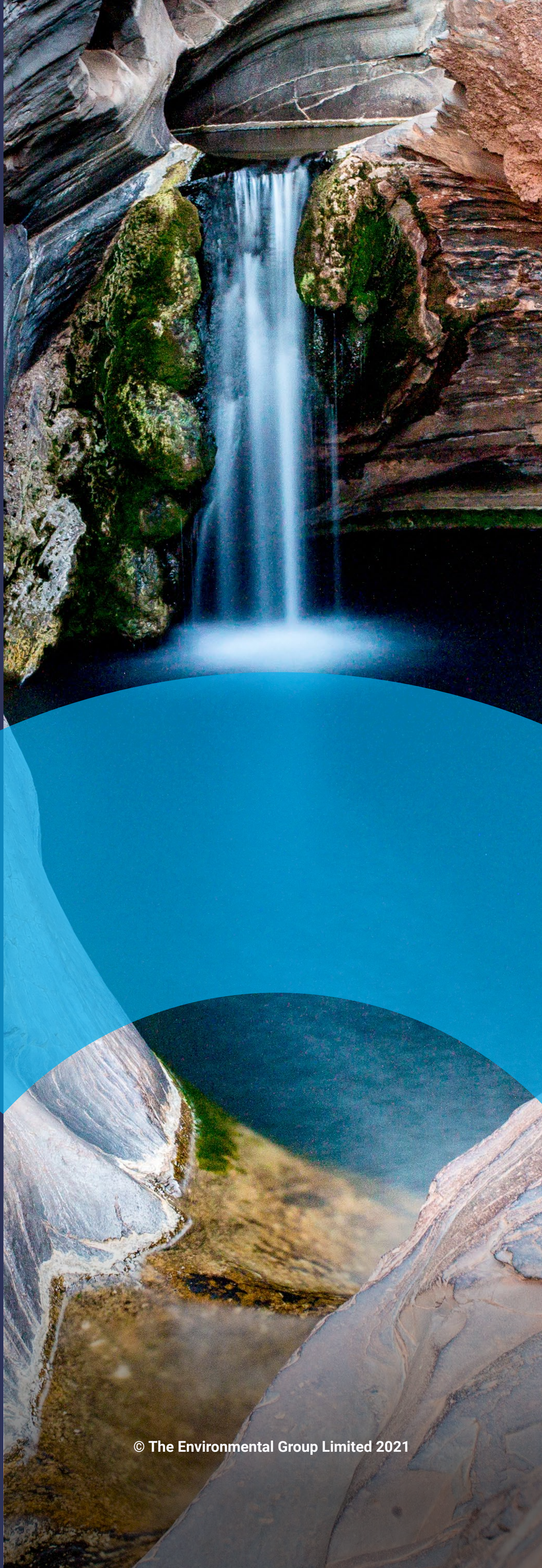
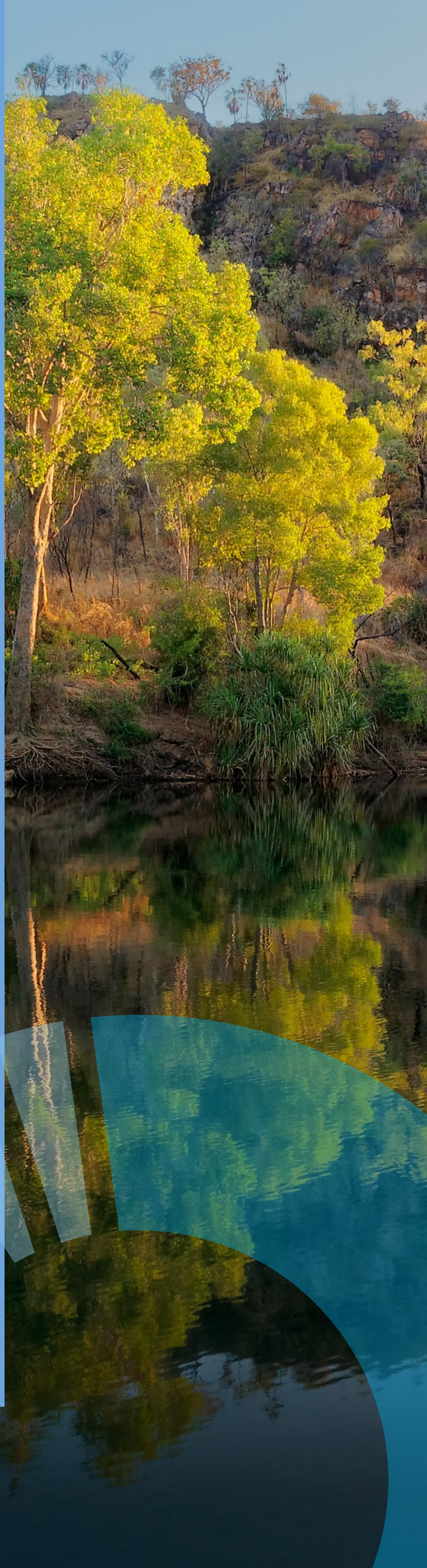
EGL
The Environmental Group Limited

Annual Report 2021



Our Mission

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



Contents

The Environmental Group Limited (EGL) 2020-2021 Annual Report covers the operations of The Environmental Group for the financial year ended 30 June 2021. 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.

Chairman's Report

I am inspired by the dedication and resilience of all our teams as they navigated the challenges of COVID-19 and the last 12 months. The strengths and experience we have woven into the board and senior leadership team, as well as the extensive knowledge, skills and networks, provide a solid foundation and exciting opportunities for EGL into the future.

Lynn Richardson
Chairman

Dear Shareholders,

On behalf of the board, I am pleased to present the FY21 annual report for The Environmental Group Limited. Throughout a challenging year globally the EGL team have remained focused and enthusiastic, delivering intelligent solutions for both our customers and the environment. The uncertainty caused by ongoing lockdowns impacted FY21 results, particularly in the first half of the financial year, as projects where delayed and access to sites limited. Results strengthened in the second half of the financial year as conditions improved once stability returned. I wish to thank each member of our team along with our customers, bank and suppliers for their dedication and support throughout the year. The value provided by EGL has been rewarded in FY21 with improved results in what continues to be very challenging times.

Revenue increased to $46.5 million, an improvement of over $9 million on the previous year's results, and provided an EBITDA for the group of just over $3 million. Profit after tax of $1.7 million in FY21 is an increase of 230% on FY20. Pleasingly this rebound was a result of strong performance across the group, predominantly in the second half of the financial year. Each area of operations delivered a positive return in EBIT for FY21, Tomlinson Energy Service at $1.7 million, Baltec IES at $1.1 million and TAPC returning $0.8 million, before corporate costs. Further refinement of the new EGL Water technology and the development of a robust delivery platform has provided an end-to-end solution now in place for commercial trials. Subject to positive results on commercial sites, returns are expected in FY22. The inception of EGL Waste Services has already presented a positive revenue stream and places EGL at the nexus of developments in providing world class recycling technology to meet the challenges of waste pollution.

Through FY21 the board undertook a strategic review of governance structures and operational activities to leverage the emerging opportunities provided by a growing focus on environmental sustainability and to move EGL into the next stage of growth. This has included a renewed focus on safety for our teams, customers and the community. To provide greater balance to revenue streams' service-based business, provision of parts and spares along with revenue generating agency agreements have been actively pursued and achieved. The opportunity to move into new markets through synergistic acquisition resulted in the purchase of Active Environmental Solutions (AES) in February 2021. An integral component of this acquisition was the agency agreement with Turmec Pty Ltd (Turmec), which along with the benefit the AES executive team bring to EGL, provide an integrated suite of products and services EGL can offer to its clients across the waste reclamation sector.

Subsequent to the AES acquisition, the board was pleased to announce the appointment of Mr Jason Dixon as EGL Chief Executive Officer. Jason is an experienced senior executive with a track record in mergers and acquisitions and has been appointed specifically to drive the board strategy for growth. Jason has an extensive network within the investor market which has provided opportunity to further strengthen the EGL shareholder base and increase liquidity. In the time since his appointment Jason has already played a critical role in moving EGL forward, demonstrating clear leadership and supporting positive culture throughout the organisation. Jason brings proven skill in risk management and strategy development providing the ability to capitalise on the solid potential in the business that has been established over recent years.

Jason's strong values, commitment to developing his team and ability to drive sustainable growth will provide EGL with the leadership required for the next stage of development.

The board were also pleased to welcome Mr Paul Gaskett to the EGL senior leadership team in March 2021. Paul has the knowledge and demonstrated ability to consolidate and invigorate the sales and marketing process across the company, driving increasing synergies and our "One EGL" mindset. Spearheading the move into the waste sector, Paul has identified significant opportunities for each EGL business to provide solutions across water treatment, energy generation, odour control and the management of particulates, in addition to the agency agreement with Turmec which provides world class solutions to Australia's waste and recycling challenges. The Turmec agreement consolidates EGL's dedication to protecting the environment through improved waste management and increased recycling opportunities, reduced landfill and maintained value in the waste stream. Jason and Paul bring a reinvigorated energy to the EGL leadership team, complimenting a refreshed governance structure lead by the appointment of three independent board members in FY21.

The appointment of Mr Adrian Siah in September 2020 as an independent Non-executive Director was the first step in a deliberate restructure towards an independent Board. Adrian has a strong financial management background and serves as Chair of the Audit and Risk Committee. His broad connections in the investment community bring value as we continue to expand EGL into new markets. In March 2021 we also welcomed Mr Graeme Nayler and Mr Vince D'Rozario to the Board as Independent Non-executive Directors.

Graeme brings extensive knowledge in strategy development, safety management and enterprise risk in addition to strong board experience and will provide solid governance support as the group continues to grow. Vince holds an executive leadership and board position with CHC and provides engineering strength to the board along with extensive experience in project delivery, strategy development and a humanistic focus to leadership, sales and marketing. I would like to thank Mr Dean Dowie and Mr Ellis Richardson, who both resigned in FY21, for their time with EGL and the dedication they demonstrated to the company particularly through the uncertainties of the COVID-19 pandemic. Whilst it is challenging to lose experienced board members, I am delighted with the combination of strengths and experience we have woven into the board and senior leadership team over the last 12 months. The aggregation of knowledge, skills and networks will provide a solid foundation and exciting opportunities for EGL into the future.

As we look to FY22 the impact of COVID-19 continues to provide a level of uncertainty across our industries, however the positive results in the second half of FY21 foreshadow the latent demand that can be leveraged as markets stabilise. Projections for FY22 include over $10 million in contracts already secured for Baltec IES, $7 million in forward work for TAPC in addition to stage two of the Hastings project, which is anticipated to commence in the second half of FY22, and a strong pipeline in TES. Returns from EGL Waste Services and EGL Water will further strengthen results.

Boiler equipped with integral economiser optimising efficiency installed by TES WA team

As Australia and adjacent markets look to increase regulations around emissions and protection of the environment, the demand for EGL's world-class solutions continues to grow. Pursuing a future-focused strategic direction, EGL continues to build strength and synergies across our areas of operation, developing world-class, value-led solutions engineered to meet the evolving environment. It's with great optimism that I look forward to FY22 and EGL's continued growth and take this opportunity to thank my fellow directors and you, our shareholders, for your ongoing support.

Lynn Richardson
Chairman

CEO Report

The most gratifying part of my early journey has been to see the pool of talent, the passion and commitment of the team. Our employees are integral to our ongoing success, and we would like to acknowledge and thank them for their efforts over the course of the last year.

Jason Dixon
EGL CEO

Dear Shareholders,

I am pleased to provide you with my first report as Chief Executive Officer of EGL. Commencing in the middle of a pandemic has presented its challenges, but like all of us we have learnt to live with the way we currently go about our business. The staff of EGL have welcomed me to the organisation and have gone out of their way to build relationships and provide support in any way they can. The most gratifying part of my early journey has been to see the pool of talent, the passion and commitment of the team, even under the duress of several lock downs especially for those in the Melbourne Head Office.

Our employees are integral to our ongoing success, and we would like to acknowledge and thank them for their efforts over the course of the last year. As we get to spend more time back in our work sites around the nation, we look forward to harnessing that talent and building capability across our workforce. We also welcome Mr Paul Gaskett to the senior management team as National Sales Marketing Manager. Paul brings a sales and operational focus to the team that has already had an impact on the company since joining in March 2021.

Safety is a very important part of the culture of an organisation and has been embedded as a KPI for every employee, highlighting its priority throughout the group. I am pleased to say we had no lost time injuries for the year.

EGL through its operating divisions provides engineering services into a diverse range of clients across many industries. As with many industries, COVID-19 has had an impact on the operating environment across the EGL Group, however we continued to evolve to meet the challenges presented resulting in improved performance in the second half of the financial year with EBITDA up 10.9% half on half.

Strategically the work we undertake to improve emission controls and facility efficiency, removing pollutants safely and effectively from the environment, has meant that although some projects were delayed the essential nature of these works means that the work must still be completed. The safety of our teams and customers continues to be a priority, ensuring we keep staff safe while remaining effective in their roles. Our teams have all responded with great flexibility and professionalism to allow EGL to continue to deliver its products and services effectively.

This has resulted in financial performance improving throughout the year despite the global challenges. EGL's revenue increased by 24% to $46,562,933 for the year (FY20 $37,425,748). EBITDA improved significantly up to $3,266,994 from a prior year negative EBTDA of $128,116 and EBIT up to $1,976,384 before significant items (restructuring cost $78,088 and FX losses $138,829). The profit for the Group after providing for income tax and non-controlling interest amounted to $1,575,736 (30 June 2020: loss of $1,315,675).

Baltec IES performed well during this period with approximately 80% of its work performed offshore. Baltec IES continued to develop effective strategies for the delivery of its products into international markets during the pandemic. Sales were strong at $19,169,377 and EBIT of $1,093,399 compared to a negative EBIT of $326,111 last year. Gross Margin was 17.7% with a real focus on continuing to improve margin into the future. Our engineering team continued to focus on product improvement, standardisation of processes and reducing fabrication weights. The gas turbine market will continue to support the renewable-energy sector in peak load energy provision requiring our engineering to adapt to more cycles (heating and cooling) where Baltec IES has proven to be a world leader adopting to the change.

For personal use only

The order book for FY22 as at 30 June 2021 was $10,697,000 providing a strong platform for another year of good performance.

TAPC completed a very strong year with a rise in EBIT to $857,560 a 196% increase on last years results, despite on a reduced revenue of $4,558,282. The focus on diversification of revenue and targeting of higher value customers resulted in an EBIT margin of 18.8%. TAPC focused on its broad client base to provide higher levels of spare parts sales and service to generate a more stable and regular earning base from which to grow. The sales of new engineered equipment were strong with a focus on regular sale of our products as well as the one-off larger projects. This has led to TAPC building an earnings profile with a greater focus on recurring revenue, providing greater certainty around earnings for EGL. TAPC has unique skill sets that can be applied to many different industries to minimise emissions to the environment. Longer term these emission limits are expected to get tighter. TAPC is ideally placed to respond to these challenges through its engineering capabilities to deliver tailored solutions for our clients.

As announced on 23 July 2021 TAPC was awarded the FLSmidth Pty Ltd contract for the provision of emissions control systems into the Lithium refinery in Kwinana, Western Australia with a contract value of $5,231,560. This adds to an already strong order book of $2,600,000 in place at 30 June 2021 and indicates that TAPC is well placed to have a further improved FY22. TAPC will be supported in this growth by the EGL projects management team to ensure continued delivery of quality products and services into its customer base.

Tomlinson Energy Service had a tough first half as a number of its services are provided into clients that were impacted by the pandemic. As businesses began to adapt to the COVID-19 environment, In the second half of the financial year, results improved significantly. Tomlinson continued to provide exceptional customer experiences across Australia through the tough times and are now being rewarded for their efforts. This includes a significant lift in new boiler sales in the last quarter of the financial year. Tomlinson Energy Service delivered revenue of $22,393,828 up by 8.5% and EBIT of $1,735,117 up by 55.1%. Tomlinson continues to smooth the lumpier earnings of Baltec IES's projects-based business and will provide a backbone of strong cash flow to grow the organic opportunities EGL has developed.

Tomlinson Energy Service is developing a position in the circular economy as clients seek responsible energy solutions such as biomass boilers to generate steam from waste products. While this market is relatively immature in Australia, Tomlinson is one of Australia's most trusted providers of heat exchange products and is well positioned to respond to its clients drive to utilise waste or by products as a source of energy into the future.

A substantial amount of work has been put into EGL Water during the year taking a new technology from pilot trials through to the development of an end-to-end solution for full commercial trials. EGL Water have achieved excellent test results from the new process. Additional patent protection has been applied for to include a breakthrough in the removal of PFAS from liquids and leachate. The final stages of the engineering development for the trial plant have been completed and the trial design is in place to capture all relevant data. This unique technology was developed and created as a direct benefit of the research partnership between Victoria University and EGL over the course of the last 2 years.

The technology is now ready for commercialisation with trials due to commence in September 2021 subject to EPA final approval. Working in parallel, discussions have been had with potential clients about the technology with commercial discussions able to get immediately underway if the trial is successful. This is an exciting time for EGL with significant interest shown in the technology to date. EGL will continue to work on the removal of PFAS from soil as a second potential product line with trials continuing with Victoria University. The results from the PFAS contaminated soils test look promising currently.

Through the acquisition of Active Environmental Solutions (AES), EGL signed an agency agreement in February 2021 with Turmec Pty Ltd ("Turmec") to be their agent in Australia. Turmec are specialists in recycling solutions for the global waste industry recovering high quality material from waste, reducing the need for landfills and accelerating the move to a circular economy. The agency agreement provides for a retainer to promote and raise brand awareness, success-based commissions for sales in Australia and a cost-plus pricing model for all engineering, maintenance and services provided in Australia.

This has given EGL the ability not only to market the world class engineering of Turmec recycling solutions to waste companies but to also introduce EGL Water as a potential to remove PFAS from problematic liquid waste streams and leachate, as well as the services that TAPC can provide at these waste facilities for the treatment of odour and the removal of airborne particulate matter from the processing plants.

The financial position of the group has been strengthened by a successful capital raising of $1,086,094 that was completed in the first half of the financial year. The commendable result for the year in difficult times is a credit to our staff. I look forward to a stronger year in FY22, with all divisions forecasting improved earnings subject to the unknown impact of COVID-19. At this stage we expect EBITDA to increase by over 15% year-on-year. We would like to thank our customers and shareholders for their continued support throughout the financial year.

Jason Dixon
EGL CEO

Pressure Oxidation Autoclaves and Venturi, Turkey

Year in Review

Throughout a challenging year the EGL team continued to provide world-class products, service and engineering solutions for our customers, resulting in improved performance across the group.

$46.6M
Total Revenue up
$9.1M on FY20

24.4%
Increase in
Revenue on FY20

$3.1M
EBITDA – after significant
items of $217K up from
a loss of $128k FY20

$1.8M
EBIT – after significant
items up from a loss
of $1,829K FY20

$1.7M
NPAT – after significant
items up 230%

$0.6M
Improved balance sheet
with debt repaid of $600K

270%
Increase in the share
price as at 30 June 2021

$1.5M
Reduction in
total liabilities

Zero
Loss time injuries

Environmental Focus and Operational Overview

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

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.

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

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.

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 has strengthened its collective and innovative capacity over the past 12 months. As we reinforce our global position as market leaders, our recent restructure across our enterprises smoothly connects our employees and assists with cross-collaboration, continuing to create a unified EGL culture.

Total Air Pollution Control (TAPC) and **Tomlinson Energy Service (TES)** now share modern, energy-efficient offices in Sydney. This effective coworking space strengthens opportunities for our project management team and expert engineers, harnessing knowledge, and an innovative, collaborative mindset.

Accelerating synergies between the two divisions supports stronger business outcomes and design originality, expertly facilitating standard products and services and tailoring solutions to meet unique needs and tightening environmental standards.

Aldo Giachero
TAPC Business
Unit Manager

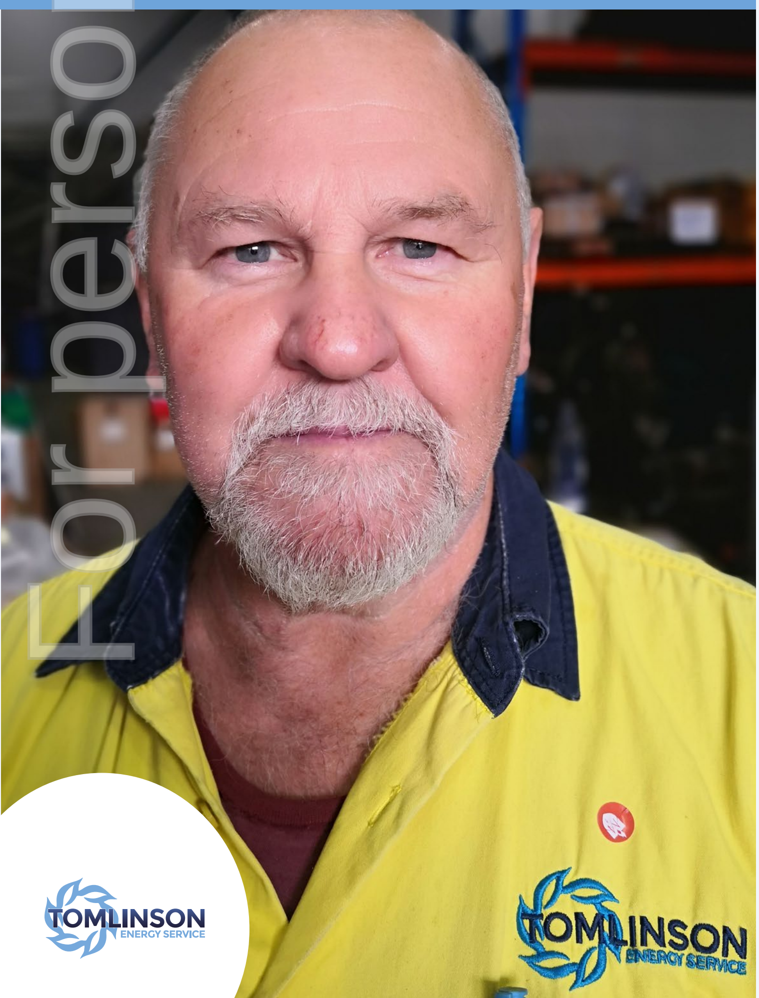
I joined TAPC/EGL in late 2019, with an international career focussed on environmental technologies for the industry. It is a great time to be part of EGL: committed to its core values and to a better environment the Group is undeniably heading for strong growth, expanding into new markets and providing a wide range of career development opportunities for all its employees. As manager of one of the group's business units, I am excited to have the opportunity to play a key role in driving EGL's growth.

New TAPC contracts highlight strong sales for the coming year, and include a $5.2 million project with FLSmidth Pty Ltd, secured in the first month of FY22. This project blends the design and supply of a lithium refinery emissions control system in Kwinana, Western Australia, incorporating state-of-the-art gas scrubbers designed by the TAPC engineering team. The gas scrubbers treat off-gases generated by the acid roast kiln and minimise the environmental impact of the plant. This project is scheduled for delivery toward the end of FY22.

TAPC completed Stage One (design phase - $4 million) of the collaboration with Hastings Technology Metals Ltd (Hastings) in FY21 (October 2020) and awaits the Stage Two (supply phase) to go ahead when all project approvals are received.

Beginning in FY20 and consolidated through FY21, TAPC continues its dedicated focus on increasing the order intake in the service, parts and smaller scale project areas. With this approach, coupled with large scale projects, TAPC is developing a steady and recurring earnings profile, also cementing its leading position in the market as provider of air pollution control technologies.

TAPC Bag Filter Service: Visolite Leak Detection Test, Pt Kembla, NSW



Darryl Burnes Service technician NSW

Tomlinson Energy Service (TES) offices across Australia provide 24/7 service, maintenance and repairs of both proprietary equipment and other OEM equipment, creating ideal revenue and cash flow for TES. From large public hospitals to small nursing homes, large mineral processors to the smallest plating works, TES employ customer-centric people and highly skilled technicians with expert servicing experience.
They ensure that environmental standards are maintained through increased energy efficiency and emissions control.

Despite revenue downturn in the first half of FY21 due to the operational restrictions resulting from the pandemic, we are delighted that June 2021 saw the highest invoicing period for TES since 2014, continuing strength in revenues and steady cashflow to support the Group more broadly.
Every branch across all five Australian states now consistently and positively contributes to the financial position of the division.

TES secured a new contract in partnership with Atlas Copco supplying six containerised duel-fuel boilers that will provide a total 1MW (1600kg/hr) of steam. These are currently in production and due to be rolled out in October 2021.

This year saw TES solidify our partnership with Bosch, becoming the exclusive agent for its industrial steam and hot water boilers in Australia.

Sales opportunities for our TES SDGL Water-tube Boiler, the most efficient water-tube boiler available in the Australian market, is substantial. Since the first order was placed in June 2020, TES has continued to expand the product range, and increased marketing within Australia and globally. In the second half of FY21 sales for the water-tube were $1.4 million and forward sales of $5.0 million.

Julie Howard
NSW Service Coordinator

This challenging role gives me the opportunity to use my problem solving and communication skills on a daily basis. Over the years I have enjoyed being able to develop strong working relationships with many of our long-term customers. I have enjoyed being part of a national team and having good working relationships with colleagues all over Australia.

The TES website has been redeveloped and launched during FY21, enhancing sales and the excellent TES brand identity and reputation.

To build a business focussed on improving environmental outcomes across industry, an essential link in EGL's strategy is pooling innovation and the technical competencies within our team. The biowaste-to-energy market has been slow to take off in Australia, though it is well established in Europe and is a growth market internationally. Customers can significantly reduce waste going to landfill and instead convert it to energy that can power their operations at reduced cost. TES is well placed to lead the development of this circular economy market domestically and EGL's strategic focus on research and development (R&D) is part of this. EGL is working with state-of-the-art biowaste-to-energy technology partners, developing expertise within TES in collaboration with TAPC and Baltec IES.

12 MW Biomass Heating High Temperature Hot Water Boiler, Dongwha NSW

Maria Araque, Binh Vu and Mohamed Abdulrahman on site in Vietnam

EGL engineering expertise coupled with a focus on innovation means we are constantly looking for ways to further improve the efficiencies of our products to better support environmental outcomes. **Baltec IES** design methodology and lifecycle framework focuses on creating a functional and state-of-the-art product and supporting the manufacturing, delivery, erection/commissioning and maintenance. As the gas turbine industry transitions from coal-powered production to renewable energy production – notably wind and solar power - Baltec IES products maximise the energy efficiency of gas turbines, enabling them to generate more power while consuming less fuel.

Maria Araque
Project Engineer

I started my journey in EGL in early 2018 working first as a sales engineer and then moving into a project engineer position. What I like most about EGL is its culture, great work environment, and its people. EGL is a forward-thinking and supportive company that values employee development and realises they are their greatest asset. The most exciting part about my job is that I am exposed to a wide variety of interesting projects so I get to learn new things every day, and also being able to work with people at all levels in the company to drive change and contributing to the development of the company.

Baltec IES showed strong financial performance, with sales revenue of $19.2 million in FY21 and improved profit margins compared with the previous reporting period, the result of deliberate focus on improving product efficiencies and standardising processes to reduce costs. Despite 80% of our business being international, and the COVID-19 pandemic significantly impacting global economies, forward sales for FY22 are solid at $10.7 million EOFY21. Existing capability in remote/digital working continues to stand us in good stead for conducting business and servicing customers in the online environment.

In September 2020, Baltec IES became a qualified vendor for Mitsubishi Power Japan (Mitsubishi), a significant achievement from a rigorous pre-qualification process which spanned two years. The pre-qualification has resulted in the award of the first gas turbine intake project in December 2020 for Ivanovo in Russia and more intake projects anticipated through 2021 and 2022. The pre-qualification of Baltec with Mitsubishi for intake systems is particularly significant as it considerably expands Baltec IES's position as an intake system supplier in the gas turbine power industry.

Since June 2020, Baltec IES has been participating in a pre-qualification process with Siemens Energy China/Orlando for the supply of standardized exhaust system componentry for heavy duty gas turbines. The pre-qualification process resulted in successfully securing an engineering order in June 2021 with the view of the process continuing to secure the first manufacturing order in late 2021 or early 2022. The opportunity is an exciting development for Baltec IES as it is the entry into a new market for the supplying of pre-engineered gas turbine components directly to the gas turbine OEMs.

Charged Gas Generation Equipment

Turmec Municipal Recovery Plant

EGL Water, in collaboration with research partner Victoria University, has enhanced patented technology designed to protect our environment by the removal of per- and polyfluoroalkyl chemical substances (PFAS) from contaminated water. EGL recognises that one of the world's most valuable assets is water and will persist in our vision to reduce water pollution, leading to an improved environment, through low-cost technology solutions.

For decades, polyfluoroalkyl substances (PFAS) have been used in the manufacture of household and industrial products including waterproof and fire-resistant fabrics, cookware, food packaging and insecticides. They have also been prevalent in firefighting foams due to their heat-resistant properties.

While these foams have been fully banned in two Australian states to date (effective January 2018 in South Australia, July 2019 in Queensland) and progressive, staggered ban in NSW (effective April 2021) their continued use in other regions and in household/industrial products, means a mitigation solution is essential to protect precious water tables.

Following the development of new technology, additional intellectual patent protection was applied for in November 2020 to include the breakthrough removal of PFAS from liquids and leachate. In parallel, work continues on trialling the removal of PFAS from soil, as a second potential product line, with promising soil tests and trials continuing in partnership with Victoria University. In anticipation of successful commercial trial outcomes in the treatment of water, EGL Water have been in discussion with potential clients, who are showing considerable interest in an innovative and cost-effective PFAS treatment solution.

As much as this signifies promising licensing opportunities for EGL, it's a key contributor to our environmental mission, facilitating the protection of one of the world's most precious assets – water – now and for the generations to come.

Paul Gaskett
National Sales and
Marketing Manager

It's been an exciting 5 months since joining the EGL business. I have been very fortunate to have joined such a positive, customer-focused team. The synergies across each of the divisions is enormous and personally I am excited at the opportunity to bring these divisions together as one united EGL, providing a holistic solution to our customers.

EGL Waste Services is proud to be working with **Turmec Pty Limited (Turmec)** for the sale of world leading recycling solutions in Australia.

Tens of millions of tons of waste end up in Australian landfills every year, releasing toxins into the soil and water supply, greenhouse gases into the atmosphere, fumes, dust and litter into surrounding areas. Turmec provide bespoke systems that allow their customers to efficiently recover high-quality material from waste, significantly reducing the need for landfills and accelerating the move to a circular economy.

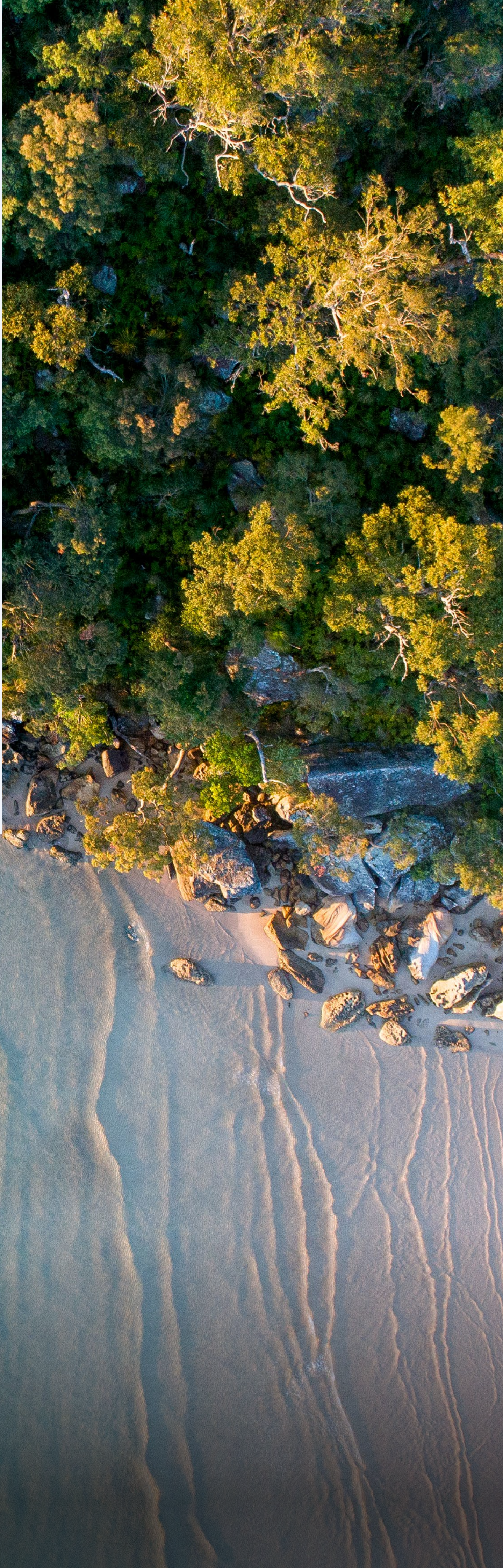
Turmec's systems can offer up to 98% recovery rates for commercial and industrial waste, 50% recovery of metal fines that can become valuable commodities. They can take rubber tyres, clothing, ash, glass, plastic, paper, rubble, furniture and many other materials, and convert them into useable resources, including alternate fuels.

Our Agency Agreement with Turmec provides for a retainer to promote and raise brand awareness, success-based commissions for sales in Australia, and cost-plus a margin for all engineering, maintenance and services provided in Australia.

The 'waste as resource' market has huge potential. The waste-export restrictions imposed by China's National Sword policy of 2017 significantly affected Australia's approach to recyclable-waste management and forced government and business in Australia to look for viable domestic options. Government policy, legislation and investment has started paving the way for a growing domestic circular economy. With Turmec's state-of-the-art technology and innovative engineered solutions, and EGL Waste Services' sales and service expertise, we fully expect this to be a significant and expanding revenue stream for the Group into the future.

Directors' Report

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 2021.



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)

Appointed to the Board on 22 May 2015.
Appointed Non-Executive Chairman 23 November 2017.

Mr Adrian Siah

Director (Non-Executive)

Appointed to the Board 17 September 2020.

Mr Graeme Nayler

Director (Non-Executive)

Appointed to the Board 25 March 2021.

Mr Vincent D' Rozario

Director (Non-Executive)

Appointed to the Board 25 March 2021.

Mr Ellis Richardson

Director (Executive)

Appointed to the Board 29 November 2013.
Resigned 24 April 2021.

Mr Dean Dowie

Director (Non-Executive)

Appointed to the Board 25 May 2017.
Resigned 26 November 2020.

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	6,300,000	-

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021 $	2020 $
Final dividend for year ended 30 June 2019 was 0.06 cents per share	-	130,519

Principal activities

The principal activities during the period ending 30 June 2021 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. During the year the Group also signed an agency agreement with Turmec, an engineering and fabrication company of waste recycling plant and equipment

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

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. The situation is constantly developing and is dependent on measures imposed by the Federal and State Government and other countries, such as vaccine roll out, maintaining social distancing requirements, quarantine and travel restrictions.

On 11 August 2021, the Groups Bank Bill Business Loan of $1,950,000 facility was renewed for a further 13 months with an expiry date of 30 September 2022.

Since the end of FY2021 TAPC was successfully awarded the FLSmidth Pty Ltd contract for the provision of emissions control systems into the Lithium refinery in Kwinana, Western Australia for $5.2M as announced on the 23 of July 2021.

No other matter or circumstance has arisen since 30 June 2021 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.

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 on 22 May 2015.
Appointed Non-Executive Chairman 23 November 2017.

Lynn is a graduate of the Australian Institute of Company Directors. Lynn holds an MBA from the Australian Graduate School of Entrepreneurship along with qualifications in professional accounting and educational research.

Lynn brings a unique blend of business and academic expertise in the entrepreneurial arena. A varied 20-year career is complemented with Lynn's passion for continuous improvement, which defines her approach to business leadership.

Lynn is also a director of Sustain: The Australian Food Network. She has previously held educational and industry board positions, affording her a range of industry contexts to draw from. Prior to her current position as EGL Chairman, Lynn was a member of the Baltec IES executive committee where her significant strategic leadership contributed to the Company's growth.

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

Graeme Nayler
Independant Director

After a challenging year living under the shadow of COVID-19 I continue to be inspired by Jason and the EGL team's dedication and the ability to work innovatively in delivering outcomes. I look forward to this coming years achievements as we grow the top line whilst continuing to focus on the basics.

Mr Adrian Siah

Director (Non-Executive)

Appointed to the Board 17 September 2020.

Adrian 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.

Adrian 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.

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

Interest in shares:	6,300,000
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 recording of driving significant growth and value. Graeme has recently completed his role at 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 was recently appointed to the position of Chief Strategy Officer for a technology start-up, Silentium Defence based in Adelaide to support rapid growth and business building. 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, Graeme was an Executive at Nova Systems and an Officer in the Australian Defence Force for over 15 years.

Graeme brings 30 years' 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. Graeme's experience provides EGL with a solid foundation to support ongoing governance critical for a rapidly growing business.

Graeme 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:	Nil
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

Vincent 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, Vincent 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.

Vincent 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, Vincent brings to EGL a diverse range of international experience in growing companies through strong commercial acumen, strategic and tactical planning.

Vincent 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

Mr Ellis Richardson

Director (Executive)

Appointed to the Board on 29 November 2013
Appointed Interim Managing Director 26 March 2020

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

Interest in shares*:	93,916,832
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

*a further 6,000,000 shares were disposed on 30 July 2021

Mr Dean Dowie

Director (Non–Executive)

Appointed to the Board: 25 May 2017;
Managing Director from 1 July 2019 to 26 March 2020;
Resigned 26 November 2020.

Dean has more than 15 years international experience driving growth across numerous market sectors in the Environmental, Water and Energy markets. Dean recently returned to Australia after working in Senior Executive roles based out of London and Paris. Dean has previously held the position of Chief Operating Officer with one of the world's largest Environmental management companies.

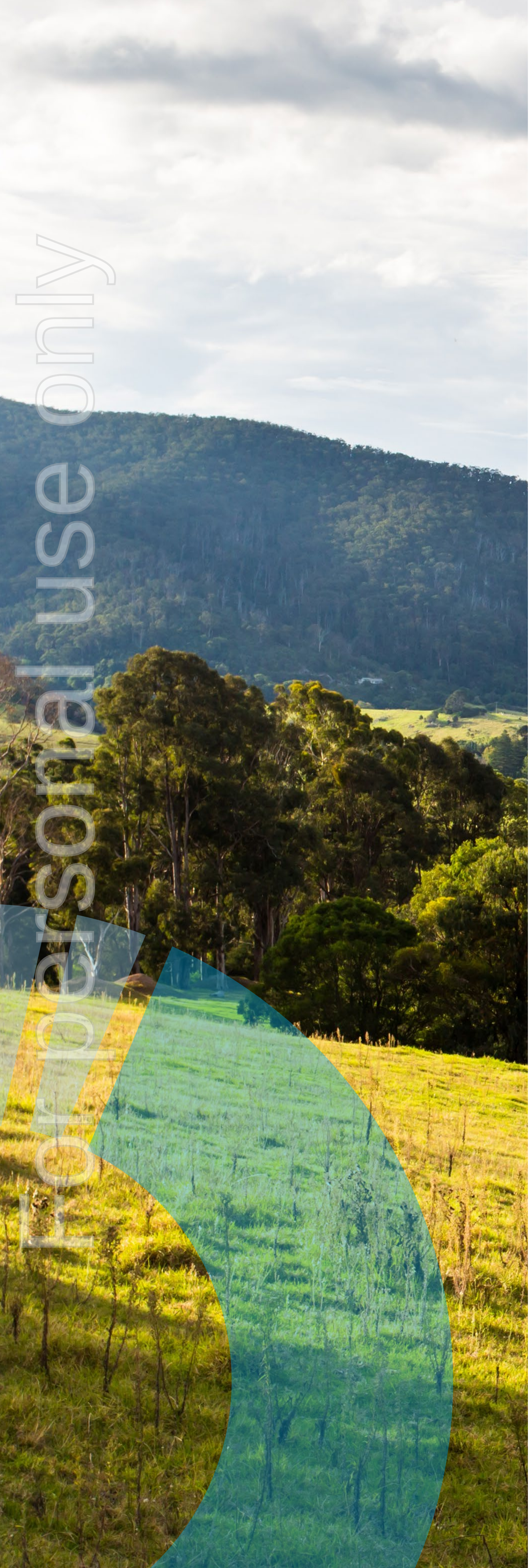
Dean holds an MBA from La Trobe University, has studied Corporate Strategy at Harvard Business School and is a Graduate of the Australian Institute of Company Directors.

Interest in shares:	326,162
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.



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 2021, and the number of meetings attended by each Director were:

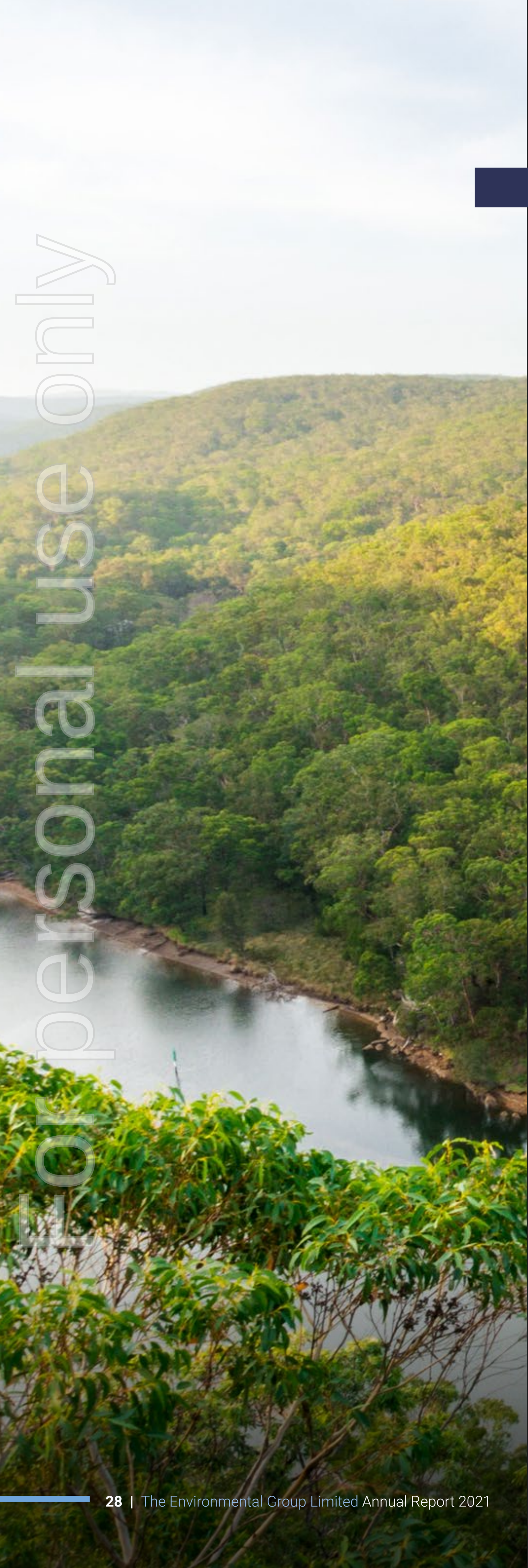
Full Board	Attended	Held
Ms Lynn Richardson	14	14
Mr Dean Dowie	5	5
Mr Ellis Richardson	7	7
Mr Adrian Siah	11	11
Mr Graeme Nayler	4	4
Mr Vincent D'Rozario	4	4

Nomination & Remuneration Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Dean Dowie	1	1
Mr Ellis Richardson	1	1
Mr Adrian Siah	1	1
Mr Graeme Nayler	-	-
Mr Vincent D'Rozario	-	-

Audit & Risk Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Dean Dowie	1	1
Mr Ellis Richardson	1	1
Mr Adrian Siah	1	1
Mr Graeme Nayler	-	-
Mr Vincent D'Rozario	-	-

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

June 2021 board meeting was held 29 July 2021.



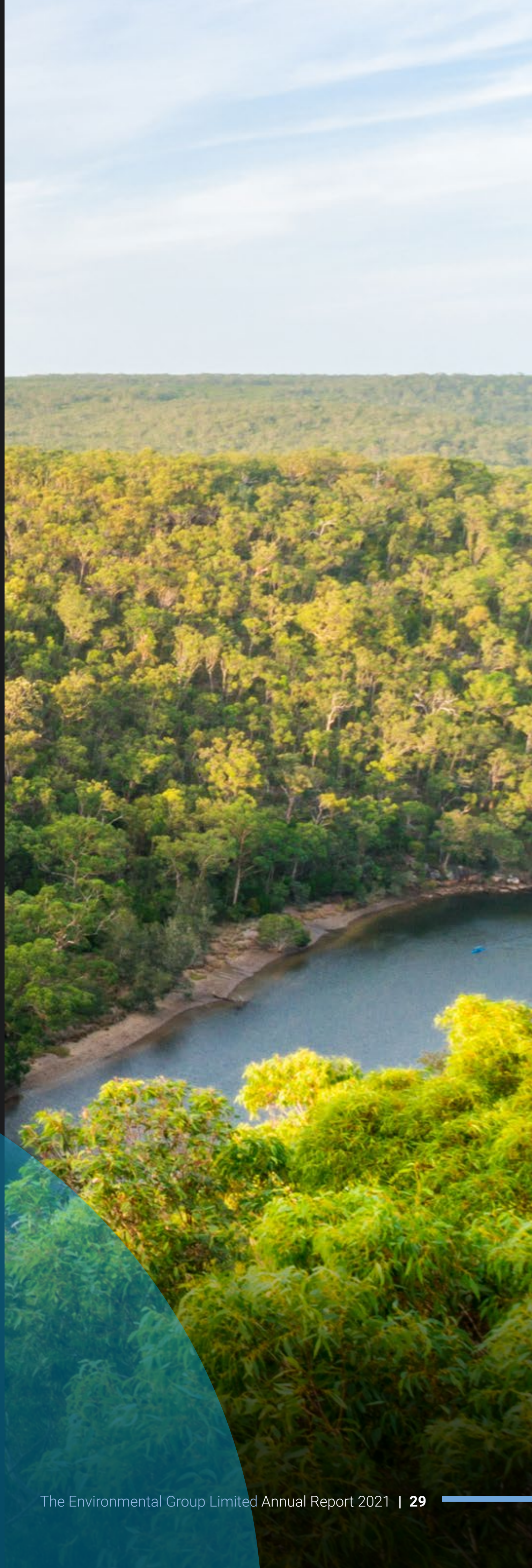
Corporate Governance Statement

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

Vincent A. D'Rozario
Independant Director

The passion and focus of the EGL team is undeniable. While the business landscape continues to change due to global events, the team have proven to be resilient and up to the challenges of today's business environment. I have been impressed with the focus on safety and wellbeing in the group. I am very confident that the "One EGL" mantra will see even greater stakeholder returns in the coming year.



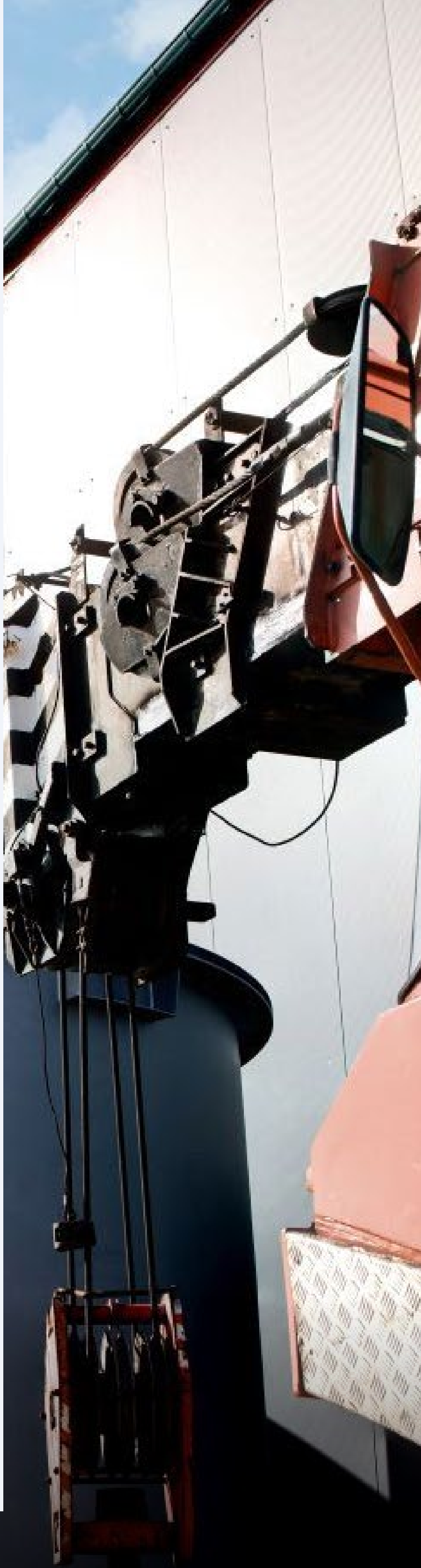
Renumeration Report
(Audited)

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 and the National Sales and Marketing Manager of the Group.

Adrian Siah
Independant Director

It is an understatement to draw from the saying that we are living in interesting times. However, despite the many ongoing challenges both from our business environment and imposed restrictions from the worldwide pandemic it is heartening that the executive team has carefully navigated the company to such a strong result. Full credit to our teams in delivering such a great outcome for all shareholders over the past 12 months.



Exhaust stack under construction in Poland

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 2021 and 30 June 2020 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 2021 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 and National Sales and Marketing 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)
- Mr Ellis Richardson: Executive Director (Appointed Interim Managing Director 26 March 2020. Resigned 24 April 2021)
- Mr Dean Dowie: Non-Executive Director (Appointed Managing Director 1 July 2019 and resigned as Managing Director 26 March 2020. Resigned 26 November 2020)

Table 1: Remuneration report - remuneration for year ended 30 June 2021

	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	
2021	**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**

Table 2 - Remuneration report - remuneration for year ended 30 June 2020

	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	
2020	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super annuation $**	**Long Service Leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Ms Lynn Richardson	84,000	-	-	7,980	-	-	91,980
(8) Mr David Cartney	16,000	-	-	-	-	-	16,000
(9) Mr Dean Dowie (from 27 March 2020 to 30 June 2020)	6,600	-	-	-	-	-	6,600
Executive Directors:							
(10) Mr Ellis Richardson (Appointed Managing Director 26 March 2020)	42,000	-	-	-	-	-	42,000
(9) Mr Dean Dowie (Appointed Managing Director from 1 July 2019 to 26 March 2020)	222,300	-	-	-	-	-	222,300
Other Key Management Personnel:							
Mr Andrew Bush	253,333	53,500	-	29,149	-	-	335,982
	624,233	**53,500**	**-**	**37,129**	**-**	**-**	**714,862**

Notes to tables 1 and 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 to Mr Vincent D'Rozario.
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 to Mr Jason Dixon.
7. Paid from 1 March to 30 June 2021 to Mr Paul Gaskett.
8. Paid from 1 July 2019 to 31 November 2019 to Cabernet House Pty Ltd in relation to Directors Fees.
9. Paid from 1 July 2019 to 30 June 2020 to Dowie International Business Advisors Pty Ltd in relation to Directors Fees.
10. Paid from 1 July 2019 to 30 June 2020 to Baltec Inlet and Exhaust Systems Pty Ltd in relation to Directors Fees.

Share-based compensation

The shared-based compensation for Directors and other key management personnel as part of compensation during the year ended 30 June 2021 were limited to the performance rights per the following section (nil-2020).

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
FY23	6,000,000	4,200,000	6,000,000	83%
FY24	7,000,000	4,900,000	7,000,000	86%

Name	Number of performance rights granted	Grant date	Vesting date and exercisa-ble date	Exercise price	Fair value per perfor-mance 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

Additional information

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

	2017 $	2018 $	2019 $	2020 $	2021 $
Sales revenue	32,684,131	32,186,547	33,003,119	37,425,748	46,562,933
Profit/(Loss) after income tax	1,696,641	1,551,180	735,228	(1,244,255)	1,711,056
Share price at financial year end (cents)	1.70	3.60	5.00	2.30	8.50
Total dividends declared (cents per share)	0.06	0.06	0.06	-	-
Number of shares issued	215,931,711	215,931,711	217,531,711	217,531,711	276,975,129

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
Mr Ellis Richardson* (resigned 24 March 2021)	100,503,500	-	-	(6,586,668)	93,916,832
Ms Lynn Richardson	3,571,429	-	178,572	-	3,750,001
Mr Dean Dowie (resigned 26 November 2020)	310,630	-	15,532	-	326,162
Mr Adrian Siah (appointed 17 September 2020)	-	-	6,300,000	-	6,300,000
Mr Andrew Bush	831,166		243,200	-	1,074,366
Mr Jason Dixon (appointed 8 February 2021)	-	-	10,666,666	-	10,666,666
Mr Paul Gaskett (appointed 8 February 2021)	-	-	5,333,334	-	5,333,334
	105,216,725	**-**	**22,737,304**	**(6,586,668)**	**121,367,361**

No shares have been issued during the years ended 30 June 2021 and 30 June 2020 on exercise of compensation option.
*Ellis Richardson sold 6,000,000 post June 2021

Loans to key management personnel and their related parties

In 2021 (2020-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

As part of the Active Environmental Services Pty Ltd acquisition, the vendors who became members of key management personnel post acquisition, received performance rights of which part or all may convert to ordinary shares subject to certain milestones being achieved. Refer Note 45 of the financial statements for further details. Other than this, in 2021 (2020-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 2021 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.

Proceedings on behalf of the company

As noted in last year's Annual Report, the Company successfully defended a claim brought by a former Company employee commenced in May 2017. The Company is presently pursuing its costs of the proceeding, the amount of which the amount quantified by the Court is $137,920.

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 41 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

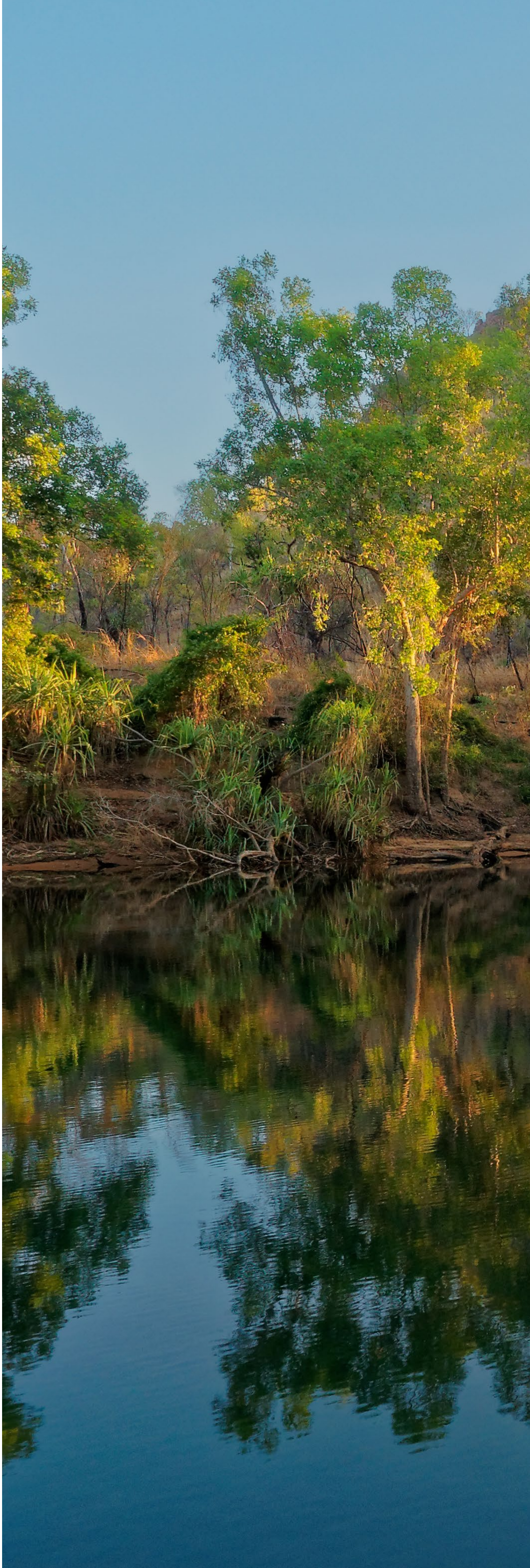
RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

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

25 August 2021



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 2021, 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: 25 August 2021
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 25 August 2021. The Directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

		Consolidated	
Revenue from continuing operations	**Note**	**2021 $**	**2020 $**
Revenue	5	46,562,933	37,425,748
Costs of sales and provisions of services	6	(33,604,592)	(24,527,766)
Gross profit		**12,958,341**	**12,897,982**
Expenses			
Employee expenses	7	(6,427,267)	(8,101,877)
Legal fees	8	-	(40,714)
Depreciation and amortisation	9	(1,290,610)	(1,290,771)
Professional fees		(1,270,498)	(1,408,110)
Travel expenses		(429,019)	(811,109)
Marketing expenses		(370,229)	(763,839)
Occupancy expenses		(294,660)	(321,766)
Other expenses		(1,116,591)	(1,578,683)
Operating profit/(loss)		**1,759,467**	**(1,418,887)**
Interest income		97	2,300
Interest expense	11	(208,762)	(412,758)
Profit/(Loss) before income tax benefit		**1,550,802**	**(1,829,345)**
Income tax benefit	12	160,254	585,090
Profit/(Loss) after income tax benefit for the year		**1,711,056**	**(1,244,255)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		-	(145,110)
Other comprehensive income for the year, net of tax		-	(145,110)
Total comprehensive income for the year		**1,711,056**	**(1,389,365)**
Profit/(Loss) for the year is attributable to:			
Non-controlling interest		135,320	71,420
Owners of The Environmental Group Limited	35	1,575,736	(1,315,675)
		1,711,056	**(1,244,255)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		135,320	15,215
Owners of The Environmental Group Limited		1,575,736	(1,404,580)
		1,711,056	**(1,389,365)**
		Cents	**Cents**
Basic earnings per share	49	0.61	(0.60)
Diluted earnings per share	49	0.61	(0.60)

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

Consolidated Statement of Financial Position

As at 30 June 2021

Assets	Note	Consolidated 2021 $	Consolidated 2020 $
Current assets			
Cash and cash equivalents	14	642,191	696,123
Trade and other receivables	15	8,258,513	9,325,655
Inventories	16	1,398,537	1,398,977
Other current assets	17	83,664	224,324
Contract assets	18	2,479,831	-
Total current assets		**12,862,736**	**11,645,079**
Non-current assets			
Deferred tax assets	19	3,662,213	3,409,671
Property, plant and equipment	20	884,688	964,605
Intangible assets	21	14,584,651	13,581,354
Other non-current assets	22	67,838	67,838
Right-of-use assets	23	2,169,863	2,345,866
Total non-current assets		**21,369,253**	**20,369,334**
Total assets		**34,231,989**	**32,014,413**
Liabilities			
Current liabilities			
Trade and other payables	24	7,457,725	6,758,801
Contract liabilities	25	1,677,346	3,174,111
Financial liabilities	26	1,950,000	600,000
Employee benefits	27	2,038,284	1,879,056
Lease liabilities	29	805,501	861,870
Total current liabilities		**13,928,856**	**13,273,838**
Non-current liabilities			
Financial liabilities	30	-	1,950,000
Lease liabilities	33	1,521,470	1,626,723
Deferred tax liabilities	31	695,658	781,459
Employee benefits	32	110,879	99,299
Total non-current liabilities		**2,328,007**	**4,457,481**
Total liabilities		**16,256,863**	**17,731,319**
Net assets		**17,975,126**	**14,283,094**

Consolidated Statement of Financial Postition (continued)

		Consolidated	
Equity	**Note**	**2021 $**	**2020 $**
Issued capital	34	23,386,418	21,839,819
Accumulated losses	35	(6,042,449)	(7,618,185)
Reserves	36	631,157	149,204
Equity attributable to the owners of The Environmental Group Limited		**17,975,126**	**14,370,838**
Non-controlling interest	37	-	(87,744)
Total equity		**17,975,126**	**14,283,094**

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

Claire Cross, NSW Office Administrator standing on 3MW SDGL Water-tube Boiler

Consolidated Statement of Change in Equity

For the year ended 30 June 2021

Consolidated	Share capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	21,839,819	238,109	(6,171,991)	(102,959)	15,802,978
Profit/(Loss) after income tax expense for the year	-	-	(1,315,675)	71,420	(1,244,255)
Other comprehensive income for the year, net of tax	-	(88,905)	-	(56,205)	(145,110)
Total comprehensive loss for the year	**-**	**(88,905)**	**(1,315,675)**	**15,215**	**(1,389,365)**
Dividends paid (note 38)	-	-	(130,519)	-	(130,519)
Balance at 30 June 2020	**21,839,819**	**149,204**	**(7,618,185)**	**(87,744)**	**14,283,094**

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 income for the year	**-**	**-**	**1,575,736**	**135,320**	**1,711,056**
Adjustment for re classification	-	2,517	-	-	2,517
Shares issued net of transaction costs (note 34)	986,599	-	-	-	986,599
Disposal of subsidiary (note 13)	-	-	-	(47,576)	(47,576)
Share-based payments	560,000	479,436	-	-	1,039,436
Balance at 30 June 2021	**23,386,418**	**631,157**	**(6,042,449)**	**-**	**17,975,126**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

		Consolidated	
Cash flows from operating activities	**Note**	**2021 $**	**2020 $**
Receipts from customers		45,616,357	43,280,246
Payments to suppliers and employees		(46,885,038)	(42,370,035)
		(1,268,681)	**910,211**
Interest received		97	2,300
Interest paid	11	(208,762)	(412,758)
Government grants/incentives	5	2,330,212	713,434
Income taxes paid		-	(73,319)
Net cash provided by operating activities	**48**	**852,866**	**1,139,868**
Cash flows from investing activities			
Payment for acquisition of plant and equipment	20	(120,057)	(64,318)
Payments for intangibles	21	(348,345)	(79,930)
Security Deposits		-	(67,838)
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		**(341,513)**	**(212,086)**
Cash flows from financing activities			
Proceeds from issue of shares (net of capital raising costs)	34	986,599	-
Proceeds from borrowings		-	1,000,000
Dividends paid	38	-	(130,519)
Repayment of borrowings		(600,000)	(438,670)
Repayment of lease liabilities		(951,884)	(833,605)
Net cash used in financing activities		**(565,285)**	**(402,794)**
Net increase/(decrease) in cash and cash equivalents		(53,932)	524,988
Cash and cash equivalents at the beginning of the financial year		696,123	171,135
Cash and cash equivalents at the end of the financial year	**14**	**642,191**	**696,123**

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

Notes to Financial Statements

For the year ending 30 June 2021

Note 1. Corporate Information

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2021 was authorised for issue by the Directors in accordance with a resolution of the Directors on 25 August 2021.

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 2021 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. During the year the Group also signed an agency agreement with Turmec, a manufacturing company 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.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group had current liabilities of $13,928,856 as at 30 June 2021, which included a bank facility of $1,950,000, with an initial maturity of 15 September 2021. At year end the Group's current liabilities exceeded its current assets by $1,066,120, largely due to the timing of the bank's annual review of the loan facility. The Directors believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following:

As a result of the renewal, as of 11 August 2021, a portion of the loan amounting to $1,350,000 would be classified from a current liability to a non-current liability from that date.

Note 2. Significant accounting policies (continued)

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 2021 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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

The Group has two operating segments for which revenue is recognised based on a contract with a customer:

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.

Note 2. Significant accounting policies (continued)

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.

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.

Note 2. Significant accounting policies (continued)

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 21.

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 2021.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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. These assumptions include recent sales experience and historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. 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 21.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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 and 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.

Services 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.

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 2021 and 30 June 2020.

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2021	Products Pollution Control $	Services $	Products Gas Turbine $	Other Segments $	Waste $	Corporate $	Total $
Revenue							
Sales to external customers	4,145,088	21,150,238	18,558,008	290,421	78,453	-	44,222,208
Other revenue	413,194	1,243,589	611,369	55,570	17,003	-	2,340,725
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)

Operating segment information

Consolidated - 2020	Products Pollution Control $	Services $	Products Gas Turbine $	Other Segments $	Corporate $	Total $
Revenue						
Sales to external customers	5,190,886	20,352,242	10,956,738	299,864	-	36,799,730
Other revenue	189,468	290,445	138,793	7,312	-	626,018
Total revenue	**5,380,354**	**20,642,687**	**11,095,531**	**307,176**	**-**	**37,425,748**
EBITDA	370,568	1,986,987	(577,802)	(134,171)	(1,773,698)	(128,116)
Depreciation and amortisation	-	-	-		-	(1,290,771)
Interest revenue	-	-	-		-	2,300
Finance costs	-	-	-		-	(412,758)
Loss before income tax benefit	-	-	-		-	(1,829,345)
Income tax benefit	-	-	-		-	585,090
Loss after income tax benefit						**(1,244,255)**
Assets						
Segment assets	1,391,063	10,507,424	12,631,752	910,025	6,282,131	31,722,395
Intersegment eliminations						(3,117,653)
Unallocated assets:						
Deferred tax asset						3,409,671
Total assets						**32,014,413**
Liabilities						
Segment liabilities	1,485,092	9,278,096	4,234,803	858,272	4,211,248	20,067,511
Intersegment eliminations						(3,117,651)
Unallocated liabilities:						
Deferred tax liability						781,459
Total liabilities						**17,731,319**

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 15.5% of external revenue (2020: 5.5%). The next most significant client accounts for 5.6% (2020: 4.3%) of external revenue.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2021 $	**2020 $**	**2021 $**	**2020 $**
Australia	29,280,346	28,125,024	16,940,953	16,886,458
Rest of the World	14,941,862	8,674,610	-	5,368
	44,222,208	**36,799,634**	**16,940,953**	**16,891,826**

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

Venturi Scrubber, Perth Mint

Note 5. Revenue from continuing operations

Revenue	Consolidated 2021 $	2020 $
From external customers	44,222,208	36,799,634
R&D Tax Offset	245,342	(13,370)
Export Market Development Grant	-	123,484
JobKeeper	1,714,300	516,000
Government Grants & Incentives	388,821	-
Gain from sale of assets	3,646	-
Net loss from sale of PT Baltec	(11,385)	-
Total revenues	**46,562,932**	**37,425,748**

Disaggregation of revenue

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

Major product lines	Consolidated 2021 $	2020 $
Engineering and Fabrication Solutions	19,254,771	13,360,917
Service	22,400,481	20,960,261
Parts	2,566,956	2,478,456
	44,222,208	**36,799,634**
Geographical regions		
Australia	29,280,346	28,125,024
Rest of the World	14,941,862	8,674,610
	44,222,208	**36,799,634**
Timing of revenue recognition		
Goods transferred at a point in time	2,566,956	2,478,456
Services transferred over time	41,655,252	34,321,178
	44,222,208	**36,799,634**

Note 6. Cost of sales

	Consolidated	
	2021 $	2020 $
Cost of sales	33,604,592	24,527,766

Note 7. Employee expenses

	Consolidated	
	2021 $	2020 $
Wages and salaries	3,546,473	5,567,328
Superannuation expense	935,178	1,014,914
Other employee expenses	1,945,616	1,519,635
Employee expenses total	**6,427,267**	**8,101,877**

Note 8. Legal fees

	Consolidated	
	2021 $	2020 $
Legal proceedings	-	40,714

As noted in last year's Annual Report, the Company successfully defended a claim brought by a former Company employee commenced in May 2017. The Company is presently pursuing its costs of the proceeding, which was quantified by the Court as $137,920.

Note 9. Depreciation and amortisation

	Consolidated	
	2021 $	2020 $
Depreciation of Property, Plant & Equipment	196,328	294,748
Amortisation of Intangibles	128,018	134,173
Depreciation of ROU Assets	966,264	861,850
Depreciation and amortisation total	**1,290,610**	**1,290,771**

Note 10. Foreign exchange (gains)/losses

	Consolidated	
	2021 $	2020 $
Foreign exchange (gains)/losses	138,829	153,862

Note 11. Interest expense

	Consolidated	
	2021 $	2020 $
Finance cost on borrowings	75,873	279,473
Right of use (AASB 16) interest on leases	132,889	133,285
	208,762	**412,758**

Note 12. Income tax benefit

	Consolidated	
Income tax benefit	2021 $	2020 $
Current tax	3,234	-
Deferred tax - origination and reversal of temporary differences	(338,343)	(658,411)
Adjustment recognised for prior periods	174,855	73,321
Aggregate income tax benefit	**(160,254)**	**(585,090)**
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 19)	(252,542)	(1,383,478)
Increase/(decrease) in deferred tax liabilities (note 31)	(85,801)	725,067
Deferred tax - origination and reversal of temporary differences	**(338,343)**	**(658,411)**
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit/(Loss) before income tax benefit	1,550,802	(1,829,345)
Tax at the statutory tax rate of 26% (2020: 27.5%)	403,209	(503,070)
Prior year temporary differences not recognised now recognised	(668,801)	(104,842)
Difference in overseas tax rates	(152,905)	(25,083)
Adjustment to deferred tax balances as a result of change in statutory tax rate	143,357	30,605
Adjustment recognised for prior periods	174,855	73,321
Sundry items	(59,969)	(56,021)
Income tax benefit	**(160,254)**	**(585,090)**

Note 12. Income tax benefit (continued)

Tax losses

Amounts credited directly to equity	Consolidated 2021 $	2020 $
Deferred tax assets (note 19)	-	(31,283)
Unused tax losses for which no deferred tax asset has been recognised	-	1,539,852
Potential tax benefit at 30%	**-**	**461,955**

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

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

Note 13. Discontinued operations

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 $181,436 in the financial statements using a discount rate of 15.5%. EGL's share of net assets of PT Baltec at the disposal date was $192,319.

Note 14. Current assets - cash and cash equivalents

	Consolidated 2021 $	2020 $
Cash at bank	642,191	696,123

Cash at bank

Cash at bank is non-interest bearing overdraft facility that currently bears interest at 1.61% per annum. As of 30 June 2021, the available bank overdraft was unutilised.

Note 15. Current assets - trade and other receivables

	Consolidated	
	2021 $	2020 $
Trade receivables	7,846,746	9,111,513
Other receivables	411,767	214,142
	8,258,513	**9,325,655**

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.

The Group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. However, no particular collectability issues noted as the result of this increased monitoring.

As at 30 June 2021, the ageing of trade receivables is as follows:

	Consolidated	
	2021 $	2020 $
Current	7,257,409	8,327,336
30 Days	587,133	274,040
60 Days past due not impaired	-	184,122
90+ Days past due not impaired	2,204	326,015
	7,846,746	**9,111,513**

Receivables past due but not considered impaired as at 30 June 2021 $2,204 (2020: $326,015). 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.

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 16. Current assets - inventories

	Consolidated	
	2021 $	2021 $
Stock on hand - at cost	1,398,537	1,398,977

Inventory write-down

Write-down of inventories to net realisable value amounted to $15,759 for the year ended 30 June 2021 (2020: $19,264). As a result, there is no provision for impairment.

Note 17. Current assets - other current assets

	Consolidated	
	2021 $	2020 $
Prepayments	80,664	213,445
Other current assets	3,000	10,879
	83,664	**224,324**

Note 18. Current assets - contract assets

	Consolidated	
	2021 $	2020 $
Contract assets	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	
	2021 $	2020 $
Opening balance	-	-
Accrued income	2,479,831	-
Closing balance	**2,479,831**	**-**

Note 19. Non-current assets - deferred tax assets

	Consolidated	
Deferred tax asset comprises temporary differences attributable to:	2021 $	2020 $
Amounts recognised in profit or loss:		
Leases	605,012	684,363
Fixed Assets	98,688	84,108
Accruals	140,943	56,330
Provisions	630,258	643,471
Tax losses	2,187,312	1,941,399
Deferred tax asset	**3,662,213**	**3,409,671**
Movements:		
Opening balance	3,409,671	1,994,910
Credited to profit or loss (note 12)	252,542	1,383,478
Credited to equity (note 12)	-	31,283
Closing balance	**3,662,213**	**3,409,671**

Note 20. Non-current assets - property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Plant and equipment - at cost	2,088,960	2,010,178
Less: Accumulated depreciation	(1,204,272)	(1,045,573)
	884,688	**964,605**
Motor vehicles - at cost	94,925	150,916
Less: Accumulated depreciation	(94,925)	(150,916)
	-	**-**
Closing balance	**884,688**	**964,605**

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 2019	**-**	**-**	**1,201,351**	**-**	**1,201,351**
Additions	-	-	64,317	-	64,317
Write off of assets	-	-	(6,315)	-	(6,315)
Depreciation expense	-	-	(294,748)	-	(294,748)
Balance at 30 June 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**

Note 21. Non-current assets - Intangible assets

	Consolidated 2021 $	Consolidated 2020 $
Goodwill - at cost	13,485,791	13,292,821
Development - at cost	258,645	-
Intellectual property - at cost	350,000	-
Customer Relationships - at cost	240,000	-
Software - at cost	588,895	499,195
Less: Accumulated amortisation	(338,680)	(210,662)
	250,215	288,533
	14,584,651	**13,581,354**

Consolidated	Goodwill $	Trademark $	Intellectual Property $	Customer Relationship $	Software $	Product Develop-ment $	Total $
Balance at 1 July 2019	**13,292,821**	**2,710**	**-**	**-**	**342,776**	**-**	**13,638,307**
Additions	-	-	-	-	79,929	-	79,929
Write off of assets	-	(2,710)	-	-	-	-	(2,710)
Amortisation expense	-	-	-	-	(134,172)	-	(134,172)
Balance at 30 June 2020	**13,292,821**	**-**	**-**	**-**	**288,533**		**13,581,354**
Additions	-	-	-	-	89,700	258,645	348,345
Additions through business combinations (note 45)	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**

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Note 21. Non-current assets - intangible assets (continued)

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	Total
Goodwill	192,970	5,328,297	4,007,647	3,956,877	13,485,791

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:

- 15.5% post-tax discount rate;
- 10% (2020: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2020: 5%) per annum increase in overhead; and
- 2% (2020: 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:

- 15.5% post-tax discount rate;
- 10% (2020: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2020: 5%) per annum increase in overhead; and
- 2% (2020: 2%) projected indefinite nominal growth in the terminal value

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

EGL Service Cash Generating Unit

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

- 15.5% post-tax discount rate;
- 10% (2020: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2020: 5%) per annum increase in overhead; and
- 2% (2020: 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 22. Non-current assets - other non-current assets

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

Note 23. Non-current assets - right-of-use assets

	Consolidated	
	2021 $	2020 $
Land and buildings - right-of-use	1,941,579	1,534,520
Less: Accumulated depreciation	(744,827)	(383,073)
	1,196,752	**1,151,447**
Motor vehicles - right-of-use	1,853,217	1,673,196
Less: Accumulated depreciation	(880,106)	(478,777)
	973,111	**1,194,419**
	2,169,863	**2,345,866**

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.

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 2019	**1,534,520**	**801,953**	**2,336,473**
Additions	-	871,243	871,243
Depreciation expense	(383,073)	(478,777)	(861,850)
Balance at 30 June 2020	**1,151,447**	**1,194,419**	**2,345,866**
Additions	459,988	330,273	790,261
Depreciation expense	(414,682)	(551,582)	(966,264)
Balance at 30 June 2021	**1,196,753**	**973,110**	**2,169,863**

Note 24. Current liabilities - trade and other payables

	Consolidated	
	2021 $	**2020 $**
Trade payables	5,526,847	4,928,854
Other payables	1,930,878	1,829,947
	7,457,725	**6,758,801**

Refer to note 39 for further information on financial risk management.

Note 25. Current liabilities - contract liabilities

	Consolidated	
	2021 $	**2020 $**
Contract liabilities	1,677,346	3,174,111

Reconciliation

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

	Consolidated	
	2021 $	**2020 $**
Opening balance	3,174,111	-
Payments received in advance	11,385,937	12,665,364
Transfer to revenue - included in the opening balance	(12,882,702)	(9,491,253)
Closing balance	**1,677,346**	**3,174,111**

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 $16,997,966 as at 30 June 2021 ($27,736,747 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021 $	**2020 $**
Within 6 months	6,180,786	11,056,761
6 to 12 months	8,841,587	9,091,011
12 to 18 months	1,553,342	3,035,590
18 to 24 months	422,251	3,035,590
After 24 months	-	1,517,795
	16,997,966	**27,736,747**

Note 25. Current liabilities - contract liabilities (continued)

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 26. Current liabilities - Financial liabilities

	Consolidated	
	2021 **$**	**2020** **$**
Bank Bill Business Loan	1,950,000	600,000

Refer to note 28 for further details.

As of 30 June 2021, the Group's Bank Bill Business Loan of $1,950,000 is classified as current liability due to the expiry of the facility on 15 September 2021. On 11 August 2021 the facility was renewed for a further 13 months with an expiry date of 30 September 2022. The bank will complete its annual review in September with the Group's expectation that the loan will be renewed for a further two years or its remaining life of three years. As a result of the renewal, as of 11 August 2021, a portion of the loan amounting to $1,350,000 would be classified as a Non-Current Liability from that date

Note 27. Current liabilities - employee benefits

	Consolidated	
	2021 **$**	**2020** **$**
Annual leave	1,263,430	1,081,945
Long service leave	774,854	797,111
	2,038,284	**1,879,056**

Note 28. Current liabilities - borrowings

Financing arrangements

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

	Consolidated	
	2021 $	2020 $
Total facilities		
Bank overdraft	2,000,000	3,000,000
Bank Bill Business Loans*	1,950,000	2,550,000
Trade Guarantee and Standby Letters of Credit Facility	8,000,000	8,000,000
	11,950,000	**13,550,000**
Used at the reporting date		
Bank overdraft	-	-
Bank Bill Business Loans*	1,950,000	2,550,000
Trade Guarantee and Standby Letters of Credit Facility	5,550,625	6,387,048
	7,500,625	**8,937,048**
Unused at the reporting date		
Bank overdraft	2,000,000	3,000,000
Bank Bill Business Loans*	-	-
Trade Guarantee and Standby Letters of Credit Facility	2,449,375	1,612,952
	4,449,375	**4,612,952**

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

Bank Bill Business loan's initial maturity was two years until 15 September 2021, and repayable with quarterly repayments of $150,000. As mentioned in the note 26, on 11 August 2021, this loan was extended by 13 months until 30 September 2022.

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 2021 the Group had $5,550,625 outstanding.

No covenants were breached in the reporting period to 30 June 2021.

Note 29. Current liabilities - lease liabilities

	Consolidated	
	2021 $	2020 $
Lease liability	805,501	861,870

Refer to note 39 for further information on financial risk management.

Note 30. Non-current liabilities - Financial liabilities

	Consolidated	
	2021 $	2020 $
Bank Bill Business Loan	-	1,950,000

Note 31. Non-current liabilities - Deferred tax liabilities

	Consolidated	
Deferred tax liability comprises temporary differences attributable to:	2021 $	2020 $
Amounts recognised in profit or loss:		
Right of Use assets	564,164	645,113
Other	131,494	136,346
Deferred tax liability	**695,658**	**781,459**
Movements:		
Opening balance	781,459	56,392
Charged/(credited) to profit or loss (note 12)	(85,801)	725,067
Closing balance	**695,658**	**781,459**

Note 32. Non-current liabilities - employee benefits

	Consolidated	
	2021 $	2020 $
Long service leave	110,879	99,299

Note 33. Non-current liabilities - lease liabilities

	Consolidated	
	2021 $	2020 $
Lease liability	1,521,470	1,626,723

Refer to note 39 for further information on financial risk management.

Note 34. Equity - issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	276,975,129	217,531,711	23,386,418	21,839,819

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	**1 July 2019**	**217,531,711**		**21,839,831**
Prior year adjustment	-	-	$0.00	(12)
Balance	30 June 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	$0.00	271,094
Capital raising cost	13 October 2020	-	$0.00	(99,495)
Australian Environmental Services Pty Ltd Acquisition	9 February 2021	16,000,000	$0.03	560,000
Balance	**30 June 2021**	**276,975,129**		**23,386,418**

Note 34. Equity - issued capital (continued)

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.

Share buy-back

There is no current on-market share buy-back. The Group has a substantial number of holdings that are unmarketable parcels. To reduce registry and administrative cost the Group intends to reduce the number of unmarketable parcel holders by sale of small holdings or minimum holding buy-back within the next 12 months.

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 2020 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 35. Equity - retained earnings

	Consolidated	
	2021 $	2020 $
Accumulated losses at the beginning of the financial year	(7,618,185)	(6,089,592)
Adjustment for adoption of AASB 16	-	(82,399)
Accumulated losses at the beginning of the financial year - restated	(7,618,185)	(6,171,991)
Profit/(Loss) after income tax benefit for the year	1,575,736	(1,315,675)
Dividends paid (note 38)	-	(130,519)
Accumulated losses at the end of the financial year	**(6,042,449)**	**(7,618,185)**

Note 36. Equity - reserves

	Consolidated 2021 $	2020 $
General reserve	151,721	149,204
Share-based payments reserve	479,436	-
	631,157	**149,204**

Share based payment reserve represents the fair value measurement of performance rights for FY 21 and FY22 relating to the acquisition of Active Environmental Services Pty Ltd (refer note 45 for further details).

Year	Probability of Achieve-ment	No of shares to Vest	Estimated number of shares to be issued	Share Price Cents	FY21 Fair Value	FY22 Fair Value	Total Fair Value
FY21	82%	5,000,000	4,084,822	3.5	142,969	-	142,969
FY22	80%	10,000,000	8,000,000	3.5	-	280,000	280,000
Share based payment reserve							**422,969**

The share based reserve relating to the Performance Shares of Key Management Personnel represents the following:

Year	KMP	Probability	Number of shares to Vest	Estimated Shares to be issued	Share Price	Fair Value
FY23	Jason Dixon	83%	4,333,333	3,611,111	.035	21,791
FY23	Paul Gaskett	83%	2,166,667	1,805,556	.035	10,896
Total			**6,500,000**	**5,416,667**		**32,687**
FY24	Jason Dixon	86%	4,333,333	3,714,286	.035	15,854
FY24	Paul Gaskett	86%	2,166,667	1,857,143	.035	7,927
Total			**6,500,000**	**5,571,429**		**23,780**
Share based payment reserve						**56,467**

Note 37. Equity - non-controlling interest

	Consolidated	
	2021 $	2020 $
Issued capital	-	24,659
Reserves	-	(37,208)
Retained profits/(accumulated losses)	-	(75,195)
	-	**(87,744)**

The controlling interest has a 0% (2020: 20%) equity holding in PT Baltec Exhaust and Dan Inlet System Indonesia.

Note 38. Equity - dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021 $	2020 $
Final dividend for year ended 30 June 2019 was 0.06 cents per share	-	130,519

Franking credits

	Consolidated	
	2021 $	2020 $
Franking credits available at the reporting date based on a tax rate of 26% (2020: 27.5%)	1,610,116	1,666,052
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 27.5%	-	(55,936)
Franking credits available for subsequent financial years based on a tax rate of 26% (2020: 27.5%)	**1,610,116**	**1,610,116**

Note 39. 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	**2021 $**	**2020 $**
Cash and cash equivalents	642,191	696,123
Trade and other receivables	8,258,513	9,325,655
	8,900,704	**10,021,778**
Financial liabilities		
Trade and other payables	7,457,725	6,758,801
Bank Loan	1,950,000	2,550,000
	9,407,725	**9,308,801**

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:

	2021 USD A$	**2021 EURO A$**	**2020 USD A$**	**2020 EURO A$**
Cash at bank and on hand	-	565,099	6,891	-
Trade and other receivables	1,378,271	1,010,389	3,528,741	1,640,688
Trade and other payables	1,478,468	1,307,372	2,181,627	69,086

Note 39. Financial risk managment (continued)

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 $7,996 (2020: decrease of $139,315), 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 $18,658 (2020: increase of $325,067), 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 $1,950,000 (2020: $2,550,000), with an average interest rate of 1.6076% (2020: 2.68%), are principal and interest payment loans. Monthly cash outlays of approximately $2,612 (2020: $5,695) per month are required to service the interest payments. The Group's term deposits, totalling $25,000 (2020: $25,000) earn an interest rate of 0.05% (2020: 1.1%). 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 $25,500 (2020: $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

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

	Consolidated	
	2021 $	**2020 $**
6 months or less	6,745,079	8,687,564
6 - 12 months	1,080,705	1,129,554
1 - 5 years	2,726,926	4,195,664
	10,552,710	**14,012,782**

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $	**2020 $**
Bank overdraft	2,000,000	3,000,000
Trade Guarantee and Standby Letters of Credit Facility	2,449,375	1,612,952
	4,449,375	**4,612,952**

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 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**

Consolidated 2020	Weighted Average Interest Rate %	Floating Interest Rate $	Non-Interest Bearing $	Remaining Contractual Maturities $
Non-derivatives				
Non-interest bearing				
Trade and other payables	-	-	6,758,801	6,758,801
Interest-bearing				
Lease liability	4.85%	2,488,593	-	2,488,593
Financial liabilities	2.68%	2,550,000	-	2,550,000
Total non-derivatives		**5,038,593**	**6,758,801**	**11,797,394**

Note 40 . Key management personnel disclosures

Directors

The following persons were Directors of The Environmental Group Limited during the financial year::

Ms Lynn Richardson	
Mr Adrian Siah	(appointed 17 September 2020)
Mr Graeme Nayler	(appointed 25 March 2021)
Mr Vincent D'Rozario	(appointed 25 March 2021)
Mr Ellis Richardson	(resigned 24 April 2021)
Mr Dean Dowie	(resigned 26 November 2020)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Mr Jason Dixon

Mr Andrew Bush

Mr Paul Gaskett

Compensation

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

	Consolidated	
	2021 $	**2020 $**
Short-term employee benefits	558,878	677,733
Post-employment benefits	47,394	37,129
Performance Rights (refer to note 36)	56,467	-
	662,739	**714,862**

Options

No options were granted in the year ended 30 June 2021 (nil-2020).

Performance Rights

Refer note 36 for details of performance rights provided to key management personnel during the year.

Note 40 . Key management personnel disclosures (continued)

Shareholdings of key management personnel

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

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	-	178,572	3,750,001
Mr Dean Dowie (resigned 26 November 2020)	310,630	-	15,532	326,162
Mr Adrian Siah (appointed 17 September 2020)	-	-	6,300,000	6,300,000
Mr Andrew Bush	831,166	-	243,200	1,074,366
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

2020	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	100,503,500	-	-	100,503,500
Mr David Cartney (resigned 14 November 2019)	1,300,000	-	200,000	1,500,000
Mr Lynn Richardson	3,571,429	-	-	3,571,429
Mr Dean Dowie	310,630	-	-	310,630
Mr Andrew Bush	831,166	-	-	831,166

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

Note 41. 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	
Audit services - RSM Australia Partners (2020: McIntosh Bishop, review only)	**2021 $**	**2020 $**
Audit or review of the financial statements	96,400	57,500
Review of the financial statements - McIntosh Bishop	-	22,000
	96,400	**79,500**

Note 42. Contingent liabilities

Standby Letter of Credit

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 2021 are $5,550,626 (2020: $6,485,910).

Legal Proceedings

As noted in last year's Annual Report, the Company successfully defended a claim brought by a former Company employee commenced in May 2017. The Company is presently pursuing its costs of the proceeding, the amount of which quantified by the Court is $137,920.

Note 43. Related party transactions

Parent entity

The Environmental Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 46.

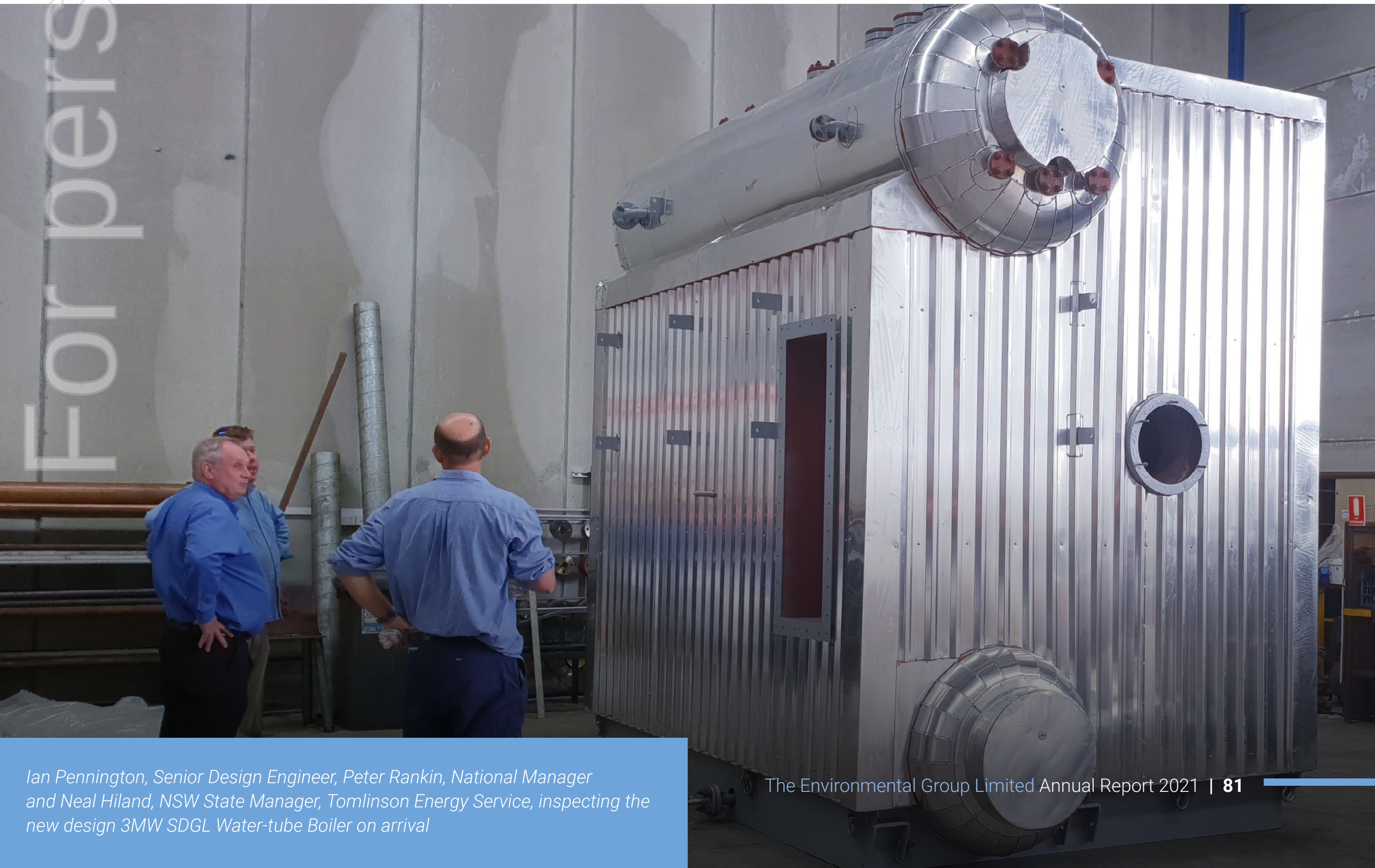
Key management personnel

Disclosures relating to key management personnel are set out in note 40 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.



Ian Pennington, Senior Design Engineer, Peter Rankin, National Manager and Neal Hiland, NSW State Manager, Tomlinson Energy Service, inspecting the new design 3MW SDGL Water-tube Boiler on arrival

Note 44. Parent entity information

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

	Consolidated	
Statement of profit or loss	**2021 $**	**2020 $**
Financial performance		
Profit after income tax	(802,281)	(1,556,047)
Statement of financial position		
Assets		
Current assets	7,184,800	7,967,314
Non-current assets	4,341,204	3,114,373
Total assets	**11,526,004**	**11,081,687**
Liabilities		
Current liabilities	2,795,925	1,419,290
Non-current liabilities	534,695	2,690,770
Total liabilities	**3,330,620**	**4,110,060**
Net assets	8,195,383	6,971,628
Equity		
Equity attributable to the ordinary equity holders of the company		
Contributed equity	23,336,416	21,789,816
Accumulated losses	(15,620,469)	(14,818,188)
Reserves	479,436	-
Total equity	**8,195,383**	**6,971,628**

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as a 30 June 2021 ($55,673 30 June 2020).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

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 45. Business combinations

2021 - summary of acquisition

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/perfor-mance 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
Customer relationships	240,000
Intellectual property	350,000
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
Share Based Payment Reserve	422,969
	982,969
Acquisition costs expensed to profit or loss	**9,000**

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 exclude abnormal or extraordinary items of revenue or expenses, as set out in the agreement

vii. 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%..

viii. 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 45. Business combinations (continue)

(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 FY21, management have determined adjusted EBITDA (refer (a)vi) for further details) for FY21 to be $3.3 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 (whether 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 of shareholders of the Company, and the Vendors become entitled to receive Performance Shares, the Company will pay the equivalent share value in cash based on the Company's Volume Weighted Average Price for the 5-day trading period ending on the date of the meeting at which Shareholder Approval was refused.

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 46. **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 2021 %	2020 %
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%
PT. Baltec Exhaust and Dan Inlet System Indonesia	Indonesia	-	80.00%
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 Ltd	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 $181,436 in the financial statements using a discount rate of 15.5%. EGL's share of net assets of PT Baltec at the disposal date was $192,319.

Note 47. **Events after the reporting period**

On 11 August 2021, the Groups Bank Bill Business Loan of $1,950,000 facility was renewed for a further 13 months with an expiry date of 30 September 2022.

Since the end of FY2021 TAPC was successfully awarded the FLSmidth Pty Ltd contract for the provision of emissions control systems into the Lithium refinery in Kwinana, Western Australia for $5.2M as announced on the 23 of July 2021.

No other matter or circumstance has arisen since 30 June 2021 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 48. Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	Consolidated	
	2021 $	2020 $
Profit (loss) after income tax (expense)/benefit for the year	1,711,056	(1,244,255)
Adjustments for:		
Depreciation and amortisation	1,290,610	1,290,771
Foreign exchange differences	138,829	153,862
Write-off of tangible and intangible assets	-	9,025
Loss of disposal of subsidiary	7,739	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	948,523	(277,553)
Increase in contract assets	(1,560,270)	-
Decrease/(increase) in inventories	440	(176,908)
Increase in deferred tax assets	(252,542)	(1,414,761)
Decrease/(increase) in prepayments	138,345	(3,679)
(Decrease)/increase in trade and other payables	(1,656,889)	2,026,357
Increase/(decrease) in deferred tax liabilities	(85,800)	725,067
Increase in other provisions	170,808	165,769
Opening retain earnings adjustment related to adoption of AASB 16	-	31,283
Other - OCI allocation to operating accounts	2,017	(145,110)
Net cash from/(used in) operating activities	**852,866**	**1,139,868**

Note 49. Earnings per share

	Consolidated	
	2021 $	2020 $
Profit/(Loss) after income tax	1,711,056	(1,244,255)
Non-controlling interest	(135,320)	(71,420)
Profit/(Loss) after income tax attributable to the owners of The Environmental Group Limited	**1,575,736**	**(1,315,675)**
	Cents	**Cents**
Basic earnings per share	0.61	(0.60)
Diluted earnings per share	0.61	(0.60)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	258,053,158	217,531,711
Weighted average number of ordinary shares used in calculating diluted earnings per share	258,053,158	217,531,711

Directors' Declaration

For the year ending 30 June 2021

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 2021 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

25 August 2021

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 2021, 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 2021 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)

Key Audit Matter	How our audit addressed this matter
Impairment of Goodwill Refer to Note 21 in the financial statements	

At 30 June 2021, The Group had goodwill with a carrying value of $13,485,791, which represents approximately 39% 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.
	Our audit procedures included:
	• Assessing the reasonableness of management's determination that the goodwill should be allocated to four 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:
	  ○ Cash flow projections;
	  ○ Future growth rates;
	  ○ Discount rates;
	  ○ 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.

Revenue recognition Refer to Note 5 in the financial statements	
Revenue for the year ended 30 June 2021 was $46,562,932. 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.	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 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.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Accounting for Business Combination Refer to Note 45 in the financial statements	
On the 9 February 2021 EGL purchased 100% shares of Active Environmental Solutions Pty Ltd (AES) for a consideration of 16,000,000 EGL ordinary shares, as well as earn out consideration in the form of performance rights dependant on the results of financial years 2022 and 2023. This is considered a Key Audit Matter as accounting for such 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 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; • Assessing the forecasts used for determining the contingent consideration; • 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 2021, 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.

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.

RSM

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/admin/file/content102/c3/ar2_2020.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 2021.

In our opinion, the Remuneration Report of The Environmental Group Limited, for the year ended 30 June 2021, 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

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Dated: 25 August 2021
Melbourne, Victoria

Shareholder Information

For the year ending 30 June 2021

The shareholder information set out below was **applicable as at 10 August 2021.**

Distribution of equitable securities

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

	Ordinary shares % of total		Options over ordinary shares	
	Number of holders	**Shares issued**	**Number of holders**	**% of total shares issued**
1 to 1,000	1,268	0.12	-	-
1,001 to 5,000	292	0.27	-	-
5,001 to 10,000	130	0.37	-	-
10,001 to 100,000	322	4.69	-	-
100,001 and over	182	94.55	-	-
	2194	**100.00**	**-**	**-**
Holding less than a marketable parcel	**1546**	**-**	**-**	**-**

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 2021 are listed below:

	Ordinary shares	
	Number held	**% of total shares issued**
Mrs Denise Richardson	39,000,000	14.08
Mr Ellis Richardson	39,000,000	14.08
Ace Property Holdings Pty Ltd	17,060,000	6.16
Jalie 2 Pty Ltd	10,666,666	3.85
Carrier International Pty	10,400,955	3.76
Allabah Pty Ltd	8,605,249	3.11
Cea SMSF Pty Ltd	6,300,000	2.27
Baltec Inlet & Exhaust Systems	9,916,832	3.58
Cannington Corporation Pty Ltd	6,064,283	2.19
Buildassist NSW Pty Ltd	5,750,918	2.08
Cj & RS Kelly Pty Ltd	5,372,090	1.94
Mr Paul Walter Gasket	5,333,334	1.93
Doldory Pty Ltd	5,022,182	1.81
Richmarsh Investments Pty	3,750,001	1.35

	Ordinary shares	
	Number held	% of total shares issued
Certane Ct Pty Ltd	3,500,000	1.26
Ms Liang Gao	2,940,000	1.06
Sailors Of Samui Pty Ltd	2,730,000	0.99
Maxlek pty ltd	2,411,096	0.87
Tapc (Holdings) Pty Ltd	2,339,506	0.84
Mr John Ditria	2,250,567	0.81
	188,413,679	**68.02**

Options over ordinary shares

There are no options over ordinary shares.

Unquoted equity securities

There are no unquoted equity securities.

Substantial Shareholders:	As at 10 August 2021	%
Substantial shareholders of ordinary shares in the company are set out below:		
Mrs Denise Richardson	39,000,000	14.08%
Mr Ellis Richardson	39,000,000	14.08%
Ace Property Holdings	17,060,000	6.16%

Voting rights

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

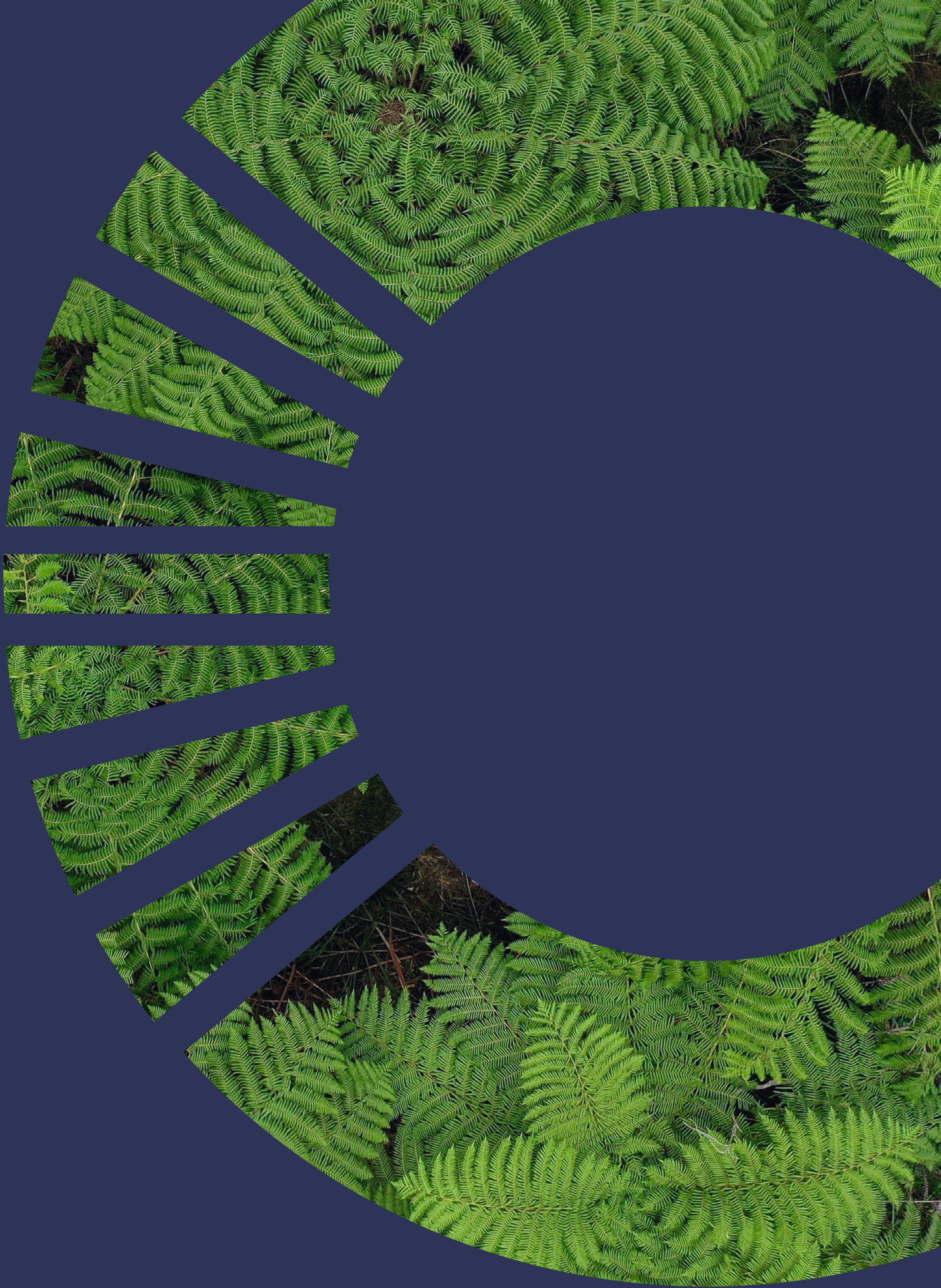
Ordinary shares

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.

There are no other classes of equity securities.

Corporate Directory

Directors	**Ms Lynn Richardson** Chairman *(Non-Executive)* **Mr Adrian Siah** *(Non-Executive)* *Appointed 17 September 2020* **Mr Vincent D'Rozario** *(Non-Executive)* Appointed 25 March 2021 **Mr Graeme Nayler** *(Non-Executive)* *Appointed 25 March 2021*
Company Secretary	Mr Andrew Bush & Mr Stephen Strubel (Teralba Nominees Trust)
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 25 November 2021 *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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