

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

### APPENDIX 4D

#### For the half-year ended 31 December 2015

(Previous Corresponding Period: Half-Year ended 31 December 2014)

	Current Reporting Period \$	Previous Reporting Period \$	Change
Revenue from continuing operations	13,205,981	10,991,038	Up 20% 2,214,943
Net (loss)/profit after tax for the period from continuing operations	(174,489)	306,619	Down 157% 481,108
Profit/(loss) for the period from discontinued operations	(897)	(20,791)	Up 96% 19,894
(Loss)/profit attributable to equity holders of The Environmental Group Limited	(165,508)	296,374	Down 156% 461,882

#### Dividends / Distributions

There are no dividends declared as at the date of reporting.

#### Explanation of figures reported above

Refer to attached half year report and covering commentary.

This Appendix 4D should be read in conjunction with the Half Year Interim Financial Report for 6 months ended 31 December 2015 and the most recent annual report for the year ended 30 June 2015.

# Half Year Interim Financial Report

# 31 December 2015

ASX HALF-YEAR INFORMATION : 31 DECEMBER 2015

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with The Environmental Group Limited's 30 June 2015 Annual Report and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



**EGL**

**The Environmental  
Group Limited**

ABN 89 000 013 427  
Unit 1A, 9 Packard Avenue  
Castle Hill NSW 2154  
Telephone: (02) 8852 3811



The Environmental Group Limited

## TABLE OF CONTENTS

<b>CORPORATE DIRECTORY.....</b>	<b>3</b>
<b>HALF YEAR INTERIM REPORT (ASX Listing Rule 4.2A1) .....</b>	<b>4</b>
<b>SUPPLEMENTARY APPENDIX 4D INFORMATION (Appendix 4D Item 3) .....</b>	<b>17</b>

The Environmental Group Limited (“EGL”) is a company limited by shares, incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange (ASX Code: EGL).

All press releases, financial statements and other information is available on our website at [www.environmental.com.au](http://www.environmental.com.au) . If you have any questions in relation to our reporting, please email the company secretary at [mail@environmental.com.au](mailto:mail@environmental.com.au)

## CORPORATE DIRECTORY

---

### THE ENVIRONMENTAL GROUP LIMITED

ABN: 89 000 013 427

<b>Directors</b>	Mr David Cartney (Non-Executive Chairman) Mr Ellis Richardson (Executive) Mr Sinan Boratav (Executive) Ms Lynn Richardson (Non-Executive)
<b>Company Secretary</b>	Mr Allan Fink
<b>Registered Office</b>	Unit 1A, 9 Packard Avenue Castle Hill NSW 2154 Telephone: (02) 8852 3811 Email: <a href="mailto:allan.fink@egl.com.au">allan.fink@egl.com.au</a> Website: <a href="http://www.environmental.com.au">www.environmental.com.au</a>
<b>Share Registry</b>	Board Room Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600 Facsimile: (02) 9279 0664
<b>Home Stock Exchange</b>	The Environmental Group Limited's shares are listed on the Australian Securities Exchange. Listing Code: EGL
<b>Auditor</b>	McIntosh Bishop Level 4, 83 Mount Street, North Sydney NSW 2060

# THE ENVIRONMENTAL GROUP LIMITED HALF YEAR REPORT

## Contents

The Directors' Report.....	5
Auditor's Independence Declaration .....	7
Consolidated Statement of Comprehensive Income .....	8
Consolidated Statement of Financial Position .....	9
Consolidated Statement of Cash Flows .....	10
Consolidated Statement of Changes in Equity .....	11
Notes to the Consolidated Financial Statements .....	12
Directors' Declaration .....	14
Independent Auditor's Review Report to the Members .....	15

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by The Environmental Group Limited ("EGL") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. EGL's public announcements, financial statements, and other information is available on our website at [www.environmental.com.au](http://www.environmental.com.au).

## **The Directors' Report**

Your Directors present their report on the consolidated entity consisting of The Environmental Group Limited ("EGL") and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

### **Directors**

The name of Directors who held office during or since the end of the Half-Year are:

Mr David Cartney (Non-Executive Chairman) was a Director of EGL during the whole of the half-year and up to the date of this report.

Mr Ellis Richardson (Executive) was a Director of EGL during the whole of the half-year and up to the date of this report.

Mr Sinan Boratav (Executive) was a Director of EGL during the whole of the half-year and up to the date of this report.

Ms Lynn Richardson (Non-Executive) was a Director of EGL during the whole of the half-year and up to the date of this report.

### **Company Secretary**

Mr Allan Fink was Company Secretary on EGL during the whole of the half-year and up to the date of this report.

### **REVIEW OF OPERATIONS**

The results for the first half of 2016 financial year are a mix of positive and disappointing results across the operating businesses.

Baltec IES Pty (Baltec) has performed well compared to the same period in 2014. As was foreshadowed by the Chairman at the AGM, Total Air Pollution Control Pty Ltd (TAPC) continues to follow the depressed mining and mineral processing industry, resulting in an adverse impact on the group results.

Baltec performed well during the 6 months under review, with revenue increasing by 39% and net profit before taxation increased by 84% compared to the 6 months ended December 2014. The business has begun to re-focus its efforts on higher margin projects, which are traditionally lower value contracts. Whilst this will require greater business development effort to generate increased revenue, the Directors consider that the reduced customer risk and improved medium to long term profitability is in the best interest of Baltec and the group and will ultimately yield significantly improved results in the longer term.

TAPC's results continue to disappoint even within a subdued and competitive market. Revenue is down 20% on the comparative period which resulted in a loss for the 6 months under review. Significantly, TAPC losses have turned an otherwise profitable group for the period into an overall loss. Given this poor performance the Directors moved to further reduce the negative impact of TAPC on the group profits. The Directors re-evaluated the structure of TAPC which had been operating as two business units, considering it more appropriate and cost effective to restructure these business units under one General Manager, focused on multiple technology and product offerings. This restructure is well advanced and will be completed by the end of March 2016.

Group revenue increased from \$11.0 million to \$13.2 million for the period with gross margin percentage in

line with the comparative period. However, costs increased to support the substantial uplift in Baltec revenue, and other group costs increased including the appointment of a new group CEO and significant unexpected costs to protect the business of TAPC

The group recorded a loss after taxation of \$174k compared to a profit after taxation of \$306K for the comparative period.

With the departure of the CEO, the board appointed Executive Director Ellis Richardson as Group Managing Director on 1 February 2016, to ensure continuity and allow the group to continue to pursue local and international opportunities and implement the group strategies, with a view to restoring profitability in the medium term.

The outlook for the remainder of the year will depend in part on the investment by the mineral resources sector, as well as the successful completion of the TAPC restructure and the benefits that this is expected to deliver. It is anticipated that the revenue growth from Baltec will be lower in the second half of the year, which is in line with the group strategic focus on targeting lower value contracts but with higher profitability.

#### **Dividends**

No dividends have been declared or paid during the current reporting period and up to the date of this report.

#### **Significant Events after balance sheet date**

No significant events have occurred in the state of affairs of the consolidated entity since the end of the financial period under review up to the date of this report.

#### **Auditor's Independence Declaration**

The auditor's independence declaration under s307C of the Corporations Act 2001 is set out on page 7, and forms part of this report.

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



**David Cartney**  
Non-Executive Chairman

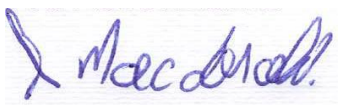
Melbourne  
26 February 2016

**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 review of The Environmental Group Limited for the half-year ended 31 December 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 review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

**McIntosh Bishop**  
**Chartered Accountants**



**Robert David Macdonald**  
**Partner**  
Sydney, 26 February 2016

## Consolidated Statement of Comprehensive Income

For the Half Year Ended 31 December 2015

	Half-Year	
	31 Dec 2015	31 Dec 2014
	\$	\$
<b>Revenue from continuing operations</b>	13,205,981	10,991,038
Subcontracting and material costs	(10,699,486)	(8,941,209)
Gross profit	2,506,495	2,049,829
Employee expenses	(1,767,116)	(1,366,528)
Occupancy expenses	(103,111)	(102,229)
Marketing expenses	(77,571)	(41,795)
Professional fees	(532,174)	(356,038)
Depreciation and amortisation	(34,076)	(30,301)
Distribution from Liquidated entity	-	84,660
Other expenses	(381,918)	(56,294)
<b>Operating (loss)/profit</b>	<b>(389,471)</b>	<b>181,304</b>
Interest expense	(96,236)	(148,055)
Interest income	1,974	4,344
<b>(Loss)/profit before income tax</b>	<b>(483,733)</b>	<b>37,593</b>
Income tax expense	309,244	269,026
<b>Net (loss)/profit after tax for the period from continuing operations</b>	<b>(174,489)</b>	<b>306,619</b>
<b>Discontinued operations</b>		
Profit/(loss) for the period from discontinued operations	(897)	(20,791)
<b>Net (loss)/profit after tax for the period from discontinued operations</b>	<b>(175,386)</b>	<b>285,828</b>
<b>Other comprehensive income</b>		
Issue of options	-	-
<b>Total comprehensive income for the period</b>	<b>(175,386)</b>	<b>285,828</b>
<b>(Loss)/profit attributable to:</b>		
Equity holders of The Environmental Group Limited	(165,508)	296,374
Non-controlling interest	(9,878)	(10,546)
	<b>(175,386)</b>	<b>285,828</b>
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Group</b>	<b>Cents</b>	<b>Cents</b>
<b>Basic earnings per share</b>		
Earnings/(loss) from continuing operations	(0.08)	0.20
Earnings/(loss) from discontinued operations	0.00	(0.01)
Total	(0.08)	0.19
<b>Diluted earnings per share</b>		
Earnings/(loss) from continuing operations	(0.08)	0.20
Earnings/(loss) from discontinued operations	0.00	(0.01)
Total	(0.08)	0.19

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 31 December 2015

	31 Dec 2015	30 Jun 2015
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	1,167,974	2,420,166
Trade and other receivables	3,576,200	5,758,009
Other financial assets	125,252	125,371
Inventories	70,393	120,702
Other current assets	464,608	342,908
<b>Total Current Assets</b>	<b>5,404,427</b>	<b>8,767,156</b>
<b>Non Current Assets</b>		
Plant and equipment	727,042	724,664
Deferred tax assets	2,678,904	2,098,944
Intangible assets	9,164,712	9,109,118
<b>Total Non Current Assets</b>	<b>12,570,658</b>	<b>11,932,726</b>
<b>Total Assets</b>	<b>17,975,085</b>	<b>20,699,882</b>
<b>Current Liabilities</b>		
Trade and other payables	2,952,979	6,518,695
Interest bearing liabilities	224,178	68,004
Provisions	312,425	356,378
Tax liabilities	144,804	89,209
<b>Total Current Liabilities</b>	<b>3,634,386</b>	<b>7,032,286</b>
<b>Non Current Liabilities</b>		
Interest bearing liabilities	1,745,033	1,953,034
Deferred tax liabilities	372,546	101,834
Provisions	47,457	43,041
<b>Total Non Current Liabilities</b>	<b>2,165,036</b>	<b>2,097,909</b>
<b>Total Liabilities</b>	<b>5,799,422</b>	<b>9,130,195</b>
<b>Net Assets</b>	<b>12,175,663</b>	<b>11,569,687</b>
<b>Equity</b>		
Share Capital	21,759,831	21,005,632
Retained earnings	(9,763,119)	(9,597,611)
Reserves	228,713	201,550
Non-controlling interest	(49,762)	(39,884)
<b>Total Equity</b>	<b>12,175,663</b>	<b>11,569,687</b>

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

## Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2015

	Half-Year	
	31 Dec 2015	31 Dec 2014
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	16,593,888	11,038,607
Payments to suppliers and employees	(18,416,867)	(10,613,285)
Interest received	1,137	2,503
Finance costs	(96,236)	(148,055)
<b>Net cash inflow from operating activities</b>	<b>(1,918,078)</b>	<b>279,769</b>
<b>Cash flows from investing activities</b>		
Proceeds from shareholders- rights issued	754,199	-
Purchase of plant and equipment	(36,454)	(14,076)
Decrease in fixed term deposit	-	149,452
<b>Net cash outflow from investing activities</b>	<b>717,745</b>	<b>135,376</b>
<b>Cash flows from financing activities</b>		
Payment of dividends	(32)	-
Repayment of Leases	(51,827)	(65,095)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(51,859)</b>	<b>(65,095)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,252,192)</b>	<b>350,050</b>
Cash and cash equivalents at the beginning of the half year	2,420,166	1,192,745
Net cash acquired with subsidiary	-	-
<b>Cash and cash equivalents at end of period</b>	<b>1,167,974</b>	<b>1,542,795</b>

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

## Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2015

<b>CONSOLIDATED</b>	<b>Share Capital \$</b>	<b>Retained Earnings \$</b>	<b>Reserves \$</b>	<b>Non-controlling interests \$</b>	<b>Total Equity \$</b>
<b>At 1 July 2015</b>	<b>21,005,632</b>	<b>(9,597,611)</b>	<b>201,550</b>	<b>(39,884)</b>	<b>11,569,687</b>
Total comprehensive income	-	(165,508)	-	-	(165,508)
Shares Issued - Rights Offer ^	754,199	-	-	-	754,199
FX currency reserves	-	-	27,163	-	27,163
Non-controlling interest	-	-	-	(9,878)	(9,878)
<b>At 31 December 2015</b>	<b>21,759,831</b>	<b>(9,763,119)</b>	<b>228,713</b>	<b>(49,762)</b>	<b>12,175,663</b>

<b>CONSOLIDATED</b>	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Reserves \$</b>	<b>Non-controlling interests \$</b>	<b>Total Equity \$</b>
<b>At 1 July 2014</b>	<b>21,005,632</b>	<b>(9,967,270)</b>	<b>179,444</b>	<b>(4,144)</b>	<b>11,213,662</b>
Total comprehensive income	-	296,374	-	-	296,374
Option	-	-	-	-	-
FX currency reserves	-	-	50,355	-	50,355
Non-controlling interest	-	-	-	(10,546)	(10,546)
<b>At 31 December 2014</b>	<b>21,005,632</b>	<b>(9,670,896)</b>	<b>229,799</b>	<b>(14,690)</b>	<b>11,549,845</b>

^ Rights Offer - 53,871,322 shares issued at 1.4 cents each

## Notes to the Consolidated Financial Statements

### For the Half Year Ended 31 December 2015

#### **1. Basis of Preparation of half-year report**

This general purpose consolidated financial report for the interim half-year reporting period ended 31 December 2015 has been in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all notes of the type normally included in an annual financial report. The financial report of The Environmental Group Limited for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 23 February 2015. This report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by EGL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

#### **2. Comparative figures**

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

#### **Basis of accounting for purposes of reporting by operating segments**

##### ***Accounting policies adopted***

Unless stated otherwise, all amounts reported to the Board of Directors 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.

##### ***Segment assets***

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

### 3. Contingent Liabilities

Estimates of material amounts of contingent liabilities, not provided for in the financial reports arising from bank guarantees in respect of performance and warranty bonds:

31 Dec 2015	31 Dec 2014
\$	\$
3,182,519	2,447,637

### 4. Cash and Cash Equivalents

Include in cash and cash equivalents are deposits with financial institutions as security for performance and warranty bonds amounting to amounting to \$1,293,252 (June 2015 - \$794,193)

The comparative figures reflected in the balance sheet as at June 2015 has been reclassified to ensure consistency.

### 4. Interest-Bearing Loans and Borrowings

Interest bearing liabilities include Commercial Hire Purchase leases and premium funding of \$226,093, interest bearing loans from Baltec Inlet & Exhaust Pty Ltd of \$1,493,118, banking facilities comprising an overdraft of \$750,000 with \$451,419 utilised at December 2015 and \$1,150,000 for the establishment of performance and warranty bonds with \$765,191 utilised at 31 December 2015 and an interest bearing loan from CBA of \$250,000.

### 5. Events occurring after balance sheet date

There are no other significant events have occurred in the state of affairs of the consolidated entity since the end of the financial period under review up to the date of this report.

### 6. Dividends and Distributions paid or payable

No dividends have been declared or paid during the current reporting period and up to the date of this report.

## **Directors' Declaration**

In the opinion of the directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- b) there are reasonable grounds to believe that The Environmental Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



**David Cartney**  
Non-Executive Chairman

Melbourne  
26 February 2016

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

**Report on the financial report**

We have reviewed the accompanying half-year financial report of The Environmental Group Limited ("Company"), which comprises the consolidated statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes to the financial report and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

**Directors' responsibility for the half-yearly financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimated that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standards on review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. As the Auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we 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 26 February 2016, would be in the same terms if provided to the directors as at the date of this auditor's review 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

**Electronic presentation of reviewed financial report**

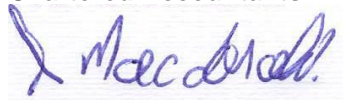
This Auditor's review report relates to the financial report of the Company for the half-year ended 31 December 2015 included on the Company's website. The Company's directors are responsible for the integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this website.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year consolidated financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**McIntosh Bishop**  
**Chartered Accountants**



**Robert David Macdonald**  
**Partner**

Sydney, 26 February 2016

## SUPPLEMENTARY APPENDIX 4D INFORMATION

**NTA Backing**

Net tangible asset backing per ordinary security

**31 Dec 2015**

0.34 Cents

**30 Jun 2015**

0.29 Cents

Net asset backing per ordinary security

5.93 Cents

7.14 Cents

**Other Supplementary Information**

Appendix 4D Items 4, 5 and 6 are not applicable.