Richardson:**
  Non-Executive Chairman
  (Appointed Chairman 23 November 2017)
- **Mr David Cartney:**
  Non-Executive Director
  (Resigned as Chairman 23 November 2017)
- **Mr Ellis Richardson:**
  Executive Director
  (Resigned as Managing Director 31 August 2018)
- **Mr Dean Dowie**:
  Non-Executive Director
  (Appointed 25 May 2017)
- **Mr Andrew Bush:**
  Chief Financial Officer and Company Secretary
  (Appointed CFO 25 May 2017 and Company Secretary 1 July 2017)
- **Mr Peter Murray:**
  Group General Manager
  (Appointed 24 April 2017)

Table 1

Remuneration report - remuneration for year ended 30 June 2018

	Short-term benefits			Post Employment benefits	Long-term benefits	Share-Based payments	
2018	**Cash salary and fees ($)**	**Cash bonus ($)**	**Non-monetary ($)**	**Super-annuation ($)**	**Long service leave ($)**	**Equity-settled ($)**	**Total ($)**
Non-Executive Directors:							
Ms Lynn Richardson	55,000	-	-	6,650	-	-	61,650
Mr David Cartney (1)	53,000	-	-	-	-	-	53,000
Mr Dean Dowie (2)	48,000	-	-	-	-	-	48,000
Executive Directors:							
Mr Ellis Richardson (3)	112,915	-	-	-	-	-	112,915
Other Key Management Personnel:							
Mr Andrew Bush	200,000	10,000	-	19,950	-	-	229,950
Mr Peter Murray	250,000	10,000	-	24,700	-	-	284,700
	718,915	**20,000**	**-**	**51,300**	**-**	**-**	**790,215**

Table 2
Remuneration report - remuneration for year ended 30 June 2017

	Short-term benefits			Post Employment benefits	Long-term benefits	Share-Based payments	
2017	**Cash salary and fees ($)**	**Cash bonus ($)**	**Non-monetary ($)**	**Super-annuation ($)**	**Long service leave ($)**	**Equity-settled ($)**	**Total ($)**
Non-Executive Directors:							
Ms Lynn Richardson	35,068	-	-	3,332	-	-	38,400
Mr David Cartney (1)	48,000	-	-	-	-	-	48,000
Mr Dean Dowie (2)	43,400	-	-	-	-	-	43,400
Executive Directors:							
Mr Ellis Richardson (3)	209,663	-	-	-	-	-	209,663
Other Key Management Personnel:							
Mr Andrew Bush (4)	48,462	-	-	4,604	-	-	53,066
Mr Peter Murray (5)	46,474	-		4,415			50,889
Mr Allan Fink (6)	126,712	18,200		22,588			167,500
Mr Peter Bowd (7)	194,578	-	-	17,607	-	-	212,185
	752,357	**18,200**	**-**	**52,546**	**-**	**-**	**823,103**

Notes to tables 1 and 2

1) Paid to Cabernet House Pty Limited in relation to Directors Fees.

2) Paid to Dowie International Business Advisors Pty Limited in relation to fees for services as Interim CEO for the period 2 February 2017 to 25 May 2017 plus Directors Fees for 2017 and 2018.

3) Paid to Baltec Inlet and Exhaust Systems Pty Limited in relation to Directors Fees.

4) Appointed as Chief Financial Officer on 25 May 2017 and Company Secretary on 1 July 2017.

5) Appointed as Group General Manager on 24 April 2017.

6) Resigned on 1 July 2017.

7) Appointed as Chief Executive Officer on 19 September 2016, employment terminated on 2 March 2017.

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2018 (nil–2017).

Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2018 (nil–2017).

There were no options over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2018 (nil–2017).

The value of options granted to Directors and other key management personnel included on share based payments during the year ended 30 June 2018 (nil–2017).

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties are set out below and in Note 35. There were no shares granted during the reporting period as remuneration.

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Mr Ellis Richardson	94,314,441	-	6,189,059	-	100,503,500
Mr David Cartney	1,300,000	-	-	-	1,300,000
Mr Dean Downie	-	-	16,809	-	16,809
Mr Andrew Bush	831,166	-	-	-	831,166
Ms Lynn Richardson	3,571,429	-	-	-	3,571,429
	100,017,036	**-**	**6,205,868**	**-**	**106,222,904**

No shares have been issued during the years ended 30 June 2018 and 30 June 2017 on exercise of compensation option.

Option holding

The number of options over ordinary shares in the Group held during the financial year by each Director of EGL and other key management personnel of the Group, including their personally related parties, refer Note 35 to the financial statements. The value date per option, grant date and exercise price of last exercise are disclosed in Note 40.

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
Mr Ellis Richardson (refer Note 35)	6,189,059	-	(6,189,059)	-	-
	6,189,059	**-**	**(6,189,059)**	**-**	**-**

Loans to key management personnel and their related parties

In 2018 (2017–nil) no loans were made to Directors of The Environmental Group Limited or other key management personnel of the group, including their personally related parties.

Other transactions with key management personnel and their related parties

During the year ended 30 June 2018 the Group repaid an interest bearing loan owed to Baltec Inlet and Exhaust Systems Pty Ltd of which Mr Ellis Richardson is a Director. The amount outstanding at 30 June 2017 was $751,600 at an annual interest rate of 6% plus the commercial bank rate was fully repaid to Baltec Inlet and Exhaust Systems Pty Ltd on the 28 February 2018, as reflected in Note 39.

Except for the above, no other transactions occurred with Key Management Personnel of the Group, including their personally related parties.

The Board of Directors of The Environmental Group Limited ("EGL") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable. The Board continuously reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the recommendations set out in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ("the ASX Principles") where considered appropriate for a company of EGL's size, nature and stage of development. This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles as adopted by the Company.

Further details in respect to the Company's corporate governance practices are summarised below and copies of Company's corporate governance policies are available of the Company's web site at www.environmental.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1: A listed entity should disclose:

(a) The respective roles and responsibilities of its board and management; and

(b) Those matters expressly reserved to the board and those delegated to management.

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals, monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The responsibility for the operation and administration of the Company is delegated by the Board to the CFO and Senior Management Team. The Board ensures that both the CFO and Senior management team are appropriately qualified and experienced to discharge their responsibilities and have procedures in place to monitor and assess their performance. The Management Team are responsible for conducting the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

Recommendation 1.2: A listed entity should:

(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and

(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Accordingly, the responsibility for the selection of potential directors lies with the Nomination and Remuneration Committee of the Company, the Nomination and Remuneration Committee regularly reviews membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Nomination and Remuneration committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election, as a Director. Candidates are assessed through interviews, meetings and/or background and reference checks (which may be conducted both by external consultants and by Directors) as appropriate.

The Company provides shareholders all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director, either in the notice of the meeting at which the election of the Director is to be held, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found.

Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Appointment terms of the Company's Directors and senior executives are summarised in written agreements.

Recommendation 1.4: The company secretary of a listed entity should be accountable to the board through the chair, on all matters to do with the proper functioning of the board.

The Company's Secretary is accountable to the Company's Board through the chair, ensuring the Company's Board receives adequate support to function properly.

Recommendation 1.5: A listed entity should:

(a) Have a diversity policy in place which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) Disclose that policy or a summary of it; and

(c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:

1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes; or

(2) If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators," as defined in and published under that Act.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. The Board does not consider that at this stage it is appropriate to adopt a policy specifically addressing diversity but will consider adopting a policy in future periods. The board currently comprises of 25 % female directors.

Ms Lynn Richardson holds the position of Non-Executive Chairman position of the Company.

Recommendation 1.6: A listed entity should:

(a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual Directors; and

(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board as a whole has responsibility to review its own performance, the performance of individual directors and the performance of the Board Committees. The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-Executive Directors may also meet to discuss the performance of the Chair. Directors whose performance is consistently unsatisfactory may be asked to retire.

Formal performance evaluations for the Non-Executive Directors of the Board were not undertaken during the reporting period with the intention to conduct such evaluations on an annual basis moving forward.

Recommendation 1.7: A listed entity should:

(a) Have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Performance of senior management is reviewed by the Remuneration Committee annually or more frequently if required. The Board as a whole may then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with senior executives.

A review of senior management performance has taken place during the reporting period.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1: The board of a listed entity should:

(a) Have a Nomination and Remuneration Committee which:

(1) Has at least three members, a majority of whom are independent Directors; and

(2) Is chaired by an independent director, and disclose:

(3) The charter of the committee;

(4) The members of the committee; and

(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a Nomination and Remuneration committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Nomination and Remuneration Committee oversees the appointment and induction process for Directors and the selection, appointment and succession planning process of the Company's Senior Management, where relevant. When a vacancy exists or there is a need for a particular skill, the Nomination and Remuneration Committee, determines the selection criteria that will be applied. The Nomination and Remuneration Committee will then identify suitable candidates, with assistance from an external consultant if required, and will interview and assess the selected candidates. Directors are initially appointed by the Board and must stand for re-election at the Company's next Annual General Meeting of shareholders. Directors must then retire from office and nominate for re-election at least once every three years.

Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board has not yet established a formal board skills matrix. Gaps in the collective skills of the Board are regularly reviewed by the Board as a whole, with the Board proposing candidates for directorships having regard to the desired skills and experience required by the Company as well as the proposed candidates' diversity of background. The Board intends to develop and disclose a Board skills matrix for future reporting periods.

Recommendation 2.3: A listed entity should disclose:

(a) The names of the Directors considered by the board to be Independent Directors;

(b) If a Director has an interest, position, association or relationship that might cause doubts about their independence as a director, but the board is of the opinion that their independence isn't compromised, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) The length of service of each Director.

The current Board composition includes 3 Non-Executive Directors.

The current Chairman, Ms Lynn Richardson, is a Non-Executive Director appointed to the board in May 2015 and was elected Chairman in November 2017 and is a substantial shareholder by association of EGL. Accordingly, the Chairman does not satisfy the independence criteria of the Recommendations.

Mr. David Cartney is a Non-Executive Director and was elected to the board in September 2014 and is not a substantial shareholder of EGL. Accordingly, David does satisfy the independence criteria of the Recommendations.

Mr Dean Dowie was appointed as a Non-Executive Director on the 25 May 2017. Whilst Dean Dowie is not classified as an Independent Director of the Company (he filled the role of contract Interim CEO for the period from 2 March 2017 to 25 May 2017), Mr Dowie's brief tenure as Interim CEO does not impact his ability to exercise independent judgement.

Mr Ellis Richardson is currently an Executive Director of EGL and was elected to the board in November 2013, he has held an Executive position in the last three years and in addition, has a substantial shareholding in EGL, he is not considered as independent.

Details of each Director's backgrounds including experience, knowledge and skills are set out in the Directors Report of this Annual Report.

Recommendation 2.4: A majority of the board of a listed entity should be Independent Directors.

See above, at 2.3.

Recommendation 2.5: The chair of the board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.

The Chairman, Ms Lynn Richardson is not considered independent, for the reasons set out above. However, Ms Lynn Richardson provides significant governance and entrepreneurial expertise. The balance of the Board is collectively satisfied that Ms Lynn Richardson exercises independent judgement in carrying out her duties as Chairman of the Company. To the extent that the Board views any Director to have a conflict or perceived conflict of interest in matters that come before the Board then such Directors will be required to excuse themselves from the relevant decision-making process.

Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

The Board is responsible for conducting new Director Inductions. The process for this is outlined in 2.1 above. Professional development opportunities are considered on an individual basis, with opportunities provided to Directors where appropriate.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

A listed entity should act ethically and responsibly.

Recommendation 3.1: A listed entity should:

(a) Have a code of conduct for its Directors, senior executives and employees; and

(b) Disclose that code or a summary of it.

The Company has established a Corporate Ethical Policy that recognises the importance of establishing and maintaining high ethical standards and decision making in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. All Directors, managers and employees are expected to act with the utmost integrity, honesty and objectivity, striving at all times to enhance the reputation and performance of the Company.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1: The board of a listed entity should:

(a) Have an audit committee which:

(1) Has at least three members, all of whom are Non-Executive Directors and a majority of whom are Independent Directors; and

(2) Is chaired by an Independent Director, who is not the chair of the board, and disclose:

(3) The charter of the committee;

(4) The relevant qualifications and experience of the members of the committee; and

(5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Audit and Risk Committee is governed by a Board approved charter which is disclosed on the Company's website.

The principal function of the Audit and Risk Committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions.

The Audit and Risk Committee is chaired by Mr Dean Dowie who is not the Chair of the Company. The Committee currently has two other permanent Non-Executive Director members being Mr David Cartney and Ms Lynn Richardson.

The Board considers that these members have the required financial expertise and an appropriate understanding of the markets in which the Group operates. The Chief Financial Officer and the Company's external auditors are invited to meetings of the Audit and Risk Committee at the Committee's discretion.

Meetings of the Audit & Risk Committee and member's attendance is disclosed in full in the Directors Report.

Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company has received signed declaration from the CFO and the General Managers that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer any questions from security holders relevant to the audit.

The Company welcomes the attendance of its auditor at its Annual General Meeting.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1: A listed entity should:

(a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) Disclose that policy or a summary of it.

The Board recognises the importance of timely and balanced disclosure of all material matters concerning EGL and is committed to achieving the highest standards of market disclosure. The Board is responsible for compliance with EGL's continuous disclosure obligations. The Board focuses on timely disclosure of any information concerning EGL and its controlled entities that a reasonable person would expect to have a material effect on the price of EGL's securities.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

In line with adherence to the continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Half Yearly Report, the Company website and the distributions of specific releases covering major transactions and events or other price sensitive information.

The Company values its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX. To keep shareholders informed, the Company releases announcements on its activities via the ASX website.

Comprehensive information regarding the Company's activities, is also available on the Company's website.

Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Investor Relations is currently considered the role of the Board. Given the size of the Company and the number of shareholders, the Board do not view a formal investor relations programme as a prudent use of resources at this time. The Board will review this as the Company develops.

Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company acknowledges that respecting shareholders rights is of fundamental importance and that communication with shareholders is a key element of this. The Company's Shareholder Communication processes are via the ASX, the company's website and holder attendance at shareholder Meetings.

Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company encourages the use of electronic communication and offers Security Holders the option to receive and send electronic communication to the Company and its share registry where possible.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1: The board of a listed entity should:

(a) Have a committee or committees to oversee risk, each of which:

(1) Has at least three members, a majority of whom are Independent Directors; and

(2) Is chaired by an Independent Director, and disclose:

(3) The charter of the committee;

(4) The members of the committee; and

(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Audit and Risk Committee is governed by a Board approved charter which is disclosed on the Company's website.

The principal function of the Audit and Risk Committee is to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems and external audit functions.

The Audit and Risk Committee is chaired by Mr Dean Dowie who is not the Chair of the Company. The Committee currently has two other permanent Non-Executive Director members being Ms Lynn Richardson and Mr David Cartney.

The Board considers that these members have the required financial expertise and an appropriate understanding of the markets in which the Group operates. The Chief Financial Officer and the Company's external auditors are invited to meetings of the Audit and Risk Committee at the Committee's discretion.

The Audit and Risk Committee Charter sets out its specific responsibilities, and processes for safeguarding the integrity of its corporate reporting.

Recommendation 7.2: The board or a committee of the board should:

(a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) Disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Committee is responsible for reviewing the Company's risk management framework. Risk framework reviews may occur more or less frequently than annually as necessitated by changes in the Company and its operating environment.

A formal risk framework review has taken place during the financial year ended 30 June 2018.

Recommendation 7.3: A listed entity should disclose:

(a) If it has an internal audit function, how the function is structured and what role it performs; or

(b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk and internal control processes.

Given the Company's size it does not have an internal audit function.

As set out in Recommendation 7.1, the Audit and Risk Committee is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems.

Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Audit and Risk Committee and the Board assists management to determine whether the Company has any material exposure to economic, environmental and social sustainability risks, and, if it does, how it manages or intends to manage those risks. The Company discloses this information in its Annual Report.

PRINCIPLE 8:REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1: The board of a listed entity should:

(a) Have a remuneration committee which:

(1) Has at least three members, a majority of whom are Independent Directors; and

(2) Is chaired by an Independent Director, and disclose:

(3) The charter of the committee;

(4) The members of the committee; and

(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Remuneration of Directors and executive staff is set at a market related level, to ensure that the Company is able to attract the highest calibre skills and expertise. The Nomination and Remuneration and Remuneration Committee comprises three Non-Executive Directors who determine the appropriate remuneration for each Executive.

Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.

The Company's policies and practices regarding the remuneration of executive and Non-Executive Directors and other senior executives are disclosed in the Company's Annual Report.

Recommendation 8.3: A listed entity which has an equity-based compensation remuneration scheme should:

(a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) Disclose that policy or a summary of it.

An equity-based compensation scheme for employees was approved by shareholders at the 2017 Annual General Meeting.

McIntosh Bishop

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
THE ENVIRONMENTAL GROUP LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of The Environmental Group Limited.

As lead audit partner for the audit of the financial statements of The Environmental Group Limited and its controlled entities for the financial year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

McIntosh Bishop
Chartered Accountants

John Hurley

John Francis Hurley
Partner
Sydney, 24 August 2018

McIntosh Bishop
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STATEMENT OF PROFIT AND LOSS

For the year ended 30 June 2018		Consolidated	
		2018	2017
Revenue	**Note**	**($)**	**($)**
Revenue from continuing operations	5	32,186,547	32,684,131
Subcontracting and material costs	6	(23,567,126)	(23,701,058)
Gross profit		8,619,421	8,983,073
Expenses			
Employee expenses	7	(3,558,402)	(3,415,754)
Occupancy expenses		(332,745)	(245,784)
Depreciation and amortisation	7	(79,596)	(226,225)
Marketing expenses		(270,105)	(319,686)
Travel expenses		(359,531)	(402,238)
Professional fees		(993,903)	(1,017,049)
Professional fees - legal proceedings	7	-	(403,873)
Other expenses		(924,712)	(734,103)
Operating profit		**2,100,427**	**2,218,361**
Interest income		14,144	4,009
Interest expense	11	(34,648)	(164,610)
Profit before income tax expense from continuing operations		**2,079,923**	**2,057,760**
Income tax expense	12	(528,743)	(358,254)
Profit after income tax expense from continuing operations		1,551,180	1,699,506
Profit/(Loss) after income tax (expense)/benefit from discontinued operations	13	(38)	12,637
Profit after income tax (expense)/benefit for the year		**1,551,142**	**1,712,143**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**1,551,142**	**1,712,143**
Profit for the year is attributable to:			
Non-controlling interest		(17,668)	15,502
Owners of The Environmental Group Limited	30	1,568,810	1,696,641
		1,551,142	**1,712,143**
Total comprehensive income for the year is attributable to:			
Continuing operations		1,551,180	1,699,506
Discontinued operations		(38)	12,637
		1,551,142	**1,712,143**

Earnings per share for profit from continuing operations attributable to the owners of The Environmental Group Limited		Consolidated	
		2018	**2017**
	Note	**Cents**	**Cents**
Basic earnings per share	45	0.73	0.78
Diluted earnings per share	45	0.73	0.78

Earnings per share for profit/(loss) from discontinued operations attributable to the owners of The Environmental Group Limited		Consolidated	
		2018	**2017**
	Note	**Cents**	**Cents**
Basic earnings per share	45	-	0.01
Diluted earnings per share	45	-	0.01

Earnings per share for profit attributable to the owners of The Environmental Group Limited		Consolidated	
		2018	**2017**
	Note	**Cents**	**Cents**
Basic earnings per share	45	0.73	0.79
Diluted earnings per share	45	0.73	0.79

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018		Consolidated	
		2018	2017
Assets	**Note**	**($)**	**($)**
Current assets			
Cash and cash equivalents	14	2,232,447	5,571,840
Trade and other receivables	15	6,815,486	7,426,872
Inventories	16	168,142	69,318
Other current assets	17	132,281	248,473
Other financial assets	18	-	134,591
Total current assets		9,348,356	13,451,094
Non-current assets			
Deferred tax assets	19	1,366,420	1,577,561
Property, plant and equipment	20	1,167,953	545,832
Intangible assets	21	9,182,837	9,182,837
Total non-current assets		11,717,210	11,306,230
Total assets		**21,065,566**	**24,757,324**
Liabilities			
Current liabilities			
Trade and other payables	22	5,324,020	9,258,352
Financial liabilities	23	-	245,222
Employee benefits	24	368,898	380,583
Total current liabilities		5,692,918	9,884,157
Non-current liabilities			
Financial liabilities	26	-	797,313
Deferred tax liabilities	27	20,020	3,852
Employee benefits	28	51,215	42,010
Total non-current liabilities		71,235	843,175
Total liabilities		**5,764,153**	**10,727,332**
Net assets		**15,301,413**	**14,029,992**
Equity			
Issued capital	29	21,759,831	21,759,831
Retained earnings	30	(6,439,975)	(7,879,226)
Reserves	31	59,332	209,494
Equity attributable to the owners of The Environmental Group Limited		15,379,188	14,090,099
Non-controlling interest	32	(77,775)	(60,107)
Total equity		**15,301,413**	**14,029,992**

For the year ended 30 June 2018 Consolidated	Share Capital ($)	Reserves ($)	Retained Profits ($)	Non-controlling interest ($)	Total Equity ($)
Balance at 1 July 2016	21,759,831	225,727	(9,575,867)	(75,609)	12,334,082
Profit after income tax expense for the year	-	-	1,696,641	15,502	1,712,143
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	1,696,641	15,502	1,712,143
Foreign translation	-	(16,233)	-	-	(16,233)
Balance at 30 June 2017	**21,759,831**	**209,494**	**(7,879,226)**	**(60,107)**	**14,029,992**
Balance at 1 July 2017	21,759,831	209,494	(7,879,226)	(60,107)	14,029,992
Profit/(Loss) after income tax expense for the year	-	-	1,568,810	(17,668)	1,551,142
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	1,568,810	(17,668)	1,551,142
FX currency reserves	-	(150,162)	-	-	(150,162)
Transactions with owners in their capacity as owners:					
Dividends paid (note 33)	-	-	(129,559)	-	(129,559)
Balance at 30 June 2018	**21,759,831**	**59,332**	**(6,439,975)**	**(77,775)**	**15,301,413**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018		Consolidated	
		2018	2017
	Note	($)	($)
Cash flows from operating activities			
Receipts from customers		36,752,815	33,950,779
Payments to suppliers and employees		(38,238,948)	(29,369,299)
Interest received		14,144	4,009
Interest paid	11	(34,648)	(164,610)
Net cash from/(used in) operating activities	44	(1,506,637)	4,420,879
Cash flows from investing activities			
Net purchases of property, plant and equipment	20	(660,662)	(72,751)
Increase/(decrease) in fixed term deposit		-	(8,231)
Net cash used in investing activities		(660,662)	(80,982)
Cash flows from financing activities			
Proceeds from borrowings		-	40,935
Dividends paid	33	(129,559)	-
Repayment of borrowings	26	(1,042,535)	(807,359)
Net cash used in financing activities		(1,172,094)	(766,424)
Net increase/(decrease) in cash and cash equivalents		(3,339,393)	3,573,473
Cash and cash equivalents at the beginning of the financial year		5,571,840	1,998,367
Cash and cash equivalents at the end of the financial year	**14**	**2,232,447**	**5,571,840**

Note 1. Corporate Information

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2018 was authorised for issue by the Directors in accordance with a resolution of the Directors on 24 August 2018.

The Environmental Group Limited's registered office is Level 1 Suite 1, 10 Ferntree Place, Notting Hill, Victoria, 3168.

The financial report includes financial statements for EGL and its controlled entities as a consolidated entity ('the Group'). EGL is a public listed company, limited by shares traded on the Australian Security Exchange, incorporated and domiciled in Australia.

For the purposes of preparing the financial statements the Company and Group are for profit entities.

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

The principal activities during the year of entities within the consolidated entity were design, application and servicing of innovative gas and vapour emission control systems, inlet and exhaust systems for gas turbines, water purification and engineering services, to a wide variety of industries.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(A) Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 41.

(B) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Environmental Group Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. The Environmental Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(C) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether the equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(D) Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank, cash in hand 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.

(E) 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.

(F) 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.

(G) 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.

(H) 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.

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.

(I) 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.

(J) 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.

(K) 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 21.

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	Five 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

(L) 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.

(M) 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.

(N) 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.

(O) 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.

(P) 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 45).

(Q) 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.

(R) 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

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

Other revenue

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

(S) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that has been disposed or cease to trade 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 13.

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.

(T) Income tax

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

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

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

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

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

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

The Environmental Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

(U) Earning 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.

(V) 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.

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.

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

(W) Current and non-current classification

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

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

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

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

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

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

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

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

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

(Y) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since the initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt the standard from 1 July 2018 and the impact of its adoption is expected to be minimal on the Group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal on the Group.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

The Directors anticipate that the adoption of AASB 16 will have an impact on the Group's financial statements. It is expected that the impact on the results of the Group in the 2019 financial year will be approximately $26,273 with a corresponding impact on the net assets of the business in the same amount.

Note 3. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Provision for impairment of inventories

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2(K). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows as discussed in note 21.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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

Employee benefits provision
As discussed in note 2(O), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Warranty provision
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.

Business combinations
As discussed in note 2(C), business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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.

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 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. Operating segments

Identification of reportable operating 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. Unless stated otherwise. All amounts reported to the Board of Directors, being the chief operating decision makers 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.

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

- 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, water purification 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.

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.

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.

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.

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 2018 and 30 June 2017.

Operating segment information

Consolidated - 2018	Products $	Services $	Corporate $	Total $
Total segment revenue	32,186,547	-	-	32,186,547
Depreciation and amortisation	(74,538)	-	(5,058)	(79,596)
Loss on disposal of discontinued operation	-	(55)	-	(55)
Subcontracting and material costs	(23,567,126)	-	-	(23,567,126)
Employee benefit expenses	(3,042,461)	-	(515,941)	(3,558,402)
Occupancy expenses	(331,953)	-	(792)	(332,745)
Professional fees	(459,865)	-	(534,038)	(993,903)
Other expenses	(1,348,673)	-	(226,179)	(1,574,852)
Profit/(Loss) before income tax expense	3,361,931	(55)	(1,282,008)	2,079,868
Income tax expense				(528,726)
Profit after income tax expense				1,551,142
Assets				
Segment assets	15,908,306	-	5,157,260	21,065,566
Total assets				21,065,566

Consolidated - 2017	Products $	Services $	Corporate $	Total $
Total segment revenue	32,684,131	-	-	32,684,131
Depreciation and amortisation	(224,178)	-	(2,047)	(226,225)
Loss on disposal of discontinued operation	-	18,053	-	18,053
Subcontracting and material costs	(23,701,058)	-	-	(23,701,058)
Employee benefit expenses	(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)
Other expenses	(1,459,741)	-	(156,887)	(1,616,628)
Profit/(Loss) before income tax expense	4,316,825	18,053	(2,259,065)	2,075,813
Income tax expense				(363,670)
Profit after income tax expense				1,712,143
Assets				
Segment assets	19,615,112	-	5,142,212	24,757,324
Total assets				24,757,324

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 13.2% of external revenue (2017: 14.6%). The next most significant client accounts for 13.0% (2017: 11.2%) of external revenue.

Note 5. Revenue from continuing operations

	Consolidated	
	2018 ($)	2017 ($)
Revenue		
From external customers	31,953,543	32,684,131
R&D Tax Offset	233,004	-
Revenue from continuing operations	**32,186,547**	**32,684,131**

Note 6. Cost of sales

	Consolidated	
	2018 ($)	2017 ($)
Cost of sales	23,567,126	23,701,058

Note 7. Employee expenses

	Consolidated	
	2018 ($)	2017 ($)
Wages and salaries	2,785,839	2,415,170
Defined contribution superannuation expense	428,221	352,679
Other employee benefits expense	344,342	647,905
Employee expenses total	**3,558,402**	**3,415,754**

Note 8. Professional fees - legal proceedings

	Consolidated	
	2018 ($)	2017 ($)
Professional fees - legal proceedings	0	403,873

The Company continues to be involved in Federal Court litigation commenced against it by a former Company employee in May 2017. The matter is listed for Trial in October 2018.

If the former employee is successful, the amount of the claim could exceed AUD $500,000. As the Board of EGL believes that the Company's termination of employment was lawful and the claim is without foundation, no amount has been provided in these financial statements.

Note 9. Depreciation and amortisation

	Consolidated	
	2018 ($)	2017 ($)
Depreciation of equipment	76,564	83,063
Depreciation of vehicles	-	19,731
Depreciation of leasehold improvements	3,032	123,430
Depreciation and amortisation total	**79,596**	**226,225**

Note 10. Foreign exchange (gains)/losses

	Consolidated	
	2018 ($)	2017 ($)
Foreign exchange (gains)/losses	(122,141)	38,594

Note 11. Interest expense

	Consolidated	
	2018 ($)	2017 ($)
Interest expense	34,648	164,610

Note 12. Income tax expense

	Consolidated	
	2018 ($)	2017 ($)
Income tax expense		
Current tax	-	255,198
Deferred tax - origination and reversal of temporary differences	227,309	363,670
Adjustment recognised for prior periods	301,417	(255,198)
Aggregate income tax expense	528,726	363,670
Income tax expense is attributable to:		
Profit from continuing operations	528,743	358,254
Profit/(Loss) from discontinued operations	(17)	5,416
Aggregate income tax expense	528,726	363,670
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 19)	211,141	418,477
Increase/(decrease) in deferred tax liabilities (note 27)	16,168	(54,807)
Deferred tax - origination and reversal of temporary differences	227,309	363,670
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	2,079,923	2,057,760
Profit/(Loss) before income tax (expense)/benefit from discontinued operations	(55)	18,053
	2,079,868	2,075,813
Tax at the statutory tax rate of 30%	623,960	622,744
Adjustment recognised for prior periods	301,417	(255,198)
Prior year temporary differences not recognised now recognised	(401,068)	-
Difference in overseas tax rates	4,417	(3,876)
Income tax expense	**528,726**	**363,670**

Tax losses

	Consolidated	
	2018 ($)	2017 ($)
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.

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

Note 13. Discontinued operations

Mine Assist Mechanical Pty Ltd

On 24 April 2014 the EGL Board of Directors resolved to cease funding the loss-making operations of Mine Assist Mechanical Pty Ltd (formerly Moranbah Mechanical Services 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:

Financial performance information

	Consolidated	
	2018 ($)	2017 ($)
Other income	-	18,766
Occupancy expenses	-	(464)
Professional Fees	-	(249)
Finance costs	(55)	-
Total expenses	(55)	(713)
Profit/(Loss) before income tax (expense)/benefit	(55)	18,053
Income tax (expense)/benefit	17	(5,416)
Profit/(Loss) after income tax (expense)/benefit from discontinued operations	(38)	12,637

Cash flow information

	Consolidated	
	2018 ($)	2017 ($)
Net cash used in operating activities	(55)	(69)

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

	Consolidated	
	2018 ($)	2017 ($)
Cash and cash equivalents	-	86
Deferred Tax	5,971	5,971
Total assets	**5,971**	**6,057**
Intergroup indebtedness	164,320	164,368
Total liabilities	164,320	164,368
Net liabilities	(158,349)	(158,311)

Note 14. Current assets - cash and cash equivalents

	Consolidated	
	2018 ($)	2017 ($)
Cash at bank	2,207,447	3,999,869
Cash on deposit	25,000	1,571,971
	2,232,447	5,571,840

Cash at bank

Cash at bank is non-interest bearing with an overdraft facility that currently bears interest at 6.75% per annum.

Cash on deposit

As part of the renegotiated bank facility, cash on deposit held as security for bonds issued by financial institutions are no longer required.

Note 15. Current assets - trade and other receivables

	Consolidated	
	2018 ($)	2017 ($)
Trade receivables	5,271,362	7,039,268
Other receivables	1,544,124	387,604
	6,815,486	7,426,872

Impairment of receivables

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 of receivables are as follows:

	Consolidated	
	2018 ($)	2017 ($)
Opening balance	-	35,686
Receivables written off during the year as uncollectable	-	(35,686)
Closing balance	-	-

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $5,271,362 as at 30 June 2018 ($7,003,582 as at 30 June 2017).

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

	Consolidated	
	2018 ($)	2017 ($)
Current	3,180,882	2,868,759
30 Days	1,706,653	2,924,997
60 Days past due not impaired	55,521	209,945
90 Days+past due not impaired	328,306	999,881
	5,271,362	7,003,582

Receivables past due but not considered impaired are: Consolidated $328,306 (2017: $991,881). 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.

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 16. Current assets - inventories

	Consolidated	
	2018 ($)	2017 ($)
Stock on hand - at cost	168,142	124,294
Less: Provision for impairment	-	(54,976)
	168,142	69,318

Inventory write-down
Write-down of inventories to net realisable value amounted to $34,304 for the year ended 30 June 2018 (2017: $31,753). As a result a provision for impairment is no longer required.

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Note 17. Current assets - Other current assets

	Consolidated	
	2018 ($)	2017 ($)
Prepayments	77,147	159,627
Other current assets	55,134	88,846
	132,281	248,473

Note 18. Current assets - Other financial assets

	Consolidated	
	2018 ($)	2017 ($)
Term deposits and bank bills	-	134,591

Note 19. Non-current assets - Deferred tax assets

	Consolidated	
	2018 ($)	2017 ($)
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Fixed Assets	41,192	44,166
Accruals	86,240	273,270
Provisions	140,624	157,848
Other	11,484	31,596
Tax losses	1,086,880	1,070,681
Deferred tax asset	1,366,420	1,577,561
Movements:		
Opening balance	1,577,561	1,996,038
Charged to profit or loss (note 12)	(211,141)	(418,477)
Closing balance	1,366,420	1,577,561

Note 20. Non-current assets - property, plant and equipment

	Consolidated	
	2018 ($)	2017 ($)
Land and buildings - at cost	-	376,670
Leasehold improvements - at cost	167,180	167,180
Less: Accumulated depreciation	(166,142)	(161,593)
	1,038	5,587
Plant and equipment - at cost	2,001,039	963,707
Less: Accumulated depreciation	(834,124)	(804,407)
	1,166,915	159,300
Motor vehicles - at cost	233,640	233,640
Less: Accumulated depreciation	(233,640)	(229,365)
	-	4,275
Net book amount	1,167,953	545,832

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

Consolidated	Land & Buildings ($)	Leasehold Improvements ($)	Plant and Equipment ($)	Motor Vehicles ($)	Total ($)
Balance at 1 July 2016	376,670	127,007	170,802	24,823	699,302
Additions	-	6,385	71,561	-	77,946
Disposals	-	(4,374)	-	(817)	(5,191)
Depreciation expense	-	(123,431)	(83,063)	(19,731)	(226,225)
Balance at 30 June 2017	376,670	5,587	159,300	4,275	545,832
Additions	-	-	1,111,002	-	1,111,002
Disposals	(376,670)	-	-	-	(376,670)
Write off of assets	-	-	(32,615)	-	(32,615)
Depreciation expense	-	(4,549)	(70,772)	(4,275)	(79,596)
Balance at 30 June 2018	-	1,038	1,166,915	-	1,167,953

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.

The Group incurred the following significant capital expenditure during the year end 30 June 2018:

- Purchase and development of water purification units for commercialisation $615,742.
- Purchase and development of ERP system $352,153.

Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the specific asset. The expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 21. Non-current assets - Intangible assets

	Consolidated	
	2018 ($)	2017 ($)
Goodwill - at cost	9,180,127	9,180,127
Patents and trademarks - at cost	2,710	2,710
	9,182,837	9,182,837

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

Consolidated	Goodwill ($)	Trademark ($)	Licences ($)	Development ($)	Total ($)
Balance at 1 July 2017	9,180,127	2,710	-	-	9,182,837
Balance at 30 June 2018	9,180,127	2,710	-	-	9,182,837

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

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.

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 five 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.

Impairment test for goodwill and intangibles with indefinite useful lives

Goodwill acquired through business combinations and licences have been allocated to the EGL Pollution Control cash generating unit.

For the purposes of impairment testing this cash generating unit is at a lower level than the reportable segments disclosed at Note 4. Goodwill and other intangibles with indefinite lives is allocated to the Group's cash generating units identified according to business division, a summary of which is presented below:

	EGL Infrastructure Operations	EGL Pollution Control	EGL Gas Turbine	Total
Goodwill	-	5,172,480	4,007,647	9,180,127
Trademark	2,710	-	-	2,710

EGL Pollution Control Cash Generating Unit

The recoverable amount of the EGL Pollution Control Cash Generating Unit has been determined using a value in use calculation which is based on the terminal value calculation that incorporates a nominal growth rate of 2.0% (2017: 2.0%) .The pre-tax discount rate applied to the cash flow projections is 10% (2017: 10%).

Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

EGL Gas Turbine Cash Generating Unit

The recoverable amount of the EGL Gas Turbine Cash Generating Unit has been determined using a value in use calculation which is which is based on the terminal value calculation that incorporates a nominal growth rate of 2.0% (2017: 2.0%) .The pre-tax discount rate applied to the cash flow projections is 10% (2017: 10%). Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Key assumptions used in value in use calculations

The calculation of value in use for each of the Cash Generating units is most sensitive to assumptions made concerning gross margins, discount rates, and growth rates used to extrapolate cash flows beyond the budget period.

Gross margins are based on the values achieved in recent years preceding the start of the budget period. Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining the appropriate discount rates, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to each unit. Growth rate estimates reflect recent past experience.

Note 22. Current liabilities - trade and other payables

	Consolidated	
	2018 ($)	2017 ($)
Trade payables	4,839,722	6,181,713
Other payables	484,298	3,076,639
	5,324,020	9,258,352

Note 23. Current liabilities - Financial liabilities

	Consolidated	
	2018 ($)	2017 ($)
Obligations under finance leases and hire purchase contracts	-	40,935
Directors loan	-	204,287
	-	245,222

Note 24. Current liabilities - employee benefits

	Consolidated	
	2018 ($)	2017 ($)
Annual leave	298,895	300,196
Long service leave	70,003	80,387
	368,898	380,583

Short-term employee benefits

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

Note 25. Current liabilities - borrowings

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2018 ($)	2017 ($)
Trade Finance Facility	9,000,000	2,500,000
Used at the reporting date		
Trade Finance Facility	3,134,269	1,790,002
Unused at the reporting date		
Trade Finance Facility	5,865,731	709,998

Note 26. Non-current liabilities - Financial liabilities

	Consolidated	
	2018 ($)	2017 ($)
Obligations under finance leases, hire purchase contracts and bank loan	-	250,000
Directors loan	-	547,313
	-	797,313

Note 27. Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2018 ($)	2017 ($)
Deferred tax liability	20,020	3,852
Movements:		
Opening balance	3,852	58,659
Charged/(credited) to profit or loss (note 12)	16,168	(54,807)
Closing balance	20,020	3,852

Note 28. Non-current liabilities - employee benefits

	Consolidated	
	2018 ($)	2017 ($)
Long service leave	51,215	42,010

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

Note 29. Equity - issued capital

	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares - fully paid	215,931,711	215,931,711	21,759,831	21,759,831

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

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.

Share buy-back

There is no current on-market share buy-back. The group has a substantial amount of holdings that are unmarketable parcels. To reduce registry and administrative cost the Group intends to reduce the number of unmarketable parcel holders by sale of small holdings or minimum holding 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 in a 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 subject to certain financing arrangements covenants and 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 2017 Annual Report

The table below summarises total capital managed by the Group:

	Consolidated	
	2018 ($)	2017 ($)
Total borrowings	4,450,668	10,300,887
Less cash and cash equivalents	(2,232,447)	(5,571,840)
Total Net Debt	2,218,221	4,729,047
Total Equity	15,301,413	14,029,992
Total Capital	17,519,634	18,759,039
Net Debt/Total equity	13%	34%

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.

Note 30. Equity - Retained earnings

	Consolidated	
	2018 ($)	2017 ($)
Accumulated losses at the beginning of the financial year	(7,879,226)	(9,575,867)
Profit after income tax (expense)/ benefit for the year	1,568,810	1,696,641
Dividends paid (note 33)	(129,559)	-
Accumulated losses at the end of the financial year	(6,439,975)	(7,879,226)

Note 31. Equity - reserves

	Consolidated	
	2018 ($)	2017 ($)
General reserve	59,332	209,494

Reserves
There was a movement in reserves during the financial year relating to currency translation on a foreign subsidiary totalling a loss of $147,746 (2017: loss - $16,233). The remaining balance relates to employee benefits used to record the value of share based payments provided to employees as part of their remuneration.

Note 32. Equity - non-controlling interest

	Consolidated	
	2018 ($)	2017 ($)
Accumulated losses	(77,775)	(60,107)

Note 33. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2018 ($)	2017 ($)
Final dividend for year ended 30 June 2017 was 0.06 cents per share	129,599	-

Recognised amounts
The Directors' declared a fully franked final dividend on the 23 August 2017 of 0.06 cents for the year ended 30 June 2017 paid on 29th September 2017 a total distribution of $129,559.

Unrecognised amounts
On the 24 August 2018 the directors declared a final dividend for the year ended 30 June 2018 of 0.06 cents per ordinary share to be paid on 5 October 2018, a total estimated distribution of $129,559 based on the number of shares on issue at 24 August 2018. As the dividend was fully franked, there was no income tax consequences for the owners of EGL relating to this dividend.

Franking credits

	Consolidated	
	2018 ($)	2017 ($)
Franking credits available at the reporting date based on a tax rate of 30%	1,777,102	1,777,102
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	(55,525)	-
Franking credits available for subsequent financial years based on a tax rate of 30%	1,721,577	1,777,102

Note 34. Financial risk management

Financial risk management objectives
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(G) to the financial statements.

Financial instruments
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	
	2018 ($)	2017 ($)
Financial assets		
Cash and cash equivalents	2,232,447	5,571,840
Trade and other receivables	6,815,486	7,426,872
Financial assets	-	134,591
	9,047,933	13,133,303
Financial liabilities		
Trade and other payables	5,324,020	9,258,352
Loans from companies controlled by Directors	-	751,600
Bank Facilities and lease liability	-	290,935
	5,324,020	10,300,887

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 Euros. 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:

	2018 USD A$	2018 EURO A$	2017 USD A$	2017 EURO A$
Cash at bank and on hand	1,925,796	375,924	3,592,099	1,464,889
Trade and other receivables	3,491,731	918,966	3,741,134	1,632,684
Trade and other payables	3,312,138	-	4,956,556	76,264

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 $161,918 (2017: decrease of $257,047), 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 $377,809 (2017: increase of $599,776), directly impacting the equity in the Group.

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.

Consolidated June 2018	Weighted Average Interest Rate (%)	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial assets				
Cash at bank and on hand	-	-	2,207,448	2,207,448
Trade and other receivables	-	-	6,815,486	6,815,486
Term deposits and bank bills	1.100%	25,000	-	25,000
		25,000	9,022,934	9,047,934
Financial liabilities				
Trade and other payables	-	-	5,324,020	5,324,020
Net financial assets	-	**25,000**	**3,698,914**	**3,723,914**

Consolidated June 2017	Weighted Average Interest Rate (%)	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial assets				
Cash at bank and on hand	0.810%	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	0.100%	134,591	-	134,591
		5,706,431	7,426,872	13,133,303
Financial liabilities				
Loans from Directors	7.500%	751,600	-	751,600
Property Loan Lease liability and overdrafts	5.550%	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**

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 have no material increase or decrease on pre-tax profit for the Group (2017: $46,368), 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 counter parties 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	
	2018 ($)	2017 ($)
Financial assets		
6 months or less	5,147,926	9,418,347
6 - 12 months	928,444	123,595
1 - 5 years	306,660	758,945
	6,383,030	10,300,887

Note 35. Key management personnel disclosures

Directors
The following persons were Directors of The Environmental Group Limited during the financial year:

- Ms Lynn Richardson
- Mr David Cartney
- Mr Ellis Richardson
- Mr Dean Dowie

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

- Mr Andrew Bush
- Mr Peter Murray

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2018 ($)	2017 ($)
Financial assets		
Short-term employee benefits	738,915	770,558
Post-employment benefits	51,300	52,545
	790,215	823,103

Options
No options were granted in the year ended 30 June 2018 (nil-2017).

2018	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors and key management personnel				
Mr Ellis Richardson	94,314,441	-	6,189,059	100,503,500
Mr David Cartney	1,300,000	-	-	1,300,000
Ms Lynn Richardson	3,571,429	-	-	3,571,429
Mr Dean Dowie	-	-	16,809	16,809
Mr Andrew Bush	831,166	-	-	831,166
Mr Sinan Boratav	6,189,059	-	(6,189,059)	-

2017	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors and key management personnel				
Mr Ellis Richardson	94,314,441	-	-	94,314,441
Mr David Cartney	1,300,000	-	-	1,300,000
Mr Lynn Richardson	3,571,429	-	-	3,571,429
Mr Andrew Bush	-	-	831,166	831,166
Mr Sinan Boratav	6,189,059	-	-	6,189,059

Details relating to key management personnel are included in the Remuneration Report.

Note 36. Remuneration of auditors

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

	Consolidated	
	2018 ($)	2017 ($)
Audit services - McIntosh Bishop		
Audit or review of the financial statements	65,000	55,000
Other services - McIntosh Bishop		
Independent investigation into complaint to ASIC	-	12,560
	65,000	67,560

Note 37. Contingent liabilities

Guarantees

The Groups bank has given guarantees to unrelated parties in respect of performance bonds and guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance bonds and guarantees for the Group at 30 June 2018 are $3,134,269 (2017: $3,624,907).

Legal Proceedings

The Company continues to be involved in Federal Court litigation commenced against it by a former Company employee in May 2017. The matter is listed for trial in October 2018.

If the former employee is successful, the amount of the claim could exceed AUD $500,000. As The Board of EGL believes the Company's termination of employment was lawful and the claim is without foundation, no amount has been provided in these financial statements.

Note 38. Leasing Commitments

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

	Consolidated	
	2018 ($)	2017 ($)
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	308,204	153,271
One to five years	928,444	711,730
More than five years	306,660	401,522
	1,543,308	1,266,523

Operating lease commitments includes contracted amounts for various warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 39. Related party transactions

Parent entity
The Environmental Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 42.

Key management personnel
Disclosures relating to key management personnel are set out in Note 35 and the remuneration report included in the Directors' report.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

	Consolidated	
	2018 ($)	2017 ($)
Current borrowings:		
Loan from related party	-	751,600

As disclosed in the Directors report the interest bearing loan outstanding at 30 June 2017 of $751,600 with an annual interest rate of 6% plus the commercial bank rate owed to Baltec Inlet and Exhaust Systems Pty Ltd of which Mr Ellis Richardson is a Director was fully repaid on the 28 February 2018.

Except for the above, no other transactions occurred with Key Management Personnel of the Group, including their personally related parties.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 40. Share based payment plans

(a) Recognised share based payment expenses

Total expense recognised for share-based payment transactions during the year is nil (2017 - nil).

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2018 and 2017.

(b) Types of share based payment plans and summary of option granted.

Options granted and on issue
Options on issue relate to outstanding Board and Executive options. Set out below is the summary of Executive options on issue and the movement in the numbers of options over the year ended 30 June 2018.

Grant Date	Expiry Date	Exercise Price $	Opening Balance	Issued	Exercised	Expired	Closing Balance	Date exercisable
29/11/2013	29/11/2018	0.05	20,000,000	-	-	-	20,000,000	1/07/2015

The total number of outstanding Board and Executive options represents 9.26% (2017: 9.26%) of the total number of issued ordinary shares in the capital of EGL at 30 June 2018.

Note 41. Parent entity information

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

Statement of profit or loss	Consolidated	
	2018 ($)	2017 ($)
Financial performance		
Profit after income tax	(311,420)	(1,016,654)

Statement of financial position		
	2018 ($)	2017 ($)
Assets		
Current assets	9,895,897	11,195,019
Non-current assets	5,082,191	5,126,100
Total assets	14,978,088	16,321,119
Liabilities		
Current liabilities	418,919	1,322,711
Non-current liabilities	1,890	150
Total liabilities	420,809	1,322,861
Net assets	14,557,280	14,998,258
Equity		
Equity attributable to the ordinary equity holders of the company		
Contributed equity	21,709,816	21,709,816
Retained earnings	(7,077,089)	(6,765,670)
Reserves	54,112	54,112
Dividends paid	(129,559)	-
Total equity	14,557,280	14,998,258

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.
The parent entity on 20 July 2018 guaranteed Total Air Pollution Pty Ltd lease obligation of $111,356 relating to a two year property lease.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Note 42. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2018 %	2017 %
The Environmental Group Share Plans Pty Limited	Australia	100%	100%
Environmental Group (Operations) Pty Limited (formerly Environmental Systems Pty Limited)	Australia	100%	100%
Total Air Pollution Control Pty Limited	Australia	100%	100%
Mine Assist Mechanical Pty Limited (formerly Moranbah Mechanical Services Pty Limited)	Australia	100%	100%
Bridge Management Services Pty Limited (formerly Bowen Basin Pipe Services Pty Limited)	Australia	100%	100%
Baltec IES Pty Ltd	Australia	100%	100%
PT. Baltec Exhaust and Dan Inlet System Indonesia	Australia	80%	80%
EGL Water Pty Limited	Australia	100%	-

Note 43. Events after the reporting period

Apart from the dividend declared as disclosed in note 33, the following events have arisen since 30 June 2018 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.

The parent entity guaranteed lease obligations for a subsidiary of the group (see note 41).

The Group entered into a memorandum of understanding on 2 August 2018 to purchase the assets of Baltec East Asia Pty Ltd (Trading as Baltec Australia).The purchase value will be in the order of $240,000 secured by 33.3% cash, 33.3% by an EGL share issue and 33.4% earn out(refer note 43).

Note 44. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated	
	2018 ($)	2017 ($)
Profit after income tax (expense)/ benefit for the year	1,551,142	1,712,143
Adjustments for:		
Depreciation and amortisation	79,596	226,225
Foreign exchange differences	(61,586)	(16,233)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	611,386	(2,001,765)
Decrease/(increase) in inventories	(98,824)	50,968
Decrease in deferred tax assets	211,141	418,477
Decrease in prepayments	116,192	67,711
Increase/(decrease) in trade and other payables	(3,934,332)	4,014,480
Increase/(decrease) in deferred tax liabilities	16,168	(54,809)
Increase in other provisions	2,480	3,682
Net cash from/(used in) operating activities	(1,506,637)	4,420,879

Note 45. Earnings per share

	Consolidated	
	2018 ($)	2017 ($)
Earnings per share for profit from continuing operations		
Profit after income tax	1,551,180	1,699,506
Non-controlling interest	17,668	(15,502)
Profit after income tax attributable to the owners of The Environmental Group Limited	1,568,848	1,684,004
	Cents	**Cents**
Basic earnings per share	0.73	0.78
Diluted earnings per share	0.73	0.78

	Consolidated	
	2018 ($)	2017 ($)
Earnings per share for profit/(loss) from discontinued operations		
Profit/(Loss) after income tax attributable to the owners of The Environmental Group Limited	(38)	12,637
	Cents	**Cents**
Basic earnings per share	-	0.01
Diluted earnings per share	-	0.01

	Consolidated	
	2018 ($)	2017 ($)
Earnings per share for profit		
Profit after income tax	1,551,142	1,712,143
Non-controlling interest	17,668	(15,502)
Profit after income tax attributable to the owners of The Environmental Group Limited	1,568,810	1,696,641
	Cents	**Cents**
Basic earnings per share	0.73	0.79
Diluted earnings per share	0.73	0.79
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	215,931,711	215,931,711
Weighted average number of ordinary shares used in calculating diluted earnings per share	215,931,711	215,931,711

Information concerning the classification of securities
Unexercised options, including those granted to key management personnel as described in Note 40, were not included in the determination of basic earnings per share or dilutive earnings per share in 2018 or 2017 as they were considered antidilutive.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors,

Ms Lynn Richardson
Chairman (Non-Executive)

24th August 2018

McIntosh Bishop

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
THE ENVIRONMENTAL GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Environmental Group Limited (the "Company"), and its controlled entities (collectively the "Group") which comprises the Consolidated Statement of Financial Position as at 30 June 2018, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes to the financial statements including a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

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

Independence

We are independent of the Company and the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

McIntosh Bishop
Chartered Accountants
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Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment Assessment of Goodwill

Key Audit Matter	How the matter was addressed in the audit
The Group has goodwill of $9,180,127. An impairment assessment is performed on an annual basis or when there is any indication that the carrying amount of these assets exceeds the recoverable amount. Our focus was to determine whether or not any impairment charge relating to the above assets was required. This involved assessing judgments in the cash flow and budget analysis, and testing key assumptions such as forecast business growth rate and discount rates.	➢ We evaluated the Group's future cashflow forecasts supporting the impairment assessments for goodwill ➢ We have agreed that their cash flow model is accurate and appropriate ➢ We evaluated the appropriateness of the key assumptions used in the forecasts ➢ We assessed the adequacy of disclosures included in Note 21

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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McIntosh Bishop

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

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McIntosh Bishop

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of The Environmental Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

McIntosh Bishop

Chartered Accountants

John Hurley

John Francis Hurley

Partner

Sydney, 24 August 2018

McIntosh Bishop
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The shareholder information set out below was applicable as at 7 August 2018.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	1,276	-
1,001 to 5,000	304	-
5,001 to 10,000	119	-
10,001 to 100,000	224	-
100,001 and over	85	1
	2,008	1
Holding less than a marketable parcel	1,743	-

Equity security holders
The names of the twenty largest security holders of quoted equity securities as at 7 August 2018 are listed below:

	Ordinary Shares	
	Number held	% of total shares issued
Mrs Denise Richardson	45,293,334	20.98
Mr Ellis Richardson	45,293,334	20.98
Allabah Pty Ltd	26,110,000	12.09
Baltec Inlet & Exhaust Systems	9,916,832	4.59
Ace Property Holdings Pty Ltd	8,500,000	3.94
Build assist NSW Pty Ltd	5,750,918	2.66
CJ & RS Kelly Pty Ltd	5,372,090	2.49
Invia Custodian Pty Limited	5,233,334	2.42
Doldory Pty Ltd	5,022,182	2.33
Cannington Corporation Pty Ltd	4,906,390	2.27
Mr Phil Dart	3,950,000	1.83
Richmarsh Investments Pty	3,571,429	1.65
TAPC (Holdings) Pty Ltd	2,339,506	1.08
Mr John Ditria	2,250,567	1.04
Chucky Pty Ltd	2,194,886	1.02
Red Beetroot Pty Ltd	2,000,000	0.93
Kailva Pty Ltd	2,000,000	0.93
The Thunder Group Pty Ltd	1,866,923	0.86
Longfarn Pty Ltd	1,400,759	0.65
Cabernet House Pty Ltd	1,300,000	0.6
	184,272,484	85.34

Options over ordinary shares

	Options over ordinary Shares	
	Number held	% of total options issued
Allabah Pty Ltd	20,000,000	9.26

Unquoted equity securities
There are no unquoted equity securities.

Substantial Shareholders
Substantial shareholders of ordinary shares in the company are set out below:

	As at 7 August 2018	
	Number held	%
Mrs Denise Richardson	45,293,334	20.98
Mr Ellis Richardson	45,293,334	20.98
Allabah Pty Ltd	26,110,000	12.09

Voting rights
The voting rights attached to ordinary shares are set out below options do not carry a right to vote.

Ordinary shares
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.

There are no other classes of equity securities.

CORPORATE DIRECTORY

EGL
The Environmental Group Limited

Directors	Ms Lynn Richardson Chairman (Non-Executive) Mr David Cartney (Non-Executive) Mr Dean Dowie (Non-Executive) Mr Ellis Richardson (Executive)
Company secretary	Mr Andrew Bush
Notice of annual general meeting	The details of the annual general meeting of The Environmental Group Limited are: Level 1 Suite 1 10 Ferntree Place Notting Hill, Victoria 3168 11.00 AM EST 22 November 2018
Registered office	Level 1 Suite 1 10 Ferntree Place Notting Hill Victoria 3168 Telephone: (03) 9763 6711
Share register	Board Room Pty Ltd Level 12 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600
Auditor	McIntosh Bishop Level 4 83 Mount Street North Sydney NSW 2060
Solicitors	Baker Jones Level 10 160 Queen Street Melbourne Victoria 3000
Bankers	Commonwealth Bank of Australia
Stock exchange listing	The Environmental Group Limited shares are listed on the Australian Securities Exchange (ASX code: EGL)
Website	www.environmental.com.au
Corporate Governance Statement	www.environmental.com.au

“The EGL Group’s richly diverse workforce is our greatest asset.
Through our people, we bring together exceptional engineering skills, global experience and truly innovative thinking. This engenders a progressive culture and, most importantly, enables us to deliver exceptional quality and solutions for our clients.”

- Lynn Richardson
Chairman

EGL
The Environmental Group Limited

HEAD OFFICE

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