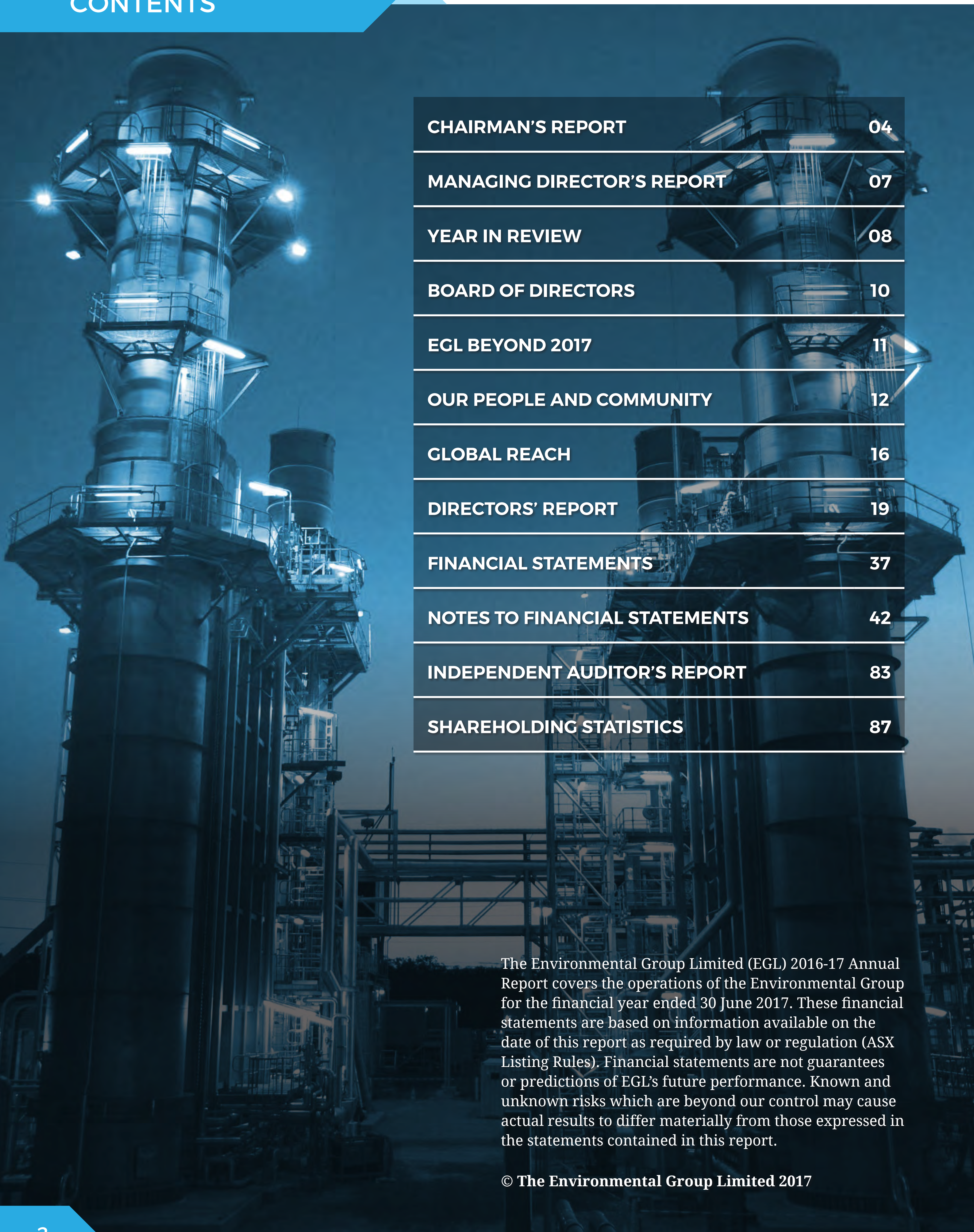
EGL
The Environmental Group Limited

2017
ANNUAL REPORT



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The Environmental Group Limited (EGL) 2016-17 Annual Report covers the operations of the Environmental Group for the financial year ended 30 June 2017. These financial statements are based on information available on the date of this report as required by law or regulation (ASX Listing Rules). Financial statements are not guarantees or predictions of EGL's future performance. Known and unknown risks which are beyond our control may cause actual results to differ materially from those expressed in the statements contained in this report.

Mission Statement

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

EGL Strategic Statement

Cleaner Environment - Develop integrated solutions to assist customers to meet the highest level of regulatory and reporting requirements. To find innovative outcomes to complex and emerging environmental issues across multiple industry sectors.

Safety and Continuous Improvement - Recognise safety as non-negotiable for stakeholders and the communities EGL operate in. Drive continuous improvement in all areas of EGL business operations through targeted investment in IT systems, training and staff engagement.

Value - Maintain a diversity of customers in a range of geographical markets in order to provide resilience in cash flow, margins, sustainable financial performance and reduce exposure to any one market segment. Achieve positive shareholder returns to drive long-term share price growth, increased liquidity of shares and regular dividend payments.

Expert Teams - Nurture teams of skilled professionals with structured mentor programs, formal training and education to drive a culture of innovation and continuous improvement. Maintain an organisational structure that delivers consistent management practices, good governance and flexibility to evolve in line with growth strategies. Recruit globally to engage a diverse group of highly skilled people to create an inclusive culture and respect of individuality.

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

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

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

EGL Strategic Goals

- Provide a safe, collaborative and supportive culture.
- Target $50M turnover by 2020 with an EBIT of greater than 8%.
- Develop optimal access to debt and equity funding to support targeted business growth.
- Achieve improved shareholders returns via dividends and growth in share value.
- Target a capitalisation of over $20M in three years.
- Expand existing markets and develop new markets for products and services.
- Identify strategic alliances and acquisition opportunities.
- Develop and implement an Integrated Management System by 2018-19.
- Ensure world class staff training and career opportunities.
- Achieve world leadership in our technology and markets.

CHAIRMAN'S REPORT

Dear Shareholders,

I would like to thank my fellow Directors, our Executive Leadership Team and all staff for their continued commitment and support over the past 12 months. I am proud of all our people and their commitment to a culture of innovation, creative solutions and exceptional teamwork that continues to drive value for our customers. As a result, the Environmental Group Limited (EGL) has achieved significant growth and profit performance in 2016-17.

On behalf of the Board I extend thanks to Ellis Richardson as Managing Director and thank him for refocusing the business to obtain targeted projects within the EGL strategy. This is evident from the improved revenue and profits realised from the previous year. The pipeline of work into 2018-19 continues to be strong (refer to the Managing Director's report).

During the year under review EGL's underlying EBIT before professional fees (refer Note 7F) was $2.6M and the net profit before tax $2.1M. This compares favourably with the previous year with an EBIT of $271,000 and net profit before tax of $46,000. This improvement is a result of a strong performance from Baltec IES Limited (Baltec) and a welcome return to a positive profit contribution from Total Air Pollution Control Pty Limited (TAPC).

The Board is pleased to have announced a fully franked dividend as a result of the significant improvement in operational profitability of the organisation.

The Board appointed Peter Murray as Group General Manager to strengthen the management team and to create the option for the Managing Director, Ellis Richardson, to plan for a reduced role (refer to the Managing Director's report). The Board was also delighted to appoint Dean Dowie as a Non-Executive Director after his successful role as acting CEO. The Board elevated Non- Executive Director Lynn Richardson to Deputy Chair as part of our ongoing Board succession planning.

The Board extends thanks to the Executive Manager of Baltec, Sinan Boratav. Sinan has worked closely with the Managing Director and the proactive and constructive staff of Baltec, who together inputted greatly to a significant reshaping of the Baltec's organisation, focus and performance during the year. The Board extends thanks to our TAPC staff for their significant efforts and positive performance for the year and to all staff at our Indonesian subsidiary, PT Baltec Exhaust and Inlet System for their efforts and appreciation also goes to our hard-working EGL's head office staff.

The Board has resolved to implement an employee share scheme to encourage continuing support by our staff and alignment with the delivery of EGL's strategic objectives. The details of the scheme are being worked on and will be brought to the shareholders at the AGM for approval.

I specifically want to thank our outgoing Chief Financial Officer and Company Secretary Allan Fink for a job well done and wish Allan well in his new career in Sydney. We also warmly welcome Allan's successor Andrew Bush as our Chief Financial Officer and Company Secretary.

Whilst a more detailed review of the group's results is discussed in the Managing Director's report, I note that the overall performance for 2016-17 is positive and results from the improved performance of all operations. This improved performance combined with a solid pipeline provides a solid basis for a positive outlook for EGL.

The Directors' expect that the EGL Group will continue profitability into 2017-18 underpinned by a solid pipeline, expected benefits from our internal refocus, concentration on core business performance and the development of stronger longer-term growth in the business.

Mr David Cartney
Non-Executive Chairman

MANAGING DIRECTOR'S REPORT

Dear Shareholders,

This year we completed reorganising our business model and the implementation of a clearer strategic direction for EGL.

The business model reset (explained last year) required both a structural and a mindset change throughout the organisation to improve our overall Company performance. Growth has been redefined to embrace targeted marketing to build cash flow and gross margins.

The outcome is a 27% increase in revenue to $32.6M delivering an underlying EBIT before professional fees (refer Note 7f) of $2.6M, comparing favourably to last year's EBIT of $271,000. Gross margin increased by 50% to $9M following a lift in gross margin percentages from 23.3% to 27.5%. The order pipeline reflects our marketing successes as progressively announced throughout the year.

Our balance sheet today is significantly stronger than last year including a cash increase to almost $6M from $2M. A significant reduction in debt from $2M in 2015-16 to $1M at the close of 2016-17 was a result of improved financial management controls. These cash resources will be utilised to organically grow the business and identify opportunities for future acquisitions.

The EGL Group continues to focus on safety, quality and the environment. This is an essential element our corporate governance and drive for sustainable growth whilst protecting natural resources, our valuable people, business culture and the reputation of our customers.

Our excellent systems record means EGL continues to grow within Australia and abroad. We have commenced our plan for the Group to use an Integrated Management System (IMS) that will ensure that wherever our Company and employees are working, the systems and outcomes will be easy to understand and consistent to follow. We expect to roll out the IMS across the EGL Group by the end of 2017-18.

I encourage you to read our EGL Strategic Statements on page 3 which include goals on investor returns and our aim to achieve a market capitalisation of over $20M within three years. This is supported by the three year EGL Strategic Plan. The Strategic Plan specifically targets organic growth through already identified opportunities, and resetting our business model. Although not specifically articulated in the three year strategic plan, acquisition opportunities may enhance anticipated outcomes.

Our business units comprise Baltec and TAPC. I am pleased to advise that both operations exceeded budgeted revenue and gross margin. Baltec is a leading supplier of inlet and exhaust systems for large gas turbines to blue ribbon customers. Our innovative energy enhancement programs improve performance of aging turbine fleets around the world, and have provided significant growth opportunities in the established markets of Baltec. TAPC manufactures pollution reduction and control equipment for the process industries. It completed an excellent year, and will continue to grow through focused marketing and committed staff. Initial successes in the export market are expected to continue.

EGL continues to improve in all areas of the business including strength in the market, the diversity of markets in which it operates and the quality and renewed commitment of its people. EGL's Strategy actively encourage growth and recruitment of global teams, selecting the best people who respect our cultural diversity and deliver high quality to the customer. EGL have enjoyed market growth by winning work in Central America and the United States of America (USA) and increasing product offerings.

On a personal note, I will be stepping down as Managing Director at the end of August 2017. I will retain an Executive Director role with emphasis on directing and focusing on our strategic plans. Whilst the reinvention of the EGL business has taken time, we are now on the right track and I am confident that our strong competent management team will continue to deliver the result that you and your Directors' expect. Our Group General Manager Peter Murray has developed a three year Business Plan guided by our strategic objectives. He leads an enviable dynamic, creative team with a proven culture of mutual support and empowerment. I encourage you to read his 'EGL Beyond 2017' for a further insight into his and the Board's vision for EGL.

I would like to thank everyone at EGL, our stakeholders, customers, shareholders and suppliers for their help and support on our journey.

Mr Ellis Richardson
Managing Director

It was another year of growth and expansion for EGL, encompassing development of new designs, new technologies, and the important focus on continuous improvement in all aspects of the company.

What did we achieve?

- A refined focus on target markets resulting in improved gross and net margins.
- Reduced debt.
- Substantial repeat business.
- Improvement in after sales.
- Development of turbine efficiency enhancement systems.
- Better use of cash resources.
- Introduction of new people with complimentary skill sets.

Why did we have such a successful year?

Our success is underpinned by our supportive culture the Company has been fostering for over 20 years. EGL value their productive teams, which have the capabilities needed to create, move forward and work together to deliver profit.

Ellis Richardson explains, "Culture is the most important part of a business. Being supportive in all aspects of the work environment is crucial. Our teamwork is second to none. If one part of the business is overstretched, then another area will step in and rally around their fellow work colleagues to reduce the pressure in that area. The EGL team go the extra mile and have an amazing work ethic - that's why we succeed time after time. Our whole cultural philosophy at EGL is around teamwork and mutual support; getting the job done in the best possible way."

How do we deliver customer value?

We value those that we work with and attribute our success to those that support us. Our customers and our teams, who deliver the solutions, have a mutual respect for each other. Clear communication, direction and feedback are vital to our success. Our teams deliver the desired outcomes from beginning to end by:

- Having skilled, dynamic people on the EGL team.
- Creating innovative work and designs.
- Establishing innovative solutions.
- Creating best outcomes.
- Having diversity in ethnic culture, and accepting one another's differences and strengths.

International influence

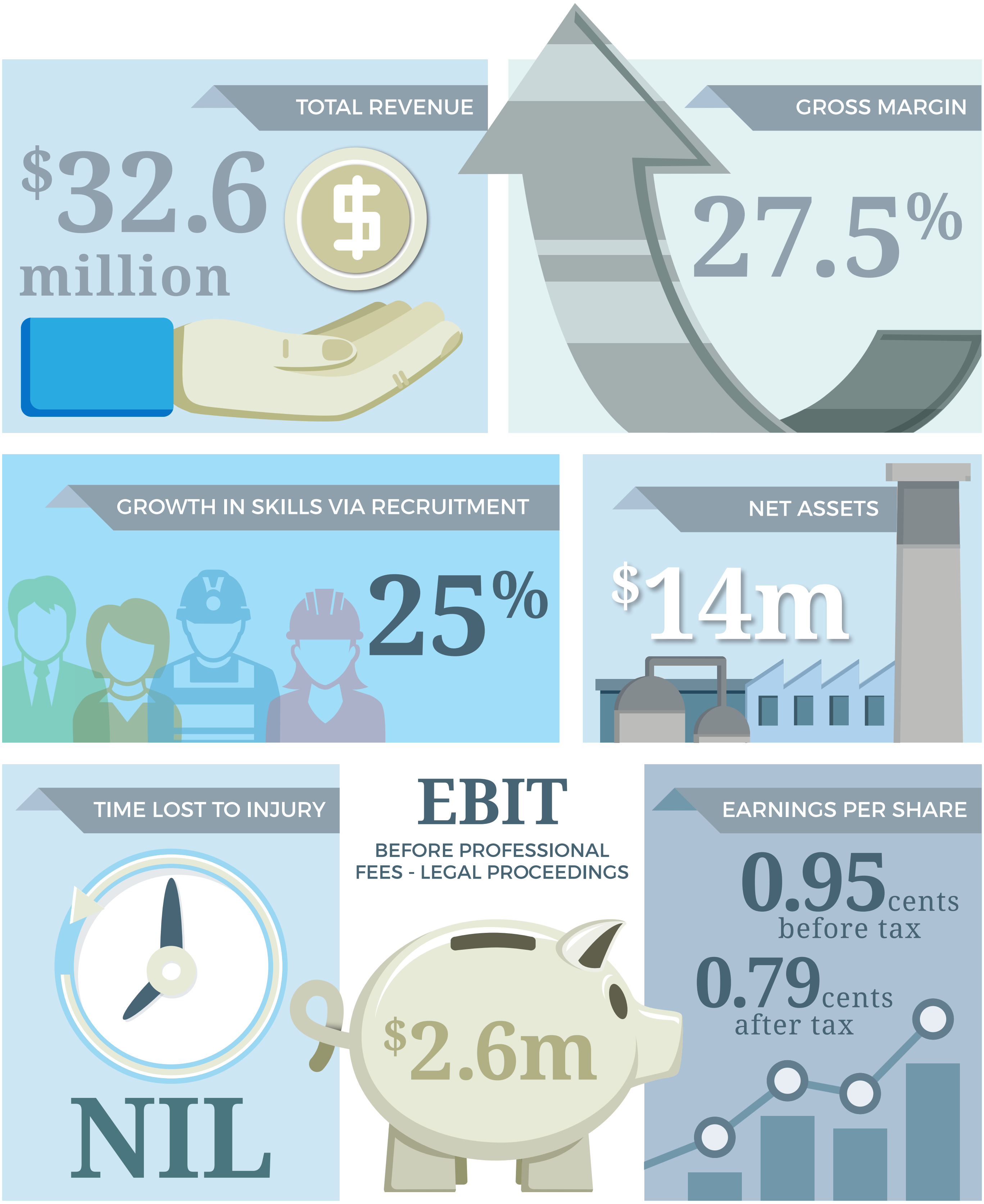
Part of EGL's expansion process is to enter new global markets. In 2016-17, South America and the USA were significant growth corridors building on our previous major accomplishment including projects delivered in over 32 countries. Customer satisfaction is a good measure of success, and one of many examples is USA customers already discussing new projects for 2017-18.

Looking ahead EGL will:

- Continue to refine the world's largest diverter damper.
- Complete a new brand of turbine services.
- Continue to foster, teach, train and mentor our dedicated teams worldwide.

"I want to emphasise it's our people who are really important. Whether it's our graduates or experienced engineers, we take the time to teach them about our culture, build them up from that base, to create internal growth and constantly inject new ideas into the EGL Group."

Ellis Richardson


TOTAL REVENUE
$32.6 million
GROSS MARGIN
27.5%
GROWTH IN SKILLS VIA RECRUITMENT
25%
NET ASSETS
$14m
TIME LOST TO INJURY
NIL
EBIT
BEFORE PROFESSIONAL FEES - LEGAL PROCEEDINGS
$2.6m
EARNINGS PER SHARE
0.95cents before tax
0.79cents after tax

BOARD OF DIRECTORS

Mr Ellis Richardson
Managing Director

Appointed to the Board on 29 November 2013.

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

Ms Lynn Richardson
Director (Non-Executive) and Deputy Chair

Appointed Deputy Chair on 25 May 2017.

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 holds an MBA, Graduate Certificate in Professional Accounting from Swinburne University and is a Graduate of the Australian Institute of Company Directors.

Mr David Cartney
Chairman (Non-Executive)

Appointed to the Board initially as a Non-Executive Director on 22 September 2014. Appointed Non-Executive Chairman on 1 December 2014.

David has more than 15 years' experience as an independent and Non-Executive Board Director and Chairman. David provides strong commercial acumen and corporate governance as well as adding value as an independent Director, strengthening EGL's leadership and risk management.

David is a Chartered Accountant and holds a number of other qualifications including a Doctor of Philosophy (Ph.D.), Finance from Ashley University, and an MA (Hons.) from the University of St Andrews.

Mr Dean Dowie
Director (Non-Executive)

Appointed to the Board on 25 May 2017.

Dean has more than 10 years' international experience driving growth across numerous market sectors in the environment, water and energy markets. Dean recently returned to Australia after working in Senior Executive roles based out of London and Paris. Deans' international experience and global contacts will assist EGL with their growth plans.

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

EGL BEYOND 2017

Setting the foundation for future success

EGL is well placed heading into 2017-18 and beyond by continuing the quality of growth in results of both volumes and financials as demonstrated in 2016-17.

Over the past six months the Board and Senior Management have concluded its business planning to include consolidation and expansion into international markets by:

- Leveraging the strong skills and experience of our diverse team of experts.
- Enhancing and refining the product mix to meet the growing needs and demands of valued customers.

On the European continent, our opportunities have expanded to cover countries including Russia, Italy, Spain and the Netherlands. We maintain our traditional clients and markets in Sweden, Finland, Greece, Slovakia and Belgium. We will also finish our first major project in Turkey towards the end of September 2017.

Closer to Australia we continue to work on developing strategic relationships with our customers and suppliers in Japan, South Korea, Indonesia, Thailand, Vietnam, Myanmar, China and Malaysia. Projects and opportunities are opening in the Middle East in places such as Saudi Arabia, Lebanon, Qatar, Egypt, Kuwait and Iraq.

Business within Australia has grown with projects and opportunities in every state. Many of our customers are household names and leaders within their industry sectors, and are serviced and supported by EGL's well trained and highly skilled team of engineers, project managers, maintenance and support staff.

To further support and underpin growth and opportunities, EGL has secured new premises in Melbourne and Wollongong and our corporate office has relocated from Sydney to Melbourne.

We have completed the roll out of our new Enterprise Resource Planning solution (ERP) MYOB Enterprise and are in the process of moving our quality, environment and safety management programs to an Integrated Management System (IMS) common across the EGL Group. This will help improve business processes, build efficiencies and eliminate waste. It will also allow our people to work across locations using common platforms to deliver improved business and operational results.

Our strong culture of teamwork has assisted us to deliver success and value to both internal and external stakeholders. The formalisation of broad based programs rolled out across the business focus on continuous improvement in innovation and technology to ensure we stay at the forefront of our company's development.

Mr Peter Murray
Group General Manager

At EGL our key asset is our people, they form our fabric, they create our culture and they make the Group the success we are today.

This is no coincidence. There has been a long held process of bringing people into the business that fit the EGL mould and continue to build our culture. They are not simply selected for the expert technical skills that best serve our customers and the business, but for their attitude to success, their integrity, and their ability to work in, and as part of a close knit team.

EGL commits to its people and makes every effort to enhance and develop their skills; offering a career path that matches ambitions wherever possible. We support individuals to become the person they strive to be through mentorship or via the EGL Graduate Program. Our aim is to provide career opportunities and support individuals whilst delivering excellent customer service and building value into the EGL brand.

Sinan Boratav - Executive Manager

Sinan has worked at EGL (and sister companies) for over 20 years in various roles. During that time his contribution has been invaluable. Today Sinan serves the business locally and globally and is an instrumental leader in the growth of the business as well as a great mentor to staff. “As an Executive Manager, my focus is on business development to build strong business alliances. With a background in civil structural engineering, I combine the different engineering disciplines within our industry to mentor new staff entering the EGL family,” says Sinan.

Sinan believes he is fortunate to be working for a Company that makes a difference to the environment and is at the forefront of new product development. “I do worry and care about environmental issues, so working for a Company that works to make a difference to the environment through the products and solutions it creates is an added bonus.”

Personally, working for EGL allows Sinan to engage in what he enjoys most - travelling nationally and internationally; meeting and working with different people, understanding their needs and delivering great results for each project.

Professionally these relationships create Company growth. “It is necessary for new engineers entering the EGL family to take ownership, do what they do best and enjoy a successful and long career. I have a passion for establishing strong customer relations and engaging with staff as relationships have greater value when they are genuine. We understand and care about others’ dreams, whether it is our staff, suppliers or customers. We encourage everyone to have a voice and be part of the final decision; it’s all part of maintaining our core culture, whilst creating new influences.”

Tim Allen - Senior Process Engineer

As a senior process engineer, Tim's expansive set of engineering skills also helps EGL mitigate risk. Risk and precision are fundamental to delivering great work to protect the environment, its people and the EGL brand.

His ability to engage with all levels of people across the organisation allows him to use his strong people skills to empower and help co-workers better understand risk management and precision in the work they deliver. "I enjoy working with our skilled teams to find innovative outcomes to complex and emerging environmental issues across a range of industries," says Tim.

Creating a cleaner environment is important to Tim and ensures the work he produces makes a positive impact to the environment. At EGL he values the opportunity to be involved in all aspects of each project from number crunching, designing, and optimising the product.

Dexter Hartono - Senior Project Manager

Dexter enjoys his role in project management and working for a Company that embraces cultural diversity. "Being part of an international family allows us to learn and grow. It also helps us understand how different cultures do business around the globe. This builds respect, better communication and engagement, making us more effective when working with customers globally. Through this we become more self-aware of our surroundings and enjoy a cultural awareness of the world around us."

Being part of a Company that promotes continual growth is a quality Dexter finds encouraging and motivating. As a team leader he ensures he and his team continually upskill to improve the customer's experience which in turn helps EGL grow. "By giving new team members a chance to grow and learn other aspects of the company, (not just what they've studied) provides us with an opportunity to grow as professionals, build intelligence and improve our product knowledge," says Dexter.

Dexter believes the 'family structure' that EGL creates for staff makes it a fun place to work. He adds, "EGL instils a sense of camaraderie between team members who come from a wide range of ages and personalities. This really keeps our work and ideas flowing which I think are important for our growth."

Sholto Hurst - Business Development Engineer

Sholto believes the key to ensuring our Company grows and is successful is the fact we provide work all over the country and the world. Personally Sholto enjoys working on all aspects of a project from design, quoting, servicing and invoicing. "I like putting proposals together from woe to go. I enjoy the diversity in the work I do at EGL. It offers scope to grow and progress our careers. I'm eager to learn and take up every opportunity I'm offered. At the end of the day I want to ensure I'm delivering high quality service to our customers."

Oscar Monagas - Sales and Estimating Manager (currently leading Operations as Chair of Operations Group)

Oscar takes a very holistic approach to his work. Having both a commercial and technical understanding of products allows him to service and support customers on multiple levels. His understanding of products and his ability to explain processes to customers is invaluable. “Moving into sales and estimating has allowed me to refine my communication skills, to better explain our products and how they technically work to our customers. I believe my previous experience as a Project Manager at Siemens (now one of EGL’s top clients) has allowed me to cover every step of the process which helps my customers better understand what is involved to deliver a positive result.”

Oscar is continually adding to his skill set, something EGL encourages. He is involved with global markets and enjoys working within a culturally diverse client portfolio. He has been exposed to international business from early in his career so he understands the importance of having a multi-language workforce which he believes is a contributing factor to EGL’s long term growth in market share in local and global regions.

Olivier Latorre - Sales and Estimation

Olivier is a skilled design engineer. He combines these skills with his current role in sales and estimating to provide his customers with high level advice. “My experience in the technical side of the business allows me to deliver a very high level of sales expertise and ultimately drive more sales,” Olivier says.

Working at EGL is like a family to Olivier - working with friends, not just colleagues. “When collaborating on a project with such a close knit team you know you can reach the right solution because we know each other, the way we work and how we think to achieve the best possible outcome.”

Olivier has found that working with such a diverse team helps him learn about different cultures, and their communication which makes dealing with overseas customers a better experience. He says it makes communication easier and describing of marketing ideas and designs succinct and clear. It also adds to the safety and continuous improvement of the Company when understanding global differences and practices.

As a rapidly growing company, EGL is faced with multiple challenges in order to scale its operation from a leading mid-size business to a larger organisation. To proactively prevent overheads from being created by non-scalable legacy ‘spreadsheet’ type systems, the EGL team strongly focuses on continuous improvement to implement efficient and flexible solutions that drive the day to day business activities such as Integrated Management Systems (IMS), Cloud Accounting and Product Databases as well as streamlined Communications and Telecommuting Facilities. “I believe it is very motivating to work in an environment where everyone is driven to improve the business efficiency with good practice and smart thinking rather than relying on the status-quo. For example EGL was one of the very first businesses in Australia to roll out and provide staff with the highly portable Microsoft Surface Pro tablets. This allowed people to seamlessly carry their computer to meetings and workshop. It dramatically improved communication and productivity in the office and when traveling.”

Vivien Chiang - Project Engineer

As a Project Engineer, Vivien is proud to work with an expert team of skilled professionals. She believes that participating in the EGL mentor program coupled with formal training creates a culture of innovation and continuous improvement.

She has enjoyed being trained and upskilled to excel at her job. “This type of opportunity is not common. For a Company to allow people to experience all areas of the project process is rare. To be trained in different areas outside of what you’ve studied is an opportunity I have thoroughly embraced.” The rotation program has allowed Vivien to increase her experience, upskill, diversify professionally and grow personally.

Vivien believes the right person should always be awarded for the job. In a male dominated industry, previous positions have meant that Vivien was the only female on site. EGL have encouraged Vivien to have a voice as a valued employee, and as a female to bring a fresh and different perspective to projects. Vivien encourages other women to join the engineering profession and is a role model for other women looking to join the EGL family.

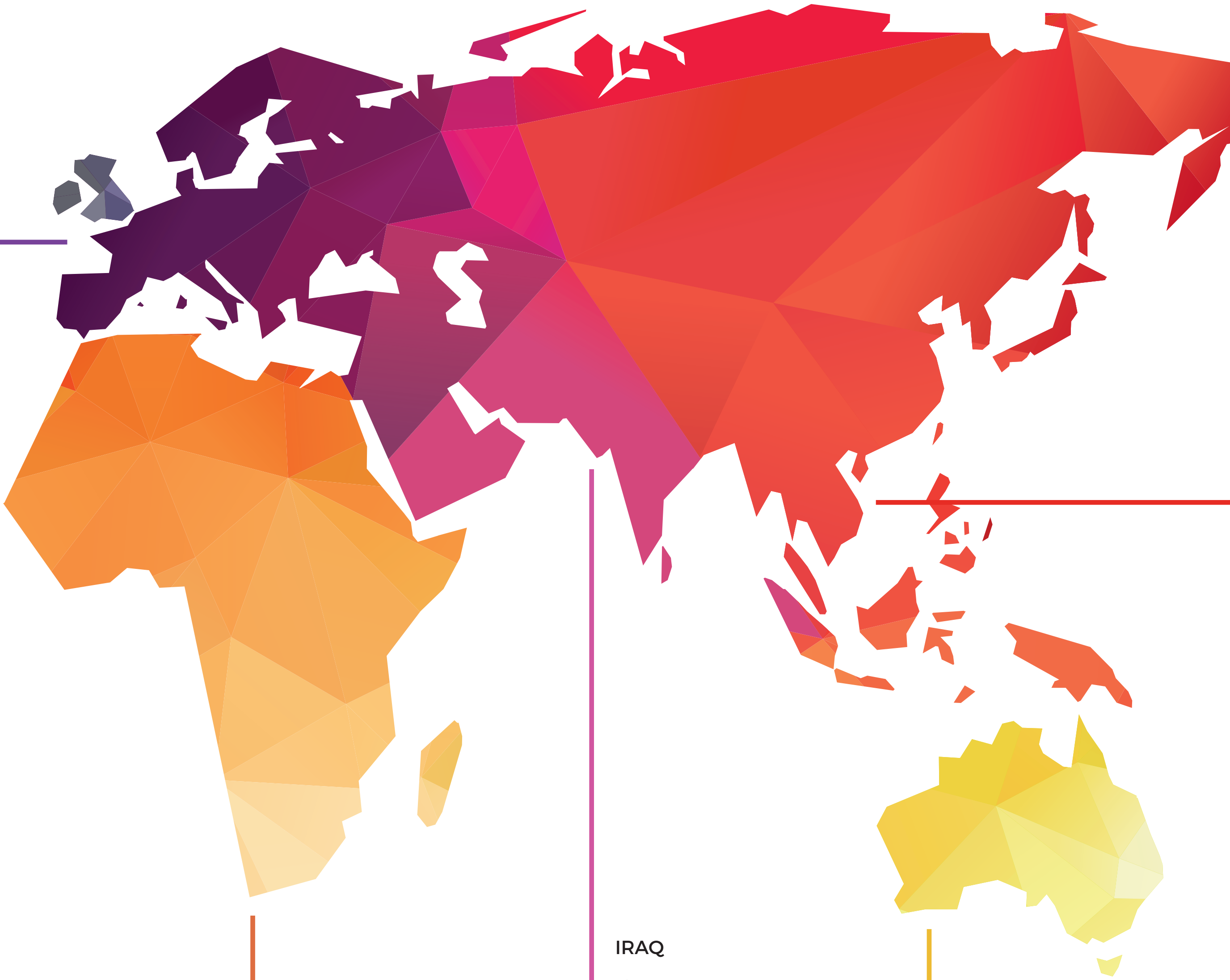
Our community

The broader EGL community is wide and spans locally and globally. It is quite unique. The EGL teams are culturally diverse and bring a broad range of business and technical expertise, rich industry experience and multiple skill sets.

Playing on the world stage the EGL team delivers projects worldwide. They engage with a variety of cultural backgrounds that are fluent in many languages which include agents and contractors who provide richness to EGL customers and mirror EGL values.

EGL offer a level of uniformity that provides comfort to the stakeholders and strive to deliver excellence in all that it delivers. EGL’s customer service, deliverance of work and final outcomes to customers and suppliers, results in satisfaction no matter where projects are around the world - it is the EGL way.

GLOBAL REACH



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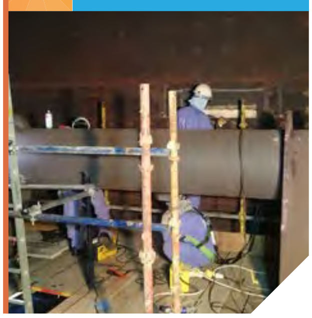

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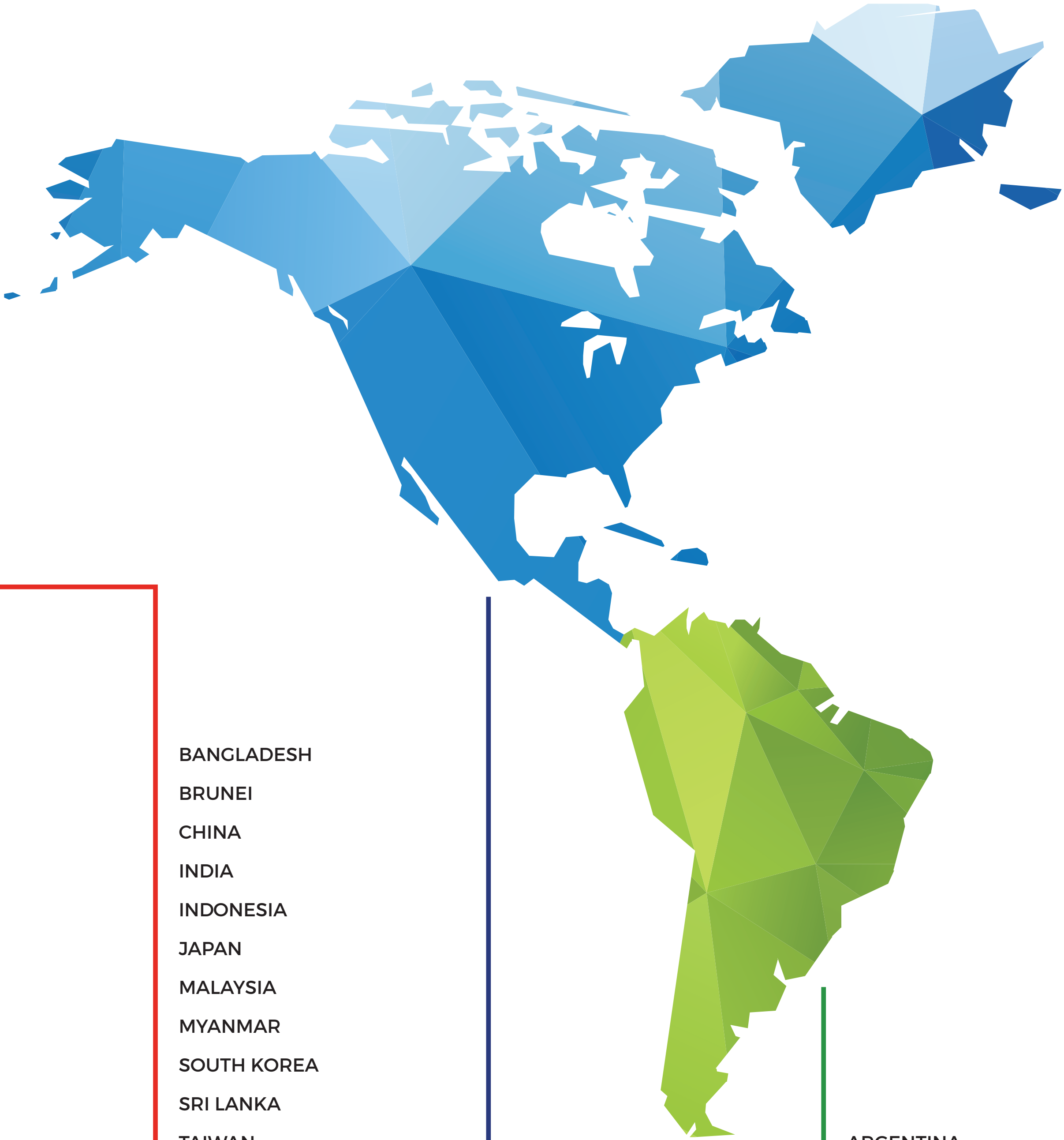

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Your Directors' submit their report for the year ended 30 June 2017.

Directors

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

Mr David Cartney
Chairman (Non-Executive)

Appointed to the Board on 22 September 2014. Appointed Non-Executive Chairman on 1 December 2014.

Mr Ellis Richardson
Managing Director (Executive)

Appointed to the Board on 29 November 2013.

Ms Lynn Richardson
Director (Non-Executive) and Deputy Chair

Appointed to the Board on 22 May 2015. Appointed Deputy Chair 25 May 2017.

Mr Dean Dowie
Director (Non-Executive)

Appointed to the Board 25 May 2017.

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^	94,314,441	-
D. Cartney	1,300,000	-
L. Richardson^	3,571,429	-
D. Dowie	-	-

^As announced to the market Ellis Richardson acquired an option on the 14 September 2016 to purchase 6,189,059 shares in an offmarket transaction. This option expires 12 months after date the option was aquired. In the announcement referred to above, Lynn Richardson disclosed that she was acting in concert as she is a related party.

Company Secretary

The Company Secretary is Andrew Bush who was appointed on 1 July 2017. Allan Fink was Company Secretary until the date of his resignation on 1 July 2017.

a) Recognised Amounts

There were no dividends paid or declared during the current year (2016: nil).

b) Unrecognised Amounts

Dividends declared after end of year.

The Directors' declared a fully franked final dividend on the 18 August 2017 of 0.06 cents for the financial year totalling $129,559 The record date for this dividend is 15 September 2017 and the payment date will be 29 September 2017.

	Cents per share	Total amount $'000	Date of Payment
Final Dividend	0.06	130	29-Sep-17

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

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. There were no significant changes to the activities of the Group during the year. ELG's Mission Statement, Strategic Statements and Goal are outlined on page 3.

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 (refer Note 30).

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 Officers 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 willful 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 was as follows:

	Directors' Meeting		Audit & Risk		Nomination & Remuneration	
Number of meetings held	15		3		-	
Number of meetings attended:	A	B	A	B	A	B
Ellis Richardson	15	15	*	*	-	-
David Cartney	15	15	3	3	-	-
Lynn Richardson	15	15	3	3	-	-
Dean Dowie	3	3	0	0	-	-

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.

Two Audit & Risk Committee meeting were held subsequent to the year ended 30 June 2017, and attended by all members.

Nomination and remuneration committee

As the Board comprised three members for the majority of the financial year, no formal meetings of the Nomination and Remuneration Committee were held. Matters usually considered by the committee were discussed agreed and approved at Board Meetings. Where remuneration or changes to the composition of the Board were considered, Directors' affected by these matters, excluded themselves from those discussions.

David Cartney is Chairman of the Nomination and Remuneration Committee.

Non-audit services

Consultancy fees of $12,560 (2016: nil) were paid to McIntosh Bishop during the year under review.

In February 2017, Macintosh Bishop carried out an independent investigation into allegations of fraud as a result of a complaint made to ASIC. The findings of the investigations were that the allegations were entirely unfounded. The cost of this investigation was $12,560.

No other fees were paid or payable to McIntosh Bishop for non-audit services provided during the year ended 30 June 2017.

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

The Company and its subsidiaries commenced Federal Court proceedings against a former Company executive in May 2017. The proceedings concern seeking the return of various items of Company property, injunctive relief, and breach of copyright. The Company expects the proceedings to resolve within the financial year ended 30 June 2018.

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 36.

Directors' resolution

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

David Cartney

Mr David Cartney
Melbourne - 29 August 2017

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

The Directors do not receive retirement benefits in excess of their Directors fees, nor do they participate in any incentive programs. The remuneration of Directors for the periods ended 30 June 2017 and 30 June 2016 are detailed in tables 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.

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 2017 financial year.

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

	2013	2014	2015	2016	2017
Revenue ($)	20,495,765	18,859,499	26,650,858	25,726,811	32,684,131
Net Profit / (Loss) ($)	(795,647)	779,714	369,659	21,741	1,696,641
Number of shares issued	79,060,389	162,060,389	162,060,389	215,931,711	215,931,711
Share price at year-end (cents)	3	2.1	1.9	3	1.7
Dividends paid per share (cents)	-	-	-	-	-

EGL's revenues include income from continuing and discontinuing operations.

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

Remuneration of Key Management Personnel (KMP)

Key management personnel include the Directors of the Group:

- Mr David Cartney: Non-Executive Chairman.
- Mr Ellis Richardson: Managing Director.
- Ms. Lynn Richardson: Non-Executive Deputy Chair (Appointed Deputy Chair - 25 May 2017).
- Mr Dean Dowie: Non-Executive Director (Appointed - 25 May 2017).
- Mr Peter Murray: Group General Manager (Appointed - 24 April 2017).
- Mr Andrew Bush: Chief Financial Officer (Commenced 5 April 2017, appointed CFO 25 May 2017) and Company Secretary (Appointed 1 July 2017).
- Mr Allan Fink: Chief Financial Officer and Company Secretary (Resigned - 1 July 2017).
- Mr Peter Bowd: Chief Executive Officer (Appointed - 19 September 2016 Terminated 2 March 2017).

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Table 1

Remuneration for the year ended 30 June 2017

	Short-term benefits		Long-term benefits	Post Employment		Share-Based payments			
2017	**Salary and Fees**	**Cash bonus**	**Long service leave**	**Super-annuation (incl sal sacrifice)**	**Other**	**Options**	**Total**	**% Perfor-mance related**	**Notes**
	$	$	$	$	$		$		
Directors									
Ellis Richardson	209,663	-	-	-	-	-	209,663	-	1
David Cartney	48,000						48,000		2
Lynn Richardson	35,068			3,332			38,400		
Dean Dowie	43,400						43,400		3
Sub-Total	**336,131**	**-**	**-**	**3,332**	**-**	**-**	**339,463**		
Other key management personnel									
Allan Fink	126,712	18,200	-	22,588	-	-	167,500	11%	4
Peter Bowd	194,578			17,607			212,185		5
Andrew Bush	48,462			4,604			53,065		6
Peter Murray	46,474			4,415			50,889		7
Sub-Total KMP	**416,227**	**18,200**	**-**	**49,213**	**-**	**-**	**483,640**		
Totals	**752,358**	**18,200**	**-**	**52,545**	**-**	**-**	**823,103**		

Notes

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

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

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

4) Resigned on 1 July 2017.

5) Appointed as Chief Executive Officer 0n 19 September 2016, employment terminated on 2 March 2017.

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

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

Table 2

Remuneration for the year ended 30 June 2016

	Short-term benefits		Long-term benefits	Post Employment		Share-Based payments			
2016	**Salary and Fees**	**Cash bonus**	**Long service leave**	**Super-annuation (incl sal sacrifice)**	**Other**	**Options**	**Total**	**% Perfor-mance related**	**Notes**
	$	$	$	$	$		$		
Directors									
Ellis Richardson	155,836	-	-	-	-	-	155,836	-	1
David Cartney	54,000						54,000		2
Sinan Boratav	257,102	71,500		26,251			354,853	20%	3
Lynn Richardson	39,362			4,207			43,569		
Sub-Total	**506,300**	**71,500**	**-**	**30,458**	**-**	**-**	**608,258**		
Other key management personnel									
Allan Fink	172,250	18,200	-	24,850	-	-	215,300	8%	
Henk van Kruining	141,171			13,224			154,395		4
Sub-Total KMP	**313,421**	**18,200**	**-**	**38,074**	**-**	**-**	**369,695**		
Totals	**819,721**	**89,700**	**-**	**68,532**	**-**	**-**	**977,953**		

Notes

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

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

3) Resigned as a Director on 1 July 2016.

4) Resigned 3 February 2016.

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 (2016: nil).

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 27 to the financial statements.

The value date per option, grant date and exercise price of last exercise are disclosed in Note 30.

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 27. 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 2017 and 30 June 2016 on exercise of compensation option.

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 9. 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. Lay solid foundations for management and oversight

1.1 Role of Board and Management

The key functions and responsibilities of the Board 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.
- Appointment and approve contracts of employment with Executives.
- Undertake appropriate checks before proposing the appointment or re-election of Directors and approving letters of appointment.
- The Board continuously monitors the performance of individual members and addresses issues that may arise on an ongoing basis which include provision of professional development of new and current Directors as is deemed necessary.
- Carries out periodic evaluation of senior management and monitors the performance against pre determined key performance indicators.
- 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.
- Enhancing and protecting the reputation of the organisation.

1.2 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.
- Keeping the Board fully informed of any material developments.

The performance of Senior Executives is formally reviewed on an annual basis. An evaluation of each executive was undertaken during the financial year. Executive performance is monitored continuously, where any issues are identified, these are addressed immediately.

1.3 Diversity

EGL has not established a formal Diversity Policy.
All potential employees are assessed according to each 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, whilst also having regard to the size of EGL and business operations.

2. Structure the Board to add value

2.1 Board composition

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

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.

Mr Ellis Richardson is currently Managing Director of EGL and in addition, has a substantial shareholding in EGL, he is not considered as independent.

Non-Executive Director Ms. 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).

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

The Board has one independent and three non-independent Directors. 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.

Andrew Bush is the Company Secretary and reports directly to the Board.

2.2 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.

2.3 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.

2.4 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 (Managing Director - Executive)	-	-
David Cartney (Independent-Non-Executive Chairman)	●	● Chair
Lynn Richardson (Non-Executive Deputy Chair)	●	●
Dean Dowie (Non-Executive)	● Chair	●

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

2.4.1 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 in terms of its charter.

The role of the The Environmental Group Limited (EGL) Audit & Risk Committee (Committee) is to assist the EGL Board in fulfilling its corporate governance responsibilities in regard to:

- The reliability and integrity of financial information for inclusion in the EGL financial statements.
- Audit, accounting and financial reporting obligations of EGL.
- Safeguarding the independence of the external auditor.
- Internal control systems.
- Monitoring legal and regulatory requirements.
- EGL's compliance responsibilities.
- EGL's risk management framework.

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. Whilst Dean Dowie is not an Independent Director of the company, as he filled the role of contract interim CEO for the period from 2 March 2017 to 25 May 2017, Dean's brief tenure as Interim CEO does not impact his ability to exercise independent judgement. Dean Dowie is Chairman of the Audit and Risk committee.

2.4.2 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.
- 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. Promote ethical and responsible behaviour

3.1 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.
- 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.

3.2 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. The blackout periods were updated on 5 August 2016 and are in place for the following periods each year:

- From 15 July until one trading day after release of the full year preliminary financial report to the ASX.
- From 15 January until one trading day after the release of the half year financial report to the ASX.
- Any other price sensitive disclosure made to ASX in accordance with the ASX Listing Rules as determined by Directors, including those made under continuous and periodic disclosure provisions.
- Other periods, as determined by the Board of Directors, in anticipation of significant announcements.

This policy extends to former Directors for a period of three months or the later of the end of a blackout period, where the three months ends within such a period. The Directors may agree to a lesser period where deemed appropriate.

3.3 Environmental & Workplace 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 WHS 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.

4. Safeguard Integrity in Corporate Reporting

4.1 Audit governance and independence

The Board is committed to four 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.
- That the external auditor is independent and serves shareholder interests.
- Receiving a MD and CFO declaration before approval of the Financial Reports

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. A new lead audit partner assumed the role in 2016.

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.

5. Make timely and balanced 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.

6. Respect the rights of security holders

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.

7. Recognise and manage risk

7.1 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 and 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.
Workplace, Health and Safety (WH&S)	Risks associated with complying with WH&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.

7.2 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.
- 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.

8. Remunerate fairly and responsibly

Remuneration of Directors and executive staff is set at a market related level, to ensure that the Company is able to attract the highest calibre skills and expertise. The Nomination and Remuneration Committee comprises three Non-Executive Directors who determine the appropriate remuneration for each Executive. These determinations have historically been discussed and agreed at Board meetings, however, the Board have determined that the NRC will meet on a regular basis to consider matters for proposal to the Board.

9. ASX Corporate Governance Council Recommendations - Compliance Table

	Recommendation	Reference	Comply
	Principle 1 - Lay solid foundations for management and oversight		
1.1	A listed entity should disclose:		
	(a) The respective roles and responsibilities of its Board and management.	1.1	Y
	(b) Those matters expressly reserved to the Board and those delegated to management.	1.2	Y
1.2	A listed entity should:		
	(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director.	1.1	Y
	(b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	1.1, 5, 6	Y
1.3	A listed entity should have a written agreement with each Director and Senior Executive setting out the terms of their appointment.	1.1	Y
1.4	The Company Secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	2.1	Y
1.5	A listed entity should:		
	(a) Have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them. (b) Disclose that policy or a summary of it. (c) Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them and either: (i) The respective proportions of men and women on the Board, in Senior Executive positions and across the whole organisation (including how the entity has defined 'Senior Executive' for these purposes); or (ii) If the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.	1.3	N
1.6	A listed entity should:		
	(a) Have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors.	1.1	Y
	(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	1.1	Y
1.7	A listed entity should:		
	(a) Have and disclose a process for periodically evaluating the performance of its Senior Executives.	1.2	Y
	(b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	1.2	Y

	Principle 2 - Structure the Board to add value		
2.1	The Board of a listed entity should:		
	(a) Have a nominationt committee which:	2.4	Y
	(i) Has at least three members, a majority of whom are independent Directors.	2.4.2	Y
	(ii) Is chaired by an independent Director.		
	The Board of a listed entity should disclose:		
	The charter of the committee.		
	(ii) The members of the committee.		
	(iii) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		
	(b) If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.		
2.2	A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	2.1	Y
2.3	A listed entity should disclose:		
	(a) The names of the Directors' considered by the Board to be independent Directors.	2.1	Y
	(b) If a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion.	2.1	Y
	(c) The length of service of each Director.	2.1	Y
2.4	A majority of the Board of a listed entity should be independent Directors.		
2.5	The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.	2.1	Y
2.6	A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.	2.1	Y
	Principle 3 - Act ethically and responsibly		
3.1	A listed entity should:		
	(a) Have a code of conduct for its Directors, Senior Executives and employees.	3.1	Y
	(b) Disclose that code or a summary of it.	3.1	Y

	Principle 4 - Safeguard integrity in corporate reporting		
4.1	The Board of a listed entity should:		
	(a) Have an audit committee which:	4.1	Y
	(i) Has at least three members, all of whom are Non-Executive Directors and a majority of whotm are independent Directors.	4.1, 2.4	N
	(ii) Is chaired by an independent Director, who is not the Chair of the Board.	4.1, 2.4	N
	The Board of a listed entity should disclose:		
	(iii) The charter of the committee.	2.4.1	Y
	(iv) The relevant qualifications and experience of the members of the committee.	2.4, 2.4.1	Y
	(v) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	2.4	Y
	(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N / A	N / A
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.1	Y
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	4.1	Y
	Principle 5 - Make timely and balanced disclosure		
5.1	A listed entity should:		
	(a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules.	5	Y
	(b) Disclose that policy or a summary of it.	5	Y
	Principle 6 - Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	6	Y
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	6	Y
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	6	Y
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	6	Y

	Principle 7 - Recognise and manage risk		
7.1	The Board of a listed entity should: (a) Have a committee or committees to oversee risk, each of which: (i) Has at least three members, a majority of whom are independent Directors. (ii) Is chaired by an independent Director. The Board of a listed entity should disclose: (iii) The charter of the committee. (iv) The members of the committee. (v) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) If it does not have a risk committee or committees that satisfy(a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	7.1	Y
7.2	The Board or a committee of the Board should: (a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound. (b) Disclose, in relation to each reporting period, whether such a review has taken place.	7.1	Y
7.3	A listed entity should disclose: (a) If it has an internal audit function, how the function is structured and what role it performs; or (b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	2.4.1	Y
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	3.3	Y
	Principle 8 - Remunerate fairly and responsibly		
8.1	The Board of a listed entity should:		
	(a) Have a remuneration committee which:	2.4, 2.4.2	Y
	(i) Has at least three members, a majority of whom are independent Directors.	2.4, 2.4.2	Y
	(ii) Is chaired by an independent Director.	2.4, 2.4.2	Y
	The Board of a listed entity should disclose:		
	(iii) The charter of the committee.	2.4, 2.4.2	Y
	(iv) The members of the committee.	2.4, 2.4.2	Y
	(v) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	2.4, 2.4.2	Y
	(b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive.	Annual Report	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other Senior Executives.	2.4.2	Y
8.3	A listed entity which has an equity-based remuneration scheme should: (a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. (b) Disclose that policy or a summary of it.	N / A	

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 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of The Environmental Group Limited and the entities it controlled during the financial year.

McIntosh Bishop
Chartered Accountants

John Hurley

John Francis Hurley
Partner
Sydney, 29 August 2017

McIntosh Bishop
Chartered Accountants
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STATEMENT OF PROFIT AND LOSS

For the year ended 30 June 2017	Notes	Consolidated 2017 $	Consolidated 2016 $
Revenue from continuing operations	6	32,684,131	25,726,811
Subcontracting and material costs	7(d)	(23,701,058)	(19,723,983)
Gross profit		**8,983,073**	**6,002,828**
Employee expenses	7(b)	(3,415,754)	(3,189,819)
Occupancy expenses		(245,784)	(212,036)
Marketing expenses		(319,686)	(248,537)
Travel expenses		(402,238)	(459,153)
Professional fees		(1,017,049)	(865,512)
Professional fees - legal proceedings	7(f)	(403,873)	
Depreciation and amortisation	7(a)	(226,225)	(71,411)
Other expenses		(734,103)	(683,603)
Operating profit		**2,218,361**	**272,757**
Interest expense		(164,610)	(228,735)
Interest income		4,009	3,701
Profit before tax		**2,057,760**	**47,723**
Income tax benefit / (expense)	8(a)	(358,254)	(60,324)
Profit / (Loss) for the year from continuing operations		**1,699,506**	**(12,601)**
Discontinued operations			
Profit / (Loss) for the year from discontinued operations	20	12,637	(1,383)
Profit / (Loss) for the year		**1,712,143**	**(13,984)**
Other comprehensive income			
Issue of options		-	-
Total comprehensive income / (loss) for the year		**1,712,143**	**(13,984)**
Attributable to:			
Non-controlling interest		(15,502)	35,725
Total comprehensive income / (loss) for the year		**1,696,641**	**21,741**
Earnings per share or loss attributable to the ordinary equity holders of the Group	9	**Cents**	**Cents**
Basic earnings per share			
Profit / (Loss) from continuing operations before taxation		0.95	0.02
Profit / (Loss) from continuing operations after taxation		0.79	(0.01)
Loss from discontinued operations		0.01	-
Total		**0.80**	**(0.01)**
Diluted earnings per share			
Profit from continuing operations after taxation		0.79	(0.01)
Loss from discontinued operations		-	-
Total		**0.79**	**(0.01)**

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

As at 30 June 2017	Notes	Consolidated 2017 $	Consolidated 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	5,571,840	3,115,448
Trade and other receivables	11	7,426,872	5,425,107
Inventories	12	69,318	120,283
Other current assets	13	248,473	316,184
Other financial assets	16	134,591	126,360
Total current assets		**13,451,094**	**9,103,382**
Non-Current Assets			
Deferred tax assets	8(d)	1,577,561	1,996,038
Property, plant and equipment	14	545,832	699,302
Intangible assets	15	9,182,837	9,182,837
Total non-current assets		**11,306,230**	**11,878,177**
Total Assets		**24,757,324**	**20,981,559**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	9,258,352	5,243,867
Financial liabilities	18	245,222	703,010
Tax liabilities	8(c)	-	-
Short-term borrowings and Bank overdrafts	10	-	1,117,081
Short-term provisions	19	380,583	350,393
Total current liabilities		**9,884,157**	**7,414,351**
Non-Current Liabilities			
Financial liabilities	18	797,313	1,105,947
Deferred tax liabilities	8(e)	3,852	58,659
Long-term provisions	19	42,010	68,520
Total non-current liabilities		**843,175**	**1,233,126**
Total liabilities		**10,727,332**	**8,647,477**
Net Assets		**14,029,992**	**12,334,082**
EQUITY			
Equity attributable to the ordinary equity holders of the Group			
Issued capital	21(a)	21,759,831	21,759,831
Retained earnings		(7,879,226)	(9,575,870)
Reserves	21(b)	209,494	225,730
Minority interest		(60,107)	(75,609)
Total Equity		**14,029,992**	**12,334,082**

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 2017

Consolidated	Share Capital $	Retained Earnings $	Reserve $	Total attributable to Owners of parent $	Non-Controlling interest $	Total $
Balance at 30 June 2015	**21,005,632**	**(9,597,611)**	**201,550**	**11,609,571**	**(39,884)**	**11,569,687**
Total comprehensive income for the year	-	21,741	-	21,741		21,741
Shares issued	754,199			754,199		754,199
Options issued			-	-		-
Foreign translation			24,180	24,180		24,180
Non-controlling interest					(35,725)	(35,725)
Balance at 30 June 2016	**21,759,831**	**(9,575,870)**	**225,730**	**12,409,690**	**(75,609)**	**12,334,081**
Total comprehensive income for the year	-	1,696,641	-	1,696,641		1,696,641
Shares issued	-			-		-
Options issued			-	-		-
Foreign translation			(16,233)	(16,233)		(16,233)
Non-controlling interest					15,502	15,502
Balance at 30 June 2017	**21,759,831**	**(7,879,229)**	**209,497**	**14,090,099**	**(60,107)**	**14,029,992**

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

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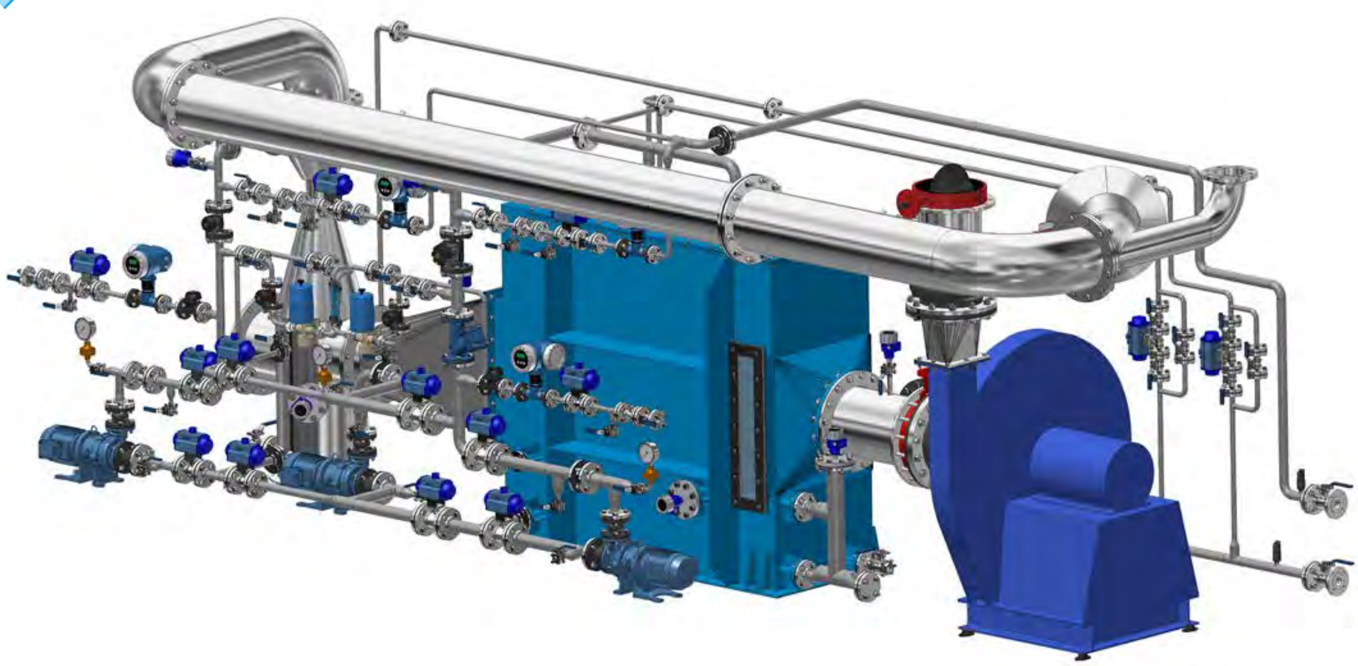


For the year ended 30 June 2017		Consolidated	
	Notes	2017	2016
		$	$
Operating activities			
Receipts from customers		33,950,779	28,632,394
Payments to suppliers and employees		(29,369,299)	(29,322,663)
Interest paid		(164,610)	(230,311)
Interest received		4,009	3,701
Income taxes paid		-	-
Net cash from continuing operations		**4,420,879**	**(916,879)**
Net cash (used in) / from discontinued operations	20	-	-
Net cash provided by operating activities	**22**	**4,420,879**	**(916,879)**
Investing activities			
Contingent consideration paid for subsidiary		-	-
Net Purchases of plant and equipment		(72,751)	(47,320)
Proceeds from shareholders - rights issued		-	754,199
Proceeds from sale of plant and equipment		-	1,271
Increase (decrease in fixed term deposit)		(8,231)	(990)
Net cash used in investing activities		**(80,982)**	**707,160**
Financing activities			
Payment of dividends		-	-
Payments on cancellation of shares			
Proceeds from borrowings		40,935	-
Repayment of borrowings		(807,359)	(212,081)
Net cash from financing activities		**(766,424)**	**(212,081)**
Net increase / (decrease) in cash and cash equivalents		**3,573,473**	**(421,800)**
Cash and cash equivalents at the beginning of the financial year		1,998,367	2,420,167
Cash realised - discontinued operations		-	-
Cash and cash equivalents at the end of the financial year	**10**	**5,571,840**	**1,998,367**

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

Note 1. Corporate Information

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2017 was authorised for issue by the Directors in accordance with a resolution of the Directors on 29 August 2017. EGL's registered office is Unit 4, 35 Gilbert Park Drive, Knoxfield, Victoria, 3180.

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 2017. 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, deposits held as security by financial institutions and other short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(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	Five years
Method used	Not amortised or revalued	Not amortised or revalued	Not amortised or revalued	Amortised
Internally generated / Acquired	Acquired	Acquired	Acquired	Internally Generated
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Where an indicator of impairment exists

(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.
- 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:

Products

Revenue and earnings on capital work contracts are recognised using the percentage of completion method in the ratio of costs incurred to estimated final costs. Revenue recognised on uncompleted capital work contracts in excess of amounts billed to customers is reflected as an asset. Amounts billed to customers in excess of revenue recognised on uncompleted capital work contracts are reflected as a liability. Revenue from sales other than capital work contracts is recorded when goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the customer.

Services

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

Interest revenue

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 coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and is further analysed in Note 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.
- 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 are calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends).
- The after tax effect of dividends.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary share; divided by the weighted average number of ordinary shares.

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

(U) Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

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

(V) Comparative figures

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

(W) New standards and interpretations not yet adopted

Adoption of new and revised accounting standards

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

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards - Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract(s).
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract(s).
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in **AASB 117:** Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- Recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets).
- Depreciation of right-to-use assets in line with AASB 116: property, plant and equipment in profit or loss and unwinding of the liability in principal and interest components.
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date.
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease.
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Directors anticipate that the adoption of AASB 16 will have an impact on the Group's financial statements. It is expected that the impact on the results of the Group in the 2018 financial year will be approximately $73,000 with a corresponding impact on the net assets of the business in the same amount.

AASB 2014-10: Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128).

This Standard amends AASB 10: Consolidated Financial Statements with regards to a parent losing control over a subsidiary that is not a 'business' as defined in AASB 3 to an associate or joint venture, and requires that:

- A gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture.
- The remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture.
- Any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the Directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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.

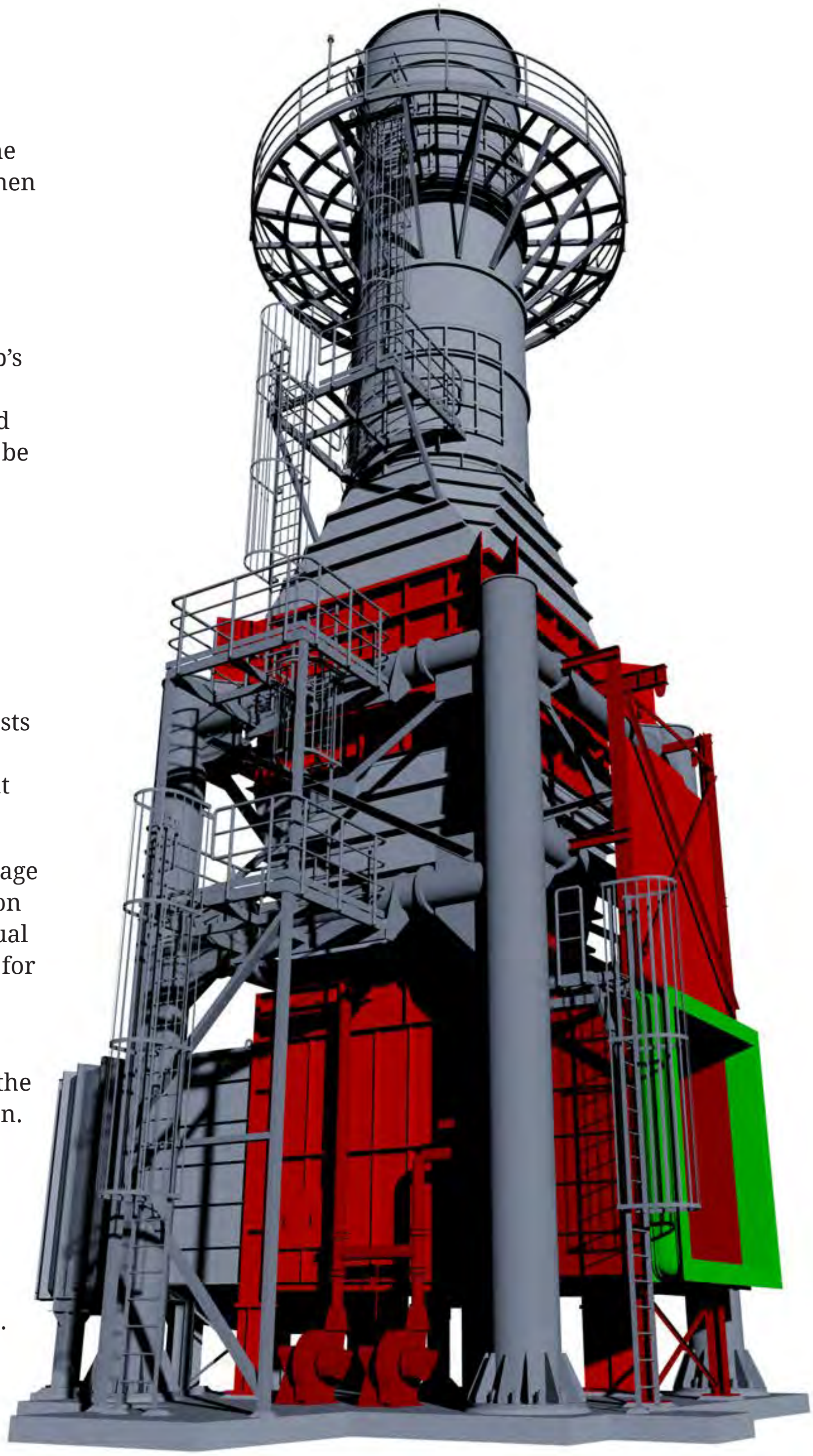
Capital Work Contract profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

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.

GLOBAL LEADERS IN GAS TURBINE BYPASS EQUIPMENT



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.

The Board has continued the policy that no speculative trading in financial instruments be undertaken.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of financial instruments are disclosed in Note 2(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	
	2017	2016
	$	$
Financial Assets		
Cash and cash equivalents	5,571,840	3,115,448
Trade and other receivables	7,426,872	5,425,107
Financial assets	134,591	126,360
	13,133,303	**8,666,915**
Financial Liabilities		
Trade and other payables	9,258,352	5,243,867
Loans from companies controlled by Directors	751,600	1,501,484
Bank facilties and lease liability	290,935	1,424,554
	10,300,887	**8,169,905**

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	Weighted Average Interest Rate	Floating Interest Rate $	Non-Interest Bearing $	Total $
30 June 2017				
Financial Assets				
Cash at bank and on hand	0.810%	3,999,867	-	3,999,867
Cash on deposit as security for Project bonds	0.001%	1,571,973		1,571,973
Trade and other receivables		-	7,426,872	7,426,872
Term deposits and bank bills	0.100%	134,591	-	134,591
		5,706,431	**7,426,872**	**13,133,303**
Financial Liabilities				
Loans from Directors	7.500%	751,600	-	751,600
Property Loan lease liability and overdrafts	5.550%	290,935	-	290,935
Trade and other payables		-	9,258,352	9,258,352
		1,042,535	**9,258,352**	**10,300,887**
Net financial assets		**4,663,896**	**(1,831,480)**	**2,832,416**
30 June 2016				
Financial Assets				
Cash at bank and on hand	0.010%	1,840,412	-	1,840,412
Cash on deposit as security for Project bonds	0.001%	1,275,036		1,275,036
Trade and other receivables		-	5,425,107	5,425,107
Term deposits and bank bills	0.100%	126,360	-	126,360
		3,241,808	**5,425,107**	**8,666,915**
Financial Liabilities				
Loans from Directors	8.500%	1,501,484	-	1,501,484
Property Loan lease liability and overdrafts	4.930%	1,424,554	-	1,424,554
Trade and other payables		-	5,243,867	5,243,867
		2,926,038	**5,243,867**	**8,169,905**
Net financial assets		**315,770**	**181,240**	**497,010**

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 $46,638 (2016: $3,158), 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 and Euros. From time to time the Group hold cash denominated in United States dollars and Euros. Currently the Group has no foreign exchange hedge programmes in place. Transaction exposures, where possible, are netted off across the Group to reduce volatility and provide a natural hedge.

The financial assets denominated in US Dollars and Euros at reporting date are as follows:

	Consolidated			
	2017		2016	
	USD	Euro	USD	Euro
	A$	A$	A$	A$
Financial Assets				
Cash and cash equivalents	3,592,099	1,464,889	1,862,491	845,190
Trade and other receivables	3,741,134	1,632,684	3,461,820	637,707
Financial Liabilities				
Trade and other payables	4,956,556	76,264	2,793,527	150,346

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 $257,047 (2016: decrease of $183,968), 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 $599,776 (2016: increase of $429,259), 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	
	2017	2016
	$	$
6 months or less	9,418,347	6,945,245
6 - 12 months	123,595	118,714
1 - 5 years	758,945	1,105,947
	10,300,887	**8,169,906**

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.
- 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.

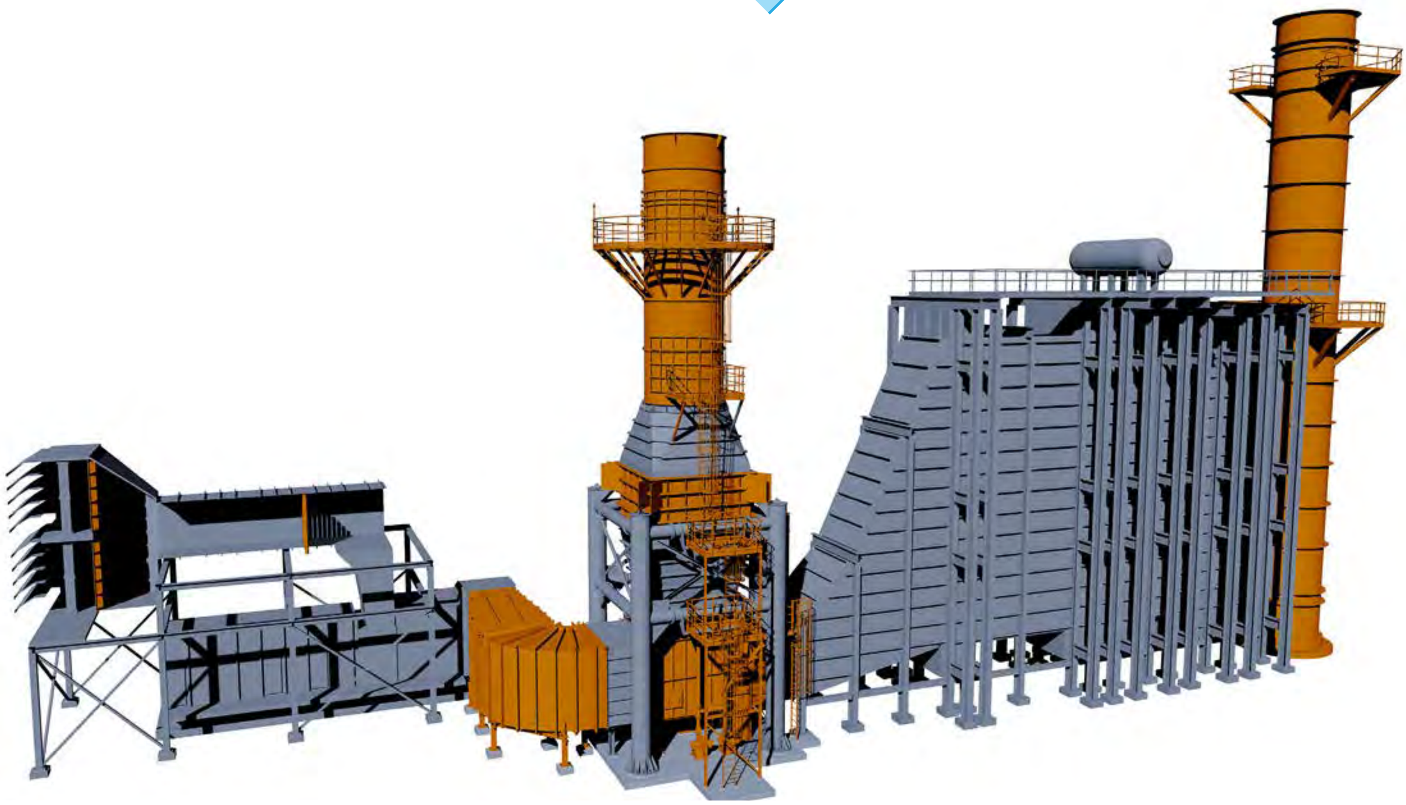
(d) Segment liabilities

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 2017 and 30 June 2016.

GLOBAL LEADERS IN GAS TURBINE BYPASS EQUIPMENT



(i) Revenue

Year ended 30 June 2017	Products $	Services $	Corporate $	Total $
Revenue				
From external customers	32,684,131	-	-	32,684,131
Total Segment Revenue	**32,684,131**	**-**	**-**	**32,684,131**
Expenses from continuing operations				
Subcontracting and material costs	(23,701,058)	-	-	(23,701,058)
Employee benefit expense	(2,681,937)	-	(733,817)	(3,415,754)
Occupancy expenses	(245,784)	-	-	(245,784)
Professional fees	(54,608)	-	(962,441)	(1,017,049)
Professional fees - legal proceedings			(403,873)	(403,873)
Deprecation and amortisation	(224,178)	-	(2,047)	(226,225)
Impairment of non financial assets	-	-	-	-
Other expenses	(1,459,741)	-	(156,887)	(1,616,628)
Tax expense	(792,919)	-	434,665	(358,254)
Total Expenses from continuing operations	**(29,160,225)**	**-**	**(1,824,400)**	**(30,984,625)**
Income / (Expenses) from Discontinued Operations	**-**	**12,637**	**-**	**12,637**
Segment Net Profit / (Loss)	**3,523,906**	**12,637**	**(1,824,400)**	**1,712,143**

Year ended 30 June 2016	Products $	Services $	Corporate $	Total $
Revenue				
From external customers	**25,726,811**	**-**	**-**	**25,726,811**
Total Segment Revenue	**25,726,811**	**-**	**-**	**25,726,811**
Expenses from continuing operations				
Subcontracting and material costs	(19,723,983)	-	-	(19,723,983)
Employee benefit expense	(2,654,503)	-	(535,316)	(3,189,819)
Occupancy expenses	(212,036)	-	-	(212,036)
Professional fees	(972,221)	-	106,709	(865,512)
Deprecation and amortisation	(68,937)	-	(2,474)	(71,411)
Impairment of non financial assets	-	-	-	-
Other expenses	(1,481,294)	-	(135,033)	(1,616,327)
Tax expense	(245,080)	-	184,756	(60,324)
Total Expenses from continuing operations	**(25,358,054)**	**-**	**(381,358)**	**(25,739,412)**
Income / (Expenses) from discontinued operations	**-**	**(1,383)**	**-**	**(1,383)**
Segment Net Profit / (Loss)	**368,757**	**(1,383)**	**(381,358)**	**(13,984)**

(ii) Assets

Year ended 30 June 2017	Products $	Corporate $	Total $
Assets			
Total Segment Assets	**19,615,112**	**5,142,212**	**24,757,324**

Year ended 30 June 2016	Products $	Corporate $	Total $
Assets			
Total Segment Assets	**15,034,112**	**5,947,447**	**20,981,559**

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 14.6% of external revenue (2016: 20.8%). The next most significant client accounts for 11.2% (2016: 6.67%) 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

	2017 $	2016 $
Revenues		
Total reportable segment revenues	32,684,131	25,726,811
Discontinued operations	-	-
Group Revenues	**32,684,131**	**25,726,811**
Assets		
Total reportable segment assets	24,757,324	20,981,559
Group Assets	**24,757,324**	**20,981,559**

Note 6. Revenue	Consolidated	
	2017 **$**	**2016** **$**
Revenue		
Product	32,684,131	25,726,811
Revenue from continuing operations	**32,684,131**	**25,726,811**
Revenue from discontinued operations	-	-
Other revenue		
Interest income	4,009	3,701
	4,009	3,701
Total revenue	**32,688,140**	**25,730,512**

Note 7: Expenses

The loss before income tax includes the following specific expenses.

	Consolidated	
	2017	**2016**
	$	**$**
(a) Depreciation, impairment and amortisation included in the income statement		
Depreciation of equipment	83,063	48,540
Depreciation of vehicles	19,731	18,712
Depreciation of leasehold improvements	123,430	4,159
	226,225	**71,411**
(b) Employee benefits expense		
Wages and salaries	2,415,170	2,254,731
Defined contribution superannuation expense	352,679	295,497
Other employee benefits expense	647,905	639,591
	3,415,754	**3,189,819**
(c) Minimum lease payments		
Rent leases	1,266,522	141,821
Operating lease	298,092	308,102
(d) Cost of sales	**23,701,058**	**19,723,983**
(e) Foreign exchange (gains) / losses	**38,594**	**20,178**
(f) Professional fees - legal proceedings	**403,873**	**-**

Significant items comprise legal fees incurred to date plus a reasonable estimate of expected fees which will be required to defend Federal Court Application brought by Peter Bowd the former CEO. The Company intends to vigourously defend this case.

Mr Bowd is seeking damages of an ongoing nature. The Company understands that the amount of the claim could exceed AUD $500,000. As the Board of EGL believes that the Company's termination of Mr Bowd's employment was lawful, and the claim is without foundation, no amount has been provided in these financial statements, furthermore the Company will be seeking to recover all legal costs.

Note 8. Income Tax

	Consolidated	
	2017	**2016**
	$	**$**
(a) Income tax (benefit) / expense		
Current tax	602,149	52,771
Deferred tax	(243,895)	7,553
Total	**358,254**	**60,324**
(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	**2,057,760**	**47,726**
Tax at the Australian tax rate of 30%	594,075	67,906
Tax at the Overseas tax rate of 25%	19,378	(44,657)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments in respect of current income tax of previous years		
Recognition of deferred tax	(232,237)	(3,998)
Sundry items	(22,962)	41,073
Aggregate income tax expense / (benefit)	**358,254**	**60,324**
The applicable weighted average effective tax rates are as follows:	17%	126%

(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	40,664	(11,408)	-	-	29,256
Accruals	124,497	(40,043)	-	-	84,454
Provisions	209,267	(74,660)	-	-	134,607
Other	-	69,412	-	-	69,412
Tax losses	1,724,516	(46,207)	-	-	1,678,309
Balance at 30 June 2016	**2,098,944**	**(102,906)**	**-**	**-**	**1,996,038**
Fixed assets	29,256	14,910	-	-	44,166
Accruals	84,454	188,816	-	-	273,270
Provisions	134,607	23,241	-	-	157,848
Equity raising costs	-		-	-	-
Other	69,412	(37,816)	-	-	31,596
Tax losses	1,678,309	(607,628)	-	-	1,070,681
Balance at 30 June 2017	**1,996,038**	**(418,477)**	**-**	**-**	**1,577,561**

(e) Deferred tax liability

	Consolidated				
	Opening Balance $	Charged to income $	Charged directly to Equity $	Exchange Differences $	Closing Balance $
Other	101,834	(43,175)	-	-	58,659
Balance at 30 June 2016	**161,894**	**(60,060)**	**-**	**-**	**58,659**
Other	58,659	(54,807)	-	-	3,852
Balance at 30 June 2017	**58,659**	**(54,807)**	**-**	**-**	**3,852**

(f) Tax losses

	Consolidated	
	2017 $	2016 $
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	
	2017 $	2016 $
Basic and diluted earnings per share		
Net profit from continuing operations attributable to ordinary equity holders of the parent	1,699,506	(12,601)
Net loss from discontinued operations attributable to ordinary equity holders of the parent	12,637	(1,383)

(b) Weighted average number of shares

	Consolidated	
	2017 Number	2016 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	215,932,258	210,632,938
Weighted average number of ordinary shares used in calculating dilutive earnings per share	215,931,893	215,931,893

(c) Information concerning the classification of securities

Unexercised options, including those granted to key management personnel as described in Note 30, were not included in the determination of basic earnings per share or dilutive earnings per share in 2017 or 2016 as they were considered antidilutive.

Note 10. Cash and Cash Equivalents

	Consolidated	
	2017	2016
	$	$
Cash at bank and in hand	3,999,867	1,840,412
Cash on deposit held as security for bonds issued by financial institutions	1,571,973	1,275,036
Balance per Statement of Financial Position	**5,571,840**	**3,115,448**
Bank overdrafts	**-**	**(1,117,081)**

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	5,571,840	3,115,448
Less bank overdrafts	-	(1,117,081)
Cash and cash equivalents per cash flow	**5,571,840**	**1,998,367**

Cash on deposit as security for bonds

Consistent with previous years, cash on deposit held as security for bonds issued by financial institutions are included in Cash and Cash Equivalents.

Cash at bank and in hand

The cash at bank are both non-interest bearing and interest bearing with rates between 0.001% and 0.1% per annum overdrafts currently bear interest at 5.55% per annum.

Included in cash and cash equivalents are deposits with financial institutions as security for performance and warranty bonds amounting to amounting to $1,706,562 (June 2016 - $1,275,036).

Note 11. Trade and Other Receivables

	Consolidated	
	2017	**2016**
	$	**$**
Current		
Trade receivables	7,039,268	5,046,087
Allowance for impairment loss (a)	-	(35,686)
	7,039,268	**5,010,401**
Accrued income (c)	-	-
Other receivables	387,604	414,706
	7,426,872	**5,425,107**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing vary between 30 and 60 days day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Amounts are included in other expenses in the statement of comprehensive income.

Movements in the provision for impairment loss were as follows:	**2017**	**2016**
	$	**$**
At 1 July	35,686	35,686
Charge for the year	-	-
Amounts written off	(35,686)	-
	-	**35,686**

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*
2017	**Consolidated**	7,039,268	2,868,759	2,924,997	209,945	999,881	35,686
2016	**Consolidated**	5,046,087	3,357,252	427,674	430,280	795,194	35,686

*Past due not impaired (‘PDNI’); Considered impaired (‘CI’)

Receivables past due but not considered impaired are: Consolidated $999,881 (2016: $795,194). 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.

(a) 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	
	2017	2016
	$	$
Raw Materials at cost	124,294	143,509
Provision for Stock Obsolesence	(54,976)	(23,223)
At net realisable value	**69,318**	**120,286**

Inventory write-down

Write-down of inventories to net realisable value amounted to $31,753 for the year ended 30 June 2017 (2016: nil).

Note 13. Other Current Assets

	Consolidated	
	2017	2016
	$	$
Prepayments	159,627	149,231
Other assets	88,846	166,953
	248,473	**316,184**

Note 14. Property, Plant and Equipment

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2017					
Opening net book amount	376,670	170,802	24,823	127,007	699,302
Additions	-	71,562	-	6,385	77,946
Transfers			-	-	-
Disposals	-	-	(817)	(4,374)	(5,191)
Impairment					-
Depreciation and amortisation charge - continuing operations	-	(83,063)	(19,731)	(123,430)	(226,225)
Closing net book amount	**376,670**	**159,300**	**4,275**	**5,587**	**545,832**
At 30 June 2017					
Cost	376,670	963,707	233,640	167,180	1,741,197
Accumulated depreciation and amortisation	-	(804,407)	(229,365)	(161,594)	(1,195,365)
Net book amount	**376,670**	**159,300**	**4,275**	**5,587**	**545,832**

Consolidated	Property	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$	$
Year ended 30 June 2016					
Opening net book amount	376,670	173,293	43,534	131,166	724,664
Additions	-	47,320	-	-	47,320
Transfers		-	-	-	-
Disposals	-	(1,270)			(1,270)
Impairment					-
Depreciation and amortisation charge - continuing operations	-	(48,540)	(18,712)	(4,159)	(71,411)
Closing net book amount	**376,670**	**170,803**	**24,822**	**127,007**	**699,302**
At 30 June 2016					
Cost	376,670	784,487	260,775	165,796	1,587,728
Accumulated depreciation and amortisation	-	(613,684)	(235,953)	(38,789)	(888,426)
Net book amount	**376,670**	**170,803**	**24,822**	**127,007**	**699,302**

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 2017					
Opening Net book amount	9,180,127	2,710	-	-	9,182,837
Acquisition through business combination	-	-	-	-	-
Impairment	-	-	-	-	-
Pre acquisition net assets	-				-
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**
At 30 June 2017					
Cost	9,180,127	2,710	-	-	9,182,837
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**
Year ended 30 June 2016					
Opening Net book amount	9,106,408	2,710	-	-	9,109,118
Acquisition through business combination	-	-	-	-	-
Impairment	-	-	-	-	-
Pre acquisition net assets	73,719	-	-	-	73,719
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**
At 30 June 2016					
Cost	9,180,127	2,710	-	-	9,182,837
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	**9,180,127**	**2,710**	**-**	**-**	**9,182,837**

(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 licenses 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 five years. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(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	-	9,106,408	73,719	9,180,127
Trademark	2,710	-	-	2,710

EGL Pollution Control Cash Generating Unit

The recoverable amount of the EGL Pollution Control Cash Generating Unit has been determined using a value in use calculation which is based on financial cash flow projections over a five year period. The pre-tax discount rate applied to the cash flow projections is 10% (2016: 10%). The growth rate used to extrapolate the cash flows beyond the budget period is an average of 10% (between 4-8%). The variation to the rates discussed previously are considered reasonable taking into the investment in sales and business development and promotion of the business in international markets, which has already resulted in the Unit winning international business.

An increase in the discount rate to 11% or a decrease in the growth rate to an average of 9.0% 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 10% (2016: 10%). The growth rate used to extrapolate the cash flows beyond the budget period is an average of 10% (between 4-8%). The variation to the rates discussed previously are considered reasonable taking into the investment in sales and business development and promotion of the business in international markets, which has already resulted in the Unit winning international business.

An increase in the discount rate to 11% or a decrease in the growth rate to an average of 9.0% 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 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	
	2017	2016
	$	$
Current		
Term deposits and Bank bills	134,591	126,360

Note 17. Trade and Other Payables

	Consolidated	
	2017	2016
	$	$
Trade payables	6,181,713	4,372,567
Sundry creditors and other payables	3,076,639	871,300
	9,258,352	**5,243,867**

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 2017 $	Consolidated 2016 $
Current			
Obligations under finance leases and hire purchase contracts	25	40,935	57,473
Directors Loan	29	204,287	645,537
		245,222	**703,010**
Non-Current			
Obligations under finance leases, hire purchase contracts and bank loan.	25	250,000	250,000
Directors Loan	29	547,313	855,947
		797,313	**1,105,947**

(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 2017 $	Consolidated 2016 $
Current		
Long service leave	80,387	62,557
Annual leave	300,196	287,836
Legal costs		
Earnout	-	-
	380,583	**350,393**
Non-Current		
Long service leave	42,010	68,520
	42,010	**68,520**

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 $	Earnout provision $	Total $
At 30 June 2016	418,913	-	-	418,913
Arising during the year	238,306	-	-	238,306
Utilised	(234,625)	-	-	(234,625)
At 30 June 2017	**422,593**	**-**	**-**	**422,593**

Note 20. Assets and disposal groups classified as discontinued operations

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

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

	2017 $	2016 $
Revenue	-	-
Subcontracting and material costs	-	-
Employee expenses	-	(280)
Occupancy expenses	464	-
Marketing expenses	-	-
Professional fees	249	-
Other expenses	-	(120)
Depreciation and amortisation	-	-
Operating Profit / (Loss)	**713**	**(400)**
Interest expense	-	(1,576)
Other Income	(18,766)	-
Profit / (Loss) from discontinued operations before tax	**(18,053)**	**(1,976)**
Income tax benefit / (expense)	5,416	593
Profit / (Loss) for the year	**(12,637)**	**(1,383)**

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

	2017 $	2016 $
Assets		
Cash and cash equivalents	86	155
Trade and other receivables	-	212
Inventories	-	-
Other assets		
Non-current assets		
Deferred tax assets	5,971	5,971
Plant and equipment	-	-
Intangible assets	-	-
Assets included in disposal group	**6,057**	**6,338**
Liabilities		
Trade and other payables	-	18,635
Intergroup indebtedness	164,368	158,588
Financial liabilities	-	-
Short-term provisions	-	-
Non-current liabilities		
Deferred tax liabilities	-	64
Long-term provisions	-	-
Liabilities included in disposal group	**164,368**	**177,287**

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

	2017 $	2016 $
Operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(69)	(20,304)
Interest paid	-	(1,576)
Interest received	-	-
	(69)	**(21,880)**
Investing activities		
Purchases of plant and equipment	-	-
Proceeds from sale of plant and equipment	-	-
	-	-
Financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Loans received from related parties	-	21,600
	-	**21,600**
Net decrease in cash and cash equivalents	**(69)**	**(280)**
Cash and cash equivalents at the beginning of the financial year	**155**	**435**
Cash and cash equivalents at the end of the financial year	**86**	**155**

(a) Share capital

Ordinary shares	Consolidated 2017 $	Consolidated 2016 $
215,931,711 fully paid shares (2016: 215,931,711)	**21,759,831**	**21,759,831**

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-14	Balance	162,060,389	21,005,632
30-Jun-15	**Closing Balance**	**162,060,389**	**21,005,632**
29-Jul-15	Rights Issue	53,871,322	754,199
30-Jun-16	**Closing Balance**	**215,931,711**	**21,759,831**
30-Jun-17	**Closing Balance**	**215,931,711**	**21,759,831**

(b) Reserves

There were no movements in reserves during the financial year relating to an issue of options. Foreign currency translation on a foreign subsidiary totaling a loss of $16,233 (2016: Profit - $24,180). 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 2017 $	Consolidated 2016 $
Total borrowings *	10,300,887	8,169,905
Less cash and cash equivalents	(5,571,840)	(3,115,448)
Net debt	**4,729,047**	**5,054,457**
Total equity	14,029,992	12,334,082
Total capital	**18,759,039**	**17,388,538**
Net debt / total equity	34%	41%

* 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**	
	2017	**2016**
	$	**$**
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit / (loss) from operating activities after tax	1,712,143	(13,984)
Non-cash flows in profit from operating activities:		
Depreciation, amortisation & impairment	226,225	71,411
Pre Acquisition Net assets	-	(162,928)
Unrealised Foreign Exchange Losses	(16,233)	24,183
(Increase) / decrease in Receivables	(2,001,765)	332,902
(Increase) / decrease in Inventories	50,968	416
(Increase) / decrease in Prepayments	67,711	26,724
Decrease in Deferred tax assets	418,477	102,906
(Decrease) / increase in Payables	4,014,480	(1,274,828)
(Decrease) / Increase in Provisions	3,682	19,494
Increase / (decrease) in Deferred tax Liabilities	(54,809)	(43,175)
Net cash provided by / (used in) from operating activities	**4,420,879**	**(916,879)**

(b) Non-cash financing and investing activities

During the year the consolidated group acquired plant and equipment and effected leasehold improvements with an aggregate value of $72,751 (2016: $47,320) by means of finance leases.

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 2017 %	Equity Holding 2016 %
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
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 Dan Inlet System Indonesia	Indonesia	Ordinary	**80**	**80**

Note 24. Commitments

Leasing commitments

Operating lease commitments

The Group has entered into commercial leases including newly secured premises in Melbourne and Wollongong 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 2017 are as follows:

	Consolidated 2017 $	Consolidated 2016 $
Within one year	153,271	116,553
Later than one year but not more than five years	711,730	25,268
After more than five years	401,522	-
	1,266,522	**141,821**

Finance leases and hire purchase commitments

The Group leases motor vehicles and items of plant and equipment. These leases have an average term of four 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 2017			
Lease payments	-	-	-
Finance charges	-	-	-
Net present values	**-**	**-**	**-**
30 June 2016			
Lease payments	59,428	-	59,428
Finance charges	(1,956)	-	(1,956)
Net present values	**57,472**	**-**	**57,472**

Note 25. Dividends

a) Recognised Amounts

There were no dividends paid or declared during the current year (2016: nil)

b) Unrecognised Amounts

Dividends Declared after end of year.

The Directors' declared a fully franked final dividend on 18 August 2017 of 0.06 cents for the financial year totalling $129,559 The record date for this dividend is 15 September 2017 and the payment date will be 29 September 2017.

	Cents per share	Total amount $'000	Date of Payment
Final Dividend	0.06	130	29-Sep-17

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

(a) Franking credit balance

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

	Consolidated	
	2017	**2016**
	$	**$**
Franking account balance as at the end of the financial year:	1,777,102	1,777,102
	1,777,102	**1,777,102**

Tax rates

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

Note 26. Events after the reporting date

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 27. Key management personnel disclosures

Compensation for key management personnel

	Consolidated	
	2017	**2016**
	$	**$**
Short term employee benefits	770,558	909,421
Post-employment benefits	52,545	68,532
Share-based payments	-	-
Total compensation	**823,103**	**977,953**

Options

No options were granted or exercised during the year ended 30 June 2017 (nil - 2016).

2017

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	94,314,441	-	-	94,314,441
David Cartney	1,300,000	-	-	1,300,000
Lynn Richardson	3,571,429	-	-	3,571,429
Dean Dowie	-			-
Executives		-		
Sinan Boratav	6,189,059		-	6,189,059
Andrew Bush	-		831,166	831,166

2016

Name	Balance at star of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors				
Ellis Richardson (A)	67,940,000	-	26,374,441	94,314,441
David Cartney (A)	-	-	1,300,000	1,300,000
Sinan Boratav (B)	7,110,000	-	(920,941)	6,189,059
Lynn Richardson (A)	-	-	3,571,429	3,571,429
Executives		-		
Nil.				-

A - Acquired under Rights Offer and as underwriter

B - Shares disposed after ceasing to be a Director

Details relating to key management personnel are included in the Remuneration Report on pages 23-26.

Note 28. Related party disclosure

Key management personnel

Details relating to key management personnel, including remuneration paid are included in Note 27.

(i) Loans to key management personnel

In 2017 nil (2016-nil) no loans were made to Directors of The Environmental Group Limited or other key management personnel of the group, including their personally related parties.

(ii) Other transactions with key management personnel

During the year ended 30 June 2017 the Group paid or accrued amounts in relation to:

Refer Table 1 of the remuneration report for Directors remuneration details. Other transactions with Directors are reflected below.

- Interest bearing loans outstanding at 30 June 2017 $751,600 at an annual interest rate of 6% plus the commercial bank rate from Baltec Inlet and Exhaust Systems Pty Ltd of which Ellis Richardson is a Director.

During the year ended 30 June 2016 the Group paid or accrued:

Refer Table 2 of the remuneration report for Directors remuneration details. Other transactions with Directors are reflected below.

- Interest bearing loans amounting to $1,501,484 at an annual interest rate of 6% plus the commercial bank rate from Baltec Inlet and Exhaust Pty Ltd of which Ellis Richardson is a Director.

The payment of these amounts have been renegotiated and are now payable as follows:

(a) $501,484 payable by 30 November 2016.

(b) $1,000,000 payable in 48 equal instalments commencing 30 November 2016.

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

Note 29. Remuneration of auditors

The auditor of EGL is McIntosh Bishop (2016: 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	
	2017	**2016**
	$	**$**
Amounts received or due and receivable by McIntosh Bishop (2016: 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
an independent investigation into complaint to ASIC	12,560	-
	67,560	**55,000**

Note 30. Share based payment plans

(a) Recognised share based payment expenses

Total expense recognised for share-based payment transactions during the year is nil (2016 - nil).

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2017 and 2016.

(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 2017.

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 9.26% (2016: 9.26%) of the total number of issued ordinary shares in the capital of EGL at 30 June 2017.

Note 31. 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 2017 are $3,624,907 (2016: $3,625,826).

Legal proceedings

The Company has been named as a respondent to Federal Court proceedings commenced against it by a former Company employee in May 2017. The employee primarily alleges that the dismissal involved breaches of the general protections contained in the Fair Work Act 2009. The Company believes that it complied with its statutory and contractual obligations, and is defending the proceedings. At this stage, it is not known whether the proceedings will resolve within the financial year ended 30 June 2018.

The damages being sought are of an ongoing nature. The Company understands that the amount of the claim could exceed AUD $500,000. As the Board of EGL believes that the Company's termination of employment was lawful and the claim is without foundation, no amount has been provided in these financial statements.

Note 32. The Environmental Group Limited Parent Company Information

	2017 $	2016 $
Assets		
Current assets	11,195,019	11,650,325
Non-current assets	5,126,100	5,666,660
Total Assets	**16,321,119**	**17,316,985**
Current liabilities	1,322,860	1,302,073
Total Liabilities	**1,322,860**	**1,302,073**
Net Assets	**14,998,259**	**16,014,912**
Equity		
Equity attributable to the ordinary equity holders of the company		
Contributed equity	21,709,816	21,709,816
Retained earnings	(6,765,670)	(5,749,016)
Reserves	54,112	54,112
Total Equity	**14,998,258**	**16,014,912**
Financial performance		
Loss for the year	(1,016,654)	(381,358)
Other comprehensive income	-	-
Total Comprehensive Income	**(1,016,654)**	**(381,358)**

DIRECTORS' DECLARATION

In the opinion of the Directors of The Environmental Group Limited:

(a) the financial statements and the notes of the Group are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) the financial statements and Notes also comply with International Financial Reporting Standards as discussed in Note 2.

(c) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

(d) The Non-Executive Chairman has declared that:

(i) the financial records of the Group 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;

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2017.

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

On behalf of the Board,

David Cartney

Mr David Cartney
Non-Executive Chairman

Mr Ellis Richardson
Managing Director

29 August 2017

McIntosh Bishop

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Environmental Group Limited (the "Company"), and its controlled entities (collectively The Environmental Group or the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion:

the accompanying financial report of The Environmental Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated financial position as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Independence

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

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

McIntosh Bishop
Chartered Accountants
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P.O. Box 1903
North Sydney 2059
Tel: 02 9957 5567
Fax: 02 9956 8452
ABN: 14 722 713 700
Email: john@mcintoshbishop.com.au
Website: www.mcintoshbishop.com.au

McIntosh Bishop

Key Audit Matters

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

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

Significant items

Why significant	How the matter was addressed in the audit
The financial statements include an item that is disclosed as professional fees- legal proceedings. This is considered a Key Audit Matter as we focus on the judgements inherent in such changes and the appropriateness of disclosure. This is presented in Note 5 (a) - segment information and also in Note 7 (f) - expenses and comprise of legal costs associated with defending against former CEO Peter Bowd.	➢ We tested amounts on a sample basis to supporting documentation and cash payments, where relevant. ➢ We tested the appropriateness of the reasonable estimate of legal fees to third party confirmation. ➢ We tested the presentation of the significant item in the financial statements by assessing whether the classification was in accordance with Australian Accounting Standards.

Impairment Assessment of intangibles and goodwill

Why significant	How the matter was addressed in the audit
The Group has goodwill of $9,180,127. An impairment assessment is performed on an annual basis or when there is any indication that the carrying amount of these assets exceeds the recoverable amount. Our focus was to determine whether or not any impairment charge relating to the above assets was required. This involved assessing judgments in the cash flow and budget analysis, and testing key assumptions such as forecast business growth rate and discount rates.	➢ We evaluated the Group's future cashflow forecasts supporting the impairment assessments for goodwill. ➢ We evaluated the appropriateness of the key assumptions used in the forecasts ➢ We assessed the adequacy of disclosures included in Note 15.

McIntosh Bishop

Information Other than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in The Environmental Group Limited Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

McIntosh Bishop

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 26 of the Directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of The Environmental Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

McIntosh Bishop

Chartered Accountants

John Hurley

John Francis Hurley

Partner

Sydney, 29 August 2017

The following information is current as at 8 August 2017

Distribution of equity securities

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

Holding Ranges	Fully paid ordinary shareholdings	%
1 - 1,000	1,278	0.16
1,001 - 5,000	307	0.36
5,001 - 10,000	110	0.4
10,001 - 100,000	218	3.37
100,001 and over	78	95.71
Totals	**1,991**	**100**

Ordinary share capital

215,931,711 fully paid ordinary shares are held by 1,991 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 one 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 1,785.

Substantial Shareholders

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

Holder Name	Balance at 08-08-2017	%
MR ELLIS RICHARDSON	45,293,334	20.98%
DENISE RICHARDSON	45,293,334	20.98%
ALLABAH PTY LTD	27,167,599	12.58%

Twenty largest holders of quoted equity securities

Holder Name	Number of Ordinary Shares Held	%
MR ELLIS RICHARDSON	45,293,334	20.98%
DENISE RICHARDSON	45,293,334	20.98%
ALLABAH PTY LTD	27,167,599	12.58%
ACE PROPERTY HOLDINGS PTY LTD	8,000,000	3.70%
MR SAIM SINAN BORATAV	6,189,059	2.87%
BUILDASSIST NSW PTY LTD	5,750,918	2.66%
DOLDORY PTY LTD <LEWIS FAMILY SUPERFUND A/C>	5,522,182	2.56%
CJ & RS KELLY PTY LTD <CJ KELLY FAMILY A/C>	5,372,090	2.49%
INVIA CUSTODIAN PTY LIMITED <HARGREAVES S/ FUND A/C>	5,333,334	2.47%
PHIL DART	3,950,000	1.83%
BALTEC INLET & EXHAUST SYSTEMS PTY LTD	3,727,773	1.73%
CANNINGTON CORPORATION PTY LIMITED <CANNINGTON S/F J READ A/C>	3,601,667	1.67%
RICHMARSH INVESTMENTS PTY LIMITED	3,571,429	1.65%
BROS NOMINEES PTY LTD <BROS NOMINEES S/F A/C>	3,315,436	1.54%
RED BEETROOT PTY LTD	2,700,000	1.25%
TAPC (HOLDINGS) PTY LTD <G & K HARDIE SUPER FUND A/C>	2,339,506	1.08%
MR JOHN DITRIA <DITRIA SUPERANNUATION A/C>	2,250,567	1.04%
CHUCKY PTY LTD <MJ TURNER SUPER FUND>	2,194,886	1.02%
KAILVA PTY LTD <SUPERANNUATION A/C>	2,000,000	0.93%
THE THUNDER GROUP PTY LTD <THE THUNDER A/C>	1,961,030	0.91%
	185,534,144	**85.92%**

“On behalf of the entire Board, I would like to thank staff for their ongoing hard work and commitment to support EGL’s vision. Looking forward to working together in 2018.”

David Cartney

BOARD OF DIRECTORS (from left to right)
LYNN RICHARDSON, ELLIS RICHARDSON,
DEAN DOWIE, DAVID CARTNEY

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EGL
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