EGL
The Environmental Group Limited

Annual Report 2022

Our Mission

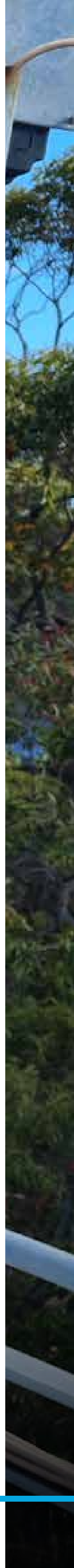
To enable our clients to contribute to a cleaner environment by safely delivering pivotal solutions while generating value for our shareholders, staff, and partner industries.

TAPC - Woronora Dam, NSW
Veolia Dust Collector Service - Replacing Dust Bags - Edson Rafols, Service Engineer

Contents

The Environmental Group Limited (EGL) 2021-2022 Annual Report covers the operations of The Environmental Group for the financial year ended 30 June 2022. 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.



EGL **Values**

The EGL strategic statement encompasses six key focus areas which together guide the Group's work. These aspects reflect the core values that have helped to define our collaborative culture and continue to drive our business forward.

Cleaner Environments

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 EGL teams, stakeholders and the communities EGL operates in. Drive continuous improvement in all areas of EGL business operations through targeted investment in systems, training and staff engagement.

Growth

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

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.

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, and increased liquidity of shares.

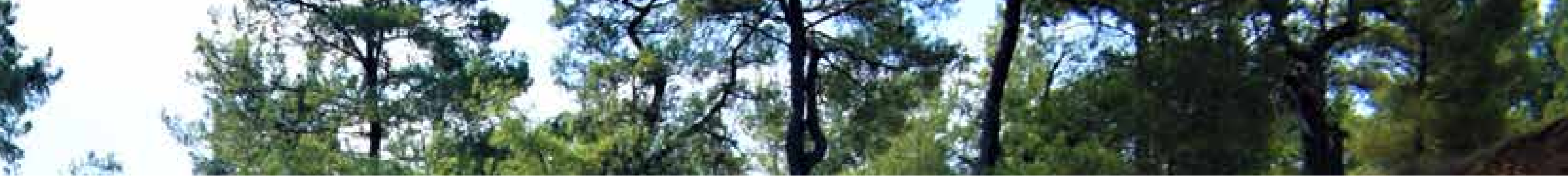
Expert Teams

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 strategically to engage a diverse group of highly skilled people to create an inclusive culture and respect of individuality.

Chairman's Report

As we navigated another year impacted by the pandemic, the EGL team have maintained a focus on strengthening the resilience of our business model, systems, and processes. Throughout the year our executive, managers and teams have worked together to leverage synergies across the company, deepening our commitment to the environment, our strategy and focus on **One EGL.**

Lynn Richardson
Chairman



Dear Shareholders,

On behalf of The Board, I am pleased to present The Environmental Group Limited (EGL) Annual Report for FY22.

I would like to take this opportunity to acknowledge and thank our teams for their ongoing positive efforts across the company in what continues to be a challenging environment. As we navigated another year impacted by the pandemic, the EGL team have maintained a focus on strengthening the resilience of our business model, systems, and processes. Throughout the year our executive, management and teams have worked together to leverage synergies across the company, deepening our commitment to the environment, our strategy and focus on **One EGL.**

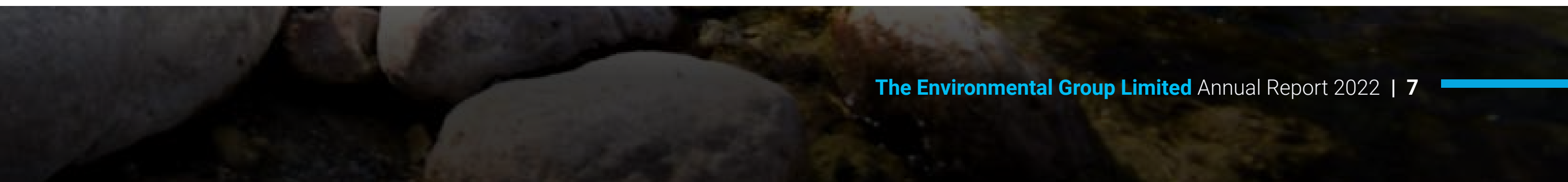
Underpinning the **One EGL** philosophy is our corporate strategy based on targeted growth opportunities including unlocking latent demand for existing business products and services, leveraging organic growth through innovation, new technologies and strategic partnerships. Growth in margin is a key driver of our profitability through consolidation of internal processes and supply chain synergies. Delivering on these strategies is made possible by the strength of our people led by CEO Jason Dixon, our experienced executive team and senior management group. In reviewing execution against our strategy, it is my pleasure to highlight some of the key achievements for the year.

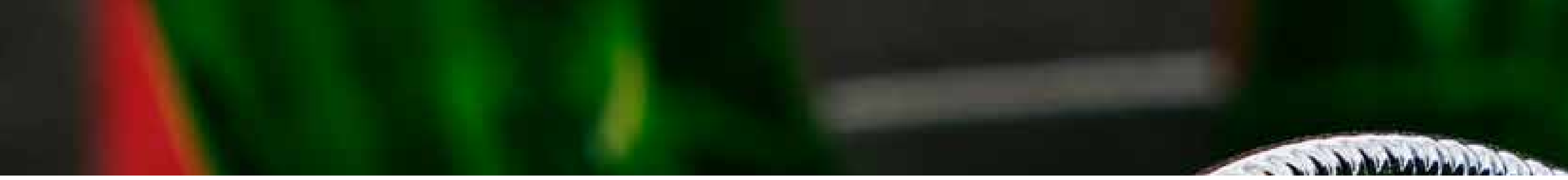
Financial results continued to strengthen with revenue of $57 million, up by 22.6% on the previous year's results (FY21 $46.5 million), resulting in an EBITDA $4.4 million before significant items (FY21 $3.2 million), an increase of 34.3% year on year. Revenue growth was achieved year on year across each of the EGL business units; Total Air Pollution Control (TAPC) by 73% with an increase in EBITDA of 38.6%, Tomlinson Energy Service (TES) by 24.6% with EBITDA up 11.6%, Baltec IES by 1% with EBITDA up 33.7% and EGL Waste producing a positive return of just under half a million dollars (EBITDA $484 thousand). Maintaining diversity across revenue streams has facilitated reduced reliance on single business units, provided smoother cash flow and mitigates against single market risk.

We welcomed Ignite Services to the EGL team in the fourth quarter of FY22 in line with our strategic acquisition strategy. Working within the EGL Tomlinson Energy Service division (TES), Ignite Services immediately added value to EGL through financial returns, engineering capacity and contribution to sustainable energy solutions through ignition technology. Ignite Services provides growth in annuity style income, characteristic of a service business, producing increased stability in cashflows to further offset irregular cashflows in project focused aspects of the business.

In Q2 FY22 the group secured additional funding and continued to build and diversify the investor base through a successful capital raise of $4.5 million. This raise, in conjunction with improved revenue and tight financial management, contributed to a $7.2 million increase in net assets and resulting stronger balance sheet.

In addition to strong growth in revenue and margin in FY22 each of the EGL business units secured significant sales contracts, locking in revenue pipelines into FY23 and FY24. Supported by ongoing service and spares agreements, FLSmidth Pty Ltd for a lithium refinery and stage two of the





Hastings Yangibana Project at a combined value of $23.3 million. After working with Mitsubishi Heavy Industries over a number of years to secure approved supplier status, the successful addition of Mitsubishi Heavy Industries intake system for the Snowy Hydro 2 power station was a key milestone. TES continued to grow sales in new boilers, expanding into autoclaves to augment service and maintenance contracts and produced its strongest return since joining the EGL Group in Q3 FY19. EGL Water moved to the next stage of development following positive results in commercial trials, sparking strong interest across several wastewater sectors. EGL Waste made its first significant contribution to the group in the second half of FY22 with positive results forecast to continue in FY23 due to identified market opportunities and strong pipeline.

Pivotal decisions made by the board in late 2020 and early 2021, including through the acquisition of Active Environmental Solutions (AES), have provided the foundation to strengthen the move into the waste and recycling market, providing commercial opportunities for each of the EGL business units, building collaboration and capacity. Securing the contract for the largest construction and demolition waste recycling plant in the Southern Hemisphere, located in Queensland and scheduled for completion in 2023, not only provided commission revenue as a result of the Turmec agreement but also secured contracts for TAPC and TES. The waste and recycling sector will increase in focus as we move into FY23 providing both commercial opportunities and the ability to provide ongoing advances within Australian recycling and waste, building on our mission to improve environmental outcomes.

To ensure successful delivery on the secured contract pipeline we have undertaken a targeted recruitment drive in Q4, supporting our experienced teams and increasing capacity of resources. Through FY22 we have strengthened executive and management structures, building organisational depth through the appointment of business unit leaders and welcoming Brenda Borghouts to the Executive team as National Quality and Operations Manager. Brenda is a skilled logistics and business improvement specialist with a proven history operating across a range of industries including aviation, mining, and federal government (Defence and Services Australia). Her experience in supply chain, logistics, operations planning and management, and team building bring a wealth of additional leadership capacity to the EGL executive and our business divisions. To further align with strategic goals and budget expectations, a share-based short-term incentive (STI) program has been implemented for the executive and business unit leaders.

Reflecting on the last 12 months it is pleasing to note the progress of the integration of the **One EGL** mindset throughout our business units and the opportunities this presents as we continue to work both vertically and horizontally across skill-based and geographic teams. Our outlook remains focused on continuing to build strength and stability to enable improved shareholder returns, while continuing to maintain a safety-first focus and expand our service offering to clients through new product development, partnerships, and license agreements.

As we look to FY23 we maintain a focus on sustained growth subject to global conditions and the unpredictable ongoing impacts of the pandemic. We have adopted a conservative approach coupled with an optimistic outlook, forecasting continued growth in EBITDA of 25%. The last three years have provided a number of challenges, however the strategies implemented to flex into the changing landscape, leverage the strengths of acquisitions, and build capacity across our teams has placed EGL in a strong position to meet future challenges. I thank fellow board members for their contribution and flexibility allowing us to react with agility, our teams, CEO Jason Dixon, clients, stakeholders and most importantly you, our shareholders, for your ongoing support.

Lynn Richardson
Chairman

CEO Report

EGL's business is based on its people. We do not sell a simple generic product recognised for its brand; our business is providing engineered products, solutions, and services to our customer base. This requires dedicated staff with not only an eye for quality but also innovation and the ability to find a solution for the client.

Jason Dixon
EGL CEO

Dear Shareholders,

It is with pleasure that I report on the progress of the business over the last financial year. We continued to face the challenges of the pandemic, yet at the same time established the building blocks for our three-year strategy, and strengthened the management team to drive strategy execution.

EGL's business is based on its people. We do not sell a simple generic product; our business is providing engineered products, solutions, and services to our customer base. This requires dedicated staff with an eye for quality, a desire for innovation and the ability to find a solution. On behalf of myself and the senior management team I thank them for their tireless efforts to work through lockdowns and restrictions while still providing an outstanding result for the shareholders of the company. We also welcome Brenda Borghouts to the executive team as National Quality & Operations Manager. Brenda comes with significant experience in structural and operational business improvement, coupled with the energy and passion that will help lead the company forward.

As we return to the workplace more and more, we continue to build the culture of the company to be one of trust and accountability, while providing flexibility to support work life balance and creating enjoyable environments to be part of.

Safety is personal to me and is part of our culture in all aspects of what we do. This year we had one lost time injury (LTI) which is not acceptable for a member of staff to be injured in the workplace. While thankfully only a minor injury our aim, as reflected in every single staff members' KPIs, is to have an incident free workplace.

Any company strategy needs to advance with the evolution of economies. As an environmental engineering company, we have continued to focus on **One EGL**, and the need for providing solutions that improve environmental outcomes, especially in the area of the waste. The industry will continue to move away from landfill as an acceptable method of disposal.

Our **One EGL** mindset creates unified solutions that best serve the needs of our clients. As we look to do more with waste treatment as a society, the EGL divisions can each play their role, striving to provide the most innovative one-stop-shop solution. I believe we are well placed with the skills already at hand to participate in a large and growing part of the environmental sector; EGL Waste for recycling and sorting technologies, Total Air Pollution Control (TAPC) for dust, emission and odour controls and EGL Energy (Tomlinson Energy Services & Ignite Services) for heat exchange, biomass boilers and autoclaves. As waste treatment technologies develop further in Australia into the waste to energy industry, Baltec has the expertise in intake and off take systems for turbines and thermal dynamics to support the shift.

Financial Year 2022 was a year of many highlights across the divisions as the momentum grows. A continued focus on **One EGL** as we align our business units to support many of the same clients with our products and services. This has resulted in financial performance improving throughout the year: EGL's revenue increase of 22.6% to $57,065,291 (FY21 $46,562,933), EBITDA improved significantly up to $4,388,487 (FY21 $3,266,994), an increase of 34.3%, and EBIT up to $3,005,360, an increase of 52.1%, before significant items of $665,153 (restructuring costs $58,520, acquisition costs $91,688, FX losses $270,383 and performance rights $244,878).

EGL Water has had a very exciting year with great results from our full commercial trial removing PFAS from liquid waste. In many cases removal was even to below detectable levels. This gave EGL the confidence to move forward, producing our first plant for sale into the marketplace. EGL Water finished the design and, with the help of Ignite Services and the Engineering team, fabrication is well advanced with the plant expected to be completed in the next few weeks. It is an exciting time both from an environmental point of view, with EGL being in the position to support the removal of PFAS from our environment, and from a commercial point of view. Interest in the market around the performance of the product trial demonstrations has been strong with high levels of enquiry around the product launch.

Our technology is effective but importantly at a low operating and capital cost, with no waste by-product produced. EGL technology requires no pre-treatment and is simple to operate. EGL Water's PFAS separation technology utilises Gas Foam Fractionation for both soil and water remediation. EGL Water's PFAS separation and concentration technology has now been demonstrated as a viable solution for treating PFAS contaminated ground water, surface water, leachate, and wastewater. Research and development will continue into the treatment of PFAS contaminated soils, with trials currently underway providing encouraging results, using the same technology platform with Victoria University.

EGL Waste achieved its first sale of a construction and demolition waste recycling plant into Australia; selling the largest in the Southern Hemisphere for $49M. Turmec have commenced manufacture already. EGL are assisting Turmec locally with some value-added products and, pleasingly, TAPC are supplying the dust extraction systems for the plant. The tender pipeline remains high for EGL Waste. We expect to continue to grow this business unit through further recycling plant sales and we have also shown some good product innovation, supplying asbestos detection and fire suppression systems into waste plants. EGL Waste made its first significant contribution to the Group in the second half of the year delivering an EBITDA of $484,186.

TAPC had a strong financial performance with revenue increasing by 73% to $7,884,749 and EBIT up 38.6% to $1,243,347. TAPC has made significant advances in providing gas off take systems into the resources sector for the increasing production of lithium and rare earths. Earlier in the year we were successful in winning the Covalent Lithium Refinery gas off take system for $5.2 million, and in recent months have won the Hastings Yangibana Project gas off take system for the acid roast kiln on the refinery. This is a rewarding step for the company after many years of work winning this large contract for $17.8 million. The team is well resourced to deliver on this world-class project.

Service and spares continue to deliver good growth at strong margins underpinning the cash flow of TAPC and building recurring revenue streams. As our society continues to increase its environmental focus, TAPC is well placed to respond to the challenges in a growing industry sector through its projects and service work. With TAPC now servicing the waste sector through dust extraction and odour control, our client base has expanded to deliver quality products and services.

Tomlinson Energy Services (TES) has achieved record revenues since it was acquired by EGL in 2019, with revenue $27,909,829 up 24.6% year on year and EBITDA $2,926,716 up 11.6%, an outstanding performance given onsite COVID restrictions and staffing issues through quarantine. We particularly thank the Tomlinson staff for working in essential services such as hospitals and food production in these difficult times. Some cost pressures were felt during the year, particularly in the second half from shipping costs, increasing steel, valve and instrument prices. New boiler sales have been a feature of this year with over $15.7 million in orders for FY22. The increase in installed capacity augurs well for ongoing service and maintenance work into the future. Our expansion into the medical waste sector with TES now supplying autoclaves with our boilers has seen an exciting new product line develop. As the price of energy increases, biomass boilers are becoming increasingly competitive and part of the circular economy, as well as waste and by-product technologies where heat exchange is used to generate energy.

As part of EGL's energy division, we welcomed Ignite Services, completing the acquisition in April this year. As mentioned, this immediately added value to the **One EGL** business by working with EGL Water to fabricate the first PFAS plant. Ignite brings a considerable understanding of combustion technologies, and with our expertise in off take, exhaust systems and heat exchanges, this provides us with a 'whole of process' solution. It is worth noting that with the additional competencies, level of passion and enthusiasm that the acquisition brings to the group, I believe Ignite will generate many new business development opportunities.

Baltec has had a solid year with revenue up 1% year on year to $19,300,083. As stated in last year's Annual Report our focus was on continuing to improve margin into the future and for our engineering team to continue focus on product improvement, standardisation of process and reducing fabrication rates. I am pleased to report back to shareholders that this was achieved with EBIT $1,489,468 up 36% with gross margin up 2.5% to 20.2%. This was accomplishedin a time of rapidly rising steel, shipping, and fabrication prices and with a limited ability to travel internationally when approximately 20% of the work is performed offshore - an effort I am very proud of. Winning the Mitsubishi Heavy Industries intake system for the Snowy Hydro 2 power station was a major milestone, adding a major new client to our books.

As mentioned, a lot of Baltec's work is overseas. Along with ongoing margin improvement, our focus will now be to get back in front of our clients face to face, visit clients' sites, and build those relationships to continue to grow the business. The gas turbine market is important in these times of energy uncertainty around the world in supporting the renewable energy sector. Baltec will continue to develop and improve its product offering to ensure reliability of product supply.

Engineering remains the backbone of our company, designing many of the products we sell and improving the quality of our offering, even as we expand our range. This ranges from heavy engineering products through Baltec, to advanced process engineering through TAPC, our broad boiler range for TES, and now PFAS separation technology through EGL water.

The financial position of the group was strengthened by successful capital raising in the first half of the financial year of $4,510,500 and net assets increasing by $7,159,042 for the period. I believe the financial results for this year in such difficult times is due to the commitment and dedication of our staff and I thank them for there efforts. The outlook for FY23 remains strong with EGL again forecasting increased earnings, at this stage expecting EBITDA to increase by greater than 25% year on year. We would like to thank our customers, shareholders, and stakeholders for their ongoing support.

Jason Dixon
EGL CEO

Tomlinson Energy Service - Wetherill Park NSW
ABC Tissues 10 MW Boiler Install
Lifting Boiler onto Mezzanine Floor

FY22 in Review

We have further strengthened our One EGL collaborative culture, strategically leveraging synergies and successfully engineered innovative solutions, resulting in enhanced performance across our business units.

$57M

Total Revenue up 22.6% on FY21

$4.4M

EBITDA before significant items of $665k up 34.3% on FY21

$3.0M

EBIT before significant items of $665K up 52% on FY21

$1.6M

NPAT down compared to FY21 - a tax expense of $592K was incurred compared to a prior period tax credit of $160K

$25.1M

Net assets up $7.2M on FY21

$4.5M

Capital raise

$1.8M

Cash on Hand

$1.4M

Bank Debt

1 LTI

Loss time injuries

Every staff member has safety embedded in their KPIs in alignment with our focus on an incident-free workplace.

TAPC - Port Kembla NSW
BlueScope Steel Gypsum Plant maintenance -
Routine Maintenance - Graham Shute – Service technician

Environmental Focus and Operational Overview

EGL partners with companies that embrace technologies to reduce the harmful impacts of industrial processes affecting Earth's ecosystems. We apply our expertise and innovative, engineered solutions to work with industry, improving air, water and soil quality, and reducing waste and carbon emissions. We leverage our synergies across our five business units, playing a crucial part in the development of circular economies that improve environmental outcomes around the world.

EGL Waste Services is proud to be partnering with world-leading recycling solutions provider Turmec Pty Ltd, via an exclusive agency agreement for provision of the sales and service platform in Australia. Turmec's vision is to facilitate a world without landfills and to become the solutions-focused key contributor to this sector.

EGL Water, in collaboration with research partner Victoria University, has developed revolutionary, patented technologies that can separate per- and poly-fluoroalkyl substances (PFAS) from the environment, removing the harmful effects of environmental contamination.

Total Air Pollution Control (TAPC) provides highly efficient state-of-the-art industrial air pollution control technologies that prevent harmful gases, particulate matter, and odours from being released into the environment. TAPC's systems allow their users to comply with the strictest international air emission standards.

Tomlinson Energy Service (TES) proprietary boilers employ world-class technology to minimise emissions, and our design team have engineered the most efficient water tube boiler available in the Australian market. For future reporting periods Tomlinson Energy Service and Ignite Services will be combined as EGL Energy.

Baltec IES supplies highly efficient diverter dampers, filter houses, silencers, exhaust stacks, guillotine dampers and heating and cooling equipment for the gas turbine industry which is cruicial to supporting the renewable energy sector by supplimenting peak load requirements.

EGL is continuing to design products and systems to more effectively treat waste, eliminate harmful emissions and reduce greenhouse gases from being released into the environment. We make it easier for industries and governments to reduce the pressure on our ecosystems by decoupling economic activity from the consumption of finite resources and emission of harmful pollutants.

EGL Waste Services - Paul Gaskett - National Manager Sales and Marketing with Rino Recycling General Manager Daniel Blaser, Ireland

Brenda Borghouts
National Quality
& Operations

It's been an enjoyable and rewarding five months at EGL, working with our team to solve problems that really matter to our clients, and ultimately our shareholders. With global governments setting stronger environmental policies and tougher industry targets, many industries have significant challenges ahead. I'm proud to bring my experiences from the public sector and industry to support EGL lead the way and help clients meet these targets in a cost effective and sustainable way. I appreciate the complementary nature of the knowledge and experience across our EGL executive team, coupled with our CEO's drive to achieve 'One EGL' in our client solutions and the way we work day-to-day. I feel very fortunate to be welcomed into a business with such a positive culture and outlook.

EGL WASTE SERVICES

EGL Waste Services supports its clients in the Australian Waste Industry to achieve their environmental goals for landfill diversion and resource recovery whilst also making facilities safer and healthier workplaces. EGL Waste Services combines the strength across the EGL group with a number of prominent industry partners, including Turmec, a world-leading recycling solutions provider, and Alert Technologies, the world's first supplier of a real time airborne asbestos detector.

Key EGL Waste Services achievements for FY22

- Signing of the Rino Resources project for Turmec which processes 475 tonnes per day. Total order value $49 million plus TAPC dust extraction system
- EGL and Turmec in advanced stages of negotiations (PO was received 6th July) for fabrication of 466 tonnes of steel work using EGL's Southeast Asian fabrication network and project management capabilities to further add value to project for Turmec and Rino Resources
- Signing of agreement for the exclusive distribution of the Asbestos Alert technology within the Australian Waste Processing Industry. Strong interest has been received from the market to conduct trials with the technology at numerous facilities around the country
- Advanced stages of negotiation to distribute or support numerous technologies within the Australian market. Technologies covered include shredders, advanced biosolids & PFAS destruction technologies and optical sorters

PFAS Trial, Reclaim Waste in Laverton, Victoria

EGL WATER

EGL Water has developed a unique technology for the remediation of polyfluoroalkyl substances (PFAS) in both water and soil. The technology has been successfully commercialised and patented.

The EGL technology has significant investment and efficiency advantages when compared to existing treatment technologies. These EGL advantages transcend existing remediation practicalities and thinking and allow workable solutions to current environmental PFAS challenges.

The technology is cost effectively scalable and therefore the large scale formidable and arduous current issues with PFAS contamination are no longer impassable. The technology can be moulded to existing treatment systems for large volume leachate and groundwater treatment systems. The soil treatment technology has no need for offsite treatment or large energy consuming thermal systems.

EGL's feedback from governmental agencies and environmental consulting organisations has been extremely positive. The technology has significant and proven capabilities to achieve a powerful step forward for the environment.

Key EGL Water achievements for FY22

- Successful trial results reducing the regulated PFAS to below detectable levels, for leachate, ground, and industrial contaminated waters
- Design and construction of commercial plant Q1 FY23
- EPA approval to trial additional waste streams including soil at a commercial scale
- Patent approval in Australia

Brian Dorian
Business Development Manager, EGL Water

Since joining EGL in 2017 I have attained a sense of the organisation's strategic structural vision. The objectives for the technical and commercial development of EGL Water's patented PFAS treatment would not have been possible without this vision and support. My professional skills and experiences have been greatly extended through this journey to position EGL Water to a have commercially viable, patented PFAS treatment technology.

Vivien Chiang
Design Engineer, EGL Engineering

The friendly and flexible working culture in EGL, along with supportive team members, is a great environment to work in. I started as a Project Engineer in 2016 and then transitioned to a Design Engineer. This has provided me with an excellent opportunity to learn and continuously develop as an engineer. The company has seen much growth and positive changes in recent years, and along with it the strive to develop better products for our customers.

TAPC - Maldon NSW- Boral Cement ESP Inspection
ESP Controller inspection - Edson Rafols, Service Engineer

Tom Dal Nevo
Operations Manager,
TAPC

I have been with EGL since 2018, first as a Project Engineer before taking on the role of Operations Manager. EGL is a fantastic company to work for and has provided me many opportunities to work closely with customers providing tailored environmental solutions and technologies. It is an exciting time to be part of the EGL group during a period of strong performance and growth. I believe our culture has been a driver of our success with a strong focus on customer satisfaction, teamwork and safety.

Total Air Pollution Control (TAPC) provides highly efficient state-of-the-art industrial air pollution control technologies that prevent harmful gases, particulate matter, and odours from being released into the environment. Demand for resources such as lithium and rare earths, used in a wide range of green energy applications, is growing exponentially to meet the world's decarbonisation targets, TAPC has proudly affirmed its position in the market as the leading provider of gas cleaning technologies supporting innovative mining and hydrometallurgical processes used to extract these elements from the soil.

Key TAPC achievements for FY22

- 73% year on year revenue increase and 38.6% year on year EBITDA increase
- TAPC was awarded by FLSmidth a major contract for the design and supply of a kiln off gases scrubbing system for a lithium refinery based in Kwinana, WA
- TAPC consolidated its relationship with Turmec, EGL's partner in the waste industry, becoming Turmec's technological reference for the dust control area of their business. As a result of this, TAPC was awarded a contract to design and supply the dust control system for a new Construction and Demolition Waste Recovery Plant that Turmec is supplying in QLD, Australia, which will be the largest plant of this type in Southeast Asia
- TAPC signed a Memorandum of Understanding (MOU) with Worley Power Services (WPS), a leading Operation & Maintenance (O&M) provider in ANZ and Southeast Asia for the power/mining industry. According to the agreement, TAPC will provide technological support, supply of equipment and services related to emissions control systems of various plants where WPS is either already present or bidding for a new contract as O&M provider: by the end of FY2022 TAPC was already awarded a contract for the supply of parts and site services for the upgrade of a large electrostatic precipitator in WA
- Whilst progressing with the execution of a record-breaking number of awarded projects, TAPC organically grew the service and parts business volume of 10%
- TAPC was awarded with the supply portion of the wet scrubbing system for the rotary kiln of Hastings's Rare Earths Refinery being built in Onslow, WA. This is another major contract for TAPC, and the third one for the supply of this type of scrubber awarded in FY22, which makes TAPC an undisputed leading provider of gas cleaning technologies in the rare earths and lithium area

Tomlinson Energy Service - Hope Valley WA
WAN Feed Mill - 2 x 4 MW Boiler Install - Boilers In Place

Tomlinson Energy Service (TES) has had an increasing focus on delivering Australian designed water tube boilers that achieve efficiency gains and gas savings, thereby reducing the clients' greenhouse footprint. These reduced emissions result in savings to clients through Tomlinson's continual focus on providing a cleaner and more sustainable product to the market. The addition of Ignite Services to this Energy Services Division and their expertise in combustion technologies allows EGL to support minimising the negative environmental effects of combustion used to produce significant amounts of energy across various industries and the domestic sector.

Key TES achievements for FY22

- Secured orders for eight (8) SDGL Water Tube Boilers with two up and running
- Re-engineered and reintroduced the JTPB Compac range of Water Tube Boilers 1MW to 3MW and have three (3) in production
- Work closely with Atlas Copco to deliver six (6) hire boilers in Containers 1MW
- Carryout installation of 45 ton Boiler at Manildra
- Carryout major gas conversion of 30 ton Coal Fired Boiler at Manildra
- Delivered and installed six (6) Bosch Steam Boilers
- Increased Weishaupt sales and introduced Lamtek Combustion Management System (CMS) simultaneous natural gas and biogas fired burner
- Delivered over 1,500 hours of training to Service Technicians

Lee Whittingham
Service Supervisor,
Tomlinson Energy
Service, WA

I started with Tomlinson Energy Service in 2012 as a Service Technician relocating from the UK, with very little experience in the steam industry. Having worked with some highly skilled and knowledgeable colleagues that I regard as being the best in the business, I've recently progressed to Service Supervisor. I'm looking forward to building our client base through teamwork and dedication. One thing is for certain, the future looks bright for Tomlinson and the EGL group, and I feel privileged to be part of the exciting opportunities ahead.

Tim Williams
Manager,
Ignite Services, SA

From humble beginnings... As an apprentice in the late 1980's and beginning Ignite Services, the business grew and in 2022, Ignite Services became a part of EGL. We embrace EGL's passion for the environment, belief in a greener future, and we feel that EGL is the perfect fit for us. Ignite is a diverse business operating within the industrial and commercial fields and we believe we have much to offer the EGL family. We have been welcomed and embraced by the EGL team and are excited to grow with the Group and contribute to their core values.

Daniela Bravo
Commercial Manager,
Baltec IES

I joined EGL in June 2018 as a Project Manager, and changed to the sales department in 2021, currently working as Commercial Manager. EGL has given me the opportunity to expand my skills in different areas of the business, while providing autonomy and continuous learning in a supportive work environment. Our workforce is diverse and passionate, and collaboration between the different teams is great.

BALTEC IES

Baltec IES designs, project manages and fabricates highly efficient inlet and exhaust systems for gas turbines both for new unit and replacement applications. The exhaust bypass systems allow units to operate in simple cycle and combined cycle modes to provide the power stations output flexibility for renewables firming, improve efficiency and respond to market demands. The silencers reduce the noise emissions, essential as urbanisation encroaches near power stations. Inlet filters protect the gas turbines from harmful airborne contaminates and, with the addition of inlet cooling or heating, increase the power output and the efficiency of the units.

Key Baltec IES achievements for FY22

- Revenue increased slightly in 2022 over 2021 with margins increasing by 15.1% year on year, achieving the target minimum gross margin threshold. Though internal labour costs increased, focused procurement efforts kept material and subcontracting costs under budget. EBITDA increased by 34% and EBIT increased by 36% from FY21 levels
- Sourced alternative fabricators and suppliers that offered better value for money and were close to the customer to also reduce freight costs

- Successfully delivered 9 projects consisting 26 exhaust systems across all continents of the world in periods of lockdowns and global travel restrictions due to the pandemic, with staff adapting to working remotely and maintaining quality and productivity. Baltec designed, project managed, fabricated and delivered the following projects in FY22:
  - Replaced a failing 9mx9m silencer weighing 120 tonnes in Queensland
  - 16 gas turbines exhaust stacks in Europe
  - Diverter damper bypass system for the Ivory Coast, Africa
  - Commissioning of 10 diverter bypass systems in Iraq
  - 2 diverter dampers and new guillotine design in Thailand
  - 2 diverter dampers for Columbia
- Qualified by Mitusbishi Heavy Industries to provide inlet filter houses for their gas turbines and in FY22 received the first order for 2 330MW gas turbine filter houses for the Hunter Power Station in NSW
- Baltec's unique silencer design for peaking power stations has been performing well meeting all noise emissions with much improved reliability, reducing the noise emissions to surrounding communities

Baltec IES - Nong Fab LNG facility in Thailand
Diverter damper and common stack

Directors’ Report

TAPC - Kembla Grange, NSW
SOILCO Ammonia Scrubber - Packed Tower Scrubber

Another commendable year for Jason and the EGL team. Key initiatives targeting both cost efficiencies and growth are producing strong results. The Board looks forward to continuing to work collaboratively with the executive and management teams in the coming year and to delivering ongoing positive results for our customers, EGL team, and shareholders.

Left to Right
Vincent D’ Rozario, Adrian Siah, Graeme Nayler and Lynn Richardson
EGL Board of Directors

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of The Environmental Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were Directors of The Environmental Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms Lynn Richardson

Chairman (Non-Executive)

Mr Adrian Siah

Independent Director (Non-Executive)

Mr Graeme Nayler

Independent Director (Non-Executive)

Mr Vincent D' Rozario

Independent Director (Non-Executive)

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:

	No. of Ordinary Shares	No. of options over Ordinary Shares
Ms Lynn Richardson	3,750,001	-
Mr Adrian Siah	7,389,724	-
Mr Graeme Nayler	268,000	-

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Principal activities

The principal activities during the period ending 30 June 2022 of the entities within the Group were design, application and servicing of innovative gas and vapour emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment and service install provider for heat transfer plant and equipment primarily related to boilers including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries. Waste agency agreement with an engineering and fabrication company of waste recycling plant and equipment. During the last quarter of the year the Group purchased Ignite Services which carries out combustion efficiency analysis, polyethylene fusion welding and burner repair and modification which is highly complimentary to Tomlinson Energy Service.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

The impact of the Coronavirus (COVID-19) pandemic is ongoing, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

Likely developments and expected results of operations

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.

Environmental regulation

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.

Information on Directors

Ms Lynn Richardson

Chairman (Non-Executive)

Appointed to the Board: 22 May 2015; elected Chairman 23 November 2017.

Ms Lynn Richardson is an experienced non-executive director focusing on building shareholder value through positive corporate culture, innovation, and delivery against strategic goals. Ms Richardson is experienced with ASX listed organisations, not for profit and government boards. In addition to her role with EGL, Ms Richardson is a current director of Sustain: The Australian Food Network. Sustain is a "think and do" network, specialising in designing and building sustainable & healthy food systems. They work for the transition to a food system that supports flourishing communities, individuals, and ecosystems. Ms Richardson is also the Elected Director, William Angliss Institute.

A graduate of the Australian Institute of Company Directors, Ms Richardson holds an MBA from the Australian Graduate School of Entrepreneurship, Post Graduate qualifications in professional accounting and in educational research from the University of Melbourne.

Ms Richardson brings a unique blend of expertise across a board range of industries and academic expertise in the entrepreneurial arena. A varied 20-year career is complemented by Ms Richardson's passion for continuous improvement, which defines her approach to business leadership.

Prior to her current position as EGL Chairman, Lynn was a member of the Baltec IES executive committee where her strategic leadership contributed to the company's significant growth.

Interest in shares:	3,750,001
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Mr Adrian Siah

Director (Non-Executive)

Appointed to the Board 17 September 2020.

Mr Adrian Siah has a strong financial management background specifically related to financial control, capital markets, mergers and acquisitions and growth funding for businesses. He initially qualified as a chartered accountant in New Zealand and worked in that capacity with one of the larger firms for several years before moving into investment banking.

Mr Siah is a member of the CA ANZ with a degree in Accounting from the University of Waikato New Zealand and is a member of the Australian Institute of Company Directors.

Mr Siah brings additional management skills to the Board, as well as broad connections in the investment community and in South East Asia.

Interest in shares:	7,389,724
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Mr Graeme Nayler

Director (Non–Executive)

Appointed to the Board 25 March 2021.

Mr Graeme Nayler is an accomplished Executive Manager and Board Director with a track record of driving significant growth and value. Graeme was recently appointed to the position of Regional Director for BMT Asia Pacific to support significant investment and planned growth in the region. Prior to BMT, Graeme has recently completed his roles at Silentium Defence a technology start-up and Babcock where he grew the business from $30M to over $500M annually over an 8-year period. Graeme held roles as both a Managing Director and Executive Director for Strategy and Future Business including a board member of the Australasian business. Graeme has significant experience across many industries, including defence, government, mining and construction, emergency services, oil and gas, airports, automotive, ports, and engineering consultancy.

Prior to Babcock, Mr Nayler was an Executive at Nova Systems and an Officer in the Australian Defence Force for over 15 years.

Mr Nayler brings 30 years of experience in a diverse range of industries and environments and has extensive strategy, business development, commercial, corporate affairs and program management experience. This is supported by his deep technical knowledge in engineering, operations, safety management and enterprise risk. Mr Nayler's experience provides EGL with a solid foundation to support ongoing governance critical for a rapidly growing business.

Mr Nayler has a master's in science from the University of Kingston in London and a Company Directors Diploma from the Australian Institute of Company Directors.

Interest in shares:	268,000
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Mr Vincent D'Rozario

Director (Non–Executive)

Appointed to the Board 25 March 2021

Mr Vincent D'Rozario is currently the Regional Managing Director APAC for CHC Helicopters Australia and a Board Director/Secretary for CHC Helicopters and Australian parent company Lloyd Helicopters Australia. CHC is a privately owned company and serves the oil, gas and mining industries along with state and federal governments.

Prior to joining CHC, Mr D'Rozario was Vice President Projects at Jacobs Engineering; procuring and leading a diverse portfolio of projects in the oil and gas, mineral processing, pharmaceutical and infrastructure sectors across Asia Pacific, Europe, Africa and North America.

Mr D'Rozario has also held senior management roles with Aker Solutions and Global Process Systems where he was the general manager and managing director for their businesses in Singapore and Indonesia. His engineering career spanned over 26 years prior to diversifying into the aviation sector for the past 4 years.

A strong advocate for safety and with his foundations in highly competitive business sectors, Mr D'Rozario brings to EGL a diverse range of international experience in growing companies through strong commercial acumen, strategic and tactical planning.

Mr D'Rozario has an electrical engineering degree from the University of Victoria and is a graduate of the Australian Institute of Company Directors.

Interest in shares:	Nil
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Company Secretary

Mr Andrew Bush has held the role Company Secretary since 1 July 2017. Andrew is a Fellow Certified Practising Accountant, Associate Member of the Institute of Chartered Management Accountants and a Fellow of the Institute Chartered Secretaries and Administrators.

Mr Stephen Strubel (Teralba Nominees Trust) was appointed joint Company Secretary on 5 July 2019. Stephen holds a Masters of Business Administration, Bachelor of Business in Banking & Finance/International Trade, a Graduate Certificate in Business (Finance) and a Certificate in Governance Practice from the Governance Institute of Australia. He resigned on 5 April 2022.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

Full Board	Attended	Held
Ms Lynn Richardson	12	12
Mr Adrian Siah	12	12
Mr Graeme Nayler	12	12
Mr Vincent D'Rozario	12	12

Nomination & Remuneration Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Adrian Siah	2	2
Mr Graeme Nayler	2	2
Mr Vincent D'Rozario	2	2

Audit & Risk Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Adrian Siah	2	2
Mr Graeme Nayler	2	2
Mr Vincent D'Rozario	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

June 2022 board meeting was held 29 July 2022.

Corporate Governance Statement

EGL is committed to maintaining a sound corporate governance framework in the best interests of EGL, shareholders and stakeholders more generally.

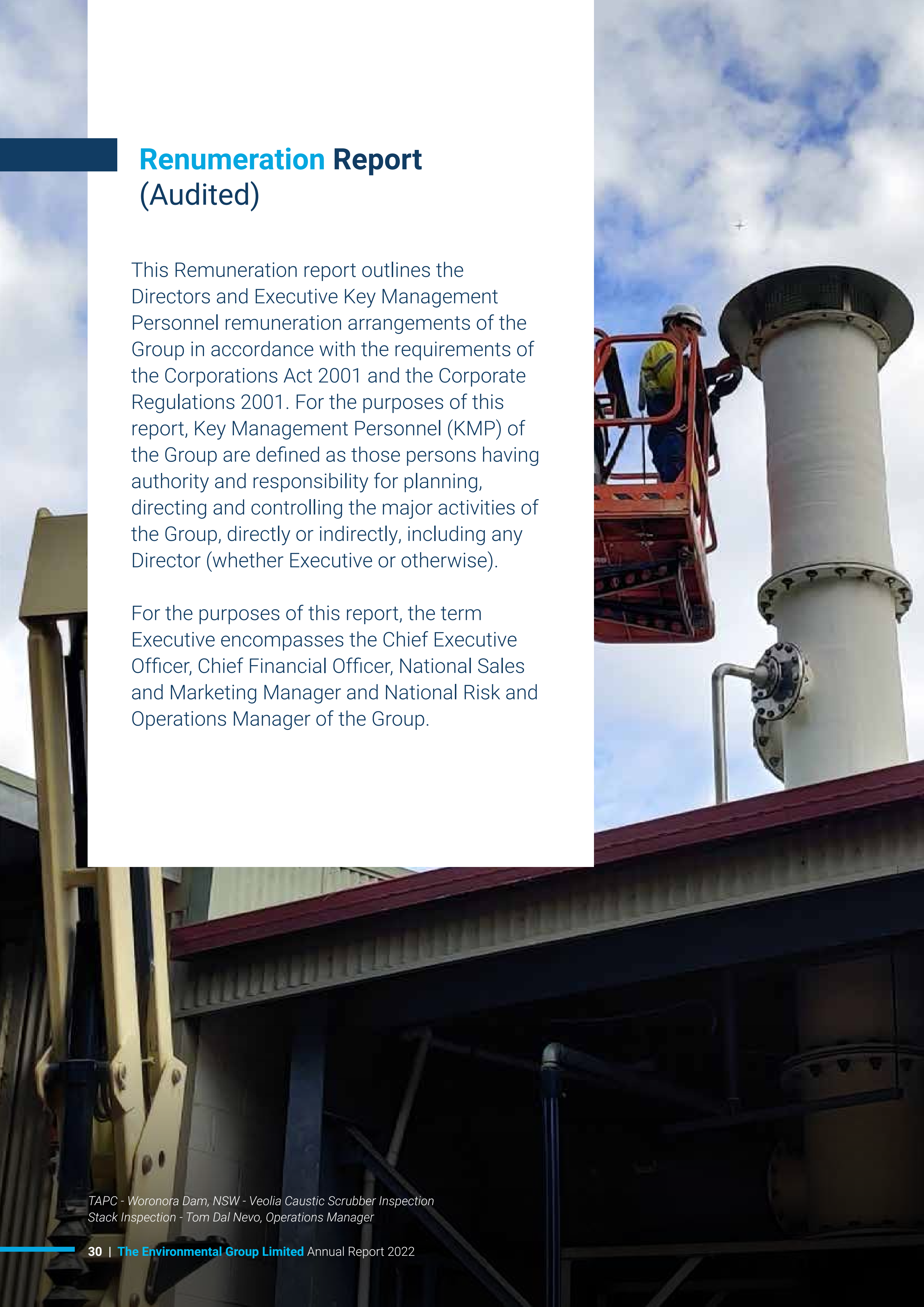
The Corporate Governance Statement outlines EGL's approach to corporate governance, and its compliance with the ASX Corporate Governance Principles and Recommendations.

https://www.environmental.com.au/about-egl/corporate-governance

Renumeration Report (Audited)

This Remuneration report outlines the Directors 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 Officer, Chief Financial Officer, National Sales and Marketing Manager and National Risk and Operations Manager of the Group.



TAPC - Woronora Dam, NSW - Veolia Caustic Scrubber Inspection Stack Inspection - Tom Dal Nevo, Operations Manager

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 suitable 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 Directors 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.

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 2022 and 30 June 2021 are detailed in tables 1 and 2 respectively of this report.

Executive remuneration

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 and 2 of this report.

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 with the wealth of shareholders. Other than reflected within the tables below, no short term or long-term incentives have been paid for the 2022 financial year.

Executives

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing three month's written notice or providing payment in lieu of the notice period with the exception of the CEO, CFO, National Sales and Marketing Manager, National Risk and Operations Manager 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.

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group including Directors of the Group:

- Ms Lynn Richardson: Non-Executive Chairman (Appointed Chairman 23 November 2017)
- Mr Adrian Siah: Non-Executive (Appointed 17 September 2020)
- Mr Graeme Nayler: Non-Executive (Appointed 25 March 2021)
- Mr Vincent D'Rozario: Non-Executive (Appointed 25 March 2021)
- Mr Andrew Bush: Chief Financial Officer and Company Secretary (Appointed CFO 25 May 2017 and Company Secretary 1 July 2017)
- Mr Jason Dixon: Chief Executive Officer (Appointed 8 February 2021)
- Mr Paul Gaskett: National Sales and Marketing Manager: (Appointed 8 February 2021)
- Ms Brenda Borghouts: National Risk and Operations Manager (Appointed 28 February 2022)

Table 1: Remuneration report - remuneration for year ended 30 June 2022

	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	
2022	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long Service Leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors							
Ms Lynn Richardson	87,500	-	-	8,750	-	-	96,250
(1) Mr Adrian Siah	48,000	-	-	-	-	-	48,000
(2) Mr Graeme Nayler	48,000	-	-	-	-	-	48,000
Mr Vincent D'Rozario	43,636	-	-	4,364	-	-	48,000
Other Key Management Personnel							
Mr Andrew Bush	266,666	46,500	-	31,317	-	40,000	384,483
Mr Jason Dixon	271,500	-		27,150		90,348	388,998
Mr Paul Gaskett	228,311	-	-	22,831	-	45,174	296,316
(3) Ms Brenda Borghouts	67,436	-	-	6,743	-	13,413	87,592
	1,061,049	**46,500**	**-**	**101,155**	**-**	**188,935**	**1,397,639**

Notes to Table 1:

1) Paid from 1 July 2021 to 30 June 2022 to Gem Syndication Pty Ltd in relation to Directors Fees.
2) Paid from 1 July 2021 to 30 June 2022 to GJN Professional Services Pty Ltd in relation to Directors Fees.
3) Paid from 28 February 2022 to 30 June 2022.

Table 2 - Remuneration report - remuneration for year ended 30 June 2021

2021	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	
	Cash salary and fees $	Cash bonus $	Non-monetary $	Super annuation $	Long Service Leave $	Equity-settled $	Total $
Non-Executive Directors:							
Ms Lynn Richardson	48,000	-	-	4,560	-	-	52,560
(1) Mr Adrian Siah	20,000	-	-	-	-	-	20,000
(2) Mr Graeme Nayler	8,000			-			8,000
(3) Mr Vincent D'Rozario	7,306			694			8,000
(4) Mr Dean Dowie	14,000	-	-	-	-	-	14,000
Executive Directors:							
(5) Mr Ellis Richardson	18,000	-	-	-	-	-	18,000
Other Key Management Personnel:							
Mr Andrew Bush	250,000	10,000		24,700		-	284,700
(6) Mr Jason Dixon	107,469	-		10,210		37,645	155,324
(7) Mr Paul Gaskett	76,103	-	-	7,230	-	18,822	102,155
	548,878	**10,000**	**-**	**47,394**	**-**	**56,467**	**662,739**

Notes to tables 2:

1) Paid from 17 September 2020 to 30 June 2021 to Gem Syndication Pty Ltd in relation to Directors Fees.
2) Paid from 25 March 2021 to 30 June 2021 to GJN Professional Services Pty Ltd in relation to Directors Fees.
3) Paid from 25 March 2021 to 30 June 2021.
4) Paid from 1 July 2020 to 26 November 2020 to Dowie International Business Advisors Pty Ltd in relation to Directors Fees.
5) Paid from 1 July 2020 to 24 March 2021 to Baltec Inlet and Exhaust Systems Pty Ltd in relation to Directors Fees.
6) Paid from 9 February to 30 June 2021.
7) Paid from 1 March to 30 June 2021.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-Executive Directors:						
Ms Lynn Richardson	100%	100%	-	-	-	-
Mr Adrian Siah	100%	100%	-	-	-	-
Mr Graeme Nayler	100%	100%				
Mr Vincent D'Rozario	100%	100%				
Other Key Management Personnel:						
Mr Jason Dixon	77%	76%	-	-	23%	24%
Mr Andrew Bush	78%	96%	12%	4%	10%	-
Mr Paul Gaskett	85%	82%	-	-	15%	18%
Ms Brenda Broughouts	85%	-	-	-	15%	-

Share-based compensation

The shared-based compensation for Directors and other key management personnel as part of compensation during the year ended 30 June 2022 were limited to the performance rights per the section below (nil-2021).

Performance Rights

The terms and conditions of each grant of ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Table 3 - EBITDA Targets

Financial Year	EBITDA Targets	Expected EBITA - Low 70%	Expected EBITDA - High 100%	Probability
FY22	5,000,000	3,500,000	5,000,000	88%
FY23	6,000,000	4,200,000	6,000,000	83%
FY24	7,000,000	4,900,000	7,000,000	86%

KMP	Number of performance rights granted	Grant date	Vesting date and exercisable date	Exercise price	Fair value per performance right
Jason Dixon	4,333,333	8 February 2021	30 June 2023	$0.00	$0.035
Jason Dixon	4,333,333	8 February 2021	30 June 2024	$0.00	$0.035
Paul Gaskett	2,166,667	8 February 2021	30 June 2023	$0.00	$0.035
Paul Gaskett	2,166,667	8 February 2021	30 June 2024	$0.00	$0.035
Andrew Bush	357,142	23 September 2021	30 June 2022	$0.00	$0.140
Brenda Borghouts	37,736	11 March 2022	30 June 2022	$0.00	$0.270
Brenda Borghouts	75,471	11 March 2022	30 June 2023	$0.00	$0.270
Brenda Borghouts	75,471	11 March 2022	30 June 2024	$0.00	$0.270

On the 30 August 2021 the following performance rights were converted to fully paid ordinary shares after achieving 90% of the FY21 target. The rights are with a ratio of one for one shares based on the number of rights that are issuable depending on the target achieved.

Jalia Pty Ltd	3,003,914
Paul Gaskett	1,501,957

FY22 Performance Targets

FY22 EBITDA Target	**$5,000,000**
FY22 EBITDA Achieved	**$4,388,487**

Based on the above :

Andrew Bush rights to be issued	314,285
Brenda Borghouts rights to be issued	33,208

The rights are with a ratio of one for one shares based on the number of rights that are issuable depending on the target achieved.

Additional information

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

	2018 $	2019 $	2020 $	2021 $	2022 $
Sales revenue	32,186,547	33,003,119	37,425,748	46,562,933	57,065,291
EBITDA	2,180,023	1,251,316	(128,116)	3,050,077	3,723,285
EBIT	2,100,427	988,624	(1,418,887)	1,759,467	2,145,864
Profit/(Loss) after income tax	1,551,180	735,228	(1,244,255)	1,711,056	1,553,664
Share price at financial year end (cents)	3.60	5.00	2.30	8.50	20.00
Total dividends declared (cents per share)	0.06	0.06	-	-	-
Number of shares issued	215,931,711	217,531,711	217,531,711	276,975,129	312,202,805

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties are set out below and in **Note 40.** There were no shares granted during the reporting period as remuneration.

Ordinary Shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ms Lynn Richardson	3,750,001	-	-	-	3,750,001
Mr Adrian Siah (appointed 17 September 2020)	9,240,000	-	-	(1,850,276)	7,389,724
Mr Andrew Bush	1,074,366	-	96,881	-	1,171,247
Mr Jason Dixon (appointed 8 February 2021)*	10,666,666	-	-	3,003,914	13,670,580
Mr Paul Gaskett (appointed 8 February 2021)*	5,333,334	-	-	1,501,956	6,835,290
Ms Brenda Borghouts (appointed 28 February 2022)	-	-	79,840	-	79,840
Mr Graeme Nayler	-	-	268,000	-	268,000
	30,064,367	**-**	**444,721**	**2,655,594**	**33,164,682**

*Relates to Active Environmental Pty Ltd acquisition purchase consideration for FY 21 EBITDA target.

No shares have been issued during the years ended 30 June 2022 and 30 June 2021 on exercise of compensation option.

Loans to key management personnel and their related parties

In 2022 (2021-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.

Other transactions with key management personnel and their related parties

In 2022 (2021-nil) no other transactions were made to Directors of The Environmental Group Limited or other key management personnel of the Group, including their personally related parties.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of The Environmental Group Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of The Environmental Group Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to ensure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 38 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Officers of the Company who are former partners of RSM Australia Partners

There are no officers of the Company who are former partners of RSM Australia Partners.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of directors

Ms Lynn Richardson
Chairman

24 August 2022

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of The Environmental Group Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Dated: 24 August 2022
Melbourne, Victoria

Financial Statements

General Information

The financial statements cover The Environmental Group Limited as a Group consisting of The Environmental Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is The Environmental Group Limited’s functional and presentation currency.

The Environmental Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1.01, Level 1,10 Ferntree Place, Notting Hill Vic 3168 Australia

A description of the nature of the Group’s operations and its principal activities are included in the Directors’ report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 24 August 2022. The Directors have the power to amend and reissue the financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

		Consolidated	
Revenue from continuing operations	**Note**	**2022 $**	**2021 $**
Revenue	5	57,065,291	46,562,933
Costs of sales and provisions of services	6	(42,739,333)	(33,604,592)
Gross profit		**14,325,958**	**12,958,341**
Expenses			
Employee expenses	7	(6,406,825)	(6,427,267)
Depreciation and amortisation	8	(1,383,124)	(1,290,610)
Professional fees		(1,398,302)	(1,270,498)
Travel expenses		(762,381)	(429,019)
Marketing expenses		(479,531)	(370,229)
Occupancy expenses		(303,674)	(294,660)
Other expenses		(1,251,960)	(1,116,591)
Operating profit/(loss)		**2,340,161**	**1,759,467**
Interest income		23	97
Interest expense	10	(194,320)	(208,762)
Profit before income tax (expense)/benefit		**2,145,864**	**1,550,802**
Income tax (expense)/benefit	11	(592,200)	160,254
Profit after income tax (expense)/benefit for the year		**1,553,664**	**1,711,056**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**1,553,664**	**1,711,056**
Profit for the year is attributable to:			
Non-controlling interest		-	135,320
Owners of The Environmental Group Limited	33	1,553,664	1,575,736
		1,553,664	**1,711,056**
Owners of The Environmental Group Limited			
Total comprehensive income for the year is attributable to:		1,553,664	1,711,056
Non-controlling interest		-	-
		1,553,664	**1,711,056**
		Cents	**Cents**
Basic earnings per share	46	0.53	0.61
Diluted earnings per share	46	0.52	0.61

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

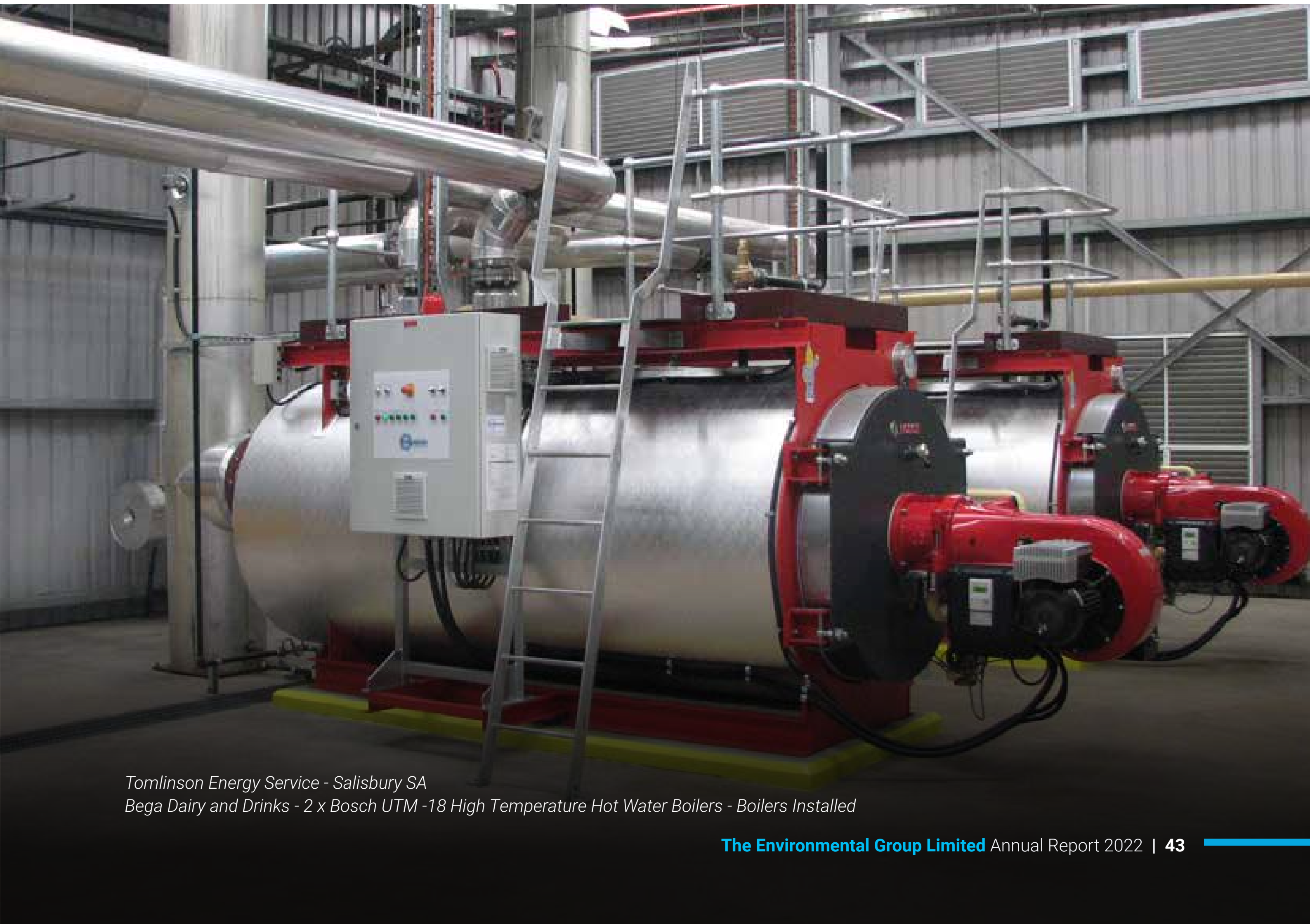
For the year ended 30 June 2022

Assets	Note	Consolidated 2022 $	Consolidated 2021 $
Current assets			
Cash and cash equivalents	12	1,737,839	642,191
Trade and other receivables	13	10,574,168	8,258,513
Inventories	14	1,484,209	1,398,537
Other current assets	15	383,753	83,664
Contract assets	16	6,829,130	2,479,831
Total current assets		**21,009,099**	**12,862,736**
Non-current assets			
Deferred tax assets	17	3,772,199	3,662,213
Property, plant and equipment	18	1,275,339	884,688
Intangible assets	19	16,299,320	14,584,651
Other non-current assets	20	42,838	67,838
Right-of-use assets	21	2,733,253	2,169,863
Total non-current assets		**24,122,949**	**21,369,253**
Total assets		**45,132,048**	**34,231,989**
Liabilities			
Current liabilities			
Trade and other payables	22	11,542,540	7,457,725
Contract liabilities	23	755,988	1,677,346
Financial liabilities	24	600,000	1,950,000
Employee benefits	25	2,301,458	2,038,284
Lease liabilities	27	1,101,502	805,501
Total current liabilities		**16,301,488**	**13,928,856**
Non-current liabilities			
Financial liabilities	28	750,000	-
Lease liabilities	31	1,799,875	1,521,470
Deferred tax liabilities	29	1,015,325	695,658
Employee benefits	30	131,192	110,879
Total non-current liabilities		**3,696,392**	**2,328,007**
Total liabilities		**19,997,880**	**16,256,863**
Net assets		**25,134,168**	**17,975,126**

Statement of Financial Postition (continued)

Equity	Note	Consolidated 2022 $	2021 $
Issued capital	32	28,746,918	23,386,418
Retained earnings	33	(4,488,785)	(6,042,449)
Reserves	34	876,035	631,157
Total equity		**25,134,168**	**17,975,126**

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



Tomlinson Energy Service - Salisbury SA
Bega Dairy and Drinks - 2 x Bosch UTM -18 High Temperature Hot Water Boilers - Boilers Installed

Statement of Changes in Equity

For the year ended 30 June 2022

Consolidated	Share capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2020	21,839,819	149,204	(7,618,185)	(87,744)	14,283,094
Profit after income tax benefit for the year	-	-	1,575,736	135,320	1,711,056
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**1,575,736**	**135,320**	**1,711,056**
Shares issued net of transaction costs (note 34)	986,599	-	-	-	986,599
Disposal of subsidiary (note 13)	-	-	-	(47,576)	(47,576)
Adjustment for re classification	-	2,517	-	-	2,517
Share-based payments (note 47)	560,000	479,436	-	-	1,039,436
Balance at 30 June 2021	**23,386,418**	**631,157**	**(6,042,449)**	**-**	**17,975,126**

Consolidated	Share capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2021	23,386,418	631,157	(6,042,449)	-	17,975,126
Profit after income tax expense for the year	-	-	1,553,664	-	1,553,664
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**1,553,664**	**-**	**1,553,664**
Shares issued net of transaction costs (note 32)	4,510,500	-	-	-	4,510,500
Shares issued under acquisition	850,000	-	-	-	850,000
Share-based payments (note 47)	-	244,878	-	-	244,878
Balance at 30 June 2022	**28,746,918**	**876,035**	**(4,488,785)**	**-**	**25,134,168**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2022

		Consolidated	
Cash flows from operating activities	**Note**	**2022 $**	**2021 $**
Receipts from customers		55,859,599	45,616,357
Payments to suppliers and employees		(55,480,763)	(46,885,038)
		378,836	**(1,268,681)**
Interest received		23	97
Interest paid	10	(194,320)	(208,762)
Government grants/incentives	5	-	2,330,212
Net cash provided by operating activities	**45**	**184,539**	**852,866**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	42	(1,471,054)	-
Payment for acquisition of plant and equipment	18	(167,007)	(120,057)
Payments for intangibles	19	(315,297)	(348,345)
Increase/(decrease) in fixed term deposit		25,000	-
Proceeds from disposal of business		-	(76,757)
Proceeds from disposal of property, plant and equipment		-	3,646
Proceeds from Investment in Subsidiary		-	200,000
Net cash used in investing activities		**(1,928,358)**	**(341,513)**
Cash flows from financing activities			
Proceeds from issue of shares (net of capital raising costs)	32	4,510,500	986,599
Repayment of borrowings		(600,000)	(600,000)
Repayment of lease liabilities		(1,071,033)	(951,884)
Net cash from/(used in) financing activities		**2,839,467**	**(565,285)**
Net increase/(decrease) in cash and cash equivalents		1,095,648	(53,932)
Cash and cash equivalents at the beginning of the financial year		642,191	696,123
Cash and cash equivalents at the end of the financial year	**12**	**1,737,839**	**642,191**

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

Notes to Financial Statements

For the year ended 30 June 2022

Note 1. Corporate Information

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2022 was authorised for issue by the Directors in accordance with a resolution of the Directors on 24 August 2022.

The Environmental Group Limited's registered office is Level 1 Suite 1, 10 Ferntree Place, Notting Hill, Victoria, 3168.

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 period ending 30 June 2022 of the entities within the Group were design, application and servicing of innovative gas and vapour emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment solutions, service install provider for heat transfer plant and equipment primarily related to boilers and burners including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries and an agency agreement for the manufacturing of waste recycling plant and equipment.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 43.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Environmental Group Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. The Environmental Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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.

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.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Products

Revenue on capital work contracts are recognised when performance obligations are satisfied. Where performance obligations are deemed to be satisfied over a period of time, the input method is used for recognising revenue based on costs incurred. Revenue recognised on ongoing capital work contracts in excess of amounts billed to customers is reflected as an asset ("contract assets"). Amounts billed to customers in excess of revenue recognised on uncompleted capital work contracts are reflected as a liability ("contract liabilities").

Revenue from sales other than capital work contracts is recognised 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

Interest 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.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Jobkeeper payment scheme:

Jobkeeper payment scheme has been recognised as other income, and upon entitlement to receipt of the incentive by the Group.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The Environmental Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due based on 30-90 day terms.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Expected credit losses are also assessed on individual debtors with overdue balances for any specific allowance required. Specific expected credit losses are 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Customer contract assets are recognised when the Group has transferred goods or services to the customer, or performance obligations are met but where the Group is yet to establish an unconditional right to consideration (that is, billing milestones are not achieved yet). Contract assets are treated as financial assets for impairment purposes.

Inventories

Raw materials and consumables

Raw materials and consumables are measured at the lower of cost and net realisable value. Costs are assigned on a first in, first out basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Inventories

Raw materials and consumables

Raw materials and consumables are measured at the lower of cost and net realisable value. Costs are assigned on a first in, first out basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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.

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. The expected useful lives as follows:

Leasehold improvements	3-10 years
Plant and equipment	3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Goodwill and intangibles

Goodwill

Goodwill arises on the acquisition of a business and 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. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and 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.

Customer Relationship

Customer relationship asset acquired in a business combination are recognised at fair value at the acquisition date, and subsequently amortised on a straight-line basis over the period of their expected benefit.

Intellectual Property

Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. They have an indefinite useful life and are subsequently tested for impairment.

Research and development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. When a capitalised development project is complete, the costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Software

An intangible asset arising from software purchased or 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.

Impairment of non-financial assets

Goodwill and other 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 reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a post-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Further details on the methodology and assumptions used are outlined in Note 19.

Impairment losses recognised for goodwill are not subsequently reversed.

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.

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.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Borrowing costs

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

Provisions

Provisions are recognised when the Group has a present (legal or constructive) 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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Retirement benefit obligations

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

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.

Earnings per share

Basic 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, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether the equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022.

Note 3. **Critical 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and assumptions laid to allocate an overall expected credit loss rate for each group. The allowance for expected credit losses, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows as discussed in note 19.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Revenue from contracts with customers, contract assets, and contract liabilities

When recognising revenue in relation to capital projects (service revenue), the key performance obligation of the Group is considered to be the percentage of the completion for respective projects. Judgement is exercised in determining the percentage of completion of the contract and in reliably estimating the total contract revenue and contract costs to completion.

Contract assets are measured at revenue recognised for each project, net of any provision for anticipated future losses, and in excesses of the amounts billed to the customers based on the underlying contracts. Judgement is exercised in determining the provision for expected future losses, as well as the amount of revenue recognised as explained above, which in turn impacts the contract assets, as well.

Contract liabilities are measured at the amounts billed to the customers based on the underlying contracts, in excess of the revenues recognised for respective projects. Judgement is exercised in determining the amount of revenue recognised as explained above, which in-turn impacts the contract liabilities, as well.

Note 4. Operating segments

Identification of reportable operating 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. Unless stated otherwise all amounts reported to the Board of Directors, being the chief operating decision makers 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.

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 fabrication 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

Products segment Pollution Control incorporates the operations related to the supply, design, construction and installation services to industry, this segment includes activities related to air pollution control, water purification systems.

Products segment Gas turbines incorporates the operations related to the supply, design, construction and installation services to industry, this segment includes activities related to design, engineering and manufacture of gas turbine equipment and solutions.

EGL Energy (previously Services) are a combination of Tomlinson and Ignite. The segment reflects the services and after sales support to industry, this segment includes services to construction, health sector, food processing, manufacturing and many other industrial markets.

EGL Waste (previously Waste). This segment reflects the agency agreement with Turmec and includes services related to the Waste Industry.

Inter-segment transactions

All inter segments transactions occur through a funds transfer or via a loan account and are eliminated on consolidation in the Groups financial statements.

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.

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.

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 2022 and 30 June 2021.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2022	Products Pollution Control $	EGL Energy $	Products Gas Turbine $	Other Segments $	EGL Waste $	Corporate $	Total $
Revenue							
Sales to external customers	7,806,764	29,189,585	19,031,527	176,048	494,581	-	56,698,505
Other revenue	77,985	-	268,556	-	20,245	-	366,786
Total revenue	**7,884,749**	**29,189,585**	**19,300,083**	**176,048**	**514,826**	**-**	**57,065,291**
EBITDA	1,274,985	3,147,557	1,292,802	37,940	494,661	(2,279,782)	3,968,163
Depreciation and amortisation	-	-	-	-	-	-	(1,383,124)
Interest revenue	-	-	-	-	-	-	23
Finance costs	-	-	-	-	-	-	(194,320)
Performance Shares							(244,878)
Profit before income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**2,145,864**
Income tax expense	-	-	-	-	-	-	(592,200)
Profit after income tax expense	**-**	**-**	**-**	**-**	**-**	**-**	**1,553,664**
Assets							
Segment assets	8,096,698	18,552,228	15,140,419	486,296	1,955,201	21,157,878	65,388,720
Intersegment eliminations							(24,028,871)
Unallocated assets:							
Deferred tax asset							3,772,199
Total assets							**45,132,048**
Liabilities							
Segment liabilities	6,540,920	11,848,374	5,562,816	10,895	2,285,599	16,762,822	43,011,426
Intersegment eliminations							(24,028,871)
Unallocated liabilities:							
Deferred tax liability							1,015,325
Total liabilities							**19,997,880**

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2021	Products Pollution Control $	EGL Energy $	Products Gas Turbine $	Other Segments $	EGL Waste $	Corporate $	Total $
Revenue							
Sales to external customers	4,145,088	21,150,238	18,558,008	290,421	78,454	-	44,222,209
Other revenue	413,194	1,243,589	611,369	55,570	17,002	-	2,340,724
Total revenue	**4,558,282**	**22,393,827**	**19,169,377**	**345,991**	**95,456**	**-**	**46,562,933**
EBITDA	897,424	2,558,701	1,016,550	118,374	1,012	(1,541,984)	3,050,077
Depreciation and amortisation	-	-	-	-	-	-	(1,290,610)
Interest revenue	-	-	-	-	-	-	97
Finance costs	-	-	-	-	-	-	(208,762)
Profit before income tax benefit	**-**	**-**	**-**	**-**	**-**	**-**	**1,550,802**
Income tax benefit	-	-	-	-	-	-	160,254
Profit after income tax benefit	**-**	**-**	**-**	**-**	**-**	**-**	**1,711,056**
Assets							
Segment assets	5,718,009	11,405,765	13,355,653	236,670	1,340,129	19,587,374	51,643,600
Intersegment eliminations							(21,073,824)
Unallocated assets:							
Deferred tax asset							3,662,213
Total assets							**34,231,989**
Liabilities							
Segment liabilities	5,008,757	8,872,559	4,331,748	45,812	1,403,052	16,973,101	36,635,029
Intersegment eliminations							(21,073,824)
Unallocated liabilities:							
Deferred tax liability							695,658
Total liabilities							**16,256,863**

Note 4. Operating segments (continued)

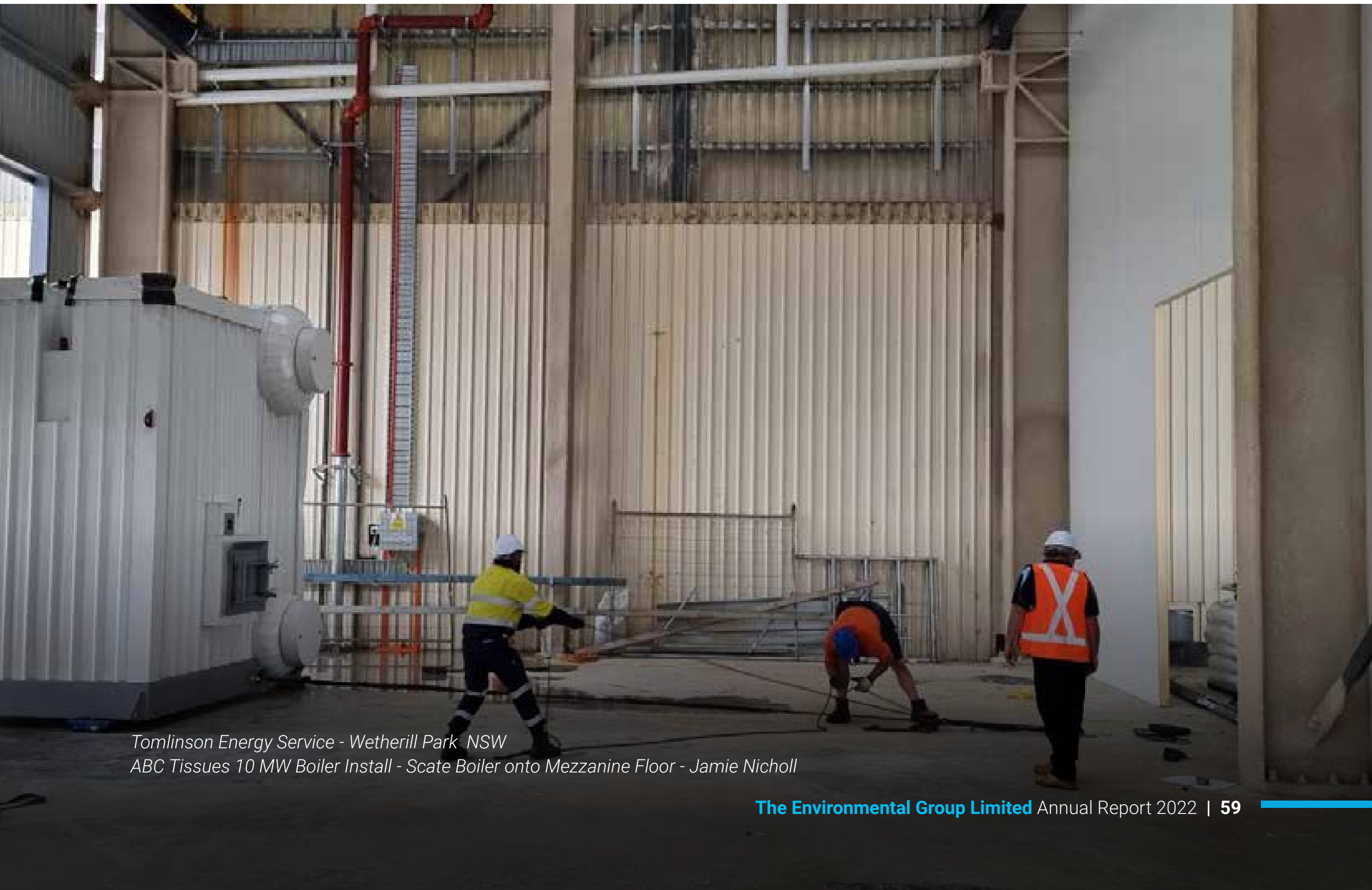
Major Customers

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 10.3% of external revenue (2021: 15.5%). The next most significant client accounts for 4.6% (2021: 5.6%) of external revenue.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2022 $	2021 $	2022 $	2021 $
Australia	38,405,636	29,280,347	20,377,911	16,940,953
Rest of the World	18,484,174	14,941,862	-	-
	56,889,810	**44,222,209**	**20,377,911**	**16,940,953**

The geographical non-current assets above are exclusive of, where applicable, financial instruments and deferred tax assets.



Tomlinson Energy Service - Wetherill Park NSW
ABC Tissues 10 MW Boiler Install - Scate Boiler onto Mezzanine Floor - Jamie Nicholl

Note 5. Revenue from continuing operations

Revenue	Consolidated 2022 $	2021 $
From external customers	56,698,505	44,222,209
R&D Tax Offset	342,186	245,342
Export Market Development Grant	24,600	-
Job Keeper	-	1,714,300
Government Grants & Incentives	-	388,821
Gain from sale of assets	-	3,646
Net loss from sale of PT Baltec	-	(11,385)
Total revenues	**57,065,291**	**46,562,933**

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines	Consolidated 2022 $	2021 $
Engineering and Fabrication Solutions	24,152,409	19,254,771
Service	30,184,028	22,400,481
Parts	2,728,854	2,566,956
	57,065,291	**44,222,208**
Geographical regions		
Australia	38,581,117	29,280,346
Rest of the World	18,484,174	14,941,862
	57,065,291	**44,222,208**
Timing of revenue recognition		
Goods transferred at a point in time	2,728,854	2,566,956
Services transferred over time	54,336,437	41,655,252
	57,065,291	**44,222,208**

Note 6. Cost of sales

	Consolidated	
	2022 $	2021 $
Cost of sales	42,739,333	33,604,592

Note 7. Employee expenses

	Consolidated	
	2022 $	2021 $
Wages and salaries	3,134,604	3,546,473
Superannuation expense	1,102,580	935,178
Share-based payments expense	244,878	56,467
Other employee benefits expense	1,924,763	1,889,149
Employee expenses total	**6,406,825**	**6,427,267**

Note 8. Depreciation and amortisation

	Consolidated	
	2022 $	2021 $
Depreciation of Property, Plant & Equipment	194,789	196,328
Amortisation of Intangibles	183,482	128,018
Depreciation of ROU Assets	1,004,853	966,264
Depreciation and amortisation total	**1,383,124**	**1,290,610**

Note 9. Foreign exchange (gains)/losses

	Consolidated	
	2022 $	2021 $
Foreign exchange losses	270,383	138,829

Note 10. Interest expense

	Consolidated	
	2022 $	2021 $
Finance cost on borrowings	54,309	75,873
Right of use (AASB 16) interest on leases	140,011	132,889
	194,320	**208,762**

Note 11. Income tax expense/(benefit)

	Consolidated	
Income tax expense/(benefit)	2022 $	2021 $
Current tax	291,245	3,234
Deferred tax - origination and reversal of temporary differences	209,681	(338,343)
Adjustment recognised for prior periods	91,274	174,855
Aggregate income tax expense/(benefit)	**592,200**	**(160,254)**
Deferred tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets (note 17)	(109,986)	(252,542)
Increase/(decrease) in deferred tax liabilities (note 29)	319,667	(85,801)
Deferred tax - origination and reversal of temporary differences	**209,681**	**(338,343)**
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit before income tax (expense)/benefit	2,145,864	1,550,802
Tax at the statutory tax rate of 30% (2021: 26%)	643,759	403,209
Prior year temporary differences not recognised now recognised	91,274	(668,801)
Difference in overseas tax rates	-	(152,905)
Adjustment to deferred tax balances as a result of change in statutory tax rate	(456,393)	143,357
Adjustment recognised for prior periods	-	174,855
Permanent differences	313,560	(59,969)
Income tax expense/(benefit)	**592,200**	**(160,254)**

The Consolidated entity does not have any unused losses (FY2021: nil). However, available non-refundable R&D tax offset at the end of the financial year was $1,889,102 (FY2021: $2,187,315)

Note 12. Current assets - cash and cash equivalents

	Consolidated	
	2022 $	2021 $
Cash at bank	1,556,682	642,191
Cash in transit	181,157	-
	1,737,839	**642,191**

Cash at bank

Cash at bank is non-interest bearing overdraft facility that currently bears interest at 3.24% per annum. As of 30 June 2022, the available bank overdraft was unutilised.

Note 13. Current assets - trade and other receivables

	Consolidated	
	2022 $	2021 $
Trade receivables	10,496,078	7,846,746
Less: Allowance for expected credit losses	(75,000)	-
	10,421,078	**7,846,746**
Other receivables	153,090	411,767
	10,574,168	**8,258,513**

Allowance for expected credit losses

Trade receivables are non-interest bearing vary between 30 to 90 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 profit and loss and other comprehensive income.

As part of the acquisition of Ignite Pty Ltd, the Group made an allowance of $75,000 for Expected Credit Loss due to the age of the gross carrying value of certain receivables taking into consideration whether there was reasonable expectation of recovery.

Expected Credit Loss allowances for trade receivables are deducted from the gross carrying amount of trade receivables.

As at 30 June 2022, the ageing of trade receivables is as follows:

	Consolidated	
	2022 $	2021 $
Current	8,656,236	7,257,409
30 Days	1,403,475	587,133
60 Days past due not impaired	156,243	-
90+ Days past due not impaired	205,124	2,204
	10,421,078	**7,846,746**

Note 13. Current assets - trade and other receivables (continued)

Receivables past due but not considered impaired as at 30 June 2022 $205,124 (2021: $2,204). 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.

Movements in the provision for impairment of receivables are as follows:

	2022 $	2021 $
Opening balance	-	-
Additions through business combinations	75,000	-
Closing balance	**75,000**	**-**

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 14. Current assets - inventories

	Consolidated	
	2022 $	2021 $
Stock on hand - at cost	1,484,209	1,398,537

Inventory write-down

Write-down of inventories to net realisable value amounted to $7,817 for the year ended 30 June 2022 (2021: $15,759). As a result, there is no provision for impairment.

Note 15. Current assets - other current assets

	Consolidated	
	2022 $	2021 $
Prepayments	383,753	80,664
Other current assets	-	3,000
	383,753	**83,664**

Note 16. Current assets - contract assets

	Consolidated	
	2022 $	2021 $
Contract assets	6,829,130	2,479,831

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	2022 $	2021 $
Opening balance	2,479,831	-
Additions through business combinations (note 42)	210,895	-
Accrued income	4,138,404	2,479,831
Closing balance	**6,829,130**	**2,479,831**

Note 17. Non-current assets - deferred tax assets

	Consolidated	
Deferred tax asset comprises temporary differences attributable to:	2022 $	2021 $
Amounts recognised in profit or loss:		
Leases	870,413	605,012
Fixed Assets	138,318	98,688
Accruals	89,739	140,943
Provisions	784,627	630,258
R&D Tax Offset	1,889,102	2,187,312
Deferred tax asset	**3,772,199**	**3,662,213**
Movements:		
Opening balance	3,662,213	3,409,671
Credited to profit or loss (note 11)	109,986	252,542
Closing balance	**3,772,199**	**3,662,213**

Note 18. Non-current assets - property, plant and equipment

	Consolidated 2022 $	2021 $
Plant and equipment - at cost	2,313,264	2,088,960
Less: Accumulated depreciation	(1,382,960)	(1,204,272)
	930,304	**884,688**
Motor vehicles - at cost	453,192	94,925
Less: Accumulated depreciation	(108,157)	(94,925)
	345,035	**-**
Closing balance	**1,275,339**	**884,688**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land & Buildings $	Leasehold Improvements $	Plant and Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2020	**-**	**-**	**964,605**	**-**	**964,605**
Additions	-	-	118,900	-	118,900
Disposals	-	-	(2,489)	-	(2,489)
Depreciation expense	-	-	(196,328)	-	(196,328)
Balance at 30 June 2021	**-**	**-**	**884,688**	**-**	**884,688**
Additions	-	-	167,007	-	167,007
Additions through business combinations (note 42)	-	-	61,633	358,266	419,899
Disposals	-	-	(1,466)	-	(1,466)
Depreciation expense	-	-	(181,557)	(13,232)	(194,789)
Balance at 30 June 2022	**-**	**-**	**930,305**	**345,034**	**1,275,339**

Note 19. Non-current assets - Intangible assets

	Consolidated 2022 $	Consolidated 2021 $
Goodwill - at cost	15,070,216	13,485,791
Development - at cost	524,611	258,645
Intellectual property - at cost	350,000	350,000
Customer Relationships - at cost	240,000	240,000
Less: Accumulated amortisation	(40,000)	-
	200,000	**240,000**
Software - at cost	636,655	588,895
Less: Accumulated amortisation	(482,162)	(338,680)
	154,493	250,215
	16,299,320	**14,584,651**

Consolidated	Goodwill $	Trademark $	Intellectual Property $	Customer Relationship $	Software $	Product Develop-ment $	Total $
Balance at 1 July 2020	**13,292,821**	**-**	**-**	**-**	**288,533**	**-**	**13,581,354**
Additions	-	-	-	-	89,700	258,645	348,345
Additions through business combinations (note 42)	192,970	-	350,000	240,000	-	-	782,970
Amortisation expense	-	-	-	-	(128,018)	-	(128,018)
Balance at 30 June 2021	**13,485,791**	**-**	**350,000**	**240,000**	**250,215**	**258,645**	**14,584,651**
Additions	-	-	-	-	47,760	265,966	313,726
Additions through business combinations (note 42)	1,584,425	-	-	-	-	-	1,584,425
Amortisation expense	-	-	-	(40,000)	(143,482)	-	(183,482)
Balance at 30 June 2022	**15,070,216**	**-**	**350,000**	**200,000**	**154,493**	**524,611**	**16,299,320**

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. When a capitalised development project is complete, the costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit.

Intellectual Property

Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. They have an indefinite useful life and are subsequently tested for impairment.

Impairment testing

Goodwill acquired through business combinations and licences have been allocated to the relevant cash generating units as summarised in the table below:

	EGL Waste	EGL Pollution Control	EGL Gas Turbine	EGL Service	EGL Ignite	Total
Goodwill	192,969	5,328,297	4,007,647	3,956,878	1,584,425	15,070,216

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 the following key assumptions:

- 16.5% post-tax discount rate; (2021: 15.5%)
- 10% (2021: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2021: 5%) per annum increase in overhead; and
- 2% (2021: 2%) projected indefinite nominal growth in the terminal value.

Based on the above, there was no impairment of goodwill.

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 the following key assumptions:

- 16.5% post-tax discount rate; (2021: 15.5%)
- 5% (2021: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2021: 5%) per annum increase in overhead; and
- 2% (2021: 2%) projected indefinite nominal growth in the terminal value.

Based on the above, there is no impairment of goodwill.

EGL Energy Cash Generating Unit (Tomlinson)

The recoverable amount of the EGL Energy (Tomlinson) Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16.5% post-tax discount rate; (2021: 15.5%)
- 5% (2021: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2021: 5%) per annum increase in overhead; and
- 2% (2021: 2%) projected indefinite nominal growth in the terminal value.

Based on the above, there is no impairment of goodwill.

EGL Energy Cash Generating Unit (Ignite)

The recoverable amount of the EGL Energy (Ignite) Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16.5% post-tax discount rate;
- 10% per annum projected revenue and cost of sales growth rate;
- 5% per annum increase in overhead; and
- 2% projected indefinite nominal growth in the terminal value.

Based on the above, there is no impairment of goodwill.

Note 19. Non-current assets - Intangible assets (continued)

EGL Waste

The recoverable amount of the EGL Waste Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16.5% post-tax discount rate; (2021:15.5%)
- 10% (2021: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2021: 5%) per annum increase in overhead; and
- 2% (2021: 2%) projected indefinite nominal growth in the terminal value.

Based on the above, there is no impairment of goodwill.

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 projected revenues, cost of sales, and overheads, projected gross margins for the first year, 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 20. Non-current assets - other non-current assets

	Consolidated	
	2022 $	2021 $
Security deposits	42,838	67,838

Note 21. Non-current assets - right-of-use assets

	Consolidated	
	2022 $	2021 $
Land and buildings - right-of-use	2,450,715	1,941,579
Less: Accumulated depreciation	(982,846)	(744,827)
	1,467,869	**1,196,752**
Motor vehicles - right-of-use	2,192,935	1,853,217
Less: Accumulated depreciation	(927,551)	(880,106)
	1,265,384	**973,111**
	2,733,253	**2,169,863**

The Group leases land and buildings for its offices and warehouses under agreements of between one to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases motor vehicles with agreements of four years.

Note 21. Non-current assets - right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Property Leases $	Vehicle Leases $	Total $
Balance at 1 July 2020	**1,151,447**	**1,194,419**	**2,345,866**
Additions	459,988	330,273	790,261
Depreciation expense	(414,683)	(551,581)	(966,264)
Balance at 30 June 2021	**1,196,752**	**973,111**	**2,169,863**
Additions	400,248	823,049	1,223,297
Additions through business combinations (note 42)	344,946	-	344,946
Depreciation expense	(474,077)	(530,776)	(1,004,853)
Balance at 30 June 2022	**1,467,869**	**1,265,384**	**2,733,253**

Note 22. Current liabilities - trade and other payables

	Consolidated	
	2022 $	2021 $
Trade payables	8,549,336	5,526,847
Other payables	2,993,204	1,930,878
	11,542,540	**7,457,725**

Refer to note 36 for further information on financial risk management.

Note 23. Current liabilities - contract liabilities

	Consolidated	
	2022 $	2021 $
Contract liabilities	755,988	1,677,346

Note 23. Current liabilities - contract liabilities (continued)

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	1,677,346	3,174,111
Payments received in advance	26,392,185	11,385,937
Additions through business combinations (note 42)	95,965	-
Transfer to revenue - included in the opening balance	(27,409,508)	(12,882,702)
Closing balance	**755,988**	**1,677,346**

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $51,996,533 as at 30 June 2022 ($16,997,966 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2022 $	**2021 $**
Within 6 months	12,886,716	6,180,786
6 to 12 months	12,844,970	8,841,587
12 to 18 months	11,028,796	1,553,342
18 to 24 months	5,398,207	422,251
After 24 months	9,837,844	-
	51,996,533	**16,997,966**

Accounting policy for contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 24. Current liabilities - Financial liabilities

	Consolidated	
	2022 $	**2021 $**
Bank Bill Business Loan	600,000	1,950,000

Refer to note 28 for further details.

The Group's Bank Bill Business Loan of $1,350,000 will expire on 30 September 2024. Current portion of the loan represents the quarterly repayments of $150,000 within the next 12 months.

Note 25. Current liabilities - employee benefits

	Consolidated 2022 $	Consolidated 2021 $
Annual leave	1,550,905	1,263,430
Long service leave	750,553	774,854
	2,301,458	**2,038,284**

Note 26. Current liabilities - borrowings

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2022 $	Consolidated 2021 $
Total facilities		
Bank overdraft	2,000,000	2,000,000
Bank Bill Business loans*	1,350,000	1,950,000
Trade Guarantee and Standby Letters of Credit Facility	8,000,000	8,000,000
	11,350,000	**11,950,000**
Used at the reporting date		
Bank overdraft	-	-
Bank Bill Business loans*	1,350,000	1,950,000
Trade Guarantee and Standby Letters of Credit Facility	6,441,888	5,550,625
	7,791,888	**7,500,625**
Unused at the reporting date		
Bank overdraft	2,000,000	2,000,000
Bank Bill Business loans*	-	-
Trade Guarantee and Standby Letters of Credit Facility	1,558,112	2,449,375
	3,558,112	**4,449,375**

* The Groups Bank Bill Business Loan facility reduces by the amount of the quarterly repayments of $150,000 included in the business financing arrangement.

The Group's Bank Bill Business Loan of $1,350,000 will expire on 30 September 2024.

Trade Guarantee and Standby Letter of Credit facility is used by the Group to issue performance bonds and bank guarantees which are disclosed as a contingent liability. As at 30 June 2022 the Group had $6,441,888 in outstanding Trade Guarantees and Standby Letter of Credits.

No covenants were breached in the reporting period of 30 June 2022.

Note 27. Current liabilities - lease liabilities

	Consolidated	
	2022 $	2021 $
Lease liability	1,101,502	805,501

Refer to note 36 for further information on financial risk management.

Note 28. Non-current liabilities - Financial liabilities

	Consolidated	
	2022 $	2021 $
Bank Bill Business Loan	750,000	-

Note 29. Non-current liabilities - Deferred tax liabilities

	Consolidated	
Deferred tax liability comprises temporary differences attributable to:	2022 $	2021 $
Amounts recognised in profit or loss:		
Right of Use assets	819,976	564,164
Other	195,349	131,494
Deferred tax liability	**1,015,325**	**695,658**
Movements:		
Opening balance	695,658	781,459
Charged/(credited) to profit or loss (note 11)	319,667	(85,801)
Closing balance	**1,015,325**	**695,658**

Note 30. Non-current liabilities - employee benefits

	Consolidated	
	2022 $	2021 $
Long service leave	131,192	110,879

Note 31. Non-current liabilities - lease liabilities

	Consolidated	
	2022 $	2021 $
Lease liability	1,799,875	1,521,470

Refer to note 36 for further information on financial risk management.

Note 32. Equity - issued capital

			Consolidated	
	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	312,202,805	276,975,129	28,746,918	23,386,418

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	**1 July 2020**	**217,531,711**		**21,839,819**
Placement	1 July 2020	32,600,000	$0.02	815,000
Rights Issue	13 October 2020	10,843,418	$0.02	271,094
Capital rising Cost		-	$0.00	(99,495)
Active Environmental Services Pty Ltd	9 February 2021	16,000,000	$0.03	560,000
Balance	**30 June 2021**	**276,975,129**		**23,386,418**
Performance Rights	3 September 2021	4,505,870	$0.00	-
Placement	20 December 2021	27,142,857	$0.17	4,749,999
Capital raising cost		-	$0.00	(239,499)
Ignite Pty Ltd Acquisition	13 April 2022	3,578,949	$0.23	850,000
Balance	**30 June 2022**	**312,202,805**		**28,746,918**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2021 Annual Report.

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.

Note 33. Equity - retained earnings

	Consolidated	
	2022 $	2021 $
Accumulated losses at the beginning of the financial year	(6,042,449)	(7,618,185)
Profit after income tax (expense)/benefit for the year	1,553,664	1,575,736
Accumulated losses at the end of the financial year	**(4,488,785)**	**(6,042,449)**

Note 34. Equity - reserves

	Consolidated 2022 $	2021 $
General reserve	151,721	151,721
Share-based payments reserve	724,314	479,436
	876,035	**631,157**

The share based reserve relating to the performance shares of Key Management Personnel and General Managers

Performance Year	KMP	Probability	Number of Shares expected to be vested	Share Price
FY22	Andrew Bush	88%	357,142	0.14
FY22	Brenda Borghouts	88%	37,736	0.27
FY22	General Managers	88%	136,226	0.27
Total			**531,104**	
FY23	Jason Dixon	83%	4,333,333	0.035
FY23	Paul Gaskett	83%	2,166,667	0.035
FY23	Brenda Borghouts	83%	75,471	0.27
FY23	General Managers	83%	272,451	0.27
Total			**6,847,922**	
FY24	Jason Dixon	86%	4,333,333	0.035
FY24	Paul Gaskett	86%	2,166,667	0.035
FY24	Brenda Borghouts	86%	75,471	0.27
FY24	General Managers	86%	272,451	0.27
Total			**6,847,922**	

Note 35. Equity - dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 35. Equity - dividends (continued)

Franking credits

	Consolidated	
	2022 $	2021 $
Franking credits available at the reporting date based on a tax rate of 30% (2021: 26%)	1,610,116	1,610,116
Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 26%)	1,610,116	1,610,116

Note 36. Financial risk management

Financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits, bank loans, and 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 to the financial statements.

Financial instruments

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	
Financial assets	2022 $	2021 $
Cash and cash equivalents	1,556,682	642,191
Trade and other receivables	10,574,168	8,258,513
Cash in transit	181,157	-
	12,312,007	**8,900,704**
Financial liabilities		
Trade and other payables	11,542,540	7,457,725
Bank Loan	1,350,000	1,950,000
	12,892,540	**9,407,725**

Note 36. Financial risk management (continued)

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 United States dollars and Euros at reporting date are as follows:

	2022 USD A$	2022 EURO A$	2021 USD A$	2021 EURO A$
Cash at bank and on hand	2,733	685,507	-	565,099
Trade and other receivables	2,256,030	235,109	1,378,271	1,307,372
Trade and other payables	3,477,445	1,074,727	1,478,468	1,307,372

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 $65,371 (2021: decrease of $7,996), directly impacting the equity in the Group. If the Australian dollar was 10% lower, the impact on before tax profit, with all other variables held constant, would be an increase of $147,302 (2021: increase of $18,658), directly impacting the equity in the Group.

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 Group's bank loans outstanding, totalling $1,350,000 (2021: $1,950,000), with an average interest rate of 2.2438% (2021: 1.6076%), are principal and interest payment loans. Monthly cash outlays of approximately $2,612 (2021: $2,612) per month are required to service the interest payments. The Group's term deposits, totalling $0 (2021: $25,000) earn an interest rate of 0.00% (2021: 0.05%). 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 have decrease on pre-tax profit for the Group of $0 (2021: $25,500), 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 counter parties 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.

Note 36. Financial risk management (continued)

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

	Consolidated	
	2022 $	2021 $
6 months or less	9,770,412	6,745,079
6 - 12 months	1,182,440	1,080,705
1 - 5 years	2,876,949	2,726,926
	13,829,801	**10,552,710**

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2022 $	2021 $
Bank overdraft	2,000,000	2,000,000
Trade Guarantee and Standby Letters of Credit Facility	1,558,112	2,449,375
	3,558,112	**4,449,375**

Tomlinson Energy Service - Hope Valley WA
WAN Feed Mill - 2 x 4 MW Boiler Install - Boilers In Place

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted Average Interest Rate %	Floating Interest Rate $	Non-Interest Bearing $	Remaining Contractual Maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	-	-	11,542,540	11,542,540
Interest-bearing				
Lease liability	4.85%	2,901,377	-	2,901,377
Financial liabilities	2.24%	1,350,000	-	1,350,000
Total non-derivatives		**4,251,377**	**11,542,540**	**15,793,917**

Consolidated - 2021	Weighted Average Interest Rate %	Floating Interest Rate $	Non-Interest Bearing $	Remaining Contractual Maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	-	-	7,457,725	7,457,725
Interest-bearing				
Lease liability	4.85%	2,326,971	-	2,326,971
Financial liabilities	1.60%	1,950,000	-	1,950,000
Total non-derivatives		**4,276,971**	**7,457,725**	**11,734,696**

Note 37 . Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022 $	2021 $
Short-term employee benefits	1,107,549	558,878
Post-employment benefits	101,155	47,394
Performance Rights	188,935	56,467
	1,397,639	**662,739**

Options

No options were granted in the year ended 30 June 2022 (nil-2021).

Shareholdings of key management personnel

Ordinary shares held in The Environmental Group Limited by key management personnel are shown in below tables

2022	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors and key management personnel				
Ms Lynn Richardson	3,750,001	-	-	3,750,001
Mr Adrian Siah	9,240,000	9,240,000	(1,850,276)	7,389,724
Mr Graeme Nayler	-	-	268,000	268,000
Mr Andrew Bush	1,074,366	-	96,881	1,171,247
Mr Jason Dixon	10,666,666	-	3,003,914	13,670,580
Mr Paul Gaskett	5,333,334	-	1,501,956	6,835,290
Ms Brenda Borghouts (appointed 28 February 2022)	-	-	79,840	79,840

2021	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors and key management personnel				
Mr Ellis Richardson (resigned 24 April 2021)	100,503,500	-	(6,586,668)	93,916,832
Ms Lynn Richardson	3,571,429	-	178,172	3,750,001
Mr Dean Dowie (resigned 26 November 2020)	310,630	-	15,532	326,162
Mr Adrian Siah	-	-	9,240,000	9,240,000
Mr Andrew Bush	831,166	-	-	831,166
Mr Jason Dixon (appointed 9 February 2021)	-	-	10,666,666	10,666,666
Mr Paul Gaskett (appointed 9 February 2021)	-	-	5,333,334	5,333,334

Details relating to key management personnel are included in the Remuneration Report.

Note 38. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company:

	Consolidated	
	2022 $	2021 $
Audit or review of the financial statements	106,500	96,400

Note 39. Contingent liabilities

The Groups bank has given guarantees to unrelated parties in respect of performance bonds and guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance bonds and guarantees for the Group at 30 June 2022 are $6,441,888 (2021: $5,550,626).

During the year the parent company provided security of $1,269,137 USD being 20% of the contract offshore value with Mitsubishi Heavy Industries Ltd. The contract required the parent company to guarantee Baltec IES performance under the contract terms and conditions. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. (2021: 0).

During the year a claim with an estimate of $50,000 was made by a TAPC contractor which will be managed by TAPC's worker compensation insurer.

Note 40. Related party transactions

Parent entity

The Environmental Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 43.

Key management personnel

Disclosures relating to key management personnel are set out in note 37 and the remuneration report included in the Directors' report.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

There were no trade loans from or to related parties at the current and previous reporting date.

Note 41. Parent entity information

Set out below is the supplementary information about the parent entity.

	Consolidated	
Statement of profit or loss	**2022 $**	**2021 $**
Financial performance		
Profit after income tax	(1,879,113)	(802,281)
Statement of financial position		
Assets		
Current assets	9,784,514	7,184,800
Non-current assets	5,295,385	4,341,204
Total assets	**15,079,899**	**11,526,004**
Liabilities		
Current liabilities	1,803,392	2,795,925
Non-current liabilities	1,284,859	534,695
Total liabilities	**3,088,251**	**3,330,620**
Net assets	11,991,648	8,195,383
Equity		
Equity attributable to the ordinary equity holders of the Company		
Contributed equity	28,696,915	23,336,416
Accumulated losses	(17,499,581)	(15,620,469)
Reserves	794,314	479,436
Total equity	**11,991,648**	**8,195,383**

Note 41. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

During the year the parent company provided security of $1,269,137 USD being 20% of the contract offshore value with Mitsubishi Heavy Industries Ltd. The contract required the parent company to guarantee Baltec IES performance under the contract terms and conditions. (2021: 0).

Contingent liabilities

During the year the parent company provided security of $1,269,137 USD being 20% of the contract offshore value with Mitsubishi Heavy Industries Ltd . The contract required the parent company to guarantee Baltec IES performance under the contract terms and conditions. (2021: 0).

During the year a claim with an estimate of $50,000 was made by a TAPC contractor which will be managed by TAPC's worker compensation insurer.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 42. Business combinations

Summary of acquisition FY 22 Acquisition

On 16 April 2022 EGL acquired 100% of the ordinary shares of Ignite Pty Limited for the total consideration transferred of $2,709,573. This is a burner and gas service business that operates in the EGL Energy Division of the consolidated entity. It was acquired to compliment Tomlinson Energy Service business with an expanded offering. Ignite Services is focused on becoming an instrumental contributor in the green energy revolution working toward zero emissions targets. Ignite is a future focused company that recognises the necessity to replace finite natural resources for sustainable gas practices, providing benefit for both industry and the environment. Ignite Services carries out combustion efficiency analysis, polyethylene fusion welding and and burner repair and modification.

The goodwill of $1,584,425 represents reflects strong recurring revenue and expected future growth from from the areas mentioned in the previous paragraph.

The acquired business contributed revenues of $1,024,467 and an EBITDA of $239,484 to the consolidated entity for the period from 1 April 2022 to 30 June 2022. If the acquisition occurred on 1 July 2021 estimated full year contributions would have been revenues of $4,000,000 and EBITDA of $700,000. The values identified in relation to the acquisition of Ignite Pty Ltd are final as at 30 June 2022.

Note 42. Business combinations (continued)

	Fair Value $
Cash and cash equivalents	188,521
Trade receivables	1,116,058
Contract assets	210,895
Plant and equipment	61,633
Motor vehicles	358,266
Right-of-use assets	344,946
Trade payables	(223,001)
Other Payables	(45,515)
Contract Liabilites	(95,965)
Provision for income tax	(72,862)
Employee benefits	(136,210)
GST	(159,474)
Lease liability	(77,197)
ROU Lease Liability	(344,946)
Net assets acquired	1,125,149
Goodwill	1,584,425
Acquisition-date fair value of the total consideration transferred	**2,709,574**
Representing:	
Cash paid or payable to vendor	1,659,574
The Environmental Group Limited shares issued to vendor	850,000
Deferred payment to be paid after 12 months service	200,000
	2,709,574
Acquisition costs expensed to profit or loss	**91,688**

Note 42. Business combinations (continued)

FY 21 Acquisitions

On 9 February 2021 EGL acquired the shares of Active Environmental Services Pty Ltd for a consideration of $ 982,969. The goodwill of $192,969 represents the difference between the fair value assets acquired and the consideration paid. The values identified in relation to the acquisition of Active Environmental Services Pty Ltd are provisional as at 30 June 2021.

The acquisition strategy of Active Environmental Services Pty Ltd is to establish a footprint in Australian Waste recycling and further develop and lift water quality within the environmental sector.

Active Environmental Services Pty Ltd is in a position to introduce a substantial pipeline of prospective new business to the Group and has significant synergies with the Company's existing subsidiaries and business groups (principally Total Air Pollution Control, EGL Water and Tomlinson Energy Services). Assets being acquired are principally in the form of intellectual property and potential new business of which the full value was unknown at the time of the transaction.

The Group structured the price for the acquisition so that nearly half of the total consideration was in the form of performance rights with performance milestones to mitigate the risks of overpaying for the acquired assets. The Group calculated the number of Performance Rights to be issued primarily by reference to the profitability and shareholder value to be generated if the commercial purposes of the acquisition is achieved. The cost to the Company of issuing the shares and performance rights associated with the transaction will be in the order of $982,969 over its duration.

Details of purchase price consideration of net assets acquired and goodwill are as follows:

Purchase Consideration	Number of shares/performance rights	Unit Value	Probability	Fair Value $
Shares issued	16,000,000	0.035	100%	560,000
Contingent consideration	15,000,000	0.035	80%-82%	422,969
Total purchase price consideration				**982,969**

	Fair Value $
Cash and cash equivalents	200,000
Intellectual property	350,000
Customer contracts	240,000
Net assets acquired	790,000
Goodwill	192,969
Acquisition-date fair value of the total consideration transferred	**982,969**
Representing:	
The Environmental Group Limited shares issued to vendor	560,000
Contingent consideration	422,969
	982,969
Acquisition costs expensed to profit or loss	**9,000**

Note 42. Business combinations (continued)

Contingent consideration

Contingent consideration for the above acquisition was limited to performance rights with the following details:

(a) Performance Milestones for Performance Rights

i. The Performance Rights are subject to 3 Performance Milestones being achieved:

   1. AES successfully introducing a European partner named Turmec to the Company (or a similar new business acquisition with revenues exceeding $4 million);
   2. Milestone 1 plus the Company achieving actual EBITDA as a percentage of the EBITDA Target for FY2021 set out below.
   3. Milestone 1 plus the Company achieving actual EBITDA as a percentage of the EBITDA Target for FY2022 set out below.

ii. One performance right will convert into one ordinary share in the Company, subject to the performance milestones being achieved.

iii. As announced to the market on 24 February 2021, Milestone 1 has been achieved.

iv. The Company's actual EBITDA will be measured against target EBITDA, as measured in accordance with Accounting Standards, and included in the audited accounts of the Group.

v. In each of FY2021 and FY2022, the company's actual EBITDA will be measured against Target EBITDA for that year, and the maximum share allocation will be made if the Company achieves or exceeds 100% of that target. If less than 100% is achieved, then the share allocation will be reduced by a like proportion, down to a minimum of 70%. If the Company's actual EBITDA is less than 70% of the target EBITDA, then no shares will be issued.

Performance Rights

Type of Issue	Jason Dixon	Paul Gaskett	Total	Probability
Performance Rights FY21	3,333,333	1,666,667	5,000,000	82%
Performance Rights FY22	6,666,667	3.333,333	10,000,000	80%
Total	**10,000,000**	**5,000,000**	**15,000,000**	

EBITDA Targets

Financial Year	EBITDA Target	Performance shares Low 70%	Performance shares High 100%	Probability
FY21	$3.7M	3,500,000	5,000,000	82%
FY22	$5.0M	7,000,000	10,000,000	80%

vi. The calculation of EBITDA will be adjusted to specifically to exclude abnormal or extraordinary items of revenue or expenses, as set out in the agreement

vi. If a Change of Control occurs during a Financial Year during the Earn-out Period, then, on the date on which the Change of Control occurs, the Purchaser must allocate and issue to the Vendors the total Performance Shares that would have been issued on or before the Annual Allocation Date in relation to the last Financial Year during the earn-out period if the EBITDA Percentage in relation to each such Financial Year was 100%..

vii. If the Performance Milestones are achieved, then ordinary shares in the Company will be issued (with full voting and dividend rights).

No other equity security classes are being created.

Note 42. Business combinations (continued)

(b) The number of shares that the Performance Rights will convert into if the applicable performance milestones are met, and the impact that will have on the Company's capital structure, is as follows:

Period	Existing Shares	Low	Medium	High	Max%
FY21	276,975,129	0	3,500,000	5,000,000	1.81%
FY22	281,975,129	0	7,000,000	10,000,000	3.55%
Max after FY22	291,975,129	-	-	-	-

In relation to the performance rights for FY22, management have determined adjusted EBITDA (refer (a)vi) for further details) for FY21 to be $4.4 million, resulting in Jason Dixon and Paul Gaskett receiving in total 4.5 million performance rights to be converted post year-end.

(c) The full terms of the Performance Rights are as follows

i. the Performance Rights are not quoted;
ii. the Performance Rights are not transferrable until they convert to ordinary shares;
iii. the Performance Rights do not confer any right to vote;
iv. the Performance Rights do not confer any right to participate in new issues of securities such as bonus issue or entitlement issues;
v. the Performance Rights do not confer any dividend rights (wither fixed or discretionary);
vi. the Performance Rights do not confer a right to participate in the surplus profit or asset of the Company upon winding up of the Company;
vii. the Performance Rights do not confer a right to a return of capital (whether in a winding up, a reduction of capital or otherwise); and
viii. each Performance Right is converted into one fully paid ordinary share upon approval of shareholders. If Shareholder approval is not given in a general meeting (whether fixed or discretionary)

Purchase Consideration - cash inflow

Net cash inflow as a result of this acquisition was as follows:

	Amount $
Cash Consideration	-
Less:	-
Cash transferred as the result of acquisition	200,000
Net Cash inflow from this acquisition – classified as investing cashflows	**200,000**

Acquisition costs of $9,000 are expensed and classified as operating cashflows.

Note 43. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	2021 %
The Environmental Group Share Plans Pty Limited	Australia	100.00%	100.00%
Environmental Group (Operations) Pty Limited (formerly Environmental Systems Pty Limited)	Australia	100.00%	100.00%
Total Air Pollution Control Pty Limited	Australia	100.00%	100.00%
Mine Assist Mechanical Pty Limited (formerly Moranbah Mechanical Services Pty Limited)	Australia	100.00%	100.00%
Bridge Management Services Pty Limited (formerly Bowen Basin Pipe Services Pty Limited)	Australia	100.00%	100.00%
Baltec IES Pty Limited	Australia	100.00%	100.00%
EGL Waste Pty Limited	Australia	100.00%	100.00%
EGL Water Pty Limited	Australia	100.00%	100.00%
Baltec Australia trading as Total Air Pollution Control Pty Limited	Australia	100.00%	100.00%
Tomlinson Energy Service Pty Limited	Australia	100.00%	100.00%
Active Environmental Services Pty Limited	Australia	100.00%	100.00%
Ignite Services Pty Limited	Australia	100.00%	-

The Group sold 100% of its interest in shares of PT. Baltec Exhaust and Dan Inlet System Indonesia ("PT Baltec") on 17 December 2020.

The consideration is $250,000 receivable over 5 years, with equal annual instalments of $50,000 starting from April 2021. The value has been discounted to $116,020.45 in the financial statements using a discount rate of 15.5%.

Note 44. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 45. Reconciliation of profit after income tax to net cash provided by operating activities

	Consolidated	
	2022 $	2021 $
Profit after income tax (expense)/benefit for the year	1,553,664	1,711,056
Adjustments for:		
Depreciation and amortisation	1,383,124	1,290,610
Share-based payments expense	244,878	-
Foreign exchange differences	270,383	138,829
Loss of disposal of subsidiary	-	7,739
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,259,043)	948,523
Increase in contract assets	(4,349,299)	(1,560,270)
Decrease/(increase) in inventories	(85,672)	440
Increase in deferred tax assets	(109,986)	(252,542)
Decrease/(increase) in prepayments	(300,089)	138,345
(Decrease)/increase in trade and other payables	2,233,425	(1,656,889)
Increase/(decrease) in deferred tax liabilities	319,667	(85,800)
Increase in other provisions	283,487	170,808
Other - OCI allocation to operating accounts	-	2,017
Net cash provided by operating activities	**184,539**	**852,866**

Note 46. **Earnings per share**

	Consolidated	
	2022 $	2021 $
Profit after income tax	1,553,664	1,711,056
Non-controlling interest	-	(135,320)
Profit after income tax attributable to the owners of The Environmental Group Limited	**1,553,664**	**1,575,736**

	Cents	Cents
Basic earnings per share	0.53	0.61
Diluted earnings per share	0.52	0.61

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	295,809,659	258,053,158
Adjustments for calculation of diluted earnings per share:		
Outstanding Performance Rights	790,055	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	296,599,714	258,053,158

Note 47. Share-based payments

A performance rights plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the Company to certain key management personnel of the Group. The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of performance rights granted under the plan:

2022	Performance year-end	Exercise price	Balance at start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date							
09/02/2021	30/06/2023	$0.03	4,333,333	-	-	-	4,333,333
09/02/2021	30/06/2023	$0.03	2,166,667	-	-	-	2,166,667
09/02/2021	30/06/2024	$0.03	4,333,333	-	-	-	4,333,333
09/02/2021	30/06/2024	$0.03	2,166,667	-	-	-	2,166,667
23/09/2021	30/06/2022	$0.14	-	357,142	-	-	357,142
11/03/2022	30/06/2022	$0.27	-	173,962	-	-	173,962
11/03/2022	01/01/2023	$0.27	-	347,922	-	-	347,922
11/03/2022	01/01/2024	$0.27	-	347,922	-	-	347,922
			13,000,000	**1,226,948**	**-**	**-**	**14,226,948**
Weighted average exercise price			$0.03	$0.23	$0.00	$0.00	$0.05

2021	Performance year-end	Exercise price	Balance at start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date							
09/02/2021	30/06/2023	$0.03	-	4,333,333	-	-	4,333,333
09/02/2021	30/06/2023	$0.03	-	2,166,667	-	-	2,166,667
09/02/2021	30/06/2024	$0.03	-	4,333,333	-	-	4,333,333
09/02/2021	30/06/2024	$0.03	-	2,166,667	-	-	2,166,667
			-	**13,000,000**	**-**	**-**	**13,000,000**
Weighted average exercise price			$0.00	$0.03	$0.00	$0.00	$0.03

In each of FY2022, FY23 and FY2024, the company's actual EBITDA will be measured against Target EBITDA for that year, and the maximum share allocation will be made if the Company achieves or exceeds 100% of that target. If less than 100% is achieved, then the share allocation will be reduced by a like proportion, down to a minimum of 70%. If the Company's actual EBITDA is less than 70% of the target EBITDA, then no shares will be issued.

Directors’ Declaration

For the year ending 30 June 2022

In the Directors’ opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group’s financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the Directors

Ms Lynn Richardson
Chairman

24 August 2022

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT
To the Members of The Environmental Group Limited

Opinion

We have audited the financial report of The Environmental Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is 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 2022 and of its financial performance for the year then ended; 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 are independent of the Group 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 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.

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

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 period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RSM

Key Audit Matters (Continued.)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of Goodwill
Refer to Note 19 in the financial statements</td></tr>
<tr><td>At 30 June 2022, The Group had goodwill with a carrying value of $15,070,216, which represents approximately 33% of the Group's total assets.

As required under AASB 136, management have tested goodwill for impairment. As goodwill does not generate cashflows that are largely independent from other assets, its recoverable amount was determined by calculating the recoverable amount of the cash generating unit ("CGU") to which it belongs. This recoverable amount was then compared to the CGU's carrying amount. In this instance, the recoverable amount was determined to be its value in use.

We determined the impairment review of goodwill to be a Key Audit Matter because of the materiality of the Goodwill balance, and because of the significant management judgments and assumptions used to determine the value in use of the CGU which contains it. Namely, the calculation of the recoverable amount of the CGU involves judgements about the future underlying cashflows of the CGU, estimated growth rates for the CGU for the next 5 years as well as in perpetuity, and judgments of an appropriate discount rate to apply to the estimated cashflows.</td><td>Our audit procedures included:
• Assessing the reasonableness of management's determination that the goodwill should be allocated to five CGUs based on the nature of the Group's business;
• Assessing the valuation methodology used to determine the recoverable amount;
• Challenging the reasonableness of key assumptions, including the following:
    o Cash flow projections;
    o Future growth rates;
    o Discount rates;
    o Terminal value;
• Performing sensitivity analysis over the key assumptions used in the models;
• Checking the mathematical accuracy of the cashflow model and reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of the evidence (such as budgets); and
• Assessing the appropriateness and accuracy of the disclosures included in the financial report.</td></tr>
<tr><td colspan="2">Revenue recognition
Refer to Note 5 in the financial statements</td></tr>
<tr><td>Revenue for the year ended 30 June 2022 was $57,065,291. The primary revenue streams are:
• Engineering and Fabrication Solutions
• Provision of services
• Sales of parts

Revenue is considered to be a Key Audit Matter because of:
• the identification of performance obligations,
• the method of recognition of revenue (over time or at a point in time); and
• revenue is generated from varying income sources, with different recognition patterns requiring significant management estimates.</td><td>Our audit procedures included:
• Assessing whether the Group’s revenue recognition policies are in compliance with AASB 15 Revenue from Contracts with Customers;
• Evaluating the operating effectiveness of management’s controls related to revenue recognition;
• For a sample of revenue transactions, substantiating transactions by agreeing to supporting documentation, including customer contracts and ensuring they are accounted for in line with the revenue recognition policy;
• Assessing revenue transactions before and after year-end to ensure that revenue is recognised in the correct period; and
• Performing substantive analytical review procedures on the different revenue streams.</td></tr>
</table>

Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
Accounting for Business Combination Refer to Note 42 in the financial statements	
On 16 April 2022 EGL acquired 100% of the ordinary shares of Ignite Pty Limited for the total consideration of $2,709,574, including cash paid $1,659,574, 3,578,949 shares of EGL issued with the deemed value of $850,000, and deferred payment of $200,000 to be paid after 12 months service. This is considered a Key Audit Matter as accounting for such a transaction is complex and involves significant judgement in applying the accounting standards. This includes valuation of consideration paid and payable, including contingent consideration, as well as the measurement and recognition of intangible assets. Apart from the accounting treatment of the consideration and assets recognised, there is also a risk that sufficient and accurate disclosures are not made in accordance with the accounting standards.	Our audit procedures included: • Assessing the purchase agreements and other associated documents and ensuring that the transactions had been accounted for in accordance with the accounting standards; • Assessing the initial consideration to the signed purchase agreement; • Reviewing management's estimates in relation to the purchase price allocation, including measurement and recognition of intangible assets, and the resulting goodwill; and • Reviewing the disclosures made in the financial statements is in accordance with the accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, 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 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 on 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company 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.

RSM

Responsibilities of the Directors for the Financial Report (Continued)

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 this 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: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of The Environmental Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Dated: 24 August 2022
Melbourne, Victoria

Shareholder Information

For the year ending 30 June 2022

The shareholder information set out below was **applicable as at 10 August 2022.**

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares % of total		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	1,278	0.11	-	-
1,001 to 5,000	572	0.51	-	-
5,001 to 10,000	280	0.71	-	-
10,001 to 100,000	701	8.51	-	-
100,001 and over	246	90.16	8	100%
	3,077	**100.00**	**8**	**100%**
Holding less than a marketable parcel	**1,512**	**0.23**	**-**	**-**

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities as at 10 August 2022 are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia	33,852,750	10.84
Mrs Denise Morgan Richardson	26,500,000	8.49
Mr Ellis Richardson	26,500,000	8.49
Jalie 2 Pty Ltd	13,670,580	4.38
Ace Property Holdings Pty Ltd	11,200,000	3.59
Carrier International Pty	8,831,419	2.83
Mirrabooka Investments Limited	8,571,428	2.75
Mr Paul Walter Gaskett	6,835,290	2.19
Cea SMSF Pty Ltd	6,389,724	2.05
Baltec Inlet & Exhaust Systems	6,189,059	1.98
Cannington Corporation Pty Ltd	6,064,283	1.94
Doldory Pty Ltd	5,022,182	1.61
Build Assist NSW Pty Ltd	4,149,354	1.33
CS Third Nominees Pty Limited	3,759,450	1.20

	Ordinary shares	
	Number held	% of total shares issued
Richmarsh Investments Pty	3,750,001	1.20
Baltec Inlet & Exhaust Systems	3,727,773	1.19
Certane Ct Pty Ltd	3,500,000	1.12
Mr Alexander James Hill	3,261,284	1.04
Sailors Of Samui Pty Ltd	3,005,800	0.96
Citicorp Nominees Pty Limited	2,942,280	0.94
	187,722,657	**60.12**

Options over ordinary shares

There are no options over ordinary shares.

Substantial Shareholders:	**As at 10 August 2021**	**%**
Substantial shareholders of ordinary shares in the Company are set out below:		
J P Morgan Nominees Australia	33,707,472	10.80%
Mr Ellis Richardson	26,500,000	8.49%
Mrs Denise Richardson	26,500,000	8.49%

Voting rights

The voting rights attached to ordinary shares are set out below options do not carry a right to vote.

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Corporate Directory

Directors	**Ms Lynn Richardson** Chairman *(Non-Executive)* **Mr Adrian Siah** *(Independent Non-Executive)* **Mr Vincent D'Rozario** *(Independent Non-Executive)* **Mr Graeme Nayler** *(Independent Non-Executive)*
Company Secretary	Mr Andrew Bush Mr Stephen Strubel (Teralba Nominees Trust) resigned 5 April 2022
Notice of annual general meeting	The details of the annual general meeting of The Environmental Group Limited are: Quest Notting Hill* 10 Ferntree Place Notting Hill Victoria 3168 11.00 AM EST 24 November 2022 *subject to COVID-19 restrictions, an alternate virtual meeting will be held if required
Registered office	Level 1, Suite 1, 10 Ferntree Place, Notting Hill, Victoria 3168 Telephone: (03) 9763 6711
Share register	Boardroom Pty Ltd Level 12, 225 George Street Sydney, NSW 2000 Telephone: (02) 9290 9600
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne VIC 3000
Solicitors	Baker Jones Level 10, 160 Queen Street Melbourne VIC 3000
Bankers	Westpac Banking Corporation
Stock exchange listing	The Environmental Group Limited shares are listed on the Australian Securities Exchange (ASX code: EGL)
Website	www.environmental.com.au
Corporate Governance Statement	https://www.environmental.com.au/about-egl/corporate-governance

EGL
The Environmental Group Limited

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