FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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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

DIRECTORS' REPORT

Financial review

The Directors, Executive Leadership Team and Staff of the Environmental Group Limited (EGL) have worked consistently over the past 12 months to build on structural changes, resulting in significant cost reductions, enabling the group to make a small profit attributable to shareholders for the year.

The current financial year under review has seen a number of significant changes within the EGL, resulting in a group net profit before taxation of $536,665 against a loss of $140,847 before taxation in 2014 and a growth in revenue for the group from $17M to $26M. These results are a reflection of work done over the past two years, in cutting costs within the operating businesses, particularly Total Air Pollution Control (TAPC) and EGL corporate. These results, however, reflect differing performance within the business operations and downward pressure on margins in some sectors.

The Directors would like to thank shareholders for their confidence and support in making the rights offer a successful outcome, it is uncommon to achieve an acceptance rate of over 80% within businesses of a similar size to EGL

Operational Review

The current year includes the results of Baltec IES Pty Limited (Baltec) for 12 months compared to 7 months in the previous year. Baltec's acquisition continues to meet the group's expectations and has made significant contribution towards the profitability of EGL. Baltec has continued to win international projects with blue chip customers and has successfully procured improved external project funding to enable Baltec to continue bidding on these competitive projects.

As was noted in the December 2014 accounts, Total Air Pollution Control Pty Limited (TAPC) was restructured into two business units each managed by a General Manager. This restructure has enabled the management to develop their individual business priorities to take advantage of their specific strengths and market needs.

The Electrostatic Precipitator business (ESP) within TAPC continues to actively identify new customers and markets both locally and internationally. Although, there has been some success in overseas markets the traditional ESP Australian market continues to be flat. This is due to the lack of investment by large businesses, particularly in the resources sector, where investment has been relatively low over the past 3 years. Despite this low demand, the ESP business has made a positive contribution to the profitability of EGL.

The re-energised Gas and Vapour business unit within TAPC is making progress towards building on its reputation for delivery of its innovative solutions, and this has resulted in winning some new work. This business unit continues to refine its product offering and is committed to strengthening and broadening its technology base. Whilst the Gas and Vapour business unit made a loss for the year, management have been actively marketing the business locally and internationally. The board and management are actively reviewing this business unit such that it makes a positive contribution to the profitability of the group.

As was advised to shareholders on 24 July 2015, TAPC commenced proceedings against previous employees for alleged misuse of company information. The court provided a limited interdict to TAPC precluding the previous employees from contacting specified customers. The parties have agreed to subject the matter to mediation at the end of August 2015.

The appointment of Henk van Kruining as CEO marks a significant milestone in the development of a cohesive strategy across all EGL businesses. Henk has spent the past few months working with the General Managers of Baltec and TAPC in critically evaluating each business unit in detail, and is developing strategies to improve value for shareholders. This strategic review is expected to provide the directors with various options for each part of EGL, so that the board can consider what is strategically in the best interest of shareholders, employees and other stakeholders.

Outlook

EGL is expected to bid for and deliver contracts won in its markets. The Australian market for TAPC is expected to continue flat to low, while the overseas markets, although competitive, are expected to generate reasonable future contracts. The Directors continue to work with management and staff to improve the business and the EGL brand. The overarching objective is to continue to strengthen shareholder value. The directors will continue to evaluate each business unit's strategy and cost structures and will implement these strategies appropriately in the coming quarters

Mr David Cartney
Chairman

Your Directors submit their report for the year ended 30 June 2015.

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 Directors were in office during the financial year and until the date of this report:

MR DAVID CARTNEY - CHAIRMAN (NON-EXECUTIVE)

Appointed to the Board initially as a Non-executive Director on 22 September 2014 thereafter, appointed Non-executive Chairman on 1 December 2014. David is also Chairman of the Audit and Risk Committee.

David has more than 15 years' experience as an independent and non-executive board director and chairman, David will provides strong commercial acumen and corporate governance as well as adding value as an independent director which strengthens EGL's leadership and risk management.

David is a fellow of the Australian Institute of Company Directors (AICD) and a member of the Institute of Directors in London (IoD), and a Chartered Accountant and holds a number of other qualifications including a PHD in Finance from Ashley University as well as an MA (Hons.) from the University of St Andrews.

MR ELLIS RICHARDSON – DIRECTOR (EXECUTIVE)

Appointed to the Board 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 Richardson was the previous owner of Baltec prior to its purchase by EGL

MR SINAN BORATAV - DIRECTOR (EXECUTIVE)

Appointed as an Executive Director to the Board on 01 October 2014.

Sinan commenced as a Project Engineer with Baltec and was soon promoted to the role of Project Manager, thereafter to the position of Operations Manager. He has been instrumental in the development and growth of Baltec into the well-respected and leading global business in the power industry.

Sinan is currently the General Manager of Baltec IES Pty limited and is a shareholder of EGL.

MS. LYNN RICHARDSON - DIRECTOR (NON–EXECUTIVE)

Appointed to the Board on 22 May 2015.

Prior to the sale of Baltec to EGL, Lynn was a member of the Executive Committee of Baltec, during which time she utilised her experience in general management and provided strategic leadership, contributing towards the growth of the company.

Lynn is well qualified with an MBA, Graduate Certificate in Accounting and is a member of the Australian Institute of Company Directors.

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	90,586,668	-
D Cartney	1,300,000	-
S Boratav	4,000,000	-
L Richardson	3,571,429	-

Company Secretary

The company Secretary for the year and at the date of this report is Allan Fink

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

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 to continue operating profitably 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.

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.

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		Audit & Risk		Nomination & Remuneration	
Number of meetings held	**17**		**2**		**-**	
Number of meetings attended:	**A**	**B**	**A**	**B**	**A**	**B**
Ellis Richardson	17	17	*	*	-	-
David Cartney	10	10	2	2	-	-
Sinan Boratav	9	10	*	*	-	-
Lynn Richardson	2	2	1	1	-	-
Louis Niederer	3	7	1	1	-	-
Tim Hargreaves	7	7	1	1	-	-
Giles Woodgate	7	7	1	1	-	-

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 2015, and attended by all members.

David Cartney is Chairman of the Audit and Risk committee and of the Nomination and Remuneration committee.

Non-Audit Services

Consultancy fees of Nil (2014: $11,329) were paid to McIntosh Bishop during the year under review

No other fees were paid or payable to McIntosh Bishop for non-audit services provided during the year ended 30 June 2015.

After Reporting Date Events

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

Proceedings on behalf of the Company

WorkCover had previously commenced a case against Total Air Pollution Control Pty Ltd (TAPC), a wholly owned subsidiary of EGL, in respect to a work place accident involving a subcontractor. The matter was heard at the District Court of NSW and a fine of $106,000 was levied on the company

As noted previously in the Directors report, the company launched a legal action against previous employees of TAPC, the parties have agreed that the matter go to mediation.

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 David Cartney
Melbourne
28 August 2015

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 maximum fee of $150,000. No additional fee is paid to a Director who sits on a Board committee.

The Directors do not receive retirement benefits, nor do they participate in any incentive programmes. The remuneration of Directors for the periods ended 30 June 2015 and 30 June 2014 are detailed in table 1 and 2 respectively of this report.

Executive Remuneration

The total remuneration for senior Executives is described below.

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

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. Other than reflected within the tables below, no short term or long term incentives have been paid for the 2015 financial year.

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

	2011	2012	2013	2014	2015
Revenue ($)	28,282,119	33,996,413	20,495,765	18,859,499	26,650,858
Net Profit/(loss) ($)	(766,651)	(10,118,281)	(795,647)	779,714	369,659
Number of shares issued	79,060,389	79,060,389	79,060,389	162,060,389	162,060,389
Share price at year-end (cents)	4.0	5.0	3.0	2.1	1.9
Dividends paid per share (cents)	-	-	-	-	-

EGL's revenues include income from continuing & discontinuing acquisitions

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 with the exception of the CEO who has a 3 month written notice period. The Group may terminate these contracts at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

REMUNERATION REPORT (AUDITED)

Remuneration of Key Management Personnel (KMP)

Key management personnel include the Directors of the Group:

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

Table 1: Remuneration for the year ended 30 June 2015

	Short-term benefits		**Long-term benefits**	**Post Employment**		**Share-Based payment**		
2015	**Salary and Fees**	**Cash bonus**	**Long service leave**	**Super-annuation (incl sal sacrifice)**	**Other**	**Options**	**Total**	**% performance related**
	$	**$**	**$**	**$**	**$**		**$**	
Directors								
Ellis Richardson #	150,000	-	-	-	-	-	150,000	-
David Cartney *	44,067						44,067	
Sinan Boratav **	232,827	50,000		21,850			304,677	16%
Lynn Richardson ***	4,923						4,923	
Louis Niederer ****	12,000	-	-	-	-	-	12,000	-
Tim Hargreaves *****	10,930	-	-	-	-	-	10,930	-
Giles Woodgate ******	12,000	-	-	-	-	-	12,000	-
Sub-Total	**466,747**	**50,000**	**-**	**21,850**	**-**	**-**	**538,597**	
Other key management personnel								
Allan Fink	164,000	17,600	-	26,530	-	-	208,130	8%
Henk van Kruining ^	25,641			2,436			28,077	
Gary Hardie ^ ^	140,225		-	15,660	-	-	155,885	
Oscar Sikorski ^ ^ ^	60,251	-	-	3,995	-	-	64,246	-
Sub-Total KMP	**390,117**	**17,600**	**-**	**48,621**	**-**	**-**	**456,338**	
Totals	**856,864**	**67,600**	**-**	**70,471**	**-**	**-**	**994,935**	

During the year directors fees were paid or payable to Baltec Inlet & Exhaust Systems Pty Ltd totalling $150,000 in relation to Director services of Ellis Richardson.
* Appointed September 2014 - During the year directors fees were paid or payable to Cabernet House Pty Ltd totalling 44,067 in relation to Director services of David Cartney.
** Appointed October 2014
*** Appointed May 2015
**** Resigned September 2014 - During the year directors fees were paid or payable to L.A Niederer & Company Pty Ltd totalling $12,000 in relation to Director services of Louis Niederer
***** Resigned September 2014 - During the year directors fees were paid or payable to TJ & T Hargreaves totalling $10,930 in relation to Director services of Tim Hargreaves.
****** Resigned October 2014 - During the year directors fees were paid or payable to Woodgate & Co. totalling $12,000 in relation to Director services of Giles Woodgate.
^ Joined May 2015
^^ Left December 2014
^^^ Left October 2014

REMUNERATION REPORT (AUDITED)

Table 2: 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.

Value of options granted

The total value of options granted to key management personnel included in share based payments in the current year is NIL (2014: $54,112).

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 2015 and 30 June 2014 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 two Executive and two 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 David Cartney, is a Non-Executive Director and was elected Chairman in November 2014 and is not a substantial shareholder of EGL. Accordingly, the Chairman does satisfy the independence criteria of the Recommendations

The former Chairman, Mr Ellis Richardson, is currently an Executive Director of EGL in addition he has a substantial shareholding in EGL, he is not considered as independent.

The Non-Executive Director Lynn Richardson is not an executive nor held a position in the last three years with EGL and is a substantial shareholder (and does not meet the independence criteria.

Sinan Boratav is an Executive Director and is not independent.

The board has one independent and three non-independent directors, accordingly, EGL does not strictly satisfy the independence criteria of the Recommendations, as the majority of the Board is not independent. However the independent chairman has a casting vote.

Given the relative size of EGL and the Board, with the welcome addition of one female board member, Lynn Richardson, the Board does not believe it is necessary to have a formal professional development programme in place to encourage further 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 fulfil 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)	-	-
David Cartney (Independent Non-Executive)	● Chair	● Chair
Sinan Boratav (Executive)	-	-
Lynn Richardson (Non-Executive)	●	●

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 company information, which should be viewed in conjunction with the announcements lodged on the ASX
- 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.

8. ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS - COMPLIANCE TABLE

Best Practice Recommendations		Reference	Compliance
Principle 1: Lay solid foundations for management and oversight			
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 Committeeand 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 2015, 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, 28 August 2015

McIntosh Bishop
Chartered Accountants
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STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2015

	Notes	Consolidated 2015 $	2014 $
Revenue from continuing operations	6	**26,650,858**	**17,936,746**
Subcontracting and material costs	7(d)	(21,319,497)	(10,982,633)
Gross profit		**5,331,361**	**6,954,113**
Employee expenses	7(b)	(3,058,243)	(4,410,878)
Occupancy expenses		(206,637)	(218,117)
Marketing expenses		(70,376)	(71,453)
Professional fees		(670,757)	(904,535)
Depreciation and amortisation	7(a)	(69,814)	(101,812)
Impairment of fixed assets	7(a)		
Impairment of non financial assets	7(a)	180,356	-
Other expenses		(630,131)	(1,159,558)
Operating Profit		**805,759**	**87,760**
Interest expense		(331,204)	(238,964)
Interest income		62,110	10,357
(Loss)/profit before tax		**536,665**	**(140,847)**
Income tax benefit/(expense)	8(a)	(190,408)	1,446,230
Profit for the year from continuing operations		**346,257**	**1,305,383**
Discontinued operations			
Profit/Loss for the year from discontinued operations	20	(12,338)	(467,413)
Profit/(loss) for the year		**333,919**	**837,970**
Other comprehensive income			
Issue of options		-	**(54,112)**
Total comprehensive income/(loss) for the year		**333,919**	**783,858**
Attributable to:			
Non-controlling interest		**35,740**	**(4,144)**
Total comprehensive income/(loss) for the year		369,659	779,714
Earnings per share for loss attributable to the ordinary equity holders of the Group	9	**Cents**	**Cents**
Basic earnings per share			
Profit from continuing operations before taxation		0.33	(0.18)
Profit from continuing operations after taxation		0.21	1.02
Loss from discontinued operations		(0.01)	(0.37)
Total		0.20	0.65
Diluted eanings per share			
Profit from continuing operations		0.21	0.94
Loss from discontinued operations		(0.01)	(0.34)
Total		0.21	0.60

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Consolidated	
		2015	**2014**
	Notes	**$**	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	10	1,625,974	1,192,745
Trade and other receivables	11	5,758,009	3,248,826
Inventories	12	120,702	161,051
Other current assets	13	342,908	338,002
Other financial assets	16	919,563	957,824
Total Current Assets		**8,767,156**	**5,898,448**
Non-Current Assets			
Deferred tax assets	8(d)	2,098,944	2,338,901
Property, plant and equipment	14	724,664	771,892
Intangible assets	15	9,109,118	9,109,118
Total Non-Current Assets		**11,932,726**	**12,219,911**
Total Assets		**20,699,882**	**18,118,359**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	6,518,695	3,344,123
Financial liabilities	18	68,004	1,077,782
Tax liabilities	8(c)	89,209	61,721
Short-term provisions	19	356,378	916,996
Total Current Liabilities		**7,032,286**	**5,400,622**
Non-Current Liabilities			
Financial liabilities	18	1,953,034	1,268,703
Deferred tax liabilities	8(e)	101,834	161,894
Long-term provisions	19	43,041	73,478
Total Non-Current Liabilities		**2,097,909**	**1,504,075**
Total Liabilities		**9,130,195**	**6,904,697**
Net Assets		**11,569,687**	**11,213,662**
EQUITY			
Equity attributable to the ordinary equity holders of the Group			
Issued capital	21(a)	21,005,632	21,005,632
Retained earnings		(9,597,611)	(9,967,270)
Reserves	21(b)	201,550	179,444
Minority interest		(39,884)	(4,144)
Total Equity		**11,569,687**	**11,213,662**

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 2015

Consolidated	Share Capital $	Retained Earnings $	Reserve $	Total attributable to Owners of parent $	Non-Controlling interest $	Total $
Balance at 30 June 2014	**16,855,632**	**(10,751,128)**	**152,966**	**6,257,470**	**-**	**6,257,470**
Total comprehensive income for the year	-	783,858	-	783,858		783,858
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)
Non-Controlling Interest					(4,144)	(4,144)
Balance at 30 June 2014	**21,005,632**	**(9,967,270)**	**179,444**	**11,217,806**	**(4,144)**	**11,213,662**
Total comprehensive income for the year	-	369,659	-	369,659		369,659
Shares issued				-		-
Options issued			-	-		-
Foreign translation			22,106	22,106		22,106
Non-Controlling Interest					(35,740)	(35,740)
Balance at 30 June 2015	**21,005,632**	**(9,597,611)**	**201,550**	**11,609,571**	**(39,884)**	**11,569,687**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	Consolidated 2015 $	2014 $
Operating activities			
Receipts from customers		26,806,762	22,785,442
Payments to suppliers and employees		(25,791,071)	(22,281,106)
Interest paid		(334,800)	(238,964)
Interest received		62,110	10,357
Net cash provided by operating activities	22	**743,000**	**275,729**
Investing activities			
Purchases of plant and equipment		(22,585)	-
Net cash acquired from purchase of subsidiary		-	420,270
Decrease in fixed term deposit		38,261	145,412
Net cash used in investing activities		**15,676**	**565,682**
Financing activities			
Payment of dividends		-	(7)
Proceeds from borrowings		-	-
Repayment of borrowings		(325,447)	(238,394)
Net cash used in financing activities		**(325,447)**	**(238,401)**
Net decrease in cash and cash equivalents		**433,230**	**603,010**
Cash and cash equivalents at the beginning of the financial year		1,125,352	522,342
Cash realised - discontinued operations		67,393	
Cash and cash equivalents at the end of the financial year	10	**1,625,974**	**1,125,352**

NOTE 1. CORPORATE INFORMATION

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2015 was authorised for issue by the Directors in accordance with a resolution of the Directors on 27 August 2015. 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 (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

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

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

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

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

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

(C) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand 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:

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

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

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

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

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

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

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

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

Tax consolidation legislation

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

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

Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; 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 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B) (applicable for annual reporting periods commencing on or after 1 January 2014)

Part B of this Standard (issued December 2013) deletes references to AASB 1031: Materiality in various Australian Accounting Standards and Interpretations. Which is consistent with the Australian Accounting Standards Board (AASB) policy of not providing unnecessary local guidance in matters covered by International Financial Reporting Standards (IFRSs). Once all references to AASB 1031 have been deleted from all Australian Accounting Standards and Interpretations (which will be facilitated by way of future Amending Standards), AASB 1031 will be withdrawn. Until that time, the AASB has reissued AASB 1031 as an interim Standard, which cross-references to other pronouncements that contain guidance on materiality

AASB 2014-1: Amendments to Australian Accounting Standards (Parts A–C)

AASB 2014-1 (issued June 2014) makes amendments to various Australian Accounting Standards and Interpretations, as listed in the appendix to the Standard, and comprises Parts A–E.
Part A of this Standard mandatorily applies to annual reporting periods beginning on or after 1 July 2014 and makes the following significant amendments:

- revises or adds the definitions of the terms "market condition", "performance condition" and "service condition" in AASB 2: Share-based Payment;
- clarifies that contingent considerations arising in a business combination should be accounted for as items of equity or liability and not as provisions in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets;
- requires additional disclosures when an entity aggregates its operating segments into one reportable segment in accordance with AASB 8: Operating Segments; and
- Includes an entity that provides key management personnel services (a "management entity") to a reporting entity (or a parent of the reporting entity) within the definition of a "related party" in AASB 124: Related Party Disclosures.

Part B of this Standard mandatorily applies to annual reporting periods beginning on or after 1 July 2014 and permits an entity to recognise the amount of contributions from employees or third parties in a defined benefit plan as a reduction in service cost for the period in which the related service is rendered, if the amount of contributions is independent of the number of years of service.

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	
	2015	2014
	$	$
Financial Assets		
Cash and cash equivalents	1,625,974	1,192,745
Trade and other receivables	5,758,009	3,248,826
Financial assets	919,563	957,824
	8,303,546	**5,399,395**
Financial Liabilities		
Trade and other payables	6,518,695	3,344,123
Loans from Directors	1,690,000	2,000,000
Bank Facilties and lease liability	331,038	346,485
	8,539,733	**5,690,608**

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 2015				
Financial Assets				
Cash at bank and on hand	0.04%	1,625,974	-	1,625,974
Trade and other receivables		-	5,758,009	5,758,009
Term deposits and bank bills	0.40%	919,563	-	919,563
		2,545,537	**5,758,009**	**8,303,546**
Financial Liabilities				
Loans from Directors	12.00%	690,000	-	690,000
	Cash rate plus 6%	1,000,000		
Property Loan and lease liability	8.32%	1,331,038	-	1,331,038
Trade and other payables		-	6,518,695	6,518,695
		3,021,038	**6,518,695**	**8,539,733**
Net Financial assets		**(475,501)**	**(760,686)**	**(236,187)**
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	12.00%	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)**

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 $5,245 (2014: $2,024), 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			
	2015		2014	
	USD	Euro	USD	Euro
	$	$	$	$
Financial Assets				
Cash and cash equivalents	1,412,168	-	1,173,263	-
Trade and other receivables	4,056,215	-	667,859	-
Financial Liabilities				
Trade and other payables	4,141,319	-	414,774	-

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 $63,194 (2014: increase of $67,921), 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 $147,452 (2014: decrease of $158,483), 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	
	2015	2014
	$	$
6 months or less	6,582,736	4,409,810
6 – 12 months	3,450	3,450
1 – 5 years	1,953,546	1,277,348
	8,539,733	**5,690,608**

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

Products segment incorporates the operations related to the supply, design, construction and installation services to industry, this segment includes activities related to air pollution control, pressure sewer systems and design and manufacture of gas turbine equipment and solutions which incorporates the TAPC Pollution Control Dust and Fume (Electrostatic Precipitators and Filtration businesses) and Gas vapour business units and the Baltec design and manufacture business.

Services segment reflects the services provided by MMS the discontinued operation.

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

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

(b) Inter-segment transactions

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

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

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Segment performance

The following table present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2015 and 30 June 2014

(i) Revenue

	Products $	Services $	Coporate $	Total $
Year ended 30 June 2015				
Revenue				
From external customers	26,650,858	-	-	26,650,858
Total segment revenue	**26,650,858**	**-**	**-**	**26,650,858**
Total group revenue				
Expenses from continuing operations				
Subcontracting and material costs	(21,319,497)	-	-	(21,319,497)
Employee benefit expense	(2,735,943)	-	(322,300)	(3,058,243)
Occupancy expenses	(198,775)	-	(7,862)	(206,637)
Professional fees	(439,883)	-	(230,874)	(670,757)
Deprecation and amortisation	(66,731)	-	(3,083)	(69,814)
Impairment of non financial assets	84,660	-	95,696	180,356
Other expenses	(785,832)	-	(183,770)	(969,601)
Tax expense	(513,763)	-	323,355	(190,408)
Total expenses from continuing operations	**(25,975,764)**	**-**	**(328,837)**	**(26,304,601)**
Expenses from discontinued operations	**-**	**(12,338)**	**-**	**(12,338)**
Segment net profit/(loss)	**675,094**	**(12,338)**	**(328,837)**	**333,919**

	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)
Impairment of fixed assets	-	-	-	-
Impairment of non financial assets	-	-	-	-
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**

(ii) Assets

	Products $	Services $	Corporate $	Total $
Year ended 30 June 2015				
Assets				
Segment assets	14,952,438	16,018	5,731,426	20,699,882
Total Segment Assets	14,952,438	16,018	5,731,426	20,699,882
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

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies to a single external customer in the products segment who accounts for 22.1% of external revenue (2014: 21%). The next most significant client accounts for 22% (2014: 13 %) 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

	2015 $	2014 $
Revenues		
Total reportable segment revenues	26,650,858	18,859,499
Discontinued operations	-	(922,753)
Group revenues	**26,650,858**	**17,936,746**
Assets		
Total reportable segment assets	20,699,882	18,118,359
Group assets	**20,699,882**	**18,118,359**

NOTE 6. REVENUE

	Consolidated	
	2015	2014
	$	$
Revenue		
Product	26,650,858	17,936,746
Revenue from continuing operations	**26,650,858**	**17,936,746**
Revenue from discontinued operations	-	922,753
Other revenue		
Interest income	62,110	10,357
	62,110	**10,357**
Total revenue	**26,712,968**	**18,869,856**

NOTE 7. EXPENSES

The loss before income tax includes the following specific expenses.

	Consolidated	
	2015	2014
	$	$
(a) Depreciation, impairment and amortisation included in the income statement		
Depreciation of equipment	39,441	53,433
Depreciation of vehicles	26,206	44,199
Depreciation of leasehold improvements	4,169	4,180
Impairment of non financial assets (Distribution received from liquidated companies previously impaired)	(180,356)	-
	(110,541)	**101,812**
(b) Employee benefits expense		
Wages and salaries	2,262,718	3,122,762
Defined contribution superannuation expense	293,196	379,846
Other employee benefits expense	502,329	908,270
	3,058,243	**4,410,878**
(c) Minimum lease payments		
Rent leases	291,513	291,513
Operating lease	20,447	108,722
(d) Cost of sales	21,319,497	10,982,633
(e) Foreign exchange (gains)/losses	(387,353)	95,246

NOTE 8. INCOME TAX

	Consolidated 2015 $	2014 $
(a) Income tax (benefit)/expense		
Current tax	92,513	(59,524)
Deferred tax	97,895	(1,386,706)
	190,408	(1,446,230)
(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	**536,665**	**(140,847)**
Tax at the Australian tax rate of 30%	214,610	(42,254)
Tax at the Overseas tax rate of 25%	(44,675)	
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments in respect of current income tax of previous years	(92,513)	27,527
Amortisation of intangibles	-	-
Non-deductible entertainment expenses	-	-
Non deductible impairment	-	-
Recognition of deferred tax assets	91,041	(1,276,942)
Sundry items	21,945	(154,561)
Aggregate Income tax expense/(benefit)	**190,408**	**(1,446,230)**
The applicable weighted average effective tax rates are as follows:	35%	1,027%

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

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

(d) Deferred tax asset	Consolidated Opening Balance $	Charged to income $	Charged directly to Equity $	Exchange Differences $	Closing Balance $
Fixed assets	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
Fixed assets	24,176	16,488	-	-	40,664
Accruals	165,177	(40,680)	-	-	124,497
Provisions	332,519	(123,252)	-	-	209,267
Tax losses	1,817,029	(92,513)	-	-	1,724,516
Balance at 30 June 2015	2,338,901	(239,957)	-	-	2,098,944

(e) Deferred tax liability

	Consolidated				
	Opening Balance	Charged to income	Charged directly to Equity	Exchange Differences	Closing Balance
	$	$	$	$	$
Other	57,302	104,592	-	-	161,894
Balance at 30 June 2014	**57,302**	**104,592**	**-**	**-**	**161,894**
Other	161,894	(60,060)	-	-	101,834
Balance at 30 June 2015	**161,894**	**(60,060)**	**-**	**-**	**101,834**

(f) Tax losses

	Consolidated	
	2015	2014
	$	$
Unused tax losses for which no deferred tax asset has been recognised	817,016	817,016
Potential tax benefit at 30%	245,105	245,105

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

NOTE 9. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	Consolidated	
	2015	2014
Basic and diluted earnings per share	$	$
Net profit from continuing operations attributable to ordinary equity holders of the parent	346,257	1,305,383
Net loss from discontinued operations attributable to ordinary equity holders of the parent	(12,338)	(467,413)

(b) Weighted average number of shares

	Consolidated	
	2015	2014
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	162,060,389	127,629,070
Weighted average number of ordinary shares used in calculating dilutive earnings per share	162,060,389	139,332,367

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 2015 or 2014 as they were considered antidilutive.

NOTE 10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2015	2014
	$	$
Cash at bank and in hand	1,625,974	1,192,745
Balance per Statement of Financial Position	**1,625,974**	**1,192,745**

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	1,625,974	1,192,745
Discontinued operations	-	(67,393)
Cash and cash equivalents per cash flow	**1,625,974**	**1,125,352**

Cash at bank and in hand

The cash at bank are both non-interest bearing and interest bearing with rates between 0.04% and 4.0%

NOTE 11. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015	2014
	$	$
Current		
Trade receivables	5,565,579	3,192,361
Allowance for impairment loss (a)	(35,686)	(188,885)
	5,529,893	**3,003,476**
Other receivables	228,116	245,350
	5,758,009	**3,248,826**

(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:	2015	2014
	$	$
At 1 July	188,885	102,535
Charge for the year	-	172,700
Amounts written off	(153,199)	(86,350)
	35,686	**188,885**

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*
2015	Consolidated	5,565,579	2,589,993	1,514,209	410,621	1,015,070	35,686
2014	Consolidated	3,192,361	1,867,446	142,957	37,412	955,661	188,885

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

Receivables past due but not considered impaired are: Consolidated $1,015,070 (2013: $955,661). 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	
	2015	**2014**
	$	**$**
At cost		
Raw materials	68,220	91,025
	68,220	**91,025**
At net realisable value		
Raw materials	52,481	70,026
	52,481	**70,026**
	120,701	**161,051**

Inventory write-down

No write-down of inventories to net realisable value occurred during the year ended 30 June 2015 (2014: Nil).

NOTE 13. OTHER CURRENT ASSETS

	Consolidated	
	2015	**2014**
	$	**$**
Prepayments	143,521	147,951
Other assets	199,387	190,051
	342,908	**338,002**

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2015					
Opening net book amount	376,670	190,147	69,740	135,335	771,892
Additions	-	22,587	-	-	22,587
Transfers		-	-	-	-
Disposals	-	-	-	-	-
Impairment					-
Depreciation and amortisation charge - continuing operations	-	(39,441)	(26,206)	(4,169)	(69,815)
Depreciation and amortisation charge - discontinued operations	-				-
Closing net book amount	376,670	173,293	43,534	131,166	724,664
At 30 June 2015					
Cost	376,670	776,088	303,606	165,796	1,622,160
Accumulated depreciation and amortisation	-	(602,796)	(260,071)	(34,630)	(897,497)
Net book amount	376,670	173,292	43,535	131,166	724,663

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
Transfers		-	-	-	-
Disposals	-	(33,153)	(5,255)	-	(38,408)
Impairment	0				-
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

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 2015					
Opening Net book amount	9,106,408	2,710	-	-	9,109,118
Acquisition through business combination	-	-	-	-	-
Impairment	-	-	-	-	-
Net book amount	**9,106,408**	**2,710**	**-**	**-**	**9,109,118**
At 30 June 2015					
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 2014					
Opening Net book amount	5,172,480	2,710	7,276	19,222	5,201,688
Acquisition through business combination	3,933,928	-	-	-	3,933,928
Impairment	-	-	(7,276)	(19,222)	(26,498)
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	(5,941,308)	-	-	-	- (5,941,308)
Net book amount	**3,165,100**	**2,710**	**-**	**-**	**3,167,810**

(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

EGL Pollution Control Cash Generating Unit

The recoverable amount of the EGL Pollution Control Cash Generating Unit has been determined using a value in use calculation which is based on 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.

EGL Gas Turbine Cash Generating Unit

The recoverable amount of the EGL Gas Turbine Cash Generating Unit has been determined using a value in use calculation which is 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 2015 $	2014 $
Current		
Term deposits and Bank bills	919,563	957,824

NOTE 17. TRADE AND OTHER PAYABLES

	Consolidated 2015 $	2014 $
Trade payables	5,631,538	2,568,871
Sundry creditors and other payables	887,157	775,252
	6,518,695	**3,344,123**

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 2015 $	2014 $
Current			
Obligations under finance leases and hire purchase contracts	25	68,004	77,782
Director Loan	29	-	1,000,000
		68,004	**1,077,782**
Non Current			
Obligations under finance leases, hire purchase contracts and bank loan.	25	263,034	268,703
Directors' Loan	29	1,690,000	1,000,000
		1,953,034	**1,268,703**

(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	
	2015	**2014**
	$	**$**
Current		
Long service leave	64,713	147,548
Annual leave	291,665	439,448
Restructure		180,000
Legal costs		150,000
	356,378	**916,996**
Non Current		
Long service leave	43,038	73,478
	43,038	**73,478**

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 2014	660,474	330,000	990,474
Arising during the year	176,822	-	176,822
Utilised	(437,880)	(330,000)	(767,880)
At 30 June 2015	**399,416**	**-**	**399,416**

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:

	2015 $	2014 $
Revenue	-	922,753
Subcontracting and material costs	-	(754,231)
Employee expenses	(1,600)	(202,091)
Occupancy expenses	-	(186,621)
Marketing expenses	-	(20,227)
Professional fees	(15,000)	(1,936)
Other expenses	(2,653)	(349,613)
Depreciation and amortisation	-	(20,262)
Operating (loss)/profit	**(19,253)**	**(612,228)**
Interest expense	(3,596)	(43,624)
(Loss)/profit from discontinued operations before tax	**(22,849)**	**(655,852)**
Income tax benefit/(expense)	10,511	188,439
(Loss)/profit for the year	**(12,338)**	**(467,413)**

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

	2015 $	2014 $
Assets		
Cash and cash equivalents	435	67,393
Trade and other receivables	212	9,691
Inventories	-	-
Other assets	9,400	32,996
Non-Current Assets		
Deferred tax assets	5,971	2,251
Plant and equipment	-	-
Intangible assets	-	-
Assets included in disposal group	16,018	112,331
Liabilities		
Trade and other payables	47,939	189,268
Intergroup indebtedness	137,581	79,196
Financial liabilities	-	1,094
Short-term provisions	-	-
Non-Current Liabilities		
Deferred tax liabilities	64	-
Long-term provisions	-	-
Liabilities included in disposal group	185,584	269,559

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

	2015 $	2014 $
Operating activities		
Receipts from customers	9,479	1,236,317
Payments to suppliers and employees	(153,728)	(1,243,266)
Interest paid	(3,596)	(43,624)
Interest received	-	-
	(147,845)	(50,574)
Investing activities		
Proceeds from sale of plant and equipment	23,596	62,531
	23,596	62,531
Financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(1,094)	(15,960)
Loans received from related parties	58,385	-
	57,291	(15,960)
Net decrease in cash and cash equivalents	**(66,958)**	**(4,002)**
Cash and cash equivalents at the beginning of the financial year	**67,393**	**71,395**
Cash and cash equivalents at the end of the financial year	**435**	**67,393**

NOTE 21. ISSUED CAPITAL AND RESERVES

(a) Share capital

Ordinary shares	Consolidated 2015 $	2014 $
162,060,389 fully paid shares (2014: 162,060,389)	**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-13	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**
30-Jun-15	**Closing Balance**	**162,060,389**	**21,005,632**

(b) Reserves

There were no movements in reserves during the financial year relating to an issue of options 2015: Nil (2014: $54,112 - issue of options to Allabah Pty limited) and foreign currency translation on a foreign subsidiary totalling $22,106 (2014: Loss - $27,634). 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 2015 $	2014 $
Total borrowings *	8,539,733	5,690,608
Less cash and cash equivalents	(1,625,974)	(1,192,745)
Net debt	**6,913,759**	**4,497,863**
Total equity	11,569,687	11,213,662
Total capital	**18,483,446**	**15,711,525**
Net debt/total equity	60%	40%

* 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	
	2015	2014
	$	$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit/(loss) from operating activities after tax	333,916	783,855
Non-cash flows in profit from operating activities:		
Depreciation, amortisation & impairment	69,814	92,414
Add back of costs incurred from discontinued operation	22,106	-
(Increase) / decrease in Receivables	(2,509,183)	3,276,310
(Increase) / decrease in Inventories	40,349	153,251
(increase) / decrease in Prepayments	(4,906)	(183,359)
Decrease in Deferred tax assets	239,957	(1,757,773)
(Decrease) / increase in Payables	3,202,063	(2,506,537)
(Decrease) / Increase in Provisions	(591,057)	326,982
Increase / (decrease) in Deferred tax Liabilities	(60,060)	40,012
Net cash provided by / (used in) from operating activities	**742,999**	**225,155**

b. Non-cash Financing and Investing Activities

(i) During the year the consolidated group acquired plant and equipment with an aggregate value of $22,585 (2014: Nil) 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 2015 %	2014 %
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
Coal and Carbon Industries (Australia) Pty Limited (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
Environmental Systems International Pty Limited *(formerly Stannary Hills Mining Pty Limited)* (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
Jetflote Australia Pty Limited (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
Water Environment Systems Pty Limited (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
EGL Developments Pty Limited *(formerly Environmental Products Pty Limited)* (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
EGL Water Operations Pty Limited (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
Coriolis Water Services (Australia) Pty Limited (Deregistered 11/09/2014)	Australia	Ordinary	**100**	100
EGL MA Pty Limited *(formerly Mine-Assist Pty Limited)* (Deregistered 21/08/2015)	Australia	Ordinary	**100**	100
Pump Assist Pty Limited (Deregistered 11/09/2014)	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**	**100**
PT Baltec Exhaust and Inlet System	Indonesia	Ordinary	**80**	**80**

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 24 - 48 month period.

Future minimum rentals payable under Non-cancellable operating leases as at 30 June 2015 are as follows:

	Consolidated	
	2015	**2014**
	$	**$**
Within one year	130,855	87,237
Later than one year but not more than five years	141,821	204,276
After more than five years	-	-
	272,676	**291,513**

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 2015			
Lease payments	67,224	21,469	88,693
Finance charges	(1,378)	(1,572)	(2,950)
Net present values	**65,846**	**19,897**	**85,743**
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**

NOTE 26. DIVIDENDS

(a) Recognised amounts

	Consolidated	
Declared and paid during the year:	**2015**	**2014**
	$	**$**
Franked dividend on ordinary shares (2014: 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	
	2015	**2014**
	$	**$**
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

As communicated with shareholders, the company undertook a fully underwritten, non-renounceable rights issue subsequent to the financial year the proceeds raised was $754,347 (2014: Nil). The underwriters were Baltec Inlet and Exhaust Systems Pty Limited (a company controlled by Ellis Richardson), Cabernet House Pty Ltd (a company controlled by David Cartney) and Richmarsh Investments Pty Limited (a company controlled by Lynn Richardson and a related party to Lynn)

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

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation for key management personnel

	Consolidated	
	2015	**2014**
	$	**$**
Short term employee benefits	924,464	983,368
Post-employment benefits	70,471	51,286
Share-based payments	-	54,112
Total compensation	**994,935**	**1,088,766**

Options

2015

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						
Nil	-		-	-		-

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	-

Shareholdings

2015

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
David Cartney	-	-	50,000	50,000
Sinan Boratav	7,110,000	-	-	7,110,000
Lynn Richardson	-	-	-	-
Executives		-		
Nil				-
				-

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

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 2015 the Group paid or accrued:

- Director fees to Baltec Inlet and Exhaust Pty Ltd totalling $150,000 of which Ellis Richardson is a Director.
- Director fees to Cabernet House Pty Ltd totalling $44,067 of which David Cartney is a Director.
- Director fees to L.A Niederer & Company Pty Ltd totalling $12,000 of which Louis A. Niederer is a Director.
- Director fees to TJ & T Hargreaves totalling $10,930 of which Tim Hargreaves is a Director.
- Director fees to Woodgate & Co. totalling $12,000 of which Giles Woodgate is a Director.
- Interest bearing loan of $1,690,000 at an annual interest rate of 12% from Baltec Inlet and Exhaust Pty Ltd of which Ellis Richardson is a Director. This amount is payable 31 December 2016
- Rental fees of 0$44,960 was paid to TAPC (Holdings) Pty Limited during the period that Gary Hardie was a Director of Total Air Pollution Control Pty Limited

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 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.

NOTE 30. REMUNERATION OF AUDITORS

The auditor of EGL is McIntosh Bishop (2014: McIntosh Bishop). 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	
	2015	**2014**
	$	**$**
Amounts received or due and receivable by McIntosh Bishop (2014: 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	
	2015	**2014**
	$	**$**
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 2015 and 2014.

(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 2015.

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% (2014: 12.3%) of the total number of issued ordinary shares in the capital of EGL at 30 June 2015.

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 2015 are $2,073,311 (2014: $1,221,202).

Legal proceedings

As was noted in the 2014 Annual Report, WorkCover commenced a case against Total Air Pollution Control Pty Ltd (TAPC) in respect to a work place accident involving a subcontractor. The matter was heard by the District Court of NSW during the current financial year and a judgement against the company was made, resulting in a fine of $106,000.

As announced on the 24 July 2015 TAPC commenced legal proceedings against former employees of the company, the court provided limited relief to TAPC for period of 3 months. The parties have agreed to submit to mediation, which is scheduled to take place at the end of August.

NOTE 33. THE ENVIRONMENTAL GROUP LIMITED PARENT COMPANY INFORMATION

	2015 $	2014 $
ASSETS		
Current Assets	11,196,708	11,469,003
Non-Current Assets	5,721,618	5,808,348
Total assets	**16,918,326**	**17,277,351**
Current Liabilities	1,276,255	1,306,443
Total liabilities	**1,276,255**	**1,306,443**
Net assets	**15,642,071**	**15,970,908**
EQUITY		
Equity attributable to the ordinary equity holders of the company		
Contributed equity	20,955,617	20,955,617
Retained earnings	(5,367,658)	(5,038,821)
Reserves	54,112	54,112
Total Equity	**15,642,071**	**15,970,908**
Financial performance		
Loss for the year	**(328,837)**	**(1,280,432)**
Other comprehensive income	-	-
Total comprehensive income	**(328,837)**	**(1,280,432)**

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 2015 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 David Cartney
Non-Executive Chairman
Melbourne
28 August 2015

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 2015, 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 28 August 2015, would be in the same terms if provided to the directors as at the date of this auditor's report.

McIntosh Bishop
Chartered Accountants
Level 4, 83 Mount Street
North Sydney 2060
P.O. Box 1903
North Sydney 2059
Tel: 02 9957 5567
Fax: 02 9956 8452
ABN: 14 722 713 700
Email: dmac@mcintoshbishop.com.au

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 2015 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 8 to 12 of the directors' report for the year ended 30 June 2015. 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 2015 complies with s 300A of the *Corporations Act 2001*.

McIntosh Bishop
Chartered Accountants

R Macdonald

Robert David Macdonald
Partner

Sydney, 28 August 2015

Shareholding Statistics

The following information **is current as at 24 August 2015**

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	1281	0.16
1,001 - 5,000	313	0.37
5,001 - 10,000	122	0.44
10,001 - 100,000	230	3.62
100,001 and over	95	95.42
Totals	**2041**	**100**

Ordinary share capital

215,931,711 fully paid ordinary shares are held by 2,041 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 1,824.

Substantial Shareholders

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

Holder Name	Balance at 24-08-2015	%
DENISE RICHARDSON	45,293,334	20.976
MR ELLIS RICHARDSON	45,293,334	20.976
ALLABAH PTY LTD	15,000,001	6.947

Twenty largest holders of quoted equity securities

Holder Name	Number of Ordinary Shares Held	% of Ordinary Shares Issued
DENISE RICHARDSON	45,293,334	20.976
MR ELLIS RICHARDSON	45,293,334	20.976
ALLABAH PTY LTD	15,000,001	6.947
SINAN BORATAV	7,110,000	3.293
L A NIEDERER & COMPANY PTY LIMITED <NIEDERER SUPER FUND A/C>	7,000,000	3.242
ACE PROPERTY HOLDINGS PTY LTD	6,933,334	3.211
BUILDASSIST NSW PTY LTD	5,750,918	2.663
DOLDORY PTY LTD <LEWIS FAMILY SUPERFUND A/C>	5,522,182	2.557
CJ & RS KELLY PTY LTD <CJ KELLY FAMILY A/C>	5,372,090	2.488
INVIA CUSTODIAN PTY LIMITED <HARGREAVES S/FUND A/C>	5,333,334	2.470
PHIL DART	3,950,000	1.829
BALTEC INLET & EXHAUST SYSTEMS PTY LTD	3,727,773	1.726
CANNINGTON CORPORATION PTY LIMITED <CANNINGTON S/F J READ A/C>	3,601,667	1.668
RICHMARSH INVESTMENTS PTY LIMITED	3,571,429	1.654
BROS NOMINEES PTY LTD <BROS NOMINEES S/F A/C>	3,315,436	1.535
HOUSSELS FAMILY LIMITED <PARTNERSHIP A/C>	2,500,001	1.158
MR JOHN DITRIA <DITRIA SUPERANNUATION A/C>	2,250,567	1.042
CHUCKY PTY LTD <MJ TURNER SUPER FUND>	2,194,886	1.016
LIMITS PTY LIMITED <DUNCAN GAMBLE FAMILY A/C>	2,000,000	0.926
THE THUNDER GROUP PTY LTD <THE THUNDER A/C>	1,961,030	0.908
	177,681,316	82.285