



## The Environmental Group Limited

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

10 February 2017

Company Announcements Office  
ASX Limited  
Level 4  
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Sydney NSW 2000

### **INDEPENDENT AUDITOR'S REPORT CONFIRMS ALLEGATIONS CONTAINED IN THE COMPLAINT TO ASIC ARE WITHOUT FOUNDATION**

The Environmental Group Limited (ASX: EGL) refers to the company's previous release dated 29 January 2017 notifying that a complaint had been made to ASIC alleging that fraudulent activity had taken place between subsidiaries of EGL.

Upon learning of the substance of the allegations, the company's audit committee requested that the company's independent auditor, Mr John Hurley of McIntosh Bishop, investigate the allegations contained in the complaint and prepare a special-purpose auditor's report in relation to their findings.

The Board has now received the McIntosh Bishop report, which has been signed by both Mr Hurley and by Mr David Macdonald, the company's former independent auditor. The Board has requested that McIntosh Bishop forward the report directly to ASIC.

In order to protect the identity of the complainant, the report cannot be released to the public at this stage.

In summary, the McIntosh Bishop report confirms that:

1. payments totaling US\$297,895.84 (approximately AUD\$400,000 converted at the average RBA exchange rate) was paid by Baltec IES Pty Ltd to PT Baltec Exhaust Dan Inlet System Indonesia (PT Baltec) in the past 12 months;
2. the payments related to cost of goods sold, tender expenses and loans;
3. there is supporting documentation for cost of goods sold and tender expenses, and hence statements in the complaint alleging otherwise are incorrect;
4. the loan balance will be confirmed when the audit of PT Baltec for the year ended 31 December 2016 is completed (expected to be by mid-February 2017);
5. the Company holds audited financial statements for PT Baltec for the year ended 31 December 2015, and hence statements in the complaint alleging otherwise are incorrect; and
6. PT Baltec is owned 80% by Baltec IES Pty Ltd and 20% by its local Indonesian director, Mr Ahmam Basalamah, and hence statements in the complaint alleging otherwise are incorrect.

**EGL****The Environmental Group Limited**

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Based on the findings contained in the McIntosh Bishop report, the Board believes that the allegations contained in the complaint to ASIC are without foundation.

ASIC have indicated to Mr Macdonald that they will assess the audit report once it is received. The company will now wait to see what action, if any, will be taken by ASIC in response to the complaint.

David Cartney  
Chairman  
The Environmental Group Limited