The Environmental Group Limited

ABN 89 000 013 427
Unit 1A, 9 Packard Avenue
Castle Hill NSW 2154
Telephone: (02) 8858 3499
Facsimile: (02) 9899 3463

27 August 2014

Commentary on Results for the Year Ended 30 June 2014

Financial review

We are pleased to announce that a profit for the year was $0.8M.

This profit is attributable to a number positive factors, Total Air Pollution Control Pty Limited, and Baltec IES Pty Limited made a profit during the second half of the 2014 financial year. In addition, tax losses incurred in previous years amounting to $1.3M were recognised during the current financial year. Losses from discontinued operations and corporate costs had a detrimental affect of $1.8M pre tax on the profit for the year.

The acquisition of Baltec IES Pty Limited, which was concluded at the end of November, was the major achievement during the year and was the only profitable business for the full financial year. Baltec contributed over $1M in profits for the 7 months since acquisition.

Mine Assist Mechanical Pty Limited ("MMS") previously part of EGLMA Pty Limited made a pre-tax loss of $0.7M for the year. The business had lost $0.2M in the first four months and continued to make losses each month. In April 2014 it was decided to close the business. MMS was a non core business and was considered more suited to a small partnership rather than being owned by a listed company.

We are pleased with the progress that was made by TAPC in the 2nd half of the financial year, however, it was unable to reverse the first half year losses, making a small loss after taxation of 0.1M for the year.

Consolidated revenues from continuing operations which were up 50.7% to $17.9M, are expected to continue to grow during the 2015 financial year, as they will include 100% of the Baltec revenue for the 2015 year.

Shareholders' equity increased by 77.8% from $6.3M to $11.2M predominantly as a result of the acquisition of Baltec.

Operational Review

The EGL business now comprises of two operating companies, namely TAPC and Baltec. There are significant synergies between the two operations as both rely on quality marketing, engineering design, project management, manufacturing and site supervision for their success. The contrast however is that TAPC derives 80% of its business from within Australia, whilst Baltec exports 80% of its activity. This provides an ideal opportunity for organic growth from both operations as they are able to assist one another in market development, design capabilities and project execution. Baltec has already benefited from utilising TAPC 3D design software, whilst TAPC is investigating the use of low cost drafting facilities in Thailand which are managed by Baltec. TAPC will support Baltec market development in Australia and Baltec has already introduced TAPC into their PT Baltec company in Indonesia and to their subcontractor which is owned by one of Indonesia's largest cement manufacturing companies. Electrostatic precipitators, which are widely used in the cement industry, are a core product in the TAPC brand.

An executive committee was recently established comprising the CEO's of both TAPC and Baltec, with the aim of maximising the combined knowledge and market penetration of each operation. The committee will draw on managers in the operations and marketing in both operations to optimise integration benefits.

Total Air Pollution Control Pty Limited (TAPC)

Sales in TAPC were $8.2M and 35.4% less than budgeted. Pre tax losses were $0.1M. TAPC has historically provided an acceptable return on shareholder investment however the last 12 months has seen major projects being deferred. TAPC has two core product ranges, namely electrostatic precipitator maintenance and rebuilds for the power and the minerals processing industry together with Gas and vapour products supplied to the industrial processing market. Coal fired power station electricity generation declined due to the increased use of solar power, smart meters and the fall in manufacturing activity which is a substantial user of electrical power. A higher level of customer conservatism in the industrial processing market led to the deferment of major projects. TAPC had only one major project in the year but through a focused marketing program it substantially increased its base maintenance work.

Overheads reflecting optimistic sales levels were maintained through most of the year, however, following a change in the executive board supervision of TAPC a review of costs was undertaken with the CEO of TAPC, leading to a $0.6M reduction in overheads, realisable late 2014. Had this action been taken earlier, TAPC may have returned a small profit for the year.

Baltec IES Pty Ltd (Baltec)

Baltec manufactures inlet and exhaust systems predominately for the gas turbine market. The Baltec brand is highly regarded worldwide as a market leader producing quality solutions on time. Approximately 70% of its projects are generated from the existing customer base, leading to a high volume of repeat orders. Sales for the 12 months to 30 June 2014 were $14.9M and 19.2% above budget. Pre tax profit for the 12 months was $1.5, 7.1% above budget, however as the acquisition of Baltec took place at the end of November, only 7 months benefit from Baltec is reflected in consolidated profits of EGL. Baltec had been on a growth curve; however next year will be a challenge due to Baltec working capital being used to fund losses and overheads in EGL, which are subsequently not available for new projects. Baltec will focus on smaller cash positive projects to maintain a reasonable level of activity in its business. EGL was promoted to Baltec prior to purchase as being an ideal profitable vehicle in which to raise capital for generic growth. It was disappointing to the previous Baltec owners that profits in EGL other businesses were actually significant losses in the first quarter, and continued thought the year until corrective action was implemented. Bank and shareholder credibility is substantially lower than that enjoyed by Baltec prior to acquisition.

Corporate

EGL corporate overheads are excessive for a company with only two operating businesses. Expenses in director's fees, interest charges on associated director's loans need to be addressed. The task for the board will be reduced the number of directors from 4 to 3 with fees and expenses significantly reduced. Similarly expenses from interest rates of up to 15% will need to be reduced. Greater board efficiencies and effective use of corporate resources will result in further overhead cost reductions.

The challenges for a refocused board this year will be to return TAPC to profitability in the worst market conditions experienced in the past 5 years and to raise the additional working capital necessary to provide for organic growth of both TAPC and Baltec. The two operating businesses have an excellent history for generating profits, therefore the board will concentrate on providing professional mentoring and supervision, the removal of impediments to the expansion of each business and in providing the cash resources for organic growth. When these KPI's have been met the company will address further expansion through acquisition.

Ellis Richardson
Chairman

The Environmental Group Limited

ENQUIRIES

For further information, please contact Mr Ellis Richardson, Chairman by telephone on (02) 8858 3499.

ABOUT EGL

EGL is a leading ASX listed facility services and environmental solutions company that provides industrial services, clean air and clean water to the resource, industrial and municipal sectors. EGL provides industrial services to the resources sector, operates air and water infrastructure, completes engineered solutions to enhance air and water quality and provides environmental facility management. For further information on EGL visit www.environmental.com.au .

APPENDIX 4E

The Environmental Group Limited
ABN 89 000 013 427
And its controlled entities

Preliminary Final Report
Financial Year Ended 30 June 2014

(Previous reporting period: Year ended 30 June 2013)

This report is based on audited accounts

Results for announcement to the market

						$
Revenues from ordinary activities	**Up**	**6,035,087**	**or**	**51%**	**to**	**17,936,746**
Total profit from continuing operations	**Up**	**1,051,446**	**or**	**(414%)**	**to**	**1,305,383**
Total comprehensive profit for the year	**Down**	**1,579,505**	**or**	**199%**	**to**	**783,858**
Net profit for the year attributable to members	**Down**	**1,579,505**	**or**	**199%**	**to**	**783,858**

Dividends	Amount per security	Franked amount per security
Final dividend proposed:	**Nil**	**Nil**
Interim dividend paid:	**Nil**	**Nil**
Record date for determining entitlements to the dividends:	**Not applicable**	

The directors have declared no dividends during the period.

Explanation of figures reported above

Refer to attached annual report and covering commentary.

This financial report is the preliminary final report provided to the Australian Securities Exchange under listing rule 4.3

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

CONTENTS

This financial report addresses The Environmental Group Limited ACN 000 013 427 as the consolidated group consisting of The Environmental Group Limited and its controlled entities.

The Environmental Group Limited is a company limited by shares, incorporated in Australia. It is listed on ASX (ASX code: EGL).
The company's registered office is Unit 1A, 9 Packard Avenue, Castle Hill, NSW, 2154

All press releases, financial statements and other information are available on our website – **www.environmental.com.au**

DIRECTORS' REPORT

Financial review

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Mr Ellis Richardson
Chairman

Your Directors submit their report for the year ended 30 June 2014.

Directors

The names and details of the Director in office during or since the end of the financial year are set out as below:

Information on Directors

The following Director were in office during the financial year and until the date of this report:

MR ELLIS RICHARDSON – CHAIRMAN (EXECUTIVE)

Appointed to the Board as Chairman on 29 November 2013.

Mr Richardson 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 30 years of business experience as CEO of Comeng and Managing Director of Evans Deakin Industries and later in the venture capital industry. Comeng was Australia's premier rolling stock manufacturer producing trams, trains and locomotives. Evans Deakin Industries also produced rolling stock in addition to power stations and draglines for the mining industry.

MR LOUIS A NIEDERER MBA – DIRECTOR (EXECUTIVE)

Appointed to the Board on 18 May 2012.

Mr Niederer has over 25 years experience in the Finance Industry. Previously, he wasChairman of Bremer Park Limited (ASX: BPK) and Director of University Paton Limited (ASX:UPL) and Pearl Healthcare Limited (ASX:PHL). Previous positions held with Potts West Trumbull, Deutsche Bank and James Capel & Company (HSBC). He established Niederer & Company Investment Management (an individually managed account investment business) in 1996. Assets under management grew to approximately $100 million. The business was closed, with the return of all funds to clients, in 2007.

MR TIM HARGREAVES B.SC (HONS), PGDip PEng – DIRECTOR (NON–EXECUTIVE)

Appointed to the Board on 18 May 2012. Chairman of the Nomination and Remuneration Committee.

Mr Hargreaves has over 35 years experience in technical and managerial roles in the petroleum and mining sectors in Asia and the Middle East for major companies including BHP, Fletcher Challenge and Union Texas Petroleum as well as start ups and small independents. He has led successful exploration and commercialisation campaigns in Pakistan and Egypt which were dependent upon technical and commercial innovation in complex regulatory environments. Since 2009 he has been Research Director Resources and Commodities for a private Singapore based funds management company and prior to that he was Technical Director for a private Dubai based petroleum investment company.

MR GILES WOODGATE B.Com, CA – DIRECTOR (NON-EXECUTIVE)

Appointed to the Board on 20 November 2012. Chairman of the Audit and Risk Committee.

Mr Woodgate is a Chartered Accountant of over 35 years experience. He was conferred a Bachelor of Commerce (UNSW) in 1979 and has specialised as an insolvency practitioner since 1981, with such firms as KPMG (Sydney and London) and an antecedent firm of Deloitte (Sydney and New Zealand). Since 1989 he has been the principal and senior partner of Woodgate & Co., an insolvency practice located in Sydney. Mr Woodgate is a member of the Institute of Chartered Accountants in Australia, the Australian Restructuring Insolvency & Turnaround Association (formerly IPAA) and the Commercial Law Association of Australia. He is a director of Foxford Pty Ltd and Wine & Viticulture Advisors (International) Pty Ltd.

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	67,940,000	-
L. Niederer	18,000,000	20,000,000
T. Hargreaves	4,000,000	-
G. Woodgate	-	-

Company Secretary

Sarah Prince resigned as Company Secretary on 30 July 2013. Catherine Officer was appointed Company Secretary on 30 July 2013 and resigned 15 February 2014. Mr Allan Fink was appointed Company Secretary on 15 February 2014. Mr Fink has served as Company Secretary and Chief Financial Officer for a number of listed, private equity and privately owned businesses. Mr Fink has over 20 years financial expertise in managing all strategic, corporate and operational finance aspects within a range of businesses in Australia, South Africa and the United Kingdom.

Dividends

No dividends have been declared or paid since reporting date up to the date of signing this Directors' Report.

Principal Activities

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 and engineering services to a wide variety of industries.

Significant Changes in the State of Affairs

On 29 November 2013 EGL completed the acquisition of Baltec IES Pty Ltd, an unlisted company based in Melbourne specialising in the provision of gas turbine inlet, exhaust and cooling systems within the power generation industry.

On 24th April 2014 the EGL Board of Directors resolved to cease funding the loss making operations of Mine Assist Mechanical Pty Ltd ("MMS"), a wholly owned subsidiary of the Group. MMS operated a mechanical workshop located in Moranbah Qld. Accordingly, MMS ceased to operate. MMS is currently in the process of settling all outstanding liabilities with suppliers. No further costs are expected to be incurred.

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.

Likely Developments and Expected Results

EGL as it is currently structured, and on the assumption that budgeted income is achieved, is expected EGL will return to profitability in the current financial year.

Environmental Regulation and Performance

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.

Share Options

Unissued Shares

As at the date of this report, there were 20,000,000 unissued ordinary shares under option. Refer to the remuneration report for further details of the options outstanding.

Shares issued as a result of the exercise of options

During the financial year, no employees or Executives have exercised options to acquire fully paid ordinary shares in EGL.

Shares issued as a result of a conversion of a loan

During the financial year Tastim Pty Ltd, of which Mr Tim Hargreaves is a Director, converted a loan of $200,000 to equity at a conversion price of 5 cents.

Indemnification and Insurance of Directors and Auditors

During or since the financial year the Group has paid premiums to insure each of the Directors and the Public Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Group, other than conduct involving a wilful breach of duty in relation to the Group. Policy details are subject to confidentiality clauses and therefore cannot be legally disclosed.

No indemnities have been given or insurance premiums paid during or since the end of the financial year for the auditors of the Group.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meeting		Meetings of Committees: Audit & Risk		Meetings of Committees: Nomination & Remuneration	
Number of meetings held	**14**		**2**		**-**	
Number of meetings attended:	**A**	**B**	**A**	**B**	**A**	**B**
Ellis Richardson	8	9	-	-	-	-
Louis Niederer	14	14	2	2	-	-
Tim Hargreaves	14	14	2	2	-	-
Giles Woodgate	14	14	2	2	-	-

KEY: A: Number of meetings attended
B: Number of meetings held during the time the Director held office or was a member of the committee during the year
*: Not a member of the relevant committee

One audit & risk committee meeting was held subsequent to the year ended 30 June 2014, and attended by all members.

Mr Giles Woodgate is Chairman of the Audit and Risk committee. Mr Tim Hargreaves is Chairman of the Nomination and Remuneration committee.

Non-Audit Services

Consultancy fees of $11,329 were paid to McIntosh Bishop as part of the due diligence process for the acquisition of Baltec IES Pty Ltd.

No other fees were paid or payable to McIntosh Bishop for non-audit services provided during the year ended 30 June 2014.

After Reporting Date Events

An Event of Default has occurred in respect of a loan of $1,000,000 advanced to the company by Allabah Pty Limited ("Allabah"), a company controlled by Mr. Louis Niederer, who is a shareholder and a Non-Executive Director of EGL. The Loan Deed between EGL and Allabah signed in February 2013 provides for an Event of Default where EGL ceases or threatens to cease to carry on any of its businesses. Such an event occurred in April 2014 when due to poor market conditions in the coal mining service town of Moranbah the Board of EGL made a unanimous decision to cease funding the losses of Mine Assist Mechanical Pty Limited (MA). As a consequence MA ceased trading and is in now the process of being closed down.

Allabah notified EGL as of 20th June 2014 that an Event of Default had occurred but has not served a letter of demand which it is entitled to do under the Loan Deed. The Board has sought legal advice which was received by the directors on 10 July 2014 which confirmed that an Event of Default has occurred under the Deed.

As a consequence of the default, Allabah may at any time demand repayment of the amount outstanding under the loan and, if a demand is issued, the amount outstanding will be immediately payable by EGL. Interest on the loan is payable at 15% per annum from the date of the default. Both Allabah and Baltec Inlet and Exhaust Systems Pty Limited ("Baltec") have each provided a proposal to resolve this matter and as a consequence, EGL has been negotiating with Allabah and with Baltec, to reach a mutually acceptable resolution to the default under the Loan deed. Baltec is a company controlled by Mr Ellis Richardson and Mrs Denise Richardson, who are shareholders of EGL. Mr Richardson is an Executive Director of EGL. Baltec has also lent $1,000,000 to Baltec IES Pty Limited, a wholly owned subsidiary of EGL. Your directors are acutely aware of the importance in resolving this matter.

Baltec has on 13 August 2014 offered a loan to EGL of approximately $1M subject to certain terms and conditions (including a favourable interest rate and extended payment terms), some of which require Allabah and other third party consent, so as to allow EGL to pay out the loan from Allabah. The offer was again considered at a meeting of directors on 26 August 2014 and your directors are working towards a suitable outcome for EGL. The offer is subject to acceptance by EGL on, or before, 29 August 2014. Baltec and Allabah have agreed to meet within the next week to progress negotiations.

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

Proceedings on Behalf of Company

Workcover had previously commenced a case against Total Air Pollution Control Pty Ltd, a wholly owned subsidiary of EGL, in respect to a work place accident involving a subcontractor. The matter will be heard at the District Court of NSW and a judgement is expected later this year. An adequate provision has been recognised within the accounts.

The company was not a party to any other such proceedings during the year.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Directors' Resolution

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

Mr Ellis Richardson
Chairman

Sydney
27 August 2014

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director 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 for 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, general managers 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 suitability 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 Director 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.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting.

Each Non-Executive Director receives a fee of $48,000 for being a Director of the company. The Chairman of the Board receives a 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, nor do they participate in any incentive programmes. The remuneration of Directors for the periods ended 30 June 2014 and 30 June 2013 are detailed in table 1 and 2 respectively of this report.

Executive Remuneration

The total remuneration for senior Executives has three components as 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.

REMUNERATION REPORT (AUDITED)

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 and the wealth of the shareholders. No short term or long term incentives have been paid for the 2014 financial year.

The following table summarises the Group's financial performance and share price over the past 5 financial years:

	2010	2011	2012	2013	2014
Revenue ($)	31,197,312	28,282,119	33,996,413	20,495,765	18,859,499
Net Profit/(loss) ($)	559,175	(766,651)	(10,118,281)	(795,647)	779,714
Number of shares issued	237,181,212	79,060,389	79,060,389	79,060,389	162,060,389
Share price at year-end (cents)	4.0	4.0	5.0	3.0	2.1
Dividends paid per share (cents)	0.2	-	-	-	-

EGL's revenues include income from continuing & discontinuing acquisitions

EGL's shares were consolidated on a one for three basis as at 23 December 2010.

Employment contracts

General Manager: Air Pollution Control

Mr Gary Hardie is employed under a fixed 3 year contract which expires on 30 June 2015.

- Mr Hardie receives a fixed remuneration of $290,000 per annum (inclusive of superannuation)
- The contract includes a profit share arrangement whereby Mr Hardie is entitled to 10% of the profit before tax ('PBT') for the year to 30 June 2014 up to a PBT of $2,000,000 and 15% of the PBT for the year to 30 June 2013 for any PBT over $2,000,000.
- Termination of the contract is by legal agreement and it expires in June 2015 unless terminated within the time period by both parties or a material breach by Mr Hardie.

General Manager: Baltec

Mr Sinan Boratav is employed under the following terms:

- Mr Boratav receives a fixed remuneration of $210,000 per annum (inclusive of superannuation)
- The contract includes a discretionary bonus, determined by the Executive Director, of up to $50,000 subject to achieving key performance targets.

Other Executives

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing one month's written notice or providing payment in lieu of the notice period. The Group may terminate the contract 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.

REMUNERATION REPORT (AUDITED)

Remuneration of Key Management Personnel (KMP)

Key management personnel include the Directors of the Group and:

- Mr Ellis Richardson: Chairman
- Mr Louis Niederer: Director
- Mr Tim Hargreaves: Director
- Mr Giles Woodgate: Director
- Ms Sarah Prince: Former Company Secretary
- Ms Catherine Officer: Former Company Secretary
- Mr Allan Fink: Company Secretary
- Mr Gary Hardie: General Manager – TAPC
- Mr Sinan Boratav: General Manager – Baltec
- Mr Oscar Sikorski: Group Finance Manager

Table 1: Remuneration for the year ended 30 June 2014

2014	Short-term benefits		Long-term benefits	Post Employment		Share-Based payments		
	Salary and Fees $	Cash bonus $	Long service leave $	Super-annuation $	Other $	Options	Total $	% performance related
Directors								
Ellis Richardson (Chairman) *	87,500	-	-	-	-	-	87,500	-
Louis Niederer (Former Chairman) **	108,333	-	-	-	-	54,112	162,445	-
Tim Hargreaves ***	48,000	-	-	-	-	-	48,000	-
Giles Woodgate ****	48,000	-	-	-	-	-	48,000	-
Sub-Total	**291,833**	**-**	**-**	**-**	**-**	**54,112**	**345,945**	**-**
Other key management personnel								
Sarah Prince ^	6,779	-	-	-	-	-	6,779	-
Catherine Officer ^^	33,904	-	-	-	-	-	33,904	-
Allan Fink ^^^	118,800	-	-	10,989	-	-	129,789	-
Gary Hardie	267,488	122,688	-	27,173	-	-	417,349	29.40
Sinan Boratav	123,971	20,400	-	11,223	-	-	155,594	-
Oscar Sikorski	141,876	-	-	13,124	-	-	155,000	-
Sub-Total KMP	**692,818**	**143,088**	**-**	**62,509**	**-**	**-**	**898,415**	**29.40**
Totals	**984,651**	**143,088**	**-**	**62,509**	**-**	**54,112**	**1,244,360**	**29.40**

* During the year directors fees were paid or payable to Baltec Inlet & Exhaust Systems Pty Ltd totalling $87,500 in relation to Director services of Ellis Richardson. Appointed Chairman on 29 November 2013.

** During the year directors fees were paid or payable to L.A Niederer & Company Pty Ltd totalling $108,333 in relation to Director services of Louis Niederer. Separately 20,000,000 options were approved at the AGM held 29 November 2013

*** During the year directors fees were paid or payable to TJ & T Hargreaves totalling $48,000 in relation to Director services of Tim Hargreaves.

**** During the year directors fees were paid or payable to Woodgate & Co. totalling $48,000 in relation to Director services of Giles Woodgate.

^ During the year company secretarial fees were paid or payable to Company Matters Pty Ltd totalling $6,779 in relation to company secretarial services of Sarah Prince. Resigned 30 July 2013.

^^ During the year company secretarial fees were paid or payable to Company Matters Pty Ltd totalling $33,904 in relation to company secretarial services of Catherine Officer. Appointed 30 July 2013 and resigned 15 February 2014.

^^^ Appointed Company Secretary 15 February 2014.

REMUNERATION REPORT (AUDITED)

Table 2: Remuneration for the year ended 30 June 2013

2013	Short-term benefits		Long-term	Post Employment			
	Salary and Fees	Cash bonus	Long service leave	Super-annuation	Other	Total	% performance related
	$	$	$	$	$	$	
Directors							
Louis Niederer (Chairman) *	120,000	-	-	-	-	120,000	-
Tim Hargreaves **	48,000	-	-	-	-	48,000	-
Giles Woodgate ***	28,901	-	-	-	-	28,901	-
John Read (Former Chairman) ****	23,000	-	-	-	-	23,000	-
Sub-Total	**219,901**	**-**	**-**	**-**	**-**	**219,901**	**-**
Other key management personnel							
Sarah Prince ^	42,563	-	-	-	-	42,563	-
Gary Hardie	241,992	-	-	23,615	-	265,607	-
Oscar Sikorski	137,615	-	-	12,385	-	150,000	-
Greg Hunt ^^	217,798	-	-	16,239	-	234,037	-
Johannes van der Walt ^^^	114,130	-	-	9,771	29,110	153,011	-
Frank Placko ^^^^	86,377	-	-	4,198	46,777	137,352	-
Sub-Total KMP	**840,475**	**-**	**-**	**66,208**	**75,887**	**982,570**	**-**
Totals	**1,060,376**	**-**	**-**	**66,208**	**75,887**	**1,202,471**	**-**

* During the year directors fees were paid or payable to L.A Niederer & Company Pty Ltd totalling $120,000 in relation to Director services of Louis Niederer. Appointed Chairman on 1 August 2012.

** During the year directors fees were paid or payable to TJ & T Hargreaves totalling $48,000 in relation to Director services of Tim Hargreaves.

*** During the year directors fees were paid or payable to Woodgate & Co. totalling $28,901 in relation to Director services of Giles Woodgate. Appointed 20 November 2012.

**** During the year directors fees were paid or payable to Cannington Corporation Pty Ltd totalling $23,000 in relation to Director services of John Read. Resigned as Chairman on 1 August 2012 and Director on 20 November 2012.

^ During the year company secretarial fees were paid or payable to Company Matters Pty Ltd totalling $42,563 in relation to company secretarial services of Sarah Prince. Appointed 13 August 2012 and resigned 30 July 2013.

^^ On 8 August 2013 Greg Hunt resigned as General Manager – Mine Assist.

^^^ On 13 August 2012 the position of Chief Operating Officer was made redundant. As such Johannes van der Walt's contract with the company was terminated.

^^^ ^ On 28 September 2012 the position of General Manager – Water Group was made redundant. As such Frank Placko's contract with the company was terminated.

Value of options granted

The total value of options granted to key management personnel included in share based payments in the current year is $54,112 (2013: Nil).

REMUNERATION REPORT (AUDITED)

Option holdings

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, are set out in Note 28 to the financial statements.

The value date per option, grant date and exercise price of last exercise are disclosed in Note 31

Shareholdings

The number of shares held during the financial year by each Director of EGL and other key management personnel of the Group, including their personally related parties, are set out in Note 28. There were no shares granted during the reporting period as remuneration.

Shares issued on exercise of Compensation options

No shares have been issued during the years ended 30 June 2014 and 30 June 2013 on exercise of compensation options.

CORPORATE GOVERNANCE STATEMENT

EGL is committed to maintaining a sound corporate governance framework in the best interests of EGL, shareholders and stakeholders more generally. The Statement below outlines EGL's approach to corporate governance for the last financial year, and its compliance with the ASX Corporate Governance Principles and Recommendations (**the Recommendations**). A summary checklist is set out in section 8. Where EGL has not adopted a Recommendation either in whole or in part, the reasons for that variance are given. The Board's approach has been to adopt the principles and practices that it considers are in stakeholders' best interests, while taking into account the relative size of EGL and its business operations.

1. THE BOARD OF DIRECTORS

1.1 Role of Board and Management

The key functions and responsibilities of the Board are set out in its Charter and include:

- providing strategic guidance to EGL including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, operating plans (including the annual budget) and funding plans;
- reviewing and approving major corporate initiatives including investments or divestments and fund raisings;
- overseeing and monitoring organisational performance, the achievement of EGL's strategic goals and objectives and compliance with EGL's code of professional ethics and conduct;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with EGL's auditors;
- appointment or removal of EGL's auditors, evaluation of auditor performance and independence;
- setting Non-Executive remuneration within shareholder approved limits;
- ensuring there are effective management processes in place;
- approving the risk management policy, framework and risk tolerance of EGL, ensuring the significant risks facing EGL have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place;
- ensuring appropriate reporting to shareholders; and
- enhancing and protecting the reputation of the organisation.

Senior Management is responsible for:

- implementation of corporate strategy;
- development of business plans and day to day management of EGL;
- establishment, oversight, review and maintenance of EGL's risk management framework; and
- keeping the Board fully informed of any material developments.

1.2 Board Composition

The Board currently comprises one Executive and three Non-Executive Directors. Details of the members of the Board, their experience, expertise, and qualifications are set out in the Directors' Report. Information on Directors is also available on EGL's website at www.environmental.com.au. The Board seeks to ensure that its membership represents an appropriate balance between Directors with experience and knowledge of EGL, and Directors with an external or fresh perspective, and that the size of the Board is conducive to effective discussion and efficient decision making.

The current Chairman, Mr Ellis Richardson, is an Executive Director and was elected Chairman in November 2013. Mr Richardson is also a substantial shareholder of EGL. Accordingly, the Chairman does not satisfy the independence criteria of the Recommendations.

The former Chairman, Mr Louis Niederer, is currently a Non-Executive of EGL. Prior to this Mr Niederer was an Executive Director. As Mr Niederer held an executive role in EGL in the last three years, in addition to his substantial shareholding in EGL, he cannot be considered an independent. Accordingly, EGL does not satisfy the independence criteria of the Recommendations as the majority of the Board is not independent.

There are currently no female board members. Given the relative size of EGL and the Board, and the small number of employees, EGL does not believe it is necessary to have a professional development programme in place to encourage women to join the Board at this time.

1.3 Board access to information and advice

All Directors regularly receive detailed financial and operational information from Executive management to enable them to carry out their duties, and have unrestricted access to company records. Each Director entered into a *Deed of Indemnity and Access* with EGL to ensure access to company documents for seven years after retirement from the Board. Directors have the right to seek independent advice, at EGL's expense, in order to fulfill their duties and responsibilities as Directors.

1.4 Conflicts of interest

In accordance with the *Corporations Act 2001* and Board Policy, Directors must disclose any actual or potential conflict of interest both on appointment as a Director and on an ongoing basis. In accordance with Board policy, any Director with a material personal interest in a matter being considered by the Board must declare their interest and is precluded from participating in discussions or decision making on such dealings.

2. BOARD COMMITTEES

The Board has established two Committees to assist in the execution of its duties. The Committees and their membership as at the date of this statement are set out in the table below:

	Audit & Risk Committee	**Nomination & Remuneration Committee**
Ellis Richardson (Executive)	-	-
Louis Niederer (Non-Executive)	●	●
Tim Hargreaves (Independent Non-Executive)	●	● **Chair**
Giles Woodgate (Independent Non-Executive)	● **Chair**	●

The respective Committee Charters set out the responsibilities of each Committee, composition and membership requirements and the manner in which the Committee is to operate. Committee meetings are currently held at such times as may be necessary to address any specific or general matters, as required. Any matters determined by Committees are submitted to the full Board as recommendations for Board decisions.

2.1 Audit and Risk Committee

The Audit and Risk Committee ("**ARC"**) assists the Board to fulfil its responsibilities of oversight and corporate governance. The ARC provides advice and recommendations to the Board on matters of corporate governance, reliability and quality of financial reporting and disclosure. This includes review of EGL's internal control environment regarding the effectiveness and efficiency of operations, and reliability of financial reporting.

The ARC provides assurance that the Board is receiving adequate, up to date and reliable information, and that the accounting policies and practices applied by management are consistent and comply with applicable regulations and standards. The ARC receives regular reports from management and external auditors. It expects to meet with the external auditors at least twice a year or more frequently if necessary.

The members of the ARC are all Non-Executive, as required by Recommendation 4.2.

2.2 Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("**NRC**") consists of the Chair and at least one Non-Executive Director.

The functions of the NRC are:

- review of remuneration policies and practices generally;
- specific recommendations on remuneration packages and other terms of employment for the Executive and Non-Executive Directors (within shareholder approved levels);
- reviewing the membership of the Board on a regular basis, having regard to present and future needs of EGL;
- making recommendations on Board composition and appointments;
- proposing candidates for the Board and overseeing Board succession;
- reviewing the independence of Directors; and
- managing succession planning, including the implementation of appropriate Executive development programs.

Executive remuneration and other terms of employment are reviewed annually by the NRC having regard to performance, relevant comparative information and independent expert advice where necessary. Remuneration packages are set at levels that are intended to attract and retain Executives capable of managing the consolidated entity's operations and achieving EGL's strategic objectives.

Remuneration and other terms of employment for the employees are formalised in service agreements, covering a range of matters including their duties, rights, responsibilities and entitlements. Remuneration of Executive and Non-Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

3. INTEGRITY OF FINANCIAL REPORTING

Audit governance and independence

The Board is committed to three basic principles of audit governance:

- that EGL's financial reports present a true and fair view;
- that EGL's accounting policies are relevant and comply with applicable standards and regulations; and
- that the external auditor is independent and serves shareholder interests.

McIntosh Bishop have been appointed external auditors since 2012. As required by the Corporations Act, the responsibilities of the lead audit partner and review audit partner cannot be performed by the same people for longer than five years. The current lead audit partner assumed the role in 2012.

The ARC reviews the annual and half-year financial reports. The ARC provides assurance that the Board is receiving adequate, up to date and reliable information, and that accounting policies and practices applied by management comply with applicable regulations and standards. At least annually, the ARC meets separately with the external auditor without management being present.

The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

4. RISK MANAGEMENT

Risk management is undertaken to provide a structured approach to managing risk across the EGL group of companies. The Risk Management Policy and framework utilised by EGL provides a detailed methodology for systematic identification, assessment and management of risk across the organisation. The Policy also defines reporting processes to ensure organisational exposures are managed at an appropriate level across the organisation. EGL has adopted the risk categories listed below. These categories assist risk identification, measurement and provide a basis for organising and reporting outcomes.

Risk Categories	Broad Definitions
Corporate	Risks relating to the management or maintenance of EGL's key assets including EGL's IP, property, plant and equipment and environment.
Financial	Risks associated with the development, collection, storage and reporting of financial information vital to sustaining the management of EGL's operations. This category also includes risks associated with budgeting, management reporting and cost containment.
Business Continuity	Risks relating to the planning and processes required to maintain the continuity of business activities or recovery response to a disastrous event, which may impact the effectiveness of business operations. This includes internal and external activities and processes.
Human Resources	Risks associated with performance management & development of EGL's staff. It also includes risks associated with managing EGL's workforce including recruitment, remuneration, retention and industrial relationship management.
Legal	Risks relating to non-compliance with legislation, regulations, supervision or internal policies and procedures. This also includes all regulatory issues impacting EGL's operations.
OH&S	Risks associated with complying with OH&S legislation, internal policies and accreditation requirements.
Project	Risks associated with inadequate planning or management of projects leading to under performance or the incurrence of a loss.
Investor Impact	Risks associated with EGL's perception amongst its shareholders, including the maintenance and growth of EGL's share price.

Accountabilities

The **ARC** is the recipient of reporting from the risk management team and ultimately, in conjunction with the Board, approves the risk management policy, framework and risk tolerance of EGL.

The **senior management team** members have responsibility and accountability for the management of risk in respective areas of responsibility. Specific duties include:

- Ensuring risk management processes are in place and operating effectively;
- Reporting risk events in accordance with the reporting process included in the framework;
- Developing and maintaining a register of risks for divisions/programmes within their respective portfolios; and
- Implementing measures to appropriately resolve risk issues as they are identified, within their respective lines.

All staff across EGL are responsible for observing EGL's policies, procedures, delegations and minimising risks to the organisation, at all times.

An **external audit** may be conducted periodically to provide an independent examination and evaluation of risk mitigation plans (policies, procedures, systems) in place to manage risk within acceptable tolerance limits. The auditor will work closely with the senior management team to understand the risks facing EGL; avoid duplication of services with assurance providers, and will use risk management information to assist in determining the level of reliance on key systems. No such audit has been conducted in the current year.

5. PROMOTE ETHICAL AND RESPONSIBLE BEHAVIOUR

5.1 Code of Conduct

EGL has adopted a Code of Conduct for Directors, Executives, employees, consultants and advisors to promote ethical and responsible decision-making. The Code of Conduct is reviewed and updated as necessary to ensure it reflects the highest standards of integrity and professionalism. In summary, the Code requires that at all times company personnel:

- act with honesty and integrity;
- safeguard the interests of EGL;
- avoid conflicts of interest;
- respect confidentiality and not misuse information; and
- uphold the objectives of EGL.

The ARC is responsible for ensuring compliance with the Code. An employee that breaches the Code of Conduct may face disciplinary action and possible dismissal.

5.2 Securities Trading

EGL's Trading Policy requires all Directors and employees, contractors and consultants to comply with the law relating to insider trading and the requirements of EGL's Trading Policy.

Trading of company securities by directors or employees is not permitted during blackout periods, and any material intended transaction of EGL's securities must be notified to the Board, for approval, through the Chair, in advance. Current blackout periods exist for the following periods each year:

- from 30 June until two trading days after release of the full year preliminary financial report to the ASX;
- from 31 December until two trading days after the release of the half year financial report to the ASX;
- two trading days subsequent to any price sensitive disclosure made to ASX in accordance with the ASX Listing Rules, including those made under continuous and periodic disclosure provisions; and
- other periods as advised by EGL Secretary in anticipation of significant announcements.

5.3 Environmental & Occupational Health and Safety

EGL monitors its compliance with all relevant legislation, and continually assesses the impact of its operations on the environment. EGL encourages employees to actively participate in the management of environmental and OH&S issues, and encourages the adoption of similar standards by EGL's principal suppliers, contractors and consultants.

Information on compliance with significant environmental regulations is set out in the Directors' Report under the heading Environmental Regulation and Performance.

5.4 Diversity

EGL has not established a formal Diversity Policy. Potential employees are assessed according to the candidate's ability to perform a specified role, regardless of gender, age, ethnicity, religion or cultural background, and are appointed on merit. The Board considers that this is the most efficient and effective way of meeting the needs of EGL, taking into account EGL's culture and broader objectives, while also having regard to the size of EGL and its business operations.

6. CONTINUOUS DISCLOSURE

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.

7. SHAREHOLDER COMMUNICATIONS

EGL is committed to ensuring all shareholders have equal access to comprehensive and timely information. The methods by which this is achieved include:

- Timely disclosure of all material matters is released to ASX;
- EGL website provides access to:
  - all ASX releases
  - EGL's annual and interim reports
  - information about EGL's business operations
  - EGL's Corporate Governance Statement
- Electronic copies of the Annual Report are available to all shareholders, with a hard copy distributed to those shareholders who have requested one.
- The financial statements are sent to any shareholder upon request.

All information once disclosed to the ASX is posted on EGL's website (www.environmental.com.au) as soon as possible. Material used by the Chairman in presentations to shareholders, analysts, brokers and the media is released to ASX and then posted on EGL's website.

8. ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS - COMPLIANCE TABLE

	Best Practice Recommendations	Reference	Compliance
1.1	Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions	1.1	✓
1.2	Disclose the process for evaluating the performance of Senior Executives	2.2	✓
1.3	Provide the information indicated in Guide to reporting on Principle 1		✓
2.1	A majority of the Board should be Independent Directors	1.2	✕
2.2	The chairperson should be an Independent Director.	1.2	✕
2.3	The roles of chairperson and Chief Executive Officer should not be exercised by the same individual.	1.2	✕
2.4	The Board should establish a nomination committee.	2.2	✓
2.5	Disclose the process for evaluating the performance of the Board, its Committee and Directors	2.2	✓
2.6	Provide the information indicated in Guide to reporting on Principle 2.	2.2	✓
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key Executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity; 3.1.2 the practice necessary to take into account their legal obligations and the reasonable expectations of stakeholders; and 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	✓
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy	5.4	✕
3.3	Disclose in each annual report the measurable objections for achieving gender diversity set by the board in according with the diversity policy and progress towards achieving them.	5.4	✕
3.4	Disclose in each annual report the support and encouragement for women to join a board as a part of professional development.	1.2	✕
3.5	Provide the information indicated in Guide to reporting on Principle 3.	5.1	✓
4.1	The Board should establish an audit committee.	2.1	✓
4.2	Structure the audit committee so that it consists of:	2.1	
	• only Non-Executive Directors		✓
	• a majority of independent Directors		✓
	• an independent chairperson, who is not chairperson of the Board		✓
	• at least three members.		✓
4.3	The audit committee should have a formal charter.	2.1	✓
4.4	Provide the information indicated in Guide to reporting on Principle 4.	2.1	✓
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.	6	✓
5.2	Provide the information indicated in Guide to reporting on Principle 5.	6	✓

Best Practice Recommendations		Reference	Compliance
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	7	✓
6.2	Provide information indicated in Guide to reporting on Principle 6.	7	✓
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	4	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	4	✓
7.3	The Chief Executive Officer (or equivalent) should state to the Board in writing that: 7.3.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. 7.3.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	4	✓
7.4	Provide the information indicated in Guide to reporting on Principle 7.	4	✓
8.1	The Board should establish a remuneration committee.	2.2	✓
8.2	The remuneration committee should be structured so that it: - Consist of mainly independent directors - Is chaired by an independent director - Has at least 3 members	Remuneration report	 ✓ ✓ ✓
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	Remuneration report	✓
8.4	Provide the information indicated in Guide to reporting on Principle 9.	2.2	✓

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*, as lead auditor for the audit of The Environmental Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

McIntosh Bishop
Chartered Accountants

Robert David Macdonald
Partner
Sydney, 25 August 2014

McIntosh Bishop
Chartered Accountants
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STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2014

	Notes	Consolidated 2014 $	2013 $
Revenue from continuing operations	6	**17,936,746**	**11,901,660**
Subcontracting and material costs	7(d)	(10,982,633)	(5,450,299)
Gross profit		**6,954,113**	**6,451,360**
Employee expenses	7(b)	(4,410,878)	(3,604,426)
Occupancy expenses		(218,117)	(250,163)
Marketing expenses		(71,453)	(12,901)
Professional fees		(904,535)	(932,480)
Depreciation and amortisation	7(a)	(101,812)	(89,784)
Other expenses		(1,159,558)	(969,185)
Operating Profit		**87,760**	**592,422**
Interest expense		(238,964)	(46,874)
Interest income		10,357	8,419
(Loss)/profit before tax		**(140,847)**	**553,967**
Income tax benefit/(expense)	8(a)	1,446,230	(300,030)
Profit for the year from continuing operations		**1,305,383**	**253,937**
Discontinued operations			
Loss for the year from discontinued operations	20	(467,413)	(1,049,584)
Profit/(loss) for the year		**837,970**	**(795,647)**
Other comprehensive income			
Issue of options		(54,112)	-
Total comprehensive income/(loss) for the year		**783,858**	**(795,647)**
Attributable to:			
Non-controlling interest		4,144	-
Equity holders of The Environmental Group Limited		779,714	(795,647)
Earnings per share for loss attributable to the ordinary equity holders of the Group	9	**Cents**	Cents
Basic earnings per share			
Profit from continuing operations		1.02	0.32
Loss from discontinued operations		(0.37)	(1.33)
Total		0.65	(1.01)
Diluted eanings per share			
Profit from continuing operations		0.94	0.32
Loss from discontinued operations		(0.34)	(1.33)
Total		0.60	(1.01)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	Consolidated 2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,192,745	593,737
Trade and other receivables	11	3,248,826	3,468,864
Inventories	12	161,051	314,302
Other current assets	13	338,002	154,643
Other financial assets	16	957,824	176,546
Total Current Assets		**5,898,448**	**4,708,092**
Non-Current Assets			
Deferred tax assets	8(d)	2,338,901	599,641
Property, plant and equipment	14	771,892	490,859
Intangible assets	15	9,109,118	5,175,190
Total Non-Current Assets		**12,219,911**	**6,265,690**
Total Assets		**18,118,359**	**10,973,782**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	3,344,123	2,823,771
Financial liabilities	18	1,077,782	90,121
Tax liabilities	8(c)	61,721	-
Short-term provisions	19	916,996	482,815
Total Current Liabilities		**5,400,622**	**3,396,707**
Non-Current Liabilities			
Financial liabilities	18	1,268,703	1,229,527
Deferred tax liabilities	8(e)	161,894	57,302
Long-term provisions	19	73,478	32,776
Total Non-Current Liabilities		**1,504,075**	**1,319,605**
Total Liabilities		**6,904,697**	**4,716,312**
Net Assets		**11,213,662**	**6,257,470**
EQUITY			
Equity attributable to the ordinary equity holders of the Group			
Issued capital	21(a)	21,005,632	16,855,632
Retained earnings		(9,967,270)	(10,751,128)
Reserves	21(b)	179,444	152,966
Minority interest		(4,144)	-
Total Equity		**11,213,662**	**6,257,470**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

Consolidated	Share Capital $	Retained Earnings $	Reserve $	Total attributable to Owners of parent $	Non-Controlling interest $	Total $
Balance at 30 June 2012	**16,855,632**	**(9,955,481)**	**152,966**	**7,053,117**	**-**	**7,053,117**
Total comprehensive income for the year	-	(795,647)	-	(795,647)		(795,647)
Balance at 30 June 2013	**16,855,632**	**(10,751,128)**	**152,966**	**6,257,470**	**-**	**6,257,470**
Total comprehensive income for the year	-	783,858	-	783,858	(4,144)	779,714
Shares issued	4,150,000			4,150,000		4,150,000
Options issued			54,112	54,112		54,112
Foreign translation			(27,634)	(27,634)		(27,634)
Balance at 30 June 2014	**21,005,632**	**(9,967,270)**	**179,444**	**11,217,806**	**(4,144)**	**11,213,662**

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

		Consolidated	
		2014	2013
	Notes	$	$
Operating activities			
Receipts from customers		22,785,442	11,880,045
Payments to suppliers and employees		(22,281,106)	(9,731,554)
Interest paid		(238,964)	(28,588)
Interest received		10,357	8,419
Net cash provided by operating activities	22	**275,729**	**2,128,323**
Investing activities			
Contingent consideration paid for subsidiary		-	(536,392)
Purchases of plant and equipment		-	(123,285)
Net cash acquired from purchase of subsidiary		420,270	-
Decrease in fixed term deposit		145,412	5,246
Net cash used in investing activities		**565,682**	**(654,431)**
Financing activities			
Payment of dividends		(7)	(138)
Proceeds from borrowings		-	1,100,000
Repayment of borrowings		(238,394)	(2,169,422)
Net cash used in financing activities		**(238,401)**	**(1,069,560)**
Net decrease in cash and cash equivalents		**603,010**	**404,332**
Cash and cash equivalents at the beginning of the financial year		522,342	118,011
Cash and cash equivalents at the end of the financial year	10	**1,125,352**	**522,342**

NOTE 1. CORPORATE INFORMATION

This financial report of The Environmental Group Limited ("EGL") or the year ended 30 June 2014 was authorised for issue by the Directors in accordance with a resolution of the Directors on 28 August 2014. EGL's registered office is Unit 1A, 9 Packard Avenue, Castle Hill, NSW 2154.

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 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 and engineering services to a wide variety of industries.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

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

The financial report is presented in Australian dollars.

Statement of Compliance

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

Certain Australian Standards and interpretations have been recently issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2014. For more information on these standards and interpretations, refer to note 2(W).

(A) Basis of Consolidation

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

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

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

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

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

(B) Business Combinations

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

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

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

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

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

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

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

(C) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(D) Trade and Other Receivables

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

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

(E) Inventories

Raw materials, finished goods and stores

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

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

Work-in-progress

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

(F) Investments and other financial assets

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

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

Recognition and Derecognition

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

(i) Held-to-maturity investments

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

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

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

(ii) Loans and receivables

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

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

(G) Plant and equipment

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

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

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

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

(H) Leases

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

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

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

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

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

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(J) Goodwill and intangibles

Goodwill

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles other than Goodwill

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

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

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

Research and development costs

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

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

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

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

(K) Trade and other payables

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

(L) Other financial liabilities

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

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

(M) Provisions

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

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

(N) Employee leave benefits

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

(O) Share-based payment transactions

Equity settled transactions:

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

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

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

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

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

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

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

(P) Contributed Equity

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

(Q) Revenue Recognition

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

(i) 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.

(ii) Services

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

(iii) Interest revenue

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

(R) Profit or loss from discontinued operations

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

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated 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, are presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and is further analysed in note 20.

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

(S) Income tax and other taxes

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

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

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

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

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

- o when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

Tax consolidation legislation

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

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

Other taxes

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

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

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

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

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

(T) Earnings Per Share

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

Diluted earnings per share is 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; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares.

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

(U) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

(V) Comparative figures

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

(W) New standards and interpretations not yet adopted

Adoption of New and Revised Accounting Standards

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017)

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classifications of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014)

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014)

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014)

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and it is not expected to significantly impact the Group's financial statements.

AASB 2013-4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014)

AASB 2013-4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013-5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014)

AASB 2013-5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9: *Financial Instruments* and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

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

(a) Significant accounting judgements

Recovery of deferred tax assets

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

(b) Significant accounting estimates and assumptions

Impairment of Goodwill and intangibles with indefinite useful lives

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

Estimation of useful lives of assets

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

Provision for Impairment of Receivables

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

Provision for Warranties

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

Capital Work Contracts and Work in Progress

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

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

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

Provision for Stock Obsolescence

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

NOTE 4. FINANCIAL RISK MANAGEMENT

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

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

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

It is, and has been, throughout the period under review, the Board's policy that no speculative trading in financial instruments be undertaken.

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

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

	Consolidated	
	2014	**2013**
	$	**$**
Financial Assets		
Cash and cash equivalents	1,192,745	593,737
Trade and other receivables	3,248,826	3,468,864
Financial assets	957,824	176,546
	5,399,395	**4,239,147**
Financial Liabilities		
Trade and other payables	3,344,123	2,823,771
Loans from Directors	2,000,000	1,200,000
Bank overdraft and lease liability	346,485	119,648
	5,690,608	**4,143,419**

Risk exposure and Responses

Interest rate risk

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

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

Consolidated	Interest rate	Floating interest rate $	Non-interest bearing $	Total $
30 June 2014				
Financial Assets				
Cash at bank and on hand	0.26%	1,192,745	-	1,192,745
Trade and other receivables		-	3,248,826	3,248,826
Term deposits and bank bills	0.74%	957,824	-	957,824
		2,150,569	**3,248,826**	**5,399,395**
Financial Liabilities				
Loans from Directors	13.50%	2,000,000	-	2,000,000
Bank overdraft and lease liability	9.06%	346,485	-	346,485
Trade and other payables		-	3,344,123	3,344,123
		2,346,485	**3,344,123**	**5,690,608**
Net Financial assets		**(195,916)**	**(95,297)**	**(291,213)**
30 June 2013				
Financial Assets				
Cash at bank and on hand	1.97%	593,737	-	593,737
Trade and other receivables		-	3,468,864	3,468,864
Term deposits and bank bills	4.03%	176,546	-	176,546
		770,283	**3,468,864**	**4,239,147**
Financial Liabilities				
Loans from Directors	11.92%	1,200,000	-	1,200,000
Bank overdraft and lease liability	9.71%	119,648	-	119,648
Trade and other payables		-	2,823,771	2,823,771
		1,319,648	**2,823,771**	**4,143,419**
Net Financial assets		**(549,365)**	**645,093**	**95,728**

At current interest rates and based on amounts at reporting date, over the course of a full year, a movement of 100 basis points in borrowing rates, considered reasonable in respective of current market conditions, with an accompanying change in deposit rates would increase or decrease pre tax profit for the group by $2,024 (2013: $5,494), directly impacting the equity in the Group.

Foreign currency risk

The Group has transactional currency exposure arising from those sales and purchases which are denominated in United States dollars. From time to time the Group hold cash denominated in United States dollars. 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 at reporting date are as follows:

	Consolidated			
	2014		**2013**	
	USD $	**Euro $**	**USD $**	**Euro $**
Financial Assets				
Cash and cash equivalents	1,173,263	-	599	-
Trade and other receivables	667,859	-	41,562	-
Financial Liabilities				
Trade and other payables	414,774	-	64,828	-

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 $67,921 (2013: increase of $1,079), 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 $158,483 (2013: decrease of $2,519), directly impacting the equity in the Group.

Credit risk

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

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

Liquidity risk

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

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

	Consolidated	
	2014	**2013**
	$	**$**
6 months or less	4,409,810	2,902,622
6 – 12 months	3,450	8,450
1 – 5 years	1,277,348	1,232,347
	5,690,608	**4,143,419**

NOTE 5. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

— the products sold and/or services provided by the segment;

— the manufacturing process;

— the type or class of customer for the products or services;

— the distribution method; and

— any external regulatory requirements.

Types of products and services by segment

The Group's primary reporting format is business segments. The Group operates solely in Australia and the environmental sector. Revenue, profit and assets all relate to operations in Australia. The following are the reportable segments:

EGL Products incorporates the operations supplying design, construct and install services to industry, including air pollution control and pressure sewer systems and incorporates the EGL Pollution Control and EGL Gas Turbine Cash Generating Units

EGL Facility Services includes those operations supplying facility services to governmental departments and incorporates and incorporates the EGL Facility Services Cash Generating Unit.

The Corporate Segment incorporates the expenditures and assets incurred by the EGL group head office.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

(b) Inter-segment transactions

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

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

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Segment performance

The following table present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2014 and 30 June 2013.

(i) Revenue

	Products $	Services $	Coporate $	Total $
Year ended 30 June 2014				
Revenue				
From external customers	17,936,746	-	-	17,936,746
Discontinued operations	-	922,753	-	922,753
Total segment revenue	**17,936,746**	**922,753**	**-**	**18,859,499**
Total group revenue				**18,859,499**
Expenses from continuing operations				
Subcontracting and material costs	(10,982,633)	-	-	(10,982,633)
Employee benefit expense	(4,051,414)	-	(359,464)	(4,410,878)
Occupancy expenses	(208,517)	-	(9,600)	(218,117)
Professional fees	(292,767)	-	(611,768)	(904,535)
Deprecation and amortisation	(100,249)	-	(1,563)	(101,812)
Other expenses	(1,260,559)	-	(199,059)	(1,459,618)
Tax expense	154,952	-	1,291,278	1,446,230
Total expenses from continuing operations	**(16,741,187)**	**-**	**109,824**	**(16,631,363)**
Expenses from discontinued operations	**-**	**(1,390,166)**	**-**	**(1,390,166)**
Segment net profit/(loss)	**1,195,559**	**(467,413)**	**109,824**	**837,970**
Year ended 30 June 2013				
Revenue				
From external customers	11,901,660	-	-	11,901,660
Discontinued operations	-	8,594,105	-	8,594,105
Total segment revenue	**11,901,660**	**8,594,105**	**-**	**20,495,765**
Total group revenue				**20,495,765**
Expenses from continuing operations				
Subcontracting and material costs	(5,450,299)	-	-	(5,450,299)
Employee benefit expense	(3,296,801)	-	(307,625)	(3,604,426)
Occupancy expenses	(242,116)	-	(8,047)	(250,163)
Professional fees	(200,963)	-	(731,517)	(932,480)
Deprecation and amortisation	(89,486)	-	(298)	(89,784)
Impairment of non financial assets	-	-	-	-
Other expenses	(865,745)	-	(154,796)	(1,020,541)
Tax expense	(633,755)	-	333,725	(300,030)
Total expenses from continuing operations	**(10,779,165)**	**-**	**(868,558)**	**(11,647,723)**
Expenses from discontinued operations	**-**	**(9,643,689)**	**-**	**(9,643,689)**
Segment net profit/(loss)	**1,122,495**	**(1,049,584)**	**(868,558)**	**(795,647)**

(ii) Assets

	Products $	Services $	Corporate $	Total $
Year ended 30 June 2014				
Assets				
Segment assets	12,156,149	112,331	5,849,879	18,118,359
Total Segment Assets	12,156,149	112,331	5,849,879	18,118,359
Year ended 30 June 2013				
Assets				
Segment assets	9,188,755	1,422,295	362,732	10,973,782
Total Segment Assets	9,188,755	1,422,295	362,732	10,973,782

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the products segment who accounts for 21% of external revenue (2013: 14%). The next most significant client accounts for 12% (2013: 10%) of external revenue.

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

(iii) Reconciliation to financial statement

	2014 $	2013 $
Revenues		
Total reportable segment revenues	18,859,499	20,495,765
Discontinued operations	(922,753)	(8,594,105)
Group revenues	**17,936,746**	**11,901,660**
Assets		
Total reportable segment assets	18,118,359	10,973,782
Group assets	**18,118,359**	**10,973,782**

NOTE 6. REVENUE

	Consolidated	
	2014	2013
	$	$
Revenue		
Product	17,936,746	11,901,660
Revenue from continuing operations	**17,936,746**	**11,901,660**
Revenue from discontinued operations	922,753	8,594,105
Other revenue		
Interest income	10,357	18,287
	10,357	**18,287**
Total revenue	**18,869,856**	**20,514,052**

Baltec contributed revenues of $9,367,919 during the seven months as part of the EGL Group.

NOTE 7. EXPENSES

The loss before income tax includes the following specific expenses.

	Consolidated	
	2014	2013
	$	$
(a) Depreciation, impairment and amortisation included in the income statement		
Depreciation of equipment	53,433	50,391
Depreciation of vehicles	44,199	35,198
Depreciation of leasehold improvements	4,180	4,195
Impairment of non financial assets	-	-
	101,812	**89,784**
(b) Employee benefits expense		
Wages and salaries	3,122,762	2,894,439
Defined contribution superannuation expense	379,846	243,945
Other employee benefits expense	908,270	886,706
	4,410,878	**4,025,090**
(c) Minimum lease payments		
Rent leases	291,513	510,551
Operating lease	358,722	127,178
(d) Cost of sales	10,982,633	5,450,299
(e) Foreign exchange losses	95,246	7,496

NOTE 8. INCOME TAX

	Consolidated 2014 $	2013 $
(a) Income tax (benefit)/expense		
Current tax	(59,524)	170,816
Deferred tax	(1,386,706)	129,214
	(1,446,230)	300,030
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
Total accounting profit / (loss) before income tax expense	**(140,847)**	**553,967**
Tax at the Australian tax rate of 30%	(42,254)	166,190
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments in respect of current income tax of previous years	27,527	-
Amortisation of intangibles	-	-
Non-deductible entertainment expenses	-	-
Non deductible impairment	-	169,019
Recognition of deferred tax assets	(1,276,942)	-
Sundry items	(154,561)	(35,179)
Aggregate Income tax expense/(benefit)	**(1,446,230)**	**300,030**
The applicable weighted average effective tax rates are as follows:	1,027%	54%

The decrease in the weighted average effective consolidated tax rate for 2014 is a result of the recognition of prior year tax losses

(c) Tax liabilities

The tax liabilities relate to Baltec pre-acquisition taxable income for the period 1 July 2013 to 29 November 2013.

(d) Deferred tax asset

Consolidated	Opening Balance $	Charged to income $	Charged directly to Equity $	Exchange Differences $	Closing Balance $
Fixed assets	72,437	(49,461)	-	-	22,976
Accruals	104,835	2,585	-	-	107,420
Provisions	443,877	(258,439)	-	-	185,438
Tax losses	-	283,807	-	-	283,807
Balance at 30 June 2013	621,149	(21,508)	-	-	599,641
Fixed assets	22,976	1,200	-	-	24,176
Accruals	107,420	57,757	-	-	165,177
Provisions	185,438	147,081	-	-	332,519
Tax losses	283,807	1,533,222	-	-	1,817,029
Balance at 30 June 2014	599,641	1,739,260	-	-	2,338,901

(e) Deferred tax liability

	Consolidated				
	Opening Balance	Charged to income	Charged directly to Equity	Exchange Differences	Closing Balance
	$	$	$	$	$
Other	14,289	43,013	-	-	57,302
Balance at 30 June 2013	**14,289**	**43,013**	**-**	**-**	**57,302**
Other	57,302	104,592	-	-	161,894
Balance at 30 June 2014	**57,302**	**104,592**	**-**	**-**	**161,894**

(f) Tax losses

	Consolidated	
	2014	2013
	$	$
Unused tax losses for which no deferred tax asset has been recognised	817,016	19,773,401
Potential tax benefit at 30%	245,105	5,932,020

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

NOTE 9. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	Consolidated	
	2014	2013
Basic and diluted earnings per share	$	$
Net profit from continuing operations attributable to ordinary equity holders of the parent	1,305,383	253,937
Net loss from discontinued operations attributable to ordinary equity holders of the parent	(467,413)	(1,049,584)

(b) Weighted average number of shares

	Consolidated	
	2014 Number	2013 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	127,629,070	79,060,389
Weighted average number of ordinary shares used in calculating dilutive earnings per share	139,332,367	79,060,389

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

(c) Information concerning the classification of securities

Unexercised options, including those granted to key management personnel as described in note 31, were not included in the determination of basic earnings per share or dilutive earnings per share in 2014 or 2013 as they were considered antidilutive.

NOTE 10. CASH AND CASH EQUIVALENTS

	Consolidated 2014 $	2013 $
Cash at bank and in hand	1,192,745	593,737
Balance per Statement of Financial Position	**1,192,745**	**593,737**

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

Cash and cash equivalents at the end of the financial year	1,192,745	593,737
Discontinued operations	(67,393)	(71,395)
Cash and cash equivalents per cash flow	**1,125,352**	**522,342**

Cash at bank and in hand

The cash at bank are both non-interest bearing and interest bearing with rates between 0.01% and 2.40%

NOTE 11. TRADE AND OTHER RECEIVABLES

	Consolidated 2014 $	2013 $
Current		
Trade receivables	3,192,361	3,179,050
Allowance for impairment loss (a)	(188,885)	(102,535)
	3,003,476	**3,076,515**
Other receivables	245,350	392,349
	3,248,826	**3,468,864**

(a) Allowance for impairment loss

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

Movements in the provision for impairment loss were as follows:	2014 $	2013 $
At 1 July	102,535	120,478
Charge for the year	172,700	69,320
Amounts written off	(86,350)	(87,263)
	188,885	**102,535**

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

	Total	Current	30 days	60 days PDNI*	90+ days PDNI*	90+ days CI*
2014 Consolidated	3,192,361	1,867,446	142,957	37,412	955,661	188,885
2013 Consolidated	3,179,050	1,827,628	786,837	333,641	128,409	102,535

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

Receivables past due but not considered impaired are: Consolidated $128,408 (2013: $121,395). Payment terms on these amounts have not been re-negotiated however credit is being monitored until full payment is made. Each business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

NOTE 12. INVENTORIES

	Consolidated	
	2014	**2013**
	$	**$**
At cost		
Raw materials	91,025	176,019
	91,025	**176,019**
At net realisable value		
Raw materials	70,026	135,414
Work-in-progress	-	2,869
	70,026	**138,283**
	161,051	**314,302**

Inventory write-down

No write-down of inventories to net realisable value occurred during the year ended 30 June 2014 (2013: Nil).

NOTE 13. OTHER CURRENT ASSETS

	Consolidated	
	2014	**2013**
	$	**$**
Prepayments	147,951	123,247
Other assets	190,051	31,396
	338,002	**154,643**

NOTE 14. PPROPERTY, PLANT AND EQUIPMENT

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2014					
Opening net book amount	-	229,650	121,694	139,515	490,859
Additions - Acquistion of Baltec	376,670	64,845	-	-	441,515
Disposals	-	(33,153)	(5,255)	-	(38,408)
Depreciation and amortisation charge - continuing operations	-	(53,433)	(44,199)	(4,180)	(101,812)
Depreciation and amortisation charge - discontinued operations	-	(17,762)	(2,500)	-	(20,262)
Closing net book amount	376,670	190,147	69,740	135,335	771,892
At 30 June 2014					
Cost	376,670	858,818	303,606	165,796	1,704,890
Accumulated depreciation and amortisation	-	(668,671)	(233,866)	(30,461)	(932,998)
Net book amount	376,670	190,147	69,740	135,335	771,892

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2013					
Opening net book amount	-	1,160,271	665,219	263,156	2,088,646
Additions	-	110,055	37,473	198	147,726
Disposals	-	(798,704)	(465,562)	(116,065)	(1,380,331)
Impairment					-
Depreciation and amortisation charge - continuing operations	-	(50,391)	(35,198)	(4,195)	(96,458)
Depreciation and amortisation charge - discontinued operations	-	(191,581)	(80,238)	(3,579)	(268,724)
Closing net book amount	-	229,650	121,694	139,515	490,859
At 30 June 2013					
Cost	-	722,013	312,606	165,796	1,200,415
Accumulated depreciation and amortisation	-	(492,363)	(190,912)	(26,281)	(709,556)
Net book amount	-	229,650	121,694	139,515	490,859

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

NOTE 15. INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts

Consolidated	Goodwill	Trademark	Licences	Development	Total
	$	$	$	$	$
Year ended 30 June 2014					
Opening Net book amount	5,172,480	2,710	-	-	5,175,190
Acquisition through business combination	3,933,928	-	-	-	3,933,928
Impairment	-	-	-	-	-
Net book amount	**9,106,408**	**2,710**	**-**	**-**	**9,109,118**
At 30 June 2014					
Cost	9,106,408	2,710	-	-	9,109,118
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	**9,106,408**	**2,710**	**-**	**-**	**9,109,118**
Year ended 30 June 2013					
Opening Net book amount	5,014,976	2,710	7,276	19,222	5,044,184
Acquisition through business combination	157,504	-	-	-	157,504
Impairment	-	-	(7,276)	(19,222)	(26,498)
Net book amount	**5,172,480**	**2,710**	**-**	**-**	**5,175,190**
At 30 June 2013					
Cost	11,113,788	2,710	-	-	11,116,498
Accumulated amortisation and impairment	(5,941,308)	-	-	-	(5,941,308)
Net book amount	**5,172,480**	**2,710**	**-**	**-**	**5,175,190**

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

(i) Goodwill

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

(ii) Licences

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

(iii) Development costs

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

(c) 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 5. 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	3,933,928	9,106,408
Trademark	2,710	-	-	2,710

<u>EGL Pollution Control Cash Generating Unit</u>

The recoverable amount of the EGL Pollution Control Cash Generating Unit has been determined using a value in use calculation which is based on financial cash flow projections over a five year period. The pre tax discount rate applied to the cash flow projections is 17% (2013: 17%). The growth rate used to extrapolate the cash flows beyond the budget period is between 4-8%.

An increase in the discount rate to 18% or a decrease in the growth rate to 3% would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

<u>EGL Gas Turbine Cash Generating Unit</u>

The recoverable amount of the EGL Gas Turbine Cash Generating Unit has been determined using a value in use calculation which is based on financial cash flow projections over a five year period. The pre tax discount rate applied to the cash flow projections is 17%. The growth rate used to extrapolate the cash flows beyond the budget period is between 4-8%.

An increase in the discount rate to 68% or a decrease in the growth rate to Nil would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

Key assumptions used in value in use calculations

The calculation of value in use for each of the four 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 16. FINANCIAL ASSETS

	Consolidated 2014 $	2013 $
Current		
Term deposits and Bank bills	957,824	176,546

NOTE 17. TRADE AND OTHER PAYABLES

	Consolidated 2014 $	2013 $
Trade payables	2,568,871	2,568,871
Sundry creditors and other payables	775,252	254,900
	3,344,123	**2,823,771**

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

Fair values

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

NOTE 18. FINANCIAL LIABILITIES

	Note	Consolidated 2014 $	2013 $
Current			
Obligations under finance leases and hire purchase contracts	25	77,782	90,121
Director Loan	29	1,000,000	-
		1,077,782	**90,121**
Non Current			
Obligations under finance leases and hire purchase contracts	25	268,703	29,527
Directors' Loan	29	1,000,000	1,200,000
		1,268,703	**1,229,527**

(a) Fair values

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

(b) Interest rate and liquidity risk

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

NOTE 19. PROVISIONS

	Consolidated	
	2014	**2013**
	$	**$**
Current		
Long service leave	147,548	39,362
Annual leave	439,448	275,456
Restructure	180,000	-
Legal costs	150,000	167,997
	916,996	**482,815**
Non Current		
Long service leave	73,478	32,776

Movements in provisions

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

Consolidated	**Employee leave provision**	**Other provision**	**Total**
	$	**$**	**$**
At 30 June 2013	347,594	167,997	515,591
Arising during the year	404,147	180,000	584,147
Utilised	(91,267)	(17,997)	(109,264)
At 30 June 2014	**660,474**	**330,000**	**990,474**

NOTE 20. ASSETS AND DISPOSAL GROUPS CLASSIFIED AS DISCONTINUED OPERATIONS

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

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

The operating loss of MMS is summarised as follows:

	2014 $	2013 $
Revenue	922,753	1,053,613
Subcontracting and material costs	(754,231)	(399,430)
Employee expenses	(202,091)	(100,308)
Occupancy expenses	(186,621)	(48,966)
Marketing expenses	(20,227)	(3,089)
Professional fees	(1,936)	(10,288)
Other expenses	(349,613)	(61,877)
Depreciation and amortisation	(20,262)	(3,337)
Operating (loss)/profit	**(612,228)**	**426,318**
Interest expense	(43,624)	(3,141)
(Loss)/profit from discontinued operations before tax	**(655,852)**	**423,177**
Income tax benefit/(expense)	188,439	(112,991)
(Loss)/profit for the year	**(467,413)**	**310,186**

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

	2014 $	2013 $
Assets		
Cash and cash equivalents	67,393	71,395
Trade and other receivables	9,691	1,129,296
Inventories	-	63,971
Other assets	32,996	55,355
Non-Current Assets		
Deferred tax assets	2,251	18,506
Plant and equipment	-	82,793
Intangible assets	-	11,313
Assets included in disposal group	112,331	1,432,629
Liabilities		
Trade and other payables	268,465	1,067,851
Financial liabilities	1,094	17,054
Short-term provisions	-	28,073
Non-Current Liabilities		
Deferred tax liabilities	-	7,938
Long-term provisions	-	1,527
Liabilities included in disposal group	269,559	1,122,443

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

	2014 $	2013 $
Operating activities		
Receipts from customers	1,236,317	29,678
Payments to suppliers and employees	(1,243,266)	(338,157)
Interest paid	(43,624)	(3,141)
Interest received	-	-
	(50,574)	(311,620)
Investing activities		
Proceeds from sale of plant and equipment	62,531	-
	62,531	-
Financing activities		
Proceeds from borrowings	-	17,054
Repayment of borrowings	(15,960)	-
Loans received from related parties	-	365,961
	(15,960)	383,015
Net decrease in cash and cash equivalents	**(4,002)**	**71,395**
Cash and cash equivalents at the beginning of the financial year	**71,395**	**-**
Cash and cash equivalents at the end of the financial year	**67,393**	**71,395**

EGL MA Pty Ltd (formerly Mine-Assist Pty Ltd)

On 03 June 2013 EGL MA Pty Ltd (formerly Mine-Assist Pty Ltd), a wholly owned subsidiary of the Group, appointed Mr David Morgan of Clout & Associates as liquidator. Consequently, revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income (see loss for the year from discontinued operations).

Operating loss of EGL MA Pty Ltd until date of liquidation is summarised as follows:

	2014 $	2013 $
Revenue	-	5,986,225
Subcontracting and material costs	-	(4,772,760)
Employee expenses	-	(1,905,375)
Occupancy expenses	-	(262,445)
Marketing expenses	-	(14,512)
Professional fees	-	(48,107)
Other expenses	-	(1,419,018)
Depreciation and amortisation	-	(268,724)
Reversal of costs on deconsolidation	-	243,352
Operating loss	**-**	**(2,461,364)**
Interest expense	-	(140,135)
Interest income	-	9,868
Loss from discontinued operations before tax	**-**	**(2,591,631)**
Income tax benefit	-	798,717
Loss for the year	**-**	**(1,792,914)**

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

	2014 $	2013 $
Assets		
Other assets	-	-
Assets included in disposal group	-	-
Liabilities		
Other liabilities	-	-
Liabilities included in disposal group	-	-

Cash flows generated by EGL MA Pty Ltd for the reporting period are as follows:

	2014 $	2013 $
Operating activities		
Receipts from customers	-	11,297,611
Payments to suppliers and employees	-	(12,779,642)
Interest paid	-	(140,135)
Interest received	-	9,868
	-	(1,612,298)
Investing activities		
Proceeds from sale of plant and equipment	-	698,333
	-	698,333
Financing activities		
Repayment of borrowings	-	(344,211)
Loans received from related parties	-	1,120,000
	-	775,789
Net decrease in cash and cash equivalents	**-**	**(138,176)**
Cash and cash equivalents at the beginning of the financial year	**-**	**138,176**
Cash and cash equivalents at the end of the financial year	**-**	**-**

EGL Management Services Pty Ltd

On 23 May 2012 EGL Water Operations, a wholly owned subsidiary of the Group, appointed Mr. Christopher Palmer of O'Brien Palmer as Receiver and Manager of EGL Management Services Pty Ltd, another wholly subsidiary of the Group. Mr. Christopher Palmer resigned as receiver on 14 June 2012. On 27 August 2012 the Supreme Court of Queensland appointed Mr B.V. Hellen and Mr N.R Markey of Pilot Chartered Accountants as liquidators of EGL Management Services Pty Ltd. Consequently revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income (see loss for the year from discontinued operations).

Operating profit/(loss) of EGL Management Services Pty Ltd until liquidation is summarised as follows:

	2014	**2013**
	$	**$**
Revenue	-	199,081
Subcontracting and material costs	-	(167,240)
Employee expenses	-	(51,634)
Professional fees	-	(39,368)
Other expenses	-	(17,798)
Reversal of costs on deconsolidation	-	861,363
Operating profit/(loss)	**-**	**784,404**
Interest expense	-	-
Profit/(Loss) from discontinued operations before tax	**-**	**784,404**
Income tax expense	-	(235,321)
Profit/(Loss) for the year	**-**	**549,083**

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

	2014 $	2013 $
Current Assets		
Cash and cash equivalents	-	26,698
Trade and other receivables	-	329,001
Assets and disposal group	-	355,699
Current Liabilities		
Trade and other payables	-	1,158,571
Financial liabilities	-	25,473
Short-term provisions	-	1,896
Non-Current Liabilities		
Financial liabilities	-	9,669
Long-term provisions	-	32
Liabilities included in disposal group	-	1,195,641

Cash flows generated by EGL Management Services Pty Ltd for the reporting period are as follows:

	2014 $	2013 $
Operating activities		
Receipts from customers	-	402,198
Payments to suppliers and employees	-	(502,385)
	-	(100,187)
Investing activities		
Purchases of plant and equipment	-	-
	-	-
Financing activities		
Repayment of borrowings	-	73,489
	-	73,489
Net decrease in cash and cash equivalents	**-**	**(26,698)**
Cash and cash equivalents at the beginning of the financial year	**-**	**26,698**
Cash and cash equivalents at the end of the financial year	**-**	**-**

NOTE 21. ISSUED CAPITAL AND RESERVES

(a) Share capital

Ordinary shares	Consolidated 2014 $	2013 $
162,060,389 fully paid shares (2013: 79,060,389)	**21,005,632**	**16,855,632**

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

Movements in ordinary share capital:

Date	Details	Number of Ordinary Shares	Share Capital $
30-Jun-12	Balance	79,060,389	16,855,632
30-Jun-13	Closing Balance	**79,060,389**	**16,855,632**
29-Nov-13	Script issue for Baltec acquisition	79,000,000	3,950,000
29-Nov-13	Debt to equity conversion of loan	4,000,000	200,000
30-Jun-14	**Closing Balance**	**162,060,389**	**21,005,632**

(b) Reserves

The movement in reserves during the financial year related to an issue of options to Allabah Pty Ltd totalling $54,112 and foreign currency translation on a foreign subsidiary totalling $27,634 (2013: nil movement). The remaining balance relates to employee benefits used to record the value of share based payments provided to employees as part of their remuneration.

(c) Capital management

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

	Consolidated 2014 $	2013 $
Total borrowings *	5,690,608	4,143,419
Less cash and cash equivalents	(1,192,745)	(593,737)
Net debt	**4,497,863**	**3,549,682**
Total equity	11,213,662	6,257,470
Total capital	**15,711,525**	**9,807,152**
Net debt/total equity	40%	57%

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

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

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

NOTE 22. STATEMENT OF CASH FLOWS RECONCILIATION

	Consolidated	
	2014	2013
	$	$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) from operating activities after tax	783,855	(795,647)
Non-cash flows in profit from operating activities:		
Depreciation, amortisation & impairment	92,414	381,810
Changes in assets and liabilities:		
Decrease in Receivables	3,276,310	2,911,186
Decrease in Inventories	153,251	91,753
Decrease / (increase) in Prepayments	(183,359)	605,121
Decrease in Deferred tax assets	(1,757,773)	21,508
(Decrease) in Payables	(2,506,537)	(2,661,107)
(Decrease) / increase in Provisions	326,982	(493,421)
Increase / (decrease) in Deferred tax Liabilities	40,012	43,014
Net cash provided by / (used in) from operating activities	**225,155**	**104,218**

b. Non-cash Financing and Investing Activities

(i) During the year the consolidated group acquired plant and equipment with an aggregate value of Nil (2013: $30,432) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

NOTE 23. SUBSIDIARIES

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

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2014 %	2013 %
The Environmental Group Share Plans Pty Limited	Australia	Ordinary	**100**	100
Environmental Group (Operations) Pty Limited *(formerly Environmental Systems Pty Limited)*	Australia	Ordinary	**100**	100
Horizon APC Australia Pty Limited *(formerly Activated Carbons Australia Pty Limited)*	Australia	Ordinary	**-**	100
Environmental Products Pty Limited	Australia	Ordinary	**100**	100
Coal and Carbon Industries (Australia) Pty Limited	Australia	Ordinary	**100**	100
Environmental Systems International Pty Limited *(formerly Stannary Hills Mining Pty Limited)*	Australia	Ordinary	**100**	100
Jetflote Australia Pty Limited	Australia	Ordinary	**100**	100
Water Environment Systems Pty Limited	Australia	Ordinary	**100**	100
EGL Developments Pty Limited	Australia	Ordinary	**100**	100
EGL Water Operations Pty Limited	Australia	Ordinary	**100**	100
EGL Management Services Pty Limited *(formerly Anglian Water Pty Limited) (deregistered 25 April 2014)*	Australia	Ordinary	**-**	100
Coriolis Water Services (Australia) Pty Limited	Australia	Ordinary	**100**	100
EGL MA Pty Limited *(formerly Mine-Assist Pty Limited)*	Australia	Ordinary	**100**	100
Pump Assist Pty Limited	Australia	Ordinary	**100**	100
Total Air Pollution Control Pty Limited	Australia	Ordinary	**100**	100
Mine Assist Mechanical Pty Limited *(formerly Moranbah Mechanical Services Pty Limited)*	Australia	Ordinary	**100**	100
Bridge Management Services Pty Limited *(formerly Bowen Basin Pipe Services Pty Limited)*	Australia	Ordinary	**100**	100
Baltec IES Pty Ltd	Australia	Ordinary	**100**	-
PT Baltec Exhaust and Inlet System	Indonesia	Ordinary	**80**	-

NOTE 24. BUSINESS COMBINATIONS

Acquisition

On 29 November 2013, The Environmental Group Limited completed the acquisition of Baltec IES Pty Ltd ("Baltec"), an unlisted Company based in Melbourne specialising in the provision of gas turbine inlet, exhaust and cooling systems within the power generation industry. Under the terms of the share sale agreement, the previous shareholders of Baltec were issued 79,000,000 shares at five cents.

Goodwill Calculation on Baltec acquisition

Purchase consideration (issued shares)	**3,950,000**
Less fair value of net identifiable assets acquired (see below)	(2,037,314)
Goodwill	**1,912,686**

Fair value	
Cash and cash equivalents	420,270
Trade and other receivables	3,249,040
Other financial assets	1,007,333
Plant and equipment	445,396
Intangible assets	2,021,241
Trade and other payables	(3,598,687)
Current tax liabilities	(109,259)
Provisions (Current)	(120,268)
Interest bearing liabilities	(1,250,118)
Provisions (Non-current)	(27,634)
Fair Value of Net Assets	**2,037,314**
Net cash acquired with subsidiary	420,270
Cash paid in current and prior periods	-
Net cash inflow	**420,270**

Baltec contributed a pre-tax profit of $1,028,120 during the seven months as part of the EGL Group.

NOTE 25. COMMITMENTS

Leasing commitments

Operating lease commitments

The Group has entered into commercial leases on certain items of property and equipment. Equipment leases are generally taken over a 36 - 48 month period.

Future minimum rentals payable under Non-cancellable operating leases as at 30 June 2014 are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Within one year	87,237	227,145
Later than one year but not more than five years	204,276	283,406
After more than five years	-	-
	291,513	**510,551**

Finance leases and hire purchase commitments

The Group leases motor vehicles and items of plant and equipment. These leases have an average term of 4 years. Commitments in relation to finance and hire purchase arrangements are as follows:

	Minimum lease payments due		
	Within 1 year	**1 to 5 years**	**Total**
	$	**$**	**$**
30 June 2014			
Lease payments	86,927	21,794	108,721
Finance charges	(4,559)	(630)	(5,189)
Net present values	**82,368**	**21,164**	**103,532**
30 June 2013			
Lease payments	97,063	30,115	127,178
Finance charges	(3,911)	(3,619)	(7,530)
Net present values	**93,152**	**26,496**	**119,648**

NOTE 26. DIVIDENDS

(a) Recognised amounts

	Consolidated	
Declared and paid during the year:	**2014**	**2013**
	$	**$**
Franked dividend on ordinary shares (2013: Nil)	-	-

(b) Unrecognised amounts

Since reporting date, the consolidated entity has not declared or paid dividends.

(c) Franking credit balance

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

	Consolidated	
	2014	**2013**
	$	**$**
Franking account balance as at the end of the financial year:	1,005,323	1,005,323
	1,005,323	**1,005,323**

(d) Tax rates

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

NOTE 27. EVENTS AFTER THE REPORTING DATE

An Event of Default has occurred in respect of a loan of $1,000,000 advanced to the company by Allabah Pty Limited ("Allabah"), a company controlled by Mr. Louis Niederer, who is a shareholder and a Non-Executive Director of EGL. The Loan Deed between EGL and Allabah signed in February 2013 provides for an Event of Default where EGL ceases or threatens to cease to carry on any of its businesses. Such an event occurred in April 2014 when due to poor market conditions in the coal mining service town of Moranbah the Board of EGL made a unanimous decision to cease funding the losses of Mine Assist Mechanical Pty Limited (MA). As a consequence MA ceased trading and is in now the process of being closed down.

Allabah notified EGL as of 20th June 2014 that an Event of Default had occurred but has not served a letter of demand which it is entitled to do under the Loan Deed. The Board has sought legal advice which was received by the directors on 10 July 2014 which confirmed that an Event of Default has occurred under the Deed.

As a consequence of the default, Allabah may at any time demand repayment of the amount outstanding under the loan and, if a demand is issued, the amount outstanding will be immediately payable by EGL. Interest on the loan is payable at 15% per annum from the date of the default. Both Allabah and Baltec Inlet and Exhaust Systems Pty Limited ("Baltec") have each provided a proposal to resolve this matter and as a consequence, EGL has been negotiating with Allabah and with Baltec, to reach a mutually acceptable resolution to the default under the Loan deed. Baltec is a company controlled by Mr Ellis Richardson and Mrs Denise Richardson, who are shareholders of EGL. Mr Richardson is an Executive Director of EGL. Baltec has also lent $1,000,000 to Baltec IES Pty Limited, a wholly owned subsidiary of EGL. Your directors are acutely aware of the importance in resolving this matter.

Baltec has on 13 August 2014 offered a loan to EGL of approximately $1M subject to certain terms and conditions (including a favourable interest rate and extended payment terms), some of which require Allabah and other third party consent, so as to allow EGL to pay out the loan from Allabah. The offer was again considered at a meeting of directors on 26 August 2014 and your directors are working towards a suitable outcome for EGL. The offer is subject to acceptance by EGL on, or before, 29 August 2014. Baltec and Allabah have agreed to meet within the next week to progress negotiations.

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

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation for key management personnel

	Consolidated 2014 $	2013 $
Short term employee benefits	983,368	1,060,376
Post-employment benefits	51,286	142,095
Share-based payments	54,112	-
Total compensation	**1,088,766**	**1,202,471**

Options

2014

Name	Balance at start of year	Granted during year as compensation	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at end of year
Directors						
Louis Niederer	-	20,000,000	-	-	20,000,000	-

2013

Name	Balance at start of year	Granted during year as compensation	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at end of year
Directors						
John Read	133,333	-	-	(133,333)	-	-

Shareholdings

2014

Name	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors				
Ellis Richardson	-	-	67,940,000	67,940,000
Louis Niederer	15,804,172	-	2,195,828	18,000,000
Tim Hargreaves	-	-	4,000,000	4,000,000
Executives				
Gary Hardie	2,469,136	-	-	2,469,136
Sinan Boratav	-	-	7,110,000	7,110,000

2013

Name	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors				
Louis Niederer	15,804,172	-	-	15,804,172
John Read	3,604,566	-	(3,604,566)	-
Executives				
Gary Hardie	2,469,136	-	-	2,469,136
Frank Placko	1,170	-	(1,170)	-

Details relating to key management personnel are included in the Remuneration Report on pages 9-13.

NOTE 29. RELATED PARTY DISCLOSURE

Key management personnel
Details relating to key management personnel, including remuneration paid are included in note 28.

(i) Loans to key management personnel

In 2014 no loans were made to Directors of The Environmental Group Limited or other key management personnel of the group, including their personally related parties.

(ii) Other transactions with key management personnel

During the year ended 30 June 2014 the Group paid or accrued:

- Director fees to Baltec Inlet and Exhaust Pty Ltd totalling $87,500 of which Ellis Richardson is a Director.
- Director fees to L.A Niederer & Company Pty Ltd totalling $108,333 of which Louis A. Niederer is a Director.
- Director fees to TJ & T Hargreaves totalling $48,000 of which Tim Hargreaves is a Director.
- Director fees to Woodgate & Co. totalling $48,000 of which Giles Woodgate is a Director.
- Interest bearing loan of $1,000,000 at an annual interest rate of 12% from Allabah Pty Ltd of which Louis A. Niederer is a Director. Default interest rate is 15%. This amount is payable 1 December 2016.
- Interest bearing loan of $1,000,000 at an annual interest rate of 12% from Baltec Inlet and Exhaust Pty Ltd of which Ellis Richardson is a Director.
- Interest bearing loan of $200,000 at an annual interest rate of 11.5% from Tastim Pty Ltd of which Tim Hargreaves is a Director. This amount was converted to ordinary shares on 29 November 2013 at a conversion price of 5 cents.
- Rental fees of $86,149 to TAPC (Holdings) Pty Limited of which Gary Hardie is a Director.

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

During the year ended 30 June 2013 the Group paid or accrued:

- Director fees to L.A Niederer & Company Pty Ltd totalling $120,000 of which Louis A. Niederer is a Director.
- Director fees to TJ & T Hargreaves totalling $48,000 of which Tim Hargreaves is a Director.
- Director fees totalling $28,901 and consultancy fees totalling $45,349 to Woodgate & Co. of which Giles Woodgate is a Director.
- Director fees to Cannington Corporation Pty Ltd totalling $23,000 of which John Read is a Director.
- Interest bearing loan of $1,000,000 at an annual interest rate of 12% from Allabah Pty Ltd of which Louis A. Niederer is a Director. This amount is payable 28 February 2015. The loan was convertible to ordinary shares at a conversion price of 5 cents at the lenders discretion.
- Interest bearing loan of $200,000 at an annual interest rate of 11.5% from Tastim Pty Ltd of which Tim Hargreaves is a Director. This amount is payable on demand. The loan was convertible to ordinary shares at a conversion price of 5 cents at the lenders discretion.
- Rental fees of $81,743 to TAPC (Holdings) Pty Limited of which Gary Hardie is a Director.
- Earn-out of $149,608 to Gary Hardie

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

NOTE 30. REMUNERATION OF AUDITORS

The auditor of EGL is McIntosh Bishop (2013: Grant Thornton Audit Pty Ltd). During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices and non-related audit firms:

	Consolidated	
	2014	**2013**
	$	**$**
Amounts received or due and receivable by McIntosh Bishop (2013: McIntosh Bishop) for:		
an audit or review of the financial report of the entity and any other entity in the consolidated group	55,000	55,000
Consultancy fees as part of the due diligence process for the acquisition of Baltec IES Pty Ltd.	11,329	-

NOTE 31. SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

Total expense recognised for share-based payment transactions during the year is shown in the table below:
follows:

	Consolidated	
	2014	2013
	$	$
Expense arising from share-based payment transactions	54,112	-

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2014 and 2013.

(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 2014.

Grant date	Expiry Date	Exercise Price	Opening Balance	Issued	Exercised	Expired	Closing Balance	Dates exercisable
29-Nov-13	29-Nov-18	$0.05	-	20,000,000	-	-	20,000,000	1-Jul-15
Total			-	20,000,000	-	-	20,000,000	
Weighted average exercise price:			$0.05	-	-	-	-	

The total number of outstanding Board and Executive options represents 12.3% (2013: Nil) of the total number of issued ordinary shares in the capital of EGL.

NOTE 32. CONTINGENT LIABILITIES

Guarantees

The group has given bank guarantees to unrelated parties in respect of performance guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance guarantees for the Group at 30 June 2014 are $1,221,202 (2013: $150,932).

Legal proceedings

Workcover had previously commenced a case against Total Air Pollution Control Pty Ltd in respect to a work place accident involving a subcontractor. The matter will be heard at the District Court of NSW and a judgement is expected later this year. An adequate provision has been recognised within the accounts.

NOTE 33. THE ENVIRONMENTAL GROUP LIMITED PARENT COMPANY INFORMATION

	2014 $	2013 $
ASSETS		
Current Assets	11,469,003	14,203,255
Non-Current Assets	5,808,348	329,539
Total assets	**17,277,351**	**14,532,794**
Current Liabilities	1,306,443	1,426,655
Total liabilities	**1,306,443**	**1,426,655**
Net assets	**15,970,908**	**13,106,139**
EQUITY		
Equity attributable to the ordinary equity holders of the company		
Contributed equity	20,955,617	16,805,618
Retained earnings	(5,038,821)	(3,758,389)
Reserves	54,112	58,910
Total Equity	**15,970,908**	**13,106,139**
Financial performance		
Loss for the year	**(1,280,432)**	**(868,558)**
Other comprehensive income	-	-
Total comprehensive income	**(1,280,432)**	**(868,558)**

Directors' Declaration

The Directors of The Environmental Group Limited declare that:

1. In the opinion of the Directors:

   The financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) Giving a true and fair view of consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   (ii) Complying with Accounting Standards and Corporations Regulations 2001; and
   (iii) Complying with International Financial Reporting Standards as discussed in Note 1;

2. The Executive Chairman has declared that:

   (i) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
   (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (iii) the financial statements and notes for the financial year give a true and fair view;

3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Ellis Richardson
Executive Chairman
Sydney
27 August 2014

McIntosh Bishop

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

Report on the Financial Report

We have audited the accompanying financial report of The Environmental Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report which 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 a financial report that is free from material misstatement, whether due to fraud or error.

(In Note 2, the directors also state, in accordance with Australian Accounting Standard 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.)

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report which gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 25 August 2014, would be in the same terms if provided to the directors as at the date of this auditor's report.

McIntosh Bishop
Chartered Accountants

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North Sydney 2059

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McIntosh Bishop

Auditor's Opinion

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

a. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b. the Company also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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.

Opinion

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

McIntosh Bishop
Chartered Accountants

Robert David Macdonald
Partner

Sydney, 28 August 2014

Shareholding Statistics

The following information is current as at 15 August 2014

Distribution of equity securities

The number of equity security holders by size of holding, in each class are:

Holdings Ranges	Fully paid ordinary shareholdings	%
1 - 1,000	1296	0.22
1,001 - 5,000	323	0.50
5,001 - 10,000	124	0.58
10,001 - 100,000	245	5.05
100,001 and over	74	93.66
Totals	**2062**	**100.00**

Ordinary share capital

162,060,389 fully paid ordinary shares are held by 2,062 individual shareholders.
Voting rights: On a show of hands, every member present in person or by proxy, shall have one vote and upon a poll every such attending member shall be entitled to one vote for every share held.

Options

20,000,000 options held by 1 individual option holder.
Voting rights: Options do not carry a right to vote.

Marketable Parcel

The number of shareholdings held in less than marketable parcel is 1,809.

Substantial Shareholders

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

Holder Name	Balance at 15-08-2014	%
DENISE RICHARDSON	33,970,000	20.961
MR ELLIS RICHARDSON	33,970,000	20.961
ALLABAH PTY LTD	16,000,000	9.873

Twenty largest holders of quoted equity securities

Holder Name	Number of Ordinary Shares Held	% of Ordinary Shares Issued
DENISE RICHARDSON	33,970,000	20.961
MR ELLIS RICHARDSON	33,970,000	20.961
ALLABAH PTY LTD	16,000,000	9.873
SINAN BORATAV	7,110,000	4.387
BUILDASSIST NSW PTY LTD	5,750,918	3.549
DOLDORY PTY LTD <LEWIS FAMILY SUPERFUND A/C>	4,141,636	2.556
CJ & RS KELLY PTY LTD <CJ KELLY FAMILY A/C>	4,029,067	2.486
ACE PROPERTY HOLDINGS PTY LTD	4,000,000	2.468
INVIA CUSTODIAN PTY LIMITED <HARGREAVES S/FUND A/C>	4,000,000	2.468
PHIL DART	3,950,000	2.437
MR JOHN DITRIA <DITRIA SUPERANNUATION A/C>	2,250,567	1.389
CANNINGTON CORPORATION PTY LIMITED <CANNINGTON S/F J READ A/C>	2,177,691	1.344
LIMITS PTY LIMITED <DUNCAN GAMBLE FAMILY A/C>	2,000,000	1.234
BROS NOMINEES PTY LTD <BROS NOMINEES S/F A/C>	1,886,865	1.164
TAPC (HOLDINGS) PTY LTD <G & K HARDIE SUPER FUND A/C>	1,666,667	1.028
CHUCKY PTY LTD <MJ TURNER SUPER FUND>	1,646,164	1.016
HOUSSELS FAMILY LIMITED <PARTNERSHIP A/C>	1,640,000	1.012
THE THUNDER GROUP PTY LTD <THE THUNDER A/C>	1,470,772	0.908
BREMER PARK LIMITED	1,390,000	0.858
SYSUPER PTY LTD <M SYMONDS SUPER FUND A/C>	1,138,825	0.703
	134,189,172	**82.802**