The Environmental Group Limited

Engineering a Sustainable Future

Annual Report

2024

Our **Purpose**

Engineering a sustainable future.

Our **Mission**

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

Contents

The Environmental Group Limited (EGL) 2023-2024 Annual Report covers the operations of The Environmental Group for the financial year ended 30 June 2024. 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.

The Environmental Group Limited acknowledges the traditional owners and custodians of country throughout Australia and acknowledges their continuing connection to land, sea and community.

We pay our respects to the people, the cultures and the elders past and present.

FY24 in **Review**

The very strong financial result was again driven by our three-year growth strategy, offering all the services of The Environmental Group to our client base, while at the same time continuing to build our culture of trust and integrity to strive for optimal outcomes by using our collective technical expertise and a transparent approach.

$98M

18.8% increase in Revenue on FY23

$4.4M

NPAT up 68% on FY23

$5M

Undrawn working capability

$10M

EBITDA up to 51.7% on FY23 before significant items of $450K

52.8%

EBIT up to 52.8% on FY23 before significant items of $450K

$4.2M

Net cash from operating activities

$10.1M

Cash on hand

$40.9M

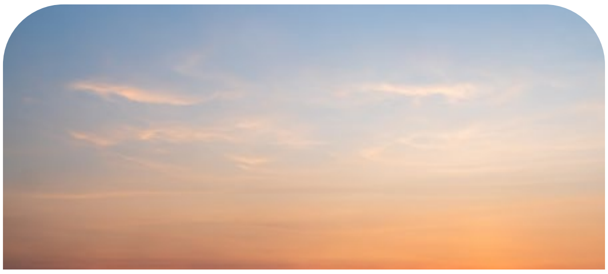
Net assets

0 LTI

Loss time injuries

The Environmental Group's **Values**

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



Cleaner Environments

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

Growth

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

Safety & Continuous Improvement

Recognise safety as non-negotiable for the Group's teams, stakeholders and the communities The Environmental Group operates in. Drive continuous improvement in all areas of the Group's business operations through targeted investment in systems, training and staff engagement.

Value

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

Engineered Solutions

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

Expert Teams

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

Chair's Report 2024

EGL excels in sustainable practices, emphasising renewable energy, decarbonisation, and resource recovery, made possible by our skilled and dedicated teams.

Dear Shareholders,

On behalf of The Board of The Environmental Group Limited (EGL) I am pleased to present the 2024 financial year Chair's report. Financial Year 2024 (FY24) has been an outstanding year for The Environmental Group with remarkable financial results underpinned by strengthened operating margins which have contributed to continued growth in EBITDA.

The Environmental Group is dedicated to engineering a sustainable future through comprehensive waste recycling, air pollution control, odour management, and energy efficiency products and services. As industries and legislation evolve and we strive to provide solutions across the circular economy, The Environmental Group, in collaboration with our technology partners, is well-positioned to place us at the forefront of environmental protection.

We remain committed to spearheading the transition to renewable energy sources, significantly contributing to decarbonisation and resource recovery. In line with our ambitions, we have expanded our service offerings into the solar energy sector, demonstrating our dedication to supporting renewable energy initiatives. Our projects, such as filtration systems to improve safety and efficiency of advanced solar farms and the development of innovative waste-to-energy solutions, are pivotal in reducing carbon emissions and promoting sustainable energy practices. These initiatives not only align with global climate targets but also showcase our proactive approach in embracing the renewable energy transition.

The Group's strategic focus on decarbonisation and resource recovery has led to several high-impact projects. Our recent advancements include the implementation of state-of-the-art technologies for the extraction of harmful substances like PFAS from water, and the installation of sophisticated waste processing facilities designed to achieve up to 99% landfill diversion. By incorporating regenerative activated carbon filters and other cutting-edge pollution control measures, we are enhancing air quality and reducing greenhouse gas emissions. These efforts are reflective of our broader commitment to environmental stewardship and underscore our role in facilitating a sustainable future. Through continuous innovation and adherence to best practices, The Environmental Group is not only meeting regulatory requirements but also setting new benchmarks in environmental responsibility and operational excellence.

Delivering on our three-year strategy, the strength of our market position and reputation as a group that focuses on ethical and healthy organisational cultural values has enabled us to attract world class partners and collaborators. Global leaders in aligned industries have sought out EGL to work with, allowing us to curate a portfolio of integrated brands that enables us to offer our clients comprehensive solutions for their most challenging problems. Through this year we have extended our portfolio bringing Fulton Boilers and the Kadant PAAL Ltd. bailer offering to the market through the EGL network and adding to our already strong relationship with Turmec recycling plants, Wieshapt burner technology, Anguil Environmental Systems for thermal destruction and GBM chemical process plants - all world leading brands now available and supported Australia wide by The Environmental Group Limited.

In addition to bringing these world class products to the market the Group has continued to focus on internal innovation to address environmental challenges and our mission to enable our clients to contribute to a sustainable environment. We have continued to refine and develop additional applications for our patented PFAS treatment technology, market leading silencer designs and effective carbon capture solutions.

As we align these new technologies and integrate them into our business model, we have continued to mature our operational processes to provide streamlined solutions across the group allowing for an adaptive process to maximise efficiency and leverage skill sets across the organisation. Cross training our sales, engineering, project and service teams across our range of business units not only provides flexibility but also builds team engagement.

We have improved synergies throughout the Group to increase efficiency and provide greater agility across business units, and integrated Airtight into the EGL systems and processes. In line with our core values, I am pleased to report that we have had no lost time injuries for the period. Our priority remains ensuring that our teams and the communities they work with do so safely.

Financial results demonstrate the strength in the Group's strategy with year-on-year growth in EBITDA of 51.7% to $10.1 million before significant items. Recurring revenue from spares, parts and services now represents over 50% of our revenue delivering increased flexibility and more predicable cashflows.

Gross margins have increased by 30.5% to 29.8% year-on-year, in part due to the standarisation of product ranges across the Group, which has reduced costs and increased competitiveness. The balance sheet has been strengthened by increased cash reserves and debt reduction providing a strong base for further growth in future periods. In FY25 we will continue to invest in this aspect of the organisation increasing our ability to integrate new opportunities, leverage efficiencies and monitor performance.

During the year the sales team attended industry-based conferences including the leading IFAT trade show in Europe. These activities have contributed to building brand awareness with both customers and potential partners. This also ensures that we remain current with innovative developments and new technologies world-wide to ensure that we remain on the leading edge offering environmental solutions for our clients.

As a result of our Sales initiatives the Group has built a strong pipeline of future work and opportunities in line with our growing product range and new markets which will build on the already secured work for FY25. This is in addition to delivery over $98 million in revenue for the financial year.

To support our sales and marketing initiatives we have initiated a rejuvenated branding strategy across the group as an outward facing representation of the synergies that are already occurring. This includes a new website and invigorated communication channels which have already generated a significant increase in engagement and conversion to new business. As we continue to consolidate and leverage synergies within our business operations we have consolidated communication to our four pillars: EGL Clean Air, EGL Turbine Enhancements, EGL Energy and EGL Waste.

These four pillars are all in alignment with our dedication to our core purpose of "Engineering a Sustainable Future" which is underpinned by our corporate Sustainability Strategy. As we continue to refine our strategy and data collection around key ESG initiatives the Group is exploring both the risks and opportunities in this area. Key highlights in the development of our teams, improvement in environmental impacts for our clients and sustainability initiatives are outlined in the Our Approach to Sustainability section of this report.

Best practice corporate governance has maintained its position as a priority of the group with the appointment of Mr Micheal Constable in August 2023 as Independent Non-Executive Director and Chair of the Audit and Risk committee.

Mr Graeme Nayler has signalled his intent to retire from the board later in 2024 and this has triggered the structured search for a new NED, further progressing the board renewal process. I would like to take this opportunity to thank Mr Graeme Nayler, and other Board members for their contribution to the Group this year. In line with governance best practice RSM lead audit partner Mr Mathavan Parameswaran will rotate out following the completion of the FY24 audit cycle. The Board would like to thank Mathavan for his diligence over the last five years.

As we look to FY25 and beyond the Group is well placed to continue to execute on its strategic goals designed through the collaboration between the Board, Executive and Management teams. The Group is forecasting continued growth in EBITDA of approximately 25% year on year (excluding significant items).

The remarkable results we continue to achieve as a group are the result of the combined effort of our teams lead by our general managers, executives and CEO Jason Dixon. The board and I thank each and every one of our team members for their ongoing efforts and dedication to the One EGL mindset. Central to our growth strategy is the support of our customers, partners and shareholders, we thank you each for your continued support of The Environmental Group Limited and look forward to continued success.

Lynn Richardson
Non-Executive Chair

CEO's Report 2024

We had zero lost time injuries for the year with over 359,000 hours worked, this has been achieved while we have grown the business to over 200 team members with a great culture, maintaining a sustainable work life balance.

Dear Shareholders,

It is with great pleasure that I report to you on the progress of The Environmental Group Limited (EGL) over the last financial year, producing further outstanding financial results, at the same time continuing to drive our strategic goals of margin expansion, process improvement, risk controls and building the growth platform for the future. The team has worked tirelessly to amplify the performance of the existing business units while focussing on operating as One EGL to drive growth.

The opportunity is to continue to build the platform of a very strong product offering, leveraging our intellectual property and strategic relationships to provide a compelling offering to the industries in which we operate. Whether it be developing world leading silencer technologies for peaking load gas turbines, broadening our products and services. In EGL Energy through the Fulton distribution agreement or Kadant PAAL bailers into EGL Waste, whole of site emissions solutions through EGL Clean Air and extending our services into the broader waste industry.

The culture we are continuing to build is founded on trust and integrity. Our clients and stakeholders know that while there will always be barriers to perfect solutions, we will be accountable for our actions and strive for optimal outcomes by using our collective technical knowledge, practical and transparent approach and relationships to the best advantage. Fostering a continuous learning and development environment cultivates agile and high-performing teams. Our management team is evaluated based on group outcomes, not just individual achievements, ensuring value creation across the entire group.

I am pleased to report we had zero lost time injuries for the year. With 359,000 hours worked, this can only be achieved through our staff recognising the value of a safe working environment and taking responsibility for all those around them. From a market perspective, each of the EGL divisions play their role in providing the one stop shop solution for a sustainable future. EGL Waste for resource recovery, sorting and bailing technologies, EGL Clean Air (TAPC & Airtight) for dust, fume, emission and odour controls and EGL Energy (Tomlinson Energy Services & Ignite Services) for heat exchange, biomass boilers and autoclaves. As waste treatment technologies develop further in Australia into the waste to energy industry, Baltec has the expertise in intake and off take systems for turbines and thermal dynamics to support the shift.

As we transition between traditional energy sources and renewable energy, demand for our services is high. We continue to be a market leader in understanding the thermal dynamics of using gas turbines at peaking load capacity, and our clients are increasingly requesting a greater focus on reducing noise pollution from the turbines, in support of surrounding communities.

The commercialisation of our PFAS separation technology strengthens our ability to further service the waste sector utilising our growing IP. We are now becoming a group of premium brands and premium intellectual property in the sectors we operate in.

From a financial perspective the business continued to perform very well having now achieved a three year compound average growth rate in normalised EBITDA of 47%, an outstanding achievement, generating significant cash flows.

For the FY24, revenue was $98,251,869 up 18.8% (FY23 $82,672,245) EBITDA rose significantly up to $10,101,890 (FY23 $6,660,670), an increase of 51.7%, and EBIT up to $7,559,303 an increase of 52.8%, before significant items $450,386 (integration costs $88,090, restructuring costs $40,589, FX losses $163,367 and performance rights $158,340).

The very strong financial result was again driven by our three-year growth strategy, offering all the services of The Environmental Group to our client base, while at the same time broadening our offering through increased services and spares, the Fulton boiler distribution agreement and the Kadant PAAL Ltd. bailer offering. The acquisition last financial year of Airtight Solutions allowed EGL Clean Air to provide whole of site air emission control systems. The waste sector is a multibillion-dollar industry in Australia and is going through significant change as part of the circular economy to lift its recycling levels of waste, derive valued products and minimise the environmental impact. We are well positioned to be part of this landmark change in the industry following the introduction of the Recycling and Waste Reduction Act 2020, targeting a significant improvement in recycling rates and including the banning of all waste being exported from Australia.

To grow the business at 47% compound annual growth for the last three years requires a strong balance sheet and good cash flow. We now have cash at bank of $10.1 million, positive operating cash flow of $4.2 million and an undrawn working capital facility of $5 million, giving us the financial strength to continue to deliver further sustainable growth.

Our EBITDA margins have risen from FY23 8.1% to 10.3% in FY24, with our margins lifting almost 50% since the strategy was approved by the board. The growth of the recurring revenues in service, spares and repeat business has climbed to over 50% of our earnings, enabling us to build a strong balance sheet and cash flows.

The stability of the senior management team to focus on the journey to achieve the results for our shareholders has been a testament to their commitment to the company. While at the same time over that three-year journey revenues have grown from approximately $46.6 million to $98.3 million up 110%. This has been achieved while we have grown the business to over 200 team members with a great culture, maintaining a sustainable work life balance.

To the board, team members, and all our stakeholders: I thank you for your ongoing support and look forward to another strong year in FY25. At this time, we expect normalised EBITDA to grow again by approximately 25%.

Jason Dixon

CEO, The Environmental Group Limited.

> Our EBITDA margins have risen from FY23 8.1% to 10.3% in FY24, with our margins lifting almost 50% since the strategy was approved by the board. The growth of the recurring revenues in service, spares and repeat business has climbed to over 50% of our earnings, enabling us to build a strong balance sheet and cash flows.

Review of **Operational Report**

The Environmental Group Limited (EGL) is focused on engineering a sustainable future, providing products and engineering services through our operating divisions to a diverse range of clients across many industries.

We now have consistent processes throughout all business units, enhancing the quality of our offerings, lowering procurement costs, and generating information that allows us to better serve our clients while driving margin growth.

EGL Clean Air

EGL Clean Air had consolidated revenue of $32,940,055 and EBITDA of $3,214,869 before significant items, a tougher year than expected for the business unit with the downturn in a couple of key sectors, the business unit also incurred costs of integration of Airtight Solutions.

TAPC reported solid financial performance with revenue increasing by 3% on the pcp to $17,401,940 and EBITDA down to $2,322,545 before significant items, a good result in the environment where the lithium carbonate price declined approximately 70% during the period resulting in several projects going on hold or being postponed. We have all but finished a major lithium and rare earth project during the period on time and on budget. The capital spend on new lithium and rare earth projects globally has softened with the fall in the lithium price, but the long-term need for refined product remains strong as a key component into the renewable energy sector. Growth in critical metals (or rare earths refining) continues with some significant tenders currently in the pipeline.

Servicing of plants and spares organically grew revenue by 5.5% for the full year to $4,900,95. The market for service, spares and small projects softened around the middle of the year as our clients pulled back on their spend but that appears to have improved in the final quarter of the year. TAPC has expanded its offering working together with Airtight Solutions to include whole of site emissions and dust control systems.

In the first full reporting period, Airtight recorded revenue of $15,538,115 for the full year, slightly behind expectations, largely due to a significant decline in the joinery sector, with several major manufacturers closing during the period. The strategy to expand further into the waste sector has been successful with tenders of over $6 million awaiting award and an important strategic partnership entered for dust suppression as part of our expansion into whole of site emissions solutions.

EBITDA of $892,325 before significant items, was a result of improved margins in the business, but negatively impacted by volumes. The result was also impacted by costs associated with transferring Airtight onto our systems and platforms which is now fully completed. We have finished off several incomplete jobs prior to our ownership at lower margin, in some cases in losses to achieve a good outcome with our clients. Airtight is now fully functioning on our systems and has been integrated into all our processes and we expect to see improved results in FY25. Airtight has market-leading products in dust extraction systems, with synergies through sales into the waste sector expected to exceed our expectations.

From this reporting period TAPC and Airtight will report as the consolidated EGL Clean Air business unit.

EGL Energy

EGL Energy had an outstanding year executing our key strategies on margin expansion and product offering expansion with revenue up 2.7% on pcp to $37,864,288 with EBITDA up 41.0% to $5,347,913 before significant item. Combined with the increased level of service work EBITDA margin expanded from 10.3% pcp to 14.1% for the full year.

As reported in the first half results new boiler sales have been very strong for Tomlinson's and position the business well for the coming period. Ignite Services performed well and continued to contribute above expectations with both revenue and earnings growth. In the period we also made the significant announcement of securing the national distribution for Fulton, a worldwide leader in the development of premier heat transfer equipment.

Fulton is an American multi-national collection of companies headquartered in Pulaski, New York, USA, who research, engineer, manufacture and support premier heat transfer equipment for a wide range of commercial and industrial applications. Fulton employs more than 650 people in facilities across five countries, serving as an industry leader of emerging heat technologies for more than 70 years.

The Fulton distribution agreement combined with Australia's largest sales and service group of steam boilers and related thermal energy systems, providing Australia's only national 24-hour service capability, gives us the opportunity to take the EGL Energy businesses to a new level. The Fulton companies not only provide us with an extended offering but also cutting - edge technology advances such as more energy-efficient hybrid boilers.

This is a significant commercial opportunity with the Fulton companies offering a large range of heat exchange products, substantially extending EGL Energy's product line, particularly in the smaller boiler, electric boiler and condensing hot water heaters. These products will enable EGL Energy to broaden its sales and service pipeline. We believe that this is a substantial growth opportunity in both the industrial and commercial markets.

With the rising cost of natural gas our clients are looking for the optimisation of their combustion efficiency and alternate fuel sources such as biomass boilers using waste products to generate heat and hydrogen as an alternate fuel source. With our knowledge of combustion systems and heat exchange we believe we are at the forefront of the circular economy to provide solutions to the industry.

EGL Turbine Enhancements

Baltec IES performed exceptionally well for the year with revenue up 34.7% on pcp to $ 27,128,799 with EBITDA up 205% to $4,811,059 before significant items. The management focus on margin and process improvement led to the strong improvement with EBITDA margins increasing from 7.8% pcp to 17.7%.

Baltec has established a unique position in the market designing silencers suitable for gas turbines running in peaking load capacity supporting the move to renewable energy while being able to achieve the noise attenuation required by our customers. The IP generated by an engineering team is world leading and has positioned the business for further growth in the future.

The growing need for gas turbines to have the flexibility to run either in peaking load or base load is being driven by the growth of the renewables sector. As renewables grow capacity, gas turbines benefit from the technology of being able to run in peaking load to support peak demand periods, this requires technical solutions that can survive in an operating environment dealing with far greater thermal dynamics.

Baltec is also nearing the completion on our first solar farm inverter inlet system to prevent dust build up and explosion risk on solar inverters. It is a unique product offering derived from our Intellectual property on removing particulate matter from air flow while not sustaining a pressure drop, the same principles used for gas turbine inlets. Once successfully commissioned we will be promoting this technology to other solar farm utilities. The system will remove particulate matter while maintaining required inlet flow rates to allow cooling of inverters. The technology can have a significant impact in lowering the risk of inverter failure, while increasing power output for the solar farm and lowering OHS risk. The solar farm industry has seen significant growth in Australia with 151 registered solar farms producing greater than 5 MW as at the end of 2022. Innovation such as these open new markets leveraging off our intellectual property.

EGL Waste

EGL Waste is the centrepiece for offering all of EGL's products and services to the waste industry, recycling plants through the Turmec agency agreement, dust and particulate matter extraction through EGL Clean Air and sterilisation and combustion technologies via EGL Energy, providing the one stop shop solution to the waste treatment industry. We believe the macro-outlook remains very strong following the introduction of the Recycling and Waste Reduction Act 2020.

EGL Waste generated revenue of $810,829 and delivered EBITDA of $118,423 (excluding EGL Water) before significant items for the full year. Most pleasingly though we did not sell a new plant during this period, the revenue and earnings derived came from the sale of services and spare parts further building our recurring revenue streams. It is important to consider that while EGL Waste manages the clients in that sector the revenue is allocated to the business unit that undertakes the work. EGL Clean Air and EGL Energy have been beneficiaries of the work generated through our waste clients. Our offering to the industry is continuing to grow through not only the sales of Turmec recycling plants, but also with our provision of servicing, maintenance and spares which was launched this year. As detailed in the ASX release dated 19th February 2024, we now also represent Kadant PAAL exclusively in Australia as a leading manufacturer of baling presses, specialising in the design and manufacture of high-performance balers and ancillary equipment, a meaningful addition to our Turmec agency agreement. Our pipeline for recycling plant tenders remains very strong at $146 million.

EGL Water has continued to progress forward with our first commercial PFAS separation plant, all documentation required is now fully submitted to the EPA to obtain licence amendments to operate at the liquid waste facility in Melbourne. While this process has taken longer than expected all questions have been responded to and we are not aware of any further information that needs to be provided to the EPA from our client. The plant has continued to perform well under pilot licence and has now processed over 300,000 litres of liquid waste for PFAS removal prior to discharge.

Over the last 12 months, we have also been developing the business plans for soil and biosolids as it is a significant segment of PFAS contaminated wastes. Our ongoing trials for PFAS contaminated soils and biosolids, have been successful seeing consistent enhancements with each iteration. Our ongoing refinement of the process has yielded highly encouraging results utilising the same technology platform. Our technology is effective, but importantly can be provided at a low operating and capital cost, with no additional waste streams generated through our process.

The growing market for the treatment of biosolids has become an area of focus for us. As PFAS is accumulating in the environment and in the biosolid sludges of our sewer networks, the end of our sewerage treatment process, it becomes s a greater area of concern. Historically biosolids post treatment have been applied to land as a soil conditioner with a high nitrogen value.

As those biosolids are now becoming increasingly contaminated rather than being in a beneficial reuse process they are now becoming a significant contaminated waste stream that will require treatment.

Since we commenced marketing our PFAS technology in March of this year inbound interest has been high in water, soil and biosolids treatment which we have provided several proposals to our clients for review.

Financial Position

The financial position of the Group has strengthened over the period with net assets increasing by $4,548,471 to $40,944,027. Cash on hand at the balance date was $10,147,059 and an undrawn $5,000,000 debt facility provides significant working capital to fund further growth. The outlook for FY25 remains strong with EGL again forecasting increased earnings, at this stage expecting EBITDA to increase by approximately 25% year on year.

Opportunities and Business Risks

The Environmental Group is committed to delivering shareholder value whilst managing the risk profile of the Group.

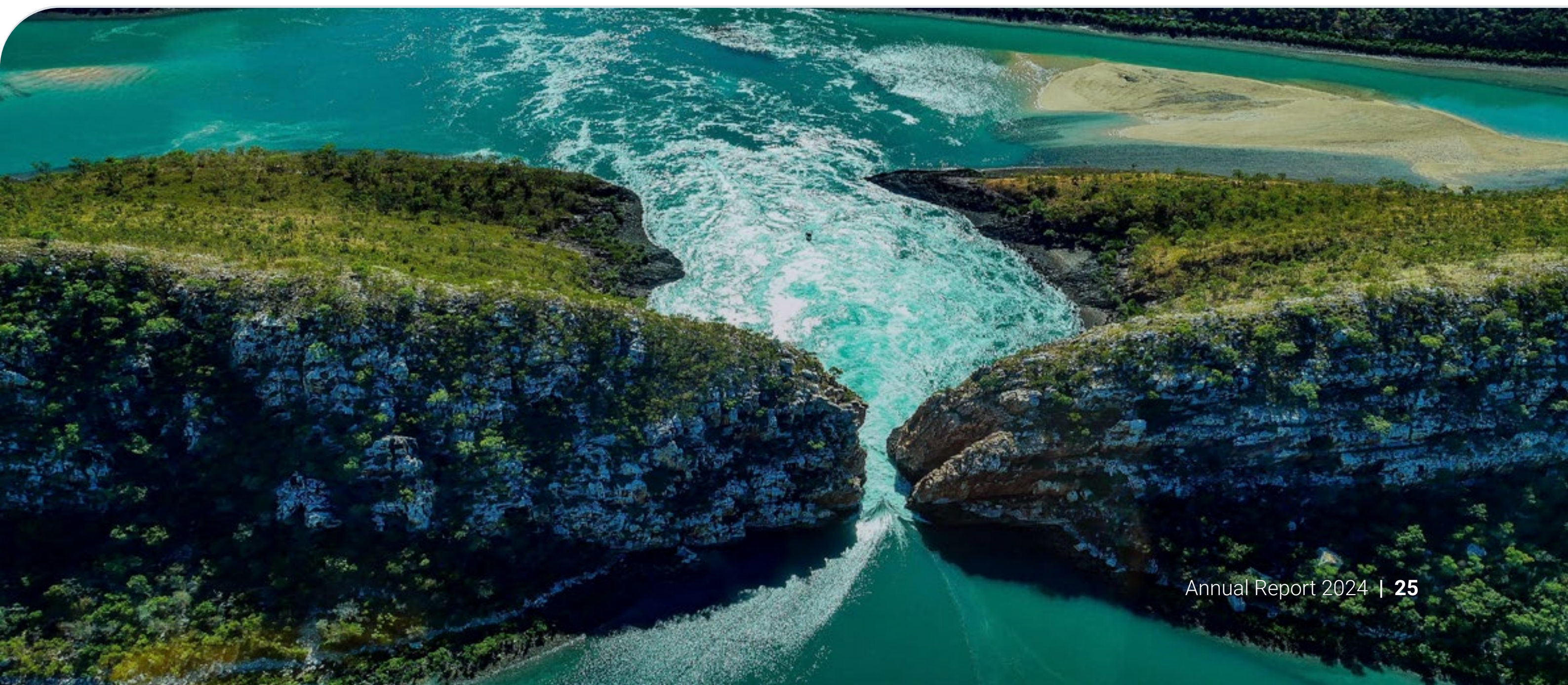
The Environmental sector continues to evolve and with this change comes both opportunity and complexity. The Waste industry is experiencing increasing pressure to meet ambitious legislative targets by 2030 whilst the Energy and Air Quality are continuing to shift in response to both political and social expectations.

To ensure we stay on track to deliver on our Strategic Objectives, The Environmental Group operates within an Enterprise Risk Management Framework that actively identifies, plans, controls and mitigates a wide range of risks across functions and continually seeks opportunities to gain competitive advantage across sectors.

The material business risks that have the potential to impact the Group's future performance and financial prospects are outlined below.

Risk	Nature of Risk	Controls Established
Fraud	Misappropriation of funds	EGL has a clear Fraud Policy in place that is communicated to all new staff as part of their induction to the business.
Financial Controls & Audit Risk	A failure to manage audit processes and compliance controls can lead to fraud, financial misstatements and loss of assets or data.	Ongoing oversight of systems and financial reports by the Directors and the audit and risk committee, including review and approval of monthly results, as well as half-yearly and annual reports released to the ASX.
Timeliness of Funding/Cash Flow	A lack of liquidity management can result in insufficient cash flow resulting in insolvency.	EGL operates within a financial delegations matrix to ensure effective control over type and timing of expenditure is maintained. Commercial Bid Reviews with Executive oversight are conducted on all major Projects to ensure cash flow controls are adequate, and the sales pipeline is maintained. EGL has a diverse customer portfolio with a high proportion of recurring revenue streams.
Employee Recruitment & Retention	Loss of key people may lead to loss of critical skills, knowledge and experience which may disrupt workflow, impact key relationships with stakeholders and can impact EGL's competitive advantage.	A group-wide succession plan is actively managed to develop talented staff in preparation for progression within the business. There is regular role review and performance management in place across the group and remuneration is set at or above market averages for a similar size and scope of business.
Loss of Customer Confidence or Relationship	EGL maintains a diverse portfolio of Tier 1 and 2 customers. A loss of a key customer may negatively impact the financial success of the business.	EGL has a diverse range of customers across different markets around the globe. Despite the relatively low risk of significant financial impact from the loss of one customer, EGL is committed to meeting and exceeding customer expectations on project and service delivery.

Risk	Nature of Risk	Controls Established
Information Security	EGL may be exposed to an event or events which may result in our own IP, financial information or our client's information being compromised with adverse consequences for the business. Our information security risks remain heightened due to the growing sophistication and increased frequency of cyber attacks within all industries.	EGL invests in a wide range of information security protection and preventative measures in response to the increasing threats presented by cyberattacks. Critical to the success of EGLs' information security program is the central management of this function with a robust common strategy and policy across EGL that follows the framework of protect, monitor, detect and respond. EGL also partners with trusted external partners to provide security testing and training, including phishing exercise and social engineering testing. Induction security training and ongoing regular communication to staff is conducted to recognise and prevent cyber threats, strengthening our overall security posture.
Competitor Risk	The risk of competitors taking majority of or all market share in EGL's market segments.	EGL continues to invest in market led product development to ensure we have best-in-class offerings for our clients. We have an operational drive towards developing customers across multiple sectors to ensure market diversification as well as solidifying our position in the Waste sector. EGL has positioned its process, systems and people to be able to quickly scale to meet demand and continue to develop strategic partnerships that are beneficial to achieving our strategy.
Business Interruption	There is a risk of business interruption leading to commercial loss that may result from natural disasters such as pandemics, floods and bushfires.	EGL has comprehensive emergency management plans in place and conducts regular drills across all sites to ensure staff and business preparedness to respond quickly is maintained. EGL also manages these risks through the framework and governance structures outlined in this report.
Serious Workplace Health & Safety Incident	A WH&S incident results in a serious injury or death and the company is severely impacted by the consequences.	EGL has a full suite of Safe Operating Procedures that staff are trained in for all risky activities and equipment and have a 'take 5' culture embedded into all physical work. Leading indicators for maintaining a healthy and safe workplace for our staff are closely monitored and continuously improved.



Our Approach to **Sustainability**

The Environmental Group's Approach to Sustainability through ESG – FY24.

The Environmental Group strives to be a sustainable contributor to Australian and global communities through transparency, strong partnerships and sound research. These elements are integrated into all areas of our business – strategy setting, risk management processes and decision making.

Sustainability Performance

Significant statistics:

0x LTIs
Safety

0 Incidents
Environment

During FY24 work was further developed on the Group's Sustainability Strategy, to incorporate relevant sustainability-related risks and opportunities that reflect the direction of our company. This Sustainability Strategy is being built to support our Corporate Strategy, with an increasing focus on those sustainability topics most relevant to the communities we are active in and to our current business activities.

Based on our previous materiality assessment, and guided by our core values, baseline data has been captured against these key materiality topics. This will form the basis of our Sustainability Plan which will detail the tactical implementation of the Strategy, allowing objectives and targets to be clearly communicated throughout the business and to external stakeholders. Performance against these targets will continue to be captured, closely monitored and optimised where possible.

Environment

01
Limit harmful pollutants and chemicals entering the Environment

151
Air pollution reduction systems delivered and installed

8x
Silencers for Exhaust systems delivered

1x
Installed and operating the largest recycling facility in the Southern Hemisphere.

1x
PFAS system removing harmful organic compounds from the environment

1x
National distributor agreement signed to sell a more energy efficient boiler range

All EGL sites with spill kits and trained staff to use them

02
Renewable energy use

4x
Vehicle transition from diesel to petrol commenced

03
Waste reduction

77
Lifts of recycled bins from all sites

04
Environmental regulation compliance

0
EPA regulation breaches

Social/People

05 Ethical supply chain

25

Prequalification checks for evidence of Modern Slavery from potential suppliers

06 Pays fair wages/salaries

>5%

Median base salary increase above the ABS reported inflation rate

07 Employee Health & Safety

Achieved recertification of

ISO 45001:2018

0 LTIs and 0 incidents

08 Ethical conduct with customers

>60

Client Pre-Qualifications completed and accepted

Proactive client meetings

every 2 weeks

(minimum) for all Projects

09 Product safety

CE Certification achieved

(A regulatory standard that verifies certain products are safe for sale and use in the European Economic Area (EEA)

10 Training and education

6422 hours

of staff training across the Group

11 Performance reviews career development

100%

of all non-technician staff receiving Annual Performance Reviews

9 staff

promoted from within the organisation

Governance

12
Impartial Board of Directors

Board rotation
plan in place

1/4
Female Board members

Independent
Board maintained

13
Accurate and transparent accounting methods

Passed
External audits passed

14
Transparent Corporate Governance Statement

Corporate Governance
Statement updated

Environment

We work to have a positive impact on the environment by integrating environmental considerations and management into our activities, including design, choice of suppliers, and day-to-day operations of our facilities.

Highlights

We are facilitating the transition from coal-based to **renewable energy solutions** through enhanced energy efficiency designs for gas turbines.

We have developed a unique air filtration system to significantly reduce particulate matter entering **solar farm inverters**, which leads to:

- A significant reduction in maintenance and power production down time.
- A reduced risk of fire and explosion in inverters due to a build-up of particulate matter.

We have invested in **IEC class 1 acoustic test equipment** to help clients address the increasing regulation of environmental noise.

We contributed to noise reduction targets globally by supplying **8 x Exhaust System Silencers** to the gas turbine industry, helping meet country targets and improve quality of living for surrounding communities.

In FY24, we prioritised embedding existing **sustainable procurement principles** across the Group, launching updated tools, templates and guidance documents, and supporting our end clients in their supply chain decarbonisation journeys.

We are optimising cutting patterns to suit the machinery of our manufacturers to reduce **material wastage**.

We are promoting the use of VSD's over other technologies to **minimise power consumption** across our product range.

Opportunities for FY25

Further standardising our design of our Systems to reduce total steel and consumable inputs, weld time (power consumption), waste offcuts and pressure drop (to maximise turbine efficiency: less fuel consumed for the same output equals less GHGs emitted).

Identifying more durable materials for weight optimisation, prolonged design life of products and simplified maintenance activities.

Collecting field noise data from existing equipment installations with our industry recognised IEC Class 1 noise test equipment. This will support the already highly specialised analytical engineering techniques we use to design products for an industry of ever demanding environmental noise performance requirements.

Developing an ammonia stripping system with the capability to recover the ammonia from a contaminated stream, reducing the carbon footprint of refinery processes.

Standardising our engineered solution to provide integrated dust management for mining operations, minimising the generation of noxious particulate matter including silica dust.

Developing and delivering sustainable procurement training for teams to identify early indicators of broad sustainability risks.

Working collaboratively with our suppliers to establish an energy efficiency program to further reduce GHG emissions from our operations.

EGL, in partnership with Victoria University, have conducted several PFAS Soil and Biosolid trials that have yielded a number of potential clients with several contaminated sites. The new technology has significant environmental advantages over thermal soil treatment, as in 2000-fold reduction in Energy and processing of the soil can happen on site and returned safely to its original location unlike thermal treatment.

Potential Risks

Increased regulatory landscape and stakeholder expectations leading to extended timeframes for assessment and complexity of environmental approvals.

Social/People

Our people are integral to our success. To maintain a high performing organisation in a rapidly changing industry and society we will continue to evolve our people strategy to attract and retain highly capable people whose values align to those of our business and create a work environment for them to be at their best.

Highlights

We recognise those who have contributed to our success by celebrating our major employment milestones with events held in offices across the country. In FY24 we celebrated 9 x **long term employment staff** who have been with us in excess of 20 years, including 3 x members who have been with us since 1994, marking a 30-year commitment to our Company.

An **Employee Assistance Program (EAP)** has been introduced across all sites to support our staff in all aspects of their professional and personal life. Our EAP offers 24/7 support via professional counselling services for employees, contractors and their families.

We have trained all management staff on our **'Just Culture'** decision framework, and it has been applied across challenging decision scenarios to ensure consistency and fairness in how situations are managed.

We have invested in our people through a significant commitment of over **6,000 hours of staff training** across the business.

We have professionally progressed nine staff on **internal promotions** across the Group.

We introduced **additional due diligence processes** for high-risk sourcing activities to identify evidence of modern slavery in our supply chains.

Renewed branding for the Group has been rolled out to more accurately reflect the environmental nature of the work we do and is embedded into new, more climate suitable clothing attire for staff.

At The Environmental Group, we recognise the importance of taking a proactive approach to emergency management, which is a fundamental aspect of our commitment to sustainability. We acknowledge that emergencies can pose significant risks to our people, the environment, and our operations. We have implemented robust emergency response plans and systems to mitigate and respond to potential incidents effectively. Our emergency management framework encompasses comprehensive risk assessments, regular training programs, and the establishment of clear communication channels to ensure a swift and coordinated response during incidents.

Opportunities for FY25

Evaluate and enhance our emergency preparedness through scenario-based exercises and lessons learned, incorporating industry best practices.

We are always seeking to better understand the views of our workforce to help inform improvement initiatives and create a positive, productive and rewarding work environment for all. Development of a People Experience Survey will provide a comprehensive insight to the direct views of The Environmental Group's workforce.

Governance

Good governance is critical to strong sustainability performance. Compliance with all relevant health and safety and environmental legislation and obligations is the minimum standard to which the Group operates. In addition to observing laws and regulations and fully committing to integrity and fair and just business practices, we disclose management information and ensure fairness and transparency.

Good governance is the collective responsibility of the Board and all levels of management. The Environmental Group adopts contemporary governance standards and apply these in a manner consistent with our values. The Group's leadership team is accountable for the safety of our people, for upholding our Values, and for acting with integrity. We support the intent of the 4th Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations. Unless otherwise disclosed, we report against the requirements of these Principles and Recommendations.

Our primary principles for good governance are:

01

Having an independent and diverse Board of Directors
Ensuring effective decision making and oversight.

02

Transparency and Accountability
Providing clear accurate information to our shareholders on initiatives and progress.

03

Ethical Business Practices
Prohibiting any form of unethical behaviour both internally and within its business relationships.

Our overall approach to corporate governance is detailed in our Corporate Governance Statement, available on our website at environmental.com.au.

By prioritising the safety and wellbeing of our workforce, minimising environmental impacts, and maintaining good governance practices, we strive to further integrate sustainability into the core of our operations and foster positive change in the environment.

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 2024.

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
Chair (Non-Executive)

Mr Adrian Siah
Independent Director (Non-Executive)
Resigned from the Board 24 August 2023

Mr Michael Constable
Independent Director (Non-Executive)
Chair of Audit and Risk Committee
Appointed to the Board on 24 August 2023

Mr Graeme Nayler
Independent Director (Non-Executive)

Mr Vincent D'Rozario
Independent Director (Non-Executive)

Interests in the shares and options of the Group and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of The Environmental Group Limited ('EGL') were:

	No. of Ordinary Shares	No. of Options over Ordinary Shares
Ms Lynn Richardson	3,825,001	-
Michael Constable	1,080,819	-
Mr Graeme Nayler	268,000	-

Dividends

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

Principal activities

The principal activities during the period ending 30 June 2024 of the entities within the Group were design, application and servicing of innovative gas vapour and dust emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment and service install provider for heat transfer plant and equipment primarily related to boilers including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries. Waste agency agreement with an engineering and fabrication company of waste recycling plant and equipment.

Significant changes in the state of affairs

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

Review of operations and material business risks

Please refer to the Review of Operational Report (page 18) for the operating and financial review, including the material business risks.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 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 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
Chair (Non-Executive)

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

Ms Lynn Richardson is an accomplished non-executive director known for enhancing shareholder value through fostering a positive corporate culture, driving innovation, and achieving strategic objectives. With extensive governance experience, including nine years with ASX-listed companies, Ms Richardson has successfully guided the company through a significant growth phase and demonstrated exceptional leadership during multiple acquisitions.

Ms Richardson's broad expertise spans ASX-listed organisations, not-for-profit entities, and government boards.

A graduate of the Australian Institute of Company Directors, Ms Richardson possesses an MBA from the Australian Graduate School of Entrepreneurship and postgraduate qualifications in professional accounting and educational research from the University of Melbourne. Her 20-year career is marked by a dedication to continuous improvement and a passion for entrepreneurial leadership.

Before becoming Chair, Ms Richardson served on the executive committee of Baltec IES, where her strategic leadership significantly contributed to the company's growth.

Interest in shares:	3,825,001
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Mr Michael Constable

Independent Non-Executive Director
Chair of Audit and Risk Committee

Appointed to the Board 24 August 2023

Mr. Michael Constable was appointed to the board as a non-executive director in August 2023. Michael has significant financial management experience and board exposure gained within large ASX-listed companies over the last 20 years. Michael is a Chartered Accountant who has had senior executive finance roles within Nylex and Programmed Maintenance Group and was CFO of Tox Free Solutions Ltd. for over 10 years. Michael was also CFO of Millennium Services Group Ltd. for 4 years.

Michael's industry experience spans labour and equipment hire, industrial services, waste management, and contracting businesses, and he has had significant experience in high-growth environments. Michael has developed and successfully executed business organic and inorganic growth strategies, governance, risk management, equity and debt funding initiatives, and driven significant shareholder value.

Interest in shares:	1,080,819
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Mr Adrian Siah

Director (Non-Executive)

Appointed to the Board 17 September 2020
Resigned from the Board 24 August 2023

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

Mr Siah is a member of the CA ANZ with a degree in Accounting from the University of Waikato New Zealand and is a member of the Australian Institute of Company Directors. Mr Siah brings additional management skills to the Board, as well as broad connections in the investment community and in South East Asia.

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

Mr Graeme Nayler

Independent Non-Executive Director

Appointed to the Board 9 March 2021

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

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

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

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

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

Mr Vincent D'Rozario

Independent Non-Executive Director

Appointed to the Board 9 March 2021

Mr Vincent D'Rozario was appointed as Non-Executive Director in March 2021. An executive leader adept at business transformation and growth, Vincent has forged his career in the highly competitive business sectors of major project delivery, commercial aviation and heavy steel manufacturing.

He has a strong track record in purpose led transformation bringing businesses to their desired market position. Vincent is driven by challenge and thrives on leading organizational change and strategic organic and inorganic growth.

After a career spanning over 27 years in global roles with Aker Solutions, Global Process Systems and Jacobs, Vincent moved to the commercial aviation sector where he held the role of Regional Managing Director for CHC Helicopters APAC for 6 years prior to joining Austin. Vincent provides a strong focus on improving and growing both the top and bottom lines leading to increased shareholder/owner value.

In addition to his NED role at EGL, Vincent is the Chief Operating Officer for Austin Engineering Limited (ASX:ANG).

A strong safety advocate, Vincent is an accomplished cognitive behavioural practitioner which he applies to both safety also to business leadership. Vincent has a degree in Electrical Engineering from Victoria University of Technology and is a graduate of the Australian Institute of Company Directors.

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

Company Secretary

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

Ms Kate Goland of CSB Corporate Services was appointed joint Company Secretary on 27 October 2022. Kate is a BCom, CPA and a GIA (Affiliate).

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 2024, and the number of meetings attended by each Director were:

Full Board	**Attended**	**Held**
Ms Lynn Richardson	12	12
Mr Adrian Siah	2	2
Mr Graeme Nayler	12	12
Mr Vincent D'Rozario	12	12
Michael Constable	10	10

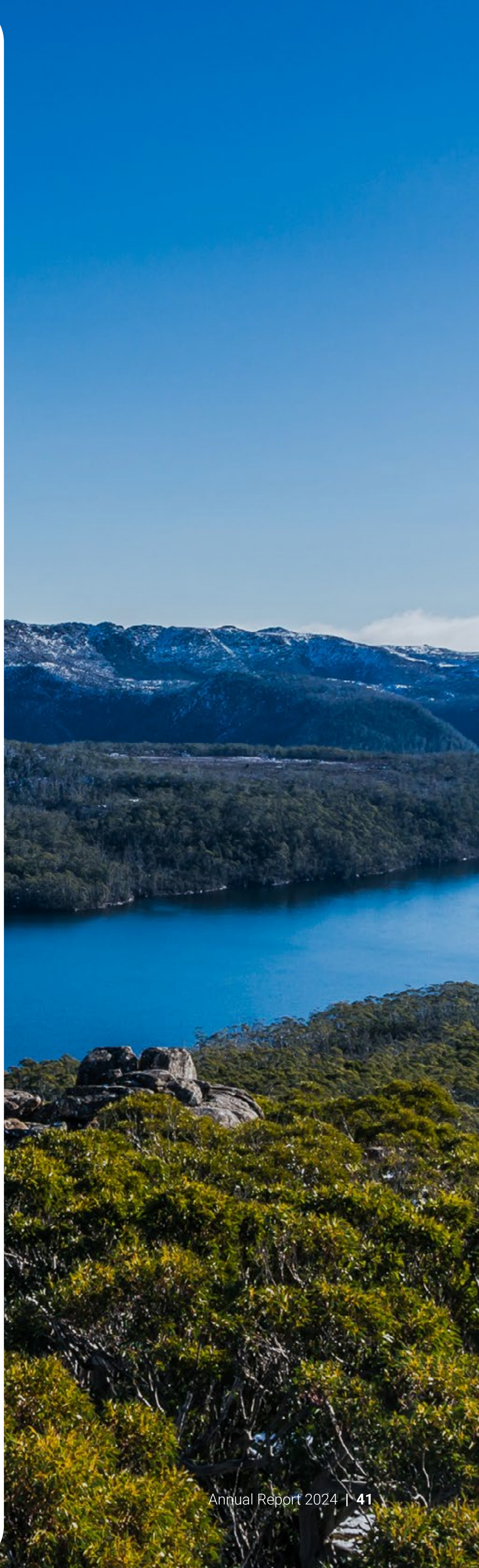
Nomination and Remuneration Committee	**Attended**	**Held**
Ms Lynn Richardson	5	5
Mr Adrian Siah	2	2
Mr Graeme Nayler	5	5
Mr Vincent D'Rozario	5	5
Michael Constable	3	3

Audit and Risk Committee	**Attended**	**Held**
Ms Lynn Richardson	5	5
Mr Adrian Siah	1	1
Mr Graeme Nayler	5	5
Mr Vincent D'Rozario	5	5
Michael Constable	4	4

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

The nomination and remuneration meetings is a component of the full board meetings.

June 2024 board meeting was held 26 June 2024.



Corporate **Governance**

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

The Corporate Governance Statement outlines The Environmental Group's approach to corporate governance, and its compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th edition.

https://www.environmental.com.au

https://environmental.com.au/corporate-governance

Remuneration **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, Chief Commercial Officer and Chief Operating Officer of the Group.

Remuneration committee and philosophy

The objective of the Group's remuneration policy is to ensure that Senior Executives of the Group are motivated to pursue the long-term growth and success of the Group within an appropriate control framework and that there is a clear relationship between performance and remuneration.

The remuneration structures offered to Senior Executives are designed to attract and retain 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 Chair 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 2024 and 30 June 2023 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 2024 financial year.

Executives

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing three months' written notice or providing payment in lieu of the notice period with the exception of the CEO, CFO, CCO and the COO 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.,

Voting and comments made at the company's 2023 Annual General Meeting.

At the 2023 AGM, 95.88% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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 Chair 23 November 2017)
- Mr Adrian Siah: Non-Executive
  (Appointed 17 September 2020) (Resigned 24 August 2023)
- Mr Graeme Nayler: Non-Executive
  (Appointed 9 March 2021)
- Mr Vincent D'Rozario: Non-Executive
  (Appointed 9 March 2021)
- Mr Michael Constable: Non-Executive
  (Appointed 24 August 2023)
- 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: Chief Commercial Officer
  (Appointed 8 February 2021)
- Ms Brenda Borghouts: Chief Operating Officer
  (Appointed 28 February 2022)

Table 1: Remuneration report - remuneration for year ended 30 June 2024

	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	
2024	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super-annuation $**	**Long Service Leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors							
Ms Lynn Richardson	96,000	-	-	10,560	-	-	106,560
(1) Mr Adrian Siah	8,000	-	-	-	-	-	8,000
(2) Mr Graeme Nayler	48,000	-	-	-	-	-	48,000
Mr Vincent D'Rozario	43,603	-	-	4,796	-	-	48,399
(3) Mr Michael Constable	36,976	-	-	4,067	-	-	41,043
Other Key Management Personnel							
Mr Jason Dixon	296,423	-	-	32,607	-	44,390	373,420
Mr Andrew Bush	311,793	-		34,297		50,000	396,090
Mr Paul Gaskett	249,269	-	-	27,420	-	22,195	298,884
Ms Brenda Borghouts	229,500	-	-	25,245	-	9,057	263,802
	1,319,564	**-**	**-**	**138,992**	**-**	**125,642**	**1,584,198**

Notes to Table 1:

1) Paid from 1 July 2023 to 23 August 2023 to Gem Syndication Pty Ltd in relation to Directors Fees.
2) Paid from 1 July 2023 to 30 June 2024 to GJN Professional Services Pty Ltd in relation to Directors Fees.
3) Paid from 24 August 2023 to 30 June 2024.

Table 2 - Remuneration report - remuneration for year ended 30 June 2023

	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	
2023	**Cash salary and fees $**	**Cash bonus $**	**Non-monetary $**	**Super -annuation $**	**Long Service Leave $**	**Equity-settled $**	**Total $**
Non-Executive Directors:							
Ms Lynn Richardson	88,000	-	-	9,240	-	-	97,240
(1) Mr Adrian Siah	48,000	-	-	-	-	-	48,000
(2) Mr Graeme Nayler	48,000	-	-	-	-	-	48,000
Mr Vincent D'Rozario	43,438	-	-	4,562	-	-	48,000
Other Key Management Personnel							
Mr Jason Dixon	279,100	-	-	29,201	-	107,149	415,450
Mr Andrew Bush	278,100	-		29,291		50,000	357,391
Mr Paul Gaskett	235,159	-	-	24,692	-	53,574	313,425
Ms Brenda Borghouts	209,295	-	-	21,976	-	26,037	257,308
	1,229,092	**-**	**-**	**118,962**	**-**	**236,760**	**1,584,814**

Notes to Table 2:

1) Paid from 1 July 2022 to 30 June 2023 to Gem Syndication Pty Ltd in relation to Directors Fees.
2) Paid from 1 July 2022 to 30 June 2023 to GJN Professional Services Pty Ltd in relation to Directors Fees.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Non-Executive Directors:						
Ms Lynn Richardson	100%	100%	-	-	-	-
Mr Adrian Siah	100%	100%	-	-	-	-
Mr Graeme Nayler	100%	100%	-	-	-	-
Mr Vincent D'Rozario	100%	100%	-	-	-	-
Mr Michael Constable	100%	-	-	-	-	-
Other Key Management Personnel:						
Mr Jason Dixon	88%	86%	-	-	12%	14%
Mr Andrew Bush	87%	74%	-	-	13%	26%
Mr Paul Gaskett	93%	83%	-	-	7%	17%
Ms Brenda Broughouts	97%	90%	-	-	3%	10%

Share-based compensation

The share-based compensation for Directors and other key management personnel as part of compensation during the year ended 30 June 2024 were limited to the performance rights as per the following section.

Performance Rights

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

EBITDA Targets

Financial Year	EBITDA Targets	Expected EBITDA - Low 70%	Expected EBITDA - High 100%	Probability
FY24	7,000,000	4,900,000	7,000,000	100%

KMP	Number of performance rights granted	Grant date	Vesting date and exercisable date	Exercise price	Fair value per performance right
Jason Dixon	4,333,333	8 February 2021	30 June 2024	$0.00	$0.04
Paul Gaskett	2,166,667	8 February 2021	30 June 2024	$0.00	$0.04
Brenda Borghouts	75,471	11 March 2022	30 June 2024	$0.00	$0.27
Andrew Bush	213,000	24 November 2023	30 June 2024	$0.00	$0.23

On the 11 October 2023 the following performance rights were converted to fully paid ordinary shares after achieving 100% of the FY23 target. The rights are with a ratio of one for one shares based on the number of rights that are issuable depending on the target achieved.

Jason Dixon	4,333,333
Paul Gaskett	2,166,667
Andrew Bush	250,000
Brenda Borghouts	75,471

FY24 Performance Targets

FY24 EBITDA Target	$7,000,000
FY24 EBITDA Achieved	$10,101,890

EBITDA before significant items for the period ended 30 June 2024 was $10,101,890. Significant items for the period included performance rights expense of $158,340, redundancy cost of $40,589, foreign exchange losses of $163,367 and integration costs of $88,090.

Based on the above:

Jason Dixon rights to be issued	4,333,333
Paul Gaskett rights to be issued	2,166,667
Andrew Bush rights to be issued	213,000
Brenda Borghouts rights to be issued	75,471

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

Additional information

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

	2020 $	2021 $	2022 $	2023 $	2024 $
Sales revenue	37,425,748	46,562,933	57,065,291	82,672,245	98,251,869
EBITDA	(128,116)	3,050,077	3,723,285	5,859,158	9,651,504
EBIT	(1,418,887)	1,759,467	2,145,864	4,145,987	7,108,917
Profit/(Loss) after income tax	(1,244,255)	1,711,056	1,553,664	2,613,069	4,390,131
Share price at financial year end (cents)	2.30	8.50	20.00	22.00	34.00
Number of shares issued	217,531,711	276,975,129	312,202,805	366,338,953	373,436,874

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 41. There were no shares granted during the reporting period as remuneration.

Ordinary Shares	Balance at the start of the year	Exercise of Performance Rights	Additions	Disposals/ other	Balance at the end of the year
Ms Lynn Richardson	3,825,001	-	-	-	3,825,001
Mr Adrian Siah	7,389,724	-	-	(7,389,724)	-
Mr Andrew Bush	1,382,032	250,000	-	(78,178)	1,533,854
Mr Jason Dixon	20,337,247	4,333,333	-	(600,000)	24,070,580
Mr Paul Gaskett	10,168,623	2,166,667	-	-	12,335,290
Ms Brenda Borghouts	132,224	75,471	-	(37,565)	170,130
Mr Graeme Naylor	268,000	-	-	-	268,000
Mr Michael Constable	-	-	1,080,819	-	1,080,819
	43,502,851	**6,825,471**	**1,080,819**	**(8,105,467)**	**43,303,674**

Loans to key management personnel and their related parties

In 2024 (2023-nil) no loans were made to Directors of The Environmental Group Limited or other key management personnel of the Group, including their personally related parties.

Other transactions with key management personnel and their related parties

In 2024 (2023-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 2024 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 39 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.

The Directors are of the opinion that the services as disclosed in Note 39 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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 the Directors,

Ms Lynn Richardson
Chair

21 August 2024

RSM Australia Partners

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www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of The Environmental Group Limited and controlled entities for the year ended 30 June 2024, 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: 21 August 2024
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 2.01, Level 2, 315 Ferntree Place,
Mount Waverley,
VIC 3149 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 21 August 2024. 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 2024

		Consolidated	
Revenue from continuing operations	**Note**	**2024 $**	**2023 $**
Revenue	5	98,251,869	82,672,245
Costs of sales and provisions of services	6	(68,993,486)	(63,800,383)
Gross profit		**29,258,383**	**18,871,862**
Expenses			
Employee expenses	7	(11,705,446)	(7,723,421)
Depreciation and amortisation	8	(2,542,587)	(1,713,171)
Professional fees		(1,636,671)	(1,744,825)
Travel expenses		(1,635,794)	(1,153,662)
Marketing expenses		(427,297)	(350,519)
Occupancy expenses		(769,191)	(448,648)
Other expenses		(3,432,480)	(1,591,629)
Operating profit		**7,108,917**	**4,145,987**
Interest income		55,656	4,363
Interest expense	10	(417,694)	(274,661)
Profit before income tax expense		**6,746,879**	**3,875,689**
Income tax expense	11	(2,356,748)	(1,262,620)
Profit after income tax expense for the year attributable to the owners of The Environmental Group Limited	34	**4,390,131**	**2,613,069**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of The Environmental Group Limited		**4,390,131**	**2,613,069**
		Cents	**Cents**
Basic earnings per share	47	1.16	0.80
Diluted earnings per share	47	1.15	0.79

Consolidated statement of financial position

As at 30 June 2024

		Consolidated	
Assets	**Note**	**2024 $**	**2023 $**
Current assets			
Cash and cash equivalents	12	10,147,059	9,367,213
Trade and other receivables	13	15,342,397	12,917,218
Inventories	14	5,103,132	5,101,457
Other current assets	15	771,099	473,181
Contract assets	16	13,139,326	10,044,553
Total current assets		**44,503,013**	**37,903,622**
Non-current assets			
Deferred tax assets	17	3,213,158	3,190,252
Property, plant and equipment	18	1,994,756	1,802,698
Intangible assets	19	19,857,216	20,275,498
Other non-current assets	20	154,941	230,930
Right-of-use assets	21	4,996,544	3,263,622
Total non-current assets		**30,216,615**	**28,763,000**
Total assets		**74,719,628**	**66,666,622**
Liabilities			
Current liabilities			
Trade and other payables	22	18,601,338	16,541,612
Contract liabilities	23	4,105,809	3,870,002
Financial liabilities	24	191,836	638,601
Employee benefits	25	3,461,354	3,138,030
Lease liabilities	27	1,711,544	1,416,832
Total current liabilities		**28,071,881**	**25,605,077**
Non-current liabilities			
Financial liabilities	28	137,569	329,405
Provision for earnout	29	-	900,775
Deferred tax liabilities	30	1,934,002	1,238,405
Lease liabilities	32	3,478,493	2,021,327
Employee benefits	31	153,656	176,077
Total non-current liabilities		**5,703,720**	**4,665,989**
Total liabilities		**33,775,601**	**30,271,066**
Net assets		**40,944,027**	**36,395,556**

Statement of Financial Postition (continued)

Equity	Note	Consolidated 2024 $	2023 $
Issued capital	33	37,064,481	37,064,481
Retained earnings	34	2,514,415	(1,875,716)
Reserves	35	1,365,131	1,206,791
Total equity		**40,944,027**	**36,395,556**

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

Consolidated statement of change in equity

For the year ended 30 June 2024

Consolidated	Share capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2022	28,746,918	876,035	(4,488,785)	-	25,134,168
Profit after income tax expense for the year	-	-	2,613,069	-	2,613,069
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**2,613,069**	**-**	**2,613,069**
Contributions of equity, net of transaction costs (Note 33)	8,317,563	-	-		8,317,563
Share-based payments (Note 48)	-	330,756	-		330,756
Balance at 30 June 2023	**37,064,481**	**1,206,791**	**(1,875,716)**	**-**	**36,395,556**

Consolidated	Share capital $	Reserves $	Accumulated Losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2023	37,064,481	1,206,791	(1,875,716)	-	36,395,556
Profit after income tax expense for the year	-	-	4,390,131	-	4,390,131
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**4,390,131**	**-**	**4,390,131**
Share-based payments (Note 48)	-	158,340	-		158,340
Balance at 30 June 2024	**37,064,481**	**1,365,131**	**2,514,415**	**-**	**40,944,027**

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 2024

Cash flows from operating activities	Note	Consolidated 2024 $	Consolidated 2023 $
Receipts from customers		100,097,691	88,447,624
Payments to suppliers and employees		(95,524,223)	(82,963,573)
		4,573,468	**5,484,051**
Interest received		55,656	4,363
Other revenue		-	30,369
Interest paid	10	(417,694)	(274,661)
Net cash provided by operating activities	**46**	**4,211,430**	**5,244,122**
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	43	(99,751)	(3,420,551)
Payment for acquisition of plant and equipment	18	(503,998)	(360,545)
Payments for intangibles	19	(541,168)	(291,982)
Increase/(decrease) in fixed term deposit		-	(8,109)
Security deposits		75,989	-
Net cash used in investing activities		**(1,068,928)**	**(4,081,187)**
Cash flows from financing activities			
Proceeds from issue of shares (net of capital raising costs)	33	-	8,317,563
Repayment of borrowings		(600,000)	(600,000)
Repayment of lease liabilities		(1,762,656)	(1,251,124)
Net cash from/(used in) financing activities		**(2,362,656)**	**6,466,439**
Net increase in cash and cash equivalents		779,846	7,629,374
Cash and cash equivalents at the beginning of the financial year		9,367,213	1,737,839
Cash and cash equivalents at the end of the financial year	**12**	**10,147,059**	**9,367,213**

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

Notes to the consolidated financial statements

For the year ended 30 June 2024

Note 1. **Corporate Information**

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2024 was authorised for issue by the Directors in accordance with a resolution of the Directors on 21 August 2024.

The Environmental Group Limited's registered office is Level 2, Suite 2.01, 315 Ferntree Gully Road, Mount Waverley, VIC 3149 Melbourne, Australia.

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 2024 of the entities within the Group were design, application and servicing of innovative gas, vapour and dust emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment solutions, service install provider for heat transfer plant and equipment primarily related to boilers and burners including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries and an agency agreement for the manufacturing of waste recycling plant and equipment.

Note 2. **Material accounting policy information**

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-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 42.

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 2024 and the results of all subsidiaries for the year then ended. The Environmental Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Operating segments

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

Foreign currency transactions and balances

Functional and presentation currency

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

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

Foreign operations

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

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Products

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

Revenue from sales other than capital work contracts is recognised when goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the customer.

Services

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

Government grants

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

Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, cash in hand and other short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

Trade and other receivables

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

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Expected credit losses are also assessed on individual debtors with overdue balances for any specific allowance required. Specific expected credit losses are recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or, default payments are considered objective evidence of possible impairment.

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

Contract assets

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

Inventories

Raw materials and consumables

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the specific asset. The expected useful lives as follows:

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

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

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

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

Right-of-use assets

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

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

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

Goodwill and intangibles

Goodwill

Goodwill arises on the acquisition of a business and is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangibles other than goodwill

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Customer relationship

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

Intellectual property

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

Research and development costs

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

Software

An intangible asset arising from software purchased or development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a post-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Further details on the methodology and assumptions used are outlined in Note 19.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Trade and other payables

Trade and other payables are carried at cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

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

Borrowings

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

Lease liabilities

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

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

Borrowing costs

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

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Retirement benefit obligations

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

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

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

Business combinations

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

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

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

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

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

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

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

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

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

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

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

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

Comparatives

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024.

Note 3. **Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

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

Provision for impairment of inventories

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

Estimation of useful lives of assets

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

Impairment of goodwill

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

Impairment of non-financial assets other than goodwill

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

Income tax

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

Recovery of deferred tax assets

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

Lease term

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

Incremental borrowing rate

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

Employee benefits provision

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

Business combinations

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

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

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

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

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

Note 4. **Operating segments**

Identification of reportable operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Unless stated otherwise all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and/or services provided by the segment.
- The fabrication process.
- The type or class of customer for the products or services.
- The distribution method.
- Any external regulatory requirements.

Types of products and services by segment

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

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

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

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

Inter-segment transactions

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

Segment assets

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

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Segment performance

The following table present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2024 and 30 June 2023.

Operating segment information

Consolidated - 2024	EGL Clean Air TAPC $	EGL Clean Air Airtight $	EGL Energy $	EGL Turbine Enhance-ment $	Other Segments $	EGL Waste $	Corporate $	Total $
Revenue								
Sales to external customers	17,187,470	15,381,657	37,488,041	27,012,489	-	810,829	-	97,880,486
Intersegment sales	-	156,458	376,247	-	-	-	-	532,705
Total sales revenue	17,187,470	15,538,115	37,864,288	27,012,489	-	810,829	-	98,413,191
Other revenue	214,470	-	-	116,310	-	40,603	-	371,383
Total segment revenue	17,401,940	15,538,115	37,864,288	27,128,799	-	851,432	-	98,784,574
Intersegment eliminations								(532,705)
Total revenue								**98,251,869**
EBITDA	2,321,230	858,236	5,335,329	4,657,325	-	(134,544)	(3,139,642)	9,897,934
Depreciation and amortisation								(2,542,587)
Interest revenue								55,656
Finance costs								(417,694)
Performance Shares								(158,340)
Integration costs								(88,090)
Profit before income tax expense								**6,746,879**
Income tax expense								(2,356,748)
Profit after income tax expense								**4,390,131**
Assets								
Segment assets	25,609,963	12,679,620	28,146,667	35,245,639	10,895	4,285,780	35,837,886	141,816,450
Intersegment eliminations								(70,309,980)
Unallocated assets:								
Deferred tax asset								3,213,158
Total assets								**74,719,628**
Liabilities								
Segment liabilities	(5,158,902)	12,829,265	11,204,862	(9,880,615)	(10,894)	1,335,495	(48,787,592)	(38,468,381)
Intersegment eliminations								70,309,980
Unallocated liabilities:								
Deferred tax liability								1,934,002
Total liabilities								**33,775,601**

Note 4. Operating segments (continued)

Consolidated - 2023	EGL Clean Air TAPC $	EGL Clean Air Airtight $	EGL Energy $	EGL Turbine Enhance-ment $	Other Segments $	EGL Waste $	Corporate $	Total $
Revenue								
Sales to external customers	16,883,856	3,361,519	36,866,040	19,937,120	-	5,290,972	20	82,339,527
Other revenue	77,029	30,369	-	204,825	-	20,495	-	332,718
Total revenue	**16,960,885**	**3,391,888**	**36,866,040**	**20,141,945**	**-**	**5,311,467**	**20**	**82,672,245**
EBITDA	2,969,629	154,787	3,730,738	1,480,187	-	839,864	(2,668,475)	6,506,730
Depreciation and amortisation								(1,713,171)
Interest revenue								4,362
Finance costs								(274,661)
Performance Shares								(330,756)
Acquisition costs								(316,815)
Profit before income tax expense								**3,875,689**
Income tax expense								(1,262,620)
Profit after income tax expense								**2,613,069**
Assets								
Segment assets	18,126,699	7,623,509	21,715,597	23,820,099	486,296	4,870,126	29,107,590	105,749,916
Intersegment eliminations								(42,273,546)
Unallocated assets:								
Deferred tax asset								3,190,252
Total assets								**66,666,622**
Liabilities								
Segment liabilities	(547,262)	6,654,800	15,009,832	(934,657)	(961,694)	2,801,191	(35,263,095)	(13,240,885)
Intersegment eliminations								42,273,546
Unallocated liabilities:								
Deferred tax liability								1,238,405
Total liabilities								**30,271,066**

EBITDA includes redundancies and foreign currency gains and losses of $203,957 (FY23: $153,941)

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 EGL Clean Air segment who accounts for 12.6% of external revenue (2023: 8.8%). The next most significant client accounts for 6.9% (2023: 8.6%) of external revenue in the EGL Turbine Enhancement segment.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2024 $	**2023 $**	**2024 $**	**2023 $**
Australia	73,444,245	69,536,798	28,513,117	25,796,067
Rest of the World	24,436,241	12,802,729	-	-
	97,880,486	**82,339,527**	**28,513,117**	**25,796,067**

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

Note 5. Revenue from continuing operations

Revenue	Consolidated 2024 $	Consolidated 2022 $
From external customers	97,880,486	82,339,527
R&D Tax Offset	371,383	302,349
Other income	-	30,369
Total revenues	**98,251,869**	**82,672,245**

Disaggregation of revenue

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

Major product lines	Consolidated 2024 $	Consolidated 2023 $
Engineering and Fabrication Solutions	51,227,029	38,749,240
Service	40,777,115	39,279,872
Parts	5,876,342	4,310,415
	97,880,486	**82,339,527**
Geographical regions		
Australia	73,444,245	69,536,798
Rest of the World	24,436,241	12,802,729
	97,880,486	**82,339,527**
Timing of revenue recognition		
Goods transferred at a point in time	5,876,342	4,310,415
Services transferred over time	92,004,144	78,029,112
	97,880,486	**82,339,527**

Note 6. Cost of sales

	Consolidated	
	2024 $	2023 $
Cost of sales	**68,988,766**	**63,800,383**

Note 7. Employee expenses

	Consolidated	
	2024 $	2023 $
Wages and salaries	7,704,750	4,704,954
Superannuation expense	2,218,945	1,531,567
Share-based payments expense	158,340	330,756
Other employee benefits expense	1,628,131	1,156,144
Employee expenses total	**11,710,166**	**7,723,421**

Note 8. Depreciation and amortisation

	Consolidated	
	2024 $	2023 $
Depreciation of Property, Plant & Equipment	540,312	262,052
Amortisation of Intangibles	259,264	212,812
Depreciation of ROU Assets	1,743,011	1,238,307
Depreciation and amortisation total	**2,542,587**	**1,713,171**

Note 9. Foreign exchange (gains)/losses

	Consolidated	
	2024 $	2023 $
Foreign exchange losses	**163,367**	**118,941**

Note 10. **Interest expense**

	Consolidated	
	2024 $	2023 $
Finance cost on borrowings	105,865	110,231
Right of use (AASB 16) interest on leases	296,178	161,526
Interest on financial leases	15,651	2,904
	417,694	**274,661**

Note 11. **Income tax expense**

	Consolidated	
Income tax expense	2024 $	2023 $
Current tax	1,328,320	457,593
Deferred tax - origination and reversal of temporary differences	672,691	805,027
Prior adjustment	355,737	-
Aggregate income tax expense	**2,356,748**	**1,262,620**
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 17)	(22,906)	581,947
Increase in deferred tax liabilities (Note 30)	695,597	223,080
Deferred tax - origination and reversal of temporary differences	**672,691**	**805,027**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	6,746,879	3,875,689
Tax at the statutory tax rate of 30%	2,024,064	1,162,707
Period adjustments	355,737	-
Permanent differences	(90,483)	99,913
Other items	67,430	-
Income tax expense	**2,356,748**	**1,262,620**

The Consolidated entity does not have any unused losses (FY23: nil).

Note 12. **Current assets - Cash and cash equivalents**

	Consolidated	
	2024 $	**2023 $**
Cash at bank	7,342,426	8,525,880
Cash on deposit	2,155,240	-
Cash in transit	649,393	841,333
	10,147,059	**9,367,213**

Cash at bank

Cash at bank is non-interest bearing overdraft facility that currently bears interest at 5.37% per annum. As of 30 June 2024, the available bank overdraft was unutilised.

Note 13. **Current assets - Trade and other receivables**

	Consolidated	
	2024 $	**2023 $**
Trade receivables	15,412,048	12,725,579
Less: Allowance for expected credit losses	(510,106)	(82,004)
	14,901,942	**12,643,575**
Other receivables	440,455	273,643
	15,342,397	**12,917,218**

Allowance for expected credit losses

Trade receivables are non-interest bearing and 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.

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

As at 30 June 2024, the ageing of trade receivables is as follows:

	Consolidated	
	2024 $	**2023 $**
Current	12,961,538	10,188,570
30 Days	517,997	1,076,961
60 Days past due not impaired	421,956	454,063
90+ Days past due not impaired	1,460,557	955,985
90+ Days past due impaired	50,000	50,000
	15,412,048	**12,725,579**

Receivables past due but not considered impaired as at 30 June 2024 $1,460,557 (2023: $955,985). Payment terms on these amounts have not been re-negotiated however credit is being monitored until full payment is made. Each business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

	Consolidated	
	2024 $	2023 $
Opening balance	82,004	75,000
Additions through business combinations	-	32,004
Additional provision in the current year	428,102	50,000
Receivables written off during the year as uncollectable	-	(32,706)
Unused amounts reversed	-	(42,294)
Closing balance	**510,106**	**82,004**

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Note 14. **Current assets - Inventories**

	Consolidated	
	2024 $	2023 $
Stock on hand - at cost	**5,103,132**	**5,101,457**

Inventory write-down

There were no write-down of inventories to net realisable value for the year ended 30 June 2024 (2023: $78,224). As a result, there is no provision for impairment.

Note 15. **Current assets - Other current assets**

	Consolidated	
	2024 $	2023 $
Prepayments	**771,099**	**473,181**

Note 16. Current assets - Contract assets

	Consolidated	
	2024 $	2023 $
Contract assets	**13,139,326**	**10,044,553**

Reconciliation

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

	Consolidated	
	2024 $	2023 $
Opening balance	10,044,553	6,829,130
Invoice to customers	(53,663,347)	(50,596,787)
Accrued income	56,758,120	53,812,210
Closing balance	**13,139,326**	**10,044,553**

Note 17. Non-current assets - Deferred tax assets

	Consolidated	
Deferred tax asset comprises temporary differences attributable to:	2024 $	2023 $
Amounts recognised in profit or loss:		
Leases	1,557,011	1,031,448
Fixed Assets	186,393	165,270
Accruals	23,795	29,400
Provisions	1,388,932	1,076,127
Other	57,027	225,091
R&D Tax Offset	-	662,916
Deferred tax asset	**3,213,158**	**3,190,252**
Movements:		
Opening balance	3,190,252	3,772,199
Credited/(charged) to profit or loss (Note 11)	22,906	(581,947)
Closing balance	**3,213,158**	**3,190,252**

Note 18. **Non-current assets - Property, plant and equipment**

	Consolidated 2024 $	2023 $
Plant and equipment - at cost	3,393,084	2,693,459
Less: Accumulated depreciation	(1,962,122)	(1,581,727)
	1,430,962	**1,111,732**
Motor vehicles - at cost	672,388	641,882
Less: Accumulated depreciation	(276,935)	(165,096)
	395,453	**476,786**
Motor vehicles under lease	218,000	218,000
Less: Accumulated depreciation	(49,659)	(3,820)
	168,341	**214,180**
Closing balance	**1,994,756**	**1,802,698**

Reconciliations

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

Consolidated	Plant and Equipment $	Motor Vehicles $	Total $
Balance at 1 July 2022	**930,305**	**345,034**	**1,275,339**
Additions	360,545	-	360,545
Additions through business combinations (Note 43)	22,657	406,690	429,347
Disposals	(481)	-	(481)
Depreciation expense	(201,293)	(60,759)	(262,052)
Balance at 30 June 2023	**1,111,733**	**690,965**	**1,802,698**
Additions	471,315	36,364	507,679
Disposals	-	(3,681)	(3,681)
Reclassification	228,372	-	228,372
Depreciation expense	(380,458)	(159,854)	(540,312)
Balance at 30 June 2024	**1,430,962**	**563,794**	**1,994,756**

Note 19. Non-current assets - Intangible assets

	Consolidated 2024 $	Consolidated 2023 $
Goodwill - at cost	18,068,920	18,967,225
Development - at cost	845,822	806,093
Less: Accumulated amortisation	(93,845)	(13,102)
	751,977	**792,991**
Intellectual property - at cost	350,000	350,000
Customer Relationships - at cost	240,000	240,000
Less: Accumulated amortisation	(136,000)	(88,000)
	104,000	**152,000**
Software - at cost	1,346,712	647,155
Less: Accumulated amortisation	(764,393)	(633,873)
	582,319	13,282
	19,857,216	**20,275,498**

Consolidated	**Goodwill $**	**Trademark $**	**Intellectual Property $**	**Customer Relationship $**	**Software $**	**Product Development $**	**Total $**
Balance at 1 July 2022	**15,070,216**	**-**	**350,000**	**200,000**	**154,493**	**524,611**	**16,299,320**
Additions	-	-	-	-	10,500	281,482	291,982
Additions through business combinations (Note 43)	3,897,008	-	-	-	-	-	3,897,008
Amortisation expense	-	-	-	(48,000)	(151,711)	(13,101)	(212,812)
Balance at 30 June 2023	**18,967,224**	**-**	**350,000**	**152,000**	**13,282**	**792,992**	**20,275,498**
Additions	-	-	-	-	501,440	39,729	541,169
Acquisition adjustment in the 12-month measuring period	(898,304)	-	-	-	-	-	(898,304)
Reclassification	-	-	-	-	198,117	-	198,117
Amortisation expense	-	-	-	(48,000)	(130,521)	(80,743)	(259,264)
Balance at 30 June 2024	**18,068,920**	**-**	**350,000**	**104,000**	**582,318**	**751,978**	**19,857,216**

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.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

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 Clean Air TAPC	EGL Clean Air Airtight	EGL Energy Tomlinson	EGL Energy Ignite	EGL Turbine Enhancement	EGL Waste	EGL Total
Goodwill	5,328,297	2,998,703	3,956,878	1,584,425	4,007,647	192,969	18,068,920

EGL Clean Air Cash Generating Unit (TAPC)

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

- 11.7% post-tax discount rate; (2023: 16%)
- 5% (2023: 5%) per annum projected revenue and cost of sales growth rate;
- 3.5% (2023: 5%) per annum increase in overhead; and
- 2% (2023: 2%) projected indefinite nominal growth in the terminal value.

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

Sensitivity

Revenue would need to decrease by more than 7.8% before the goodwill would need to be impaired, with all other assumptions remaining constant.

The discount rate would be required to increase by 12.2% before goodwill would need to impaired with all other assumptions remaining constant.

EGL Clean Air Cash Generating Unit (Airtight)

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

- 11.7% post-tax discount rate; (2023: 16%)
- 10% (2023: 10%) per annum projected revenue and cost of sales growth rate;
- 3.5% (2023: 5%) per annum increase in overhead; and
- 2% (2023: 2%) projected indefinite nominal growth in the terminal value.

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

Sensitivity

Revenue would need to decrease by more than 23% before the goodwill would need to be impaired, with all other assumptions remaining constant.

The discount rate would be required to increase by 8.7% before goodwill would need to impaired with all other assumptions remaining constant.

EGL Turbine Enhancement Cash Generating Unit

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

- 13.7% post-tax discount rate; (2023: 16%)
- 8% (2023: 5%) per annum projected revenue and cost of sales growth rate;
- 3.5% (2023: 5%) per annum increase in overhead; and
- 2% (2023: 2%) projected indefinite nominal growth in the terminal value.

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

Sensitivity

Revenue would need to decrease by more than 56% before the goodwill would need to be impaired, with all other assumptions remaining constant.

The discount rate would be required to increase by 77.1% before goodwill would need to impaired with all other assumptions remaining constant.

EGL Energy Cash Generating Unit (Tomlinson)

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

- 11.7% post-tax discount rate; (2023: 16%)
- 5% (2023: 5%) per annum projected revenue and cost of sales growth rate;
- 3.5% (2023: 5%) per annum increase in overhead; and
- 2% (2023: 2%) projected indefinite nominal growth in the terminal value.

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

Sensitivity

Revenue would need to decrease by more than 7.8% before the goodwill would need to be impaired, with all other assumptions remaining constant.

The discount rate would be required to increase by 17.5% before goodwill would need to impaired with all other assumptions remaining constant.

EGL Energy Cash Generating Unit (Ignite)

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

- 11.7% post-tax discount rate; (2023: 16%)
- 5% (2023: 10%) per annum projected revenue and cost of sales growth rate;
- 3.5% (2023: 5%) per annum increase in overhead; and
- 2% (2023: 2%) projected indefinite nominal growth in the terminal value.

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

Sensitivity

Revenue would need to decrease by more than 22% before the goodwill would need to be impaired, with all other assumptions remaining constant.

The discount rate would be required to increase by 37% before goodwill would need to impaired with all other assumptions remaining constant.

EGL Waste

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

- 11.7% post-tax discount rate; (2023:16%)
- 10% (2023: 10%) per annum projected revenue and cost of sales growth rate;
- 3.5% (2023: 5%) per annum increase in overhead; and
- 2% (2023: 2%) projected indefinite nominal growth in the terminal value.

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

Sensitivity

Revenue would need to decrease by more than 65.4% before the goodwill would need to be impaired, with all other assumptions remaining constant.

The discount rate would be required to increase by 111.9% before goodwill would need to impaired with all other assumptions remaining constant.

Key assumptions used in value in use calculations

The calculation of value in use for each of the Cash Generating units is most sensitive to assumptions made concerning projected revenues, cost of sales, and overheads, projected gross margins for the first year, discount rates, and growth rates used to extrapolate cash flows beyond the budget period.

Gross margins are based on the values achieved in recent years preceding the start of the budget period. Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining the appropriate discount rates, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to each unit. Growth rate estimates reflect recent past experience.

Note 20. **Non-current assets - Other non-current assets**

	Consolidated	
	2024 $	**2023 $**
Security deposits	154,941	230,930

Note 21. **Non-current assets - Right-of-use assets**

	Consolidated	
	2024 $	**2023 $**
Land and buildings - right-of-use	4,215,765	3,538,423
Less: Accumulated depreciation	(2,105,484)	(1,743,556)
	2,110,281	**1,794,867**
Motor vehicles - right-of-use	4,239,982	2,868,974
Less: Accumulated depreciation	(1,353,719)	(1,400,219)
	2,886,263	**1,468,755**
	4,996,544	**3,263,622**

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 2022	**1,467,869**	**1,265,384**	**2,733,253**
Additions	-	844,409	844,409
Additions through business combinations (Note 43)	924,267	-	924,267
Depreciation expense	(597,269)	(641,038)	(1,238,307)
Balance at 30 June 2023	**1,794,867**	**1,468,755**	**3,263,622**
Additions	1,206,624	2,301,287	3,507,911
Disposals	-	(31,978)	(31,978)
Depreciation expense	(891,210)	(851,801)	(1,743,011)
Balance at 30 June 2024	**2,110,281**	**2,886,263**	**4,996,544**

Note 22. Current liabilities - Trade and other payables

	Consolidated	
	2024 $	2023 $
Trade payables	14,470,087	11,414,844
Provision for Income Tax	1,321,636	353,530
Other payables	2,809,615	4,773,238
	18,601,338	**16,541,612**

Refer to Note 37 for further information on financial risk management.

Note 23. Current liabilities - Contract liabilities

	Consolidated	
	2024 $	2023 $
Contract liabilities	4,105,809	3,870,002

Reconciliation

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

Opening balance	3,870,002	755,988
Payments received in advance	38,576,604	29,544,231
Additions through business combinations (Note 43)	-	1,002,109
Transfer to revenue - included in the opening balance	(38,340,797)	(27,432,326)
Closing balance	**4,105,809**	**3,870,002**

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 $40,602,740 as at 30 June 2024 ($40,349,096 as at 30 June 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2024 $	**2023 $**
Within 6 months	15,575,684	11,458,820
6 to 12 months	25,027,057	21,262,978
12 to 18 months	-	108,527
18 to 24 months	-	7,518,771
	40,602,741	**40,349,096**

Accounting policy for contract liabilities

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

Note 24. **Current liabilities - Financial liabilities**

	Consolidated	
	2024 $	**2023 $**
Bank Bill Business Loan	150,000	600,000
Finance Leases	41,836	38,601
	191,836	**638,601**

Refer to Note 26 for further details.

The Group's Bank Bill Business Loan repayment of $150,000 is due by 30 September 2024.

The Group's financial lease liability is $179,405 of which the current portion represents principle repayments of $41,836 within the next 12 months.

Note 25. Current liabilities - Employee benefits

	Consolidated	
	2024 $	2023 $
Annual leave	2,406,643	2,187,469
Long service leave	1,054,711	950,561
	3,461,354	**3,138,030**

Note 26. Current liabilities - Borrowings

Financing arrangements

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

	Consolidated	
	2024 $	2023 $
Total facilities		
Bank overdraft	5,000,000	5,000,000
Bank Bill Business loans*	150,000	750,000
Trade Guarantee and Standby Letters of Credit Facility	12,000,000	8,800,000
	17,150,000	**14,550,000**
Used at the reporting date		
Bank overdraft	-	-
Bank Bill Business loans*	150,000	750,000
Trade Guarantee and Standby Letters of Credit Facility	11,000,846	7,694,470
	11,150,846	**8,444,470**
Unused at the reporting date		
Bank overdraft	5,000,000	5,000,000
Bank Bill Business loans*	-	-
Trade Guarantee and Standby Letters of Credit Facility	999,154	1,105,530
	5,999,154	**6,105,530**

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

On the 4 July 2023 the Group established a permanent increase its working capital overdraft facility of $5,000,000 with the Westpac Banking Corporation.

The Group's Bank Bill Business Loan of $150,000 will expire on 30 September 2024.

Trade Guarantee and Standby Letter of Credit facility is used by the Group to issue performance bonds and bank guarantees which are disclosed as a contingent liability. As at 30 June 2024 the Group had $11,000,846 outstanding Trade Guarantees and Standby Letter of Credits.

On the 4 July 2023 the group established a permanent increase to its Trade Guarantee and Standby Letter of Credit facility to $12,000,000.

No covenants were breached in the reporting period of 30 June 2024.

Note 27. Current liabilities - Lease liabilities

	Consolidated	
	2024 $	2023 $
Lease liability	1,711,544	1,416,832

Refer to Note 37 for further information on financial risk management.

Note 28. Non-current liabilities - Financial liabilities

	Consolidated	
	2024 $	2023 $
Bank Bill Business Loan	-	150,000
Finance Leases	137,569	179,405
	137,569	**329,405**

Note 29. Non-current liabilities - Provision for earnout

	Consolidated	
	2024 $	2023 $
Provision for earnout	-	900,775

Refer to Note 37 for further information on financial risk management.

Note 30. Non-current liabilities - Deferred tax liabilities

	Consolidated	
Deferred tax liability comprises temporary differences attributable to:	2024 $	2023 $
Amounts recognised in profit or loss:		
Right of Use assets	1,498,963	979,086
Other	435,039	259,319
Deferred tax liability	**1,934,002**	**1,238,405**
Movements:		
Opening balance	1,238,405	1,015,325
Charged to profit or loss (Note 11)	695,597	223,080
Closing balance	**1,934,002**	**1,238,405**

Note 31. Non-current liabilities - employee benefits

	Consolidated	
	2024 $	2023 $
Long service leave	153,656	176,077

Note 32. Non-current liabilities - lease liabilities

	Consolidated	
	2024 $	2023 $
Lease liability	3,478,493	2,021,327

Refer to Note 37 for further information on financial risk management.

Note 33. Equity - issued capital

	Consolidated			
	2024 Shares	2023 Shares	2024 $	2023 $
Ordinary shares - fully paid	373,436,874	366,338,953	37,064,481	37,064,481

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	**1 July 2022**	**312,202,805**		**28,746,918**
Performance rights	7 September 2022	10,466,148	$0.00	-
Placement	26 April 2023	40,000,000	$0.20	8,000,000
Capital raising cost	26 April 2023	-	$0.00	(400,000)
Purchase plan	23 May 2023	3,670,000	$0.20	734,000
Capital raising cost	23 May 2023	-	$0.00	(16,437)
Balance	**30 June 2023**	**366,338,953**		**37,064,481**
Performance rights	11 October 2023	7,097,921	$0.00	-
Balance	**30 June 2024**	**373,436,874**		**37,064,481**

Note 33. 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.

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 arrangement 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 2023 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 34. **Equity - retained earnings**

	Consolidated	
	2024 $	**2023 $**
Accumulated profit/ loss at the beginning of the financial year	(1,875,716)	(4,488,785)
Profit after income tax expense for the year	4,390,131	2,613,069
Accumulated profit/ loss at the end of the financial year	**2,514,415**	**(1,875,716)**

Note 35. **Equity - reserves**

	Consolidated	
	2024 $	**2023 $**
General reserve	151,721	151,721
Share-based payments reserve	1,213,410	1,055,070
	1,365,131	**1,206,791**

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

Performance Year	KMP	Probability	Number of Shares expected to be vested	Share Price
FY23	Jason Dixon	100%	4,333,333	0.035
FY23	Paul Gaskett	100%	2,166,667	0.035
FY23	Brenda Borghouts	100%	75,471	0.27
FY23	General Managers	100%	272,451	0.27
FY23	Andrew Bush	100%	250,000	0.20
Total		**100%**	**7,097,922**	
FY24	Jason Dixon	100%	4,333,333	0.035
FY24	Paul Gaskett	100%	2,166,667	0.035
FY24	Brenda Borghouts	100%	75,471	0.27
FY24	General Managers	100%	272,451	0.27
FY24	Andrew Bush	100%	213,000	0.235
Total		**100%**	**7,060,922**	

Note 36. **Equity - dividends**

Dividends

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

Franking credits

	Consolidated	
	2024 $	**2023 $**
Franking credits available at the reporting date based on a tax rate of 30% (2023: 30%)	2,379,856	1,610,116
Franking credits available for subsequent financial years based on a tax rate of 30%	2,379,856	1,610,116

Note 37. **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.

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.

Financial assets	Consolidated 2024 $	2023 $
Cash and cash equivalents	9,497,666	8,525,880
Trade and other receivables	15,342,397	12,917,218
Cash in transit	649,393	841,333
	25,489,456	**22,284,431**
Financial liabilities		
Trade and other payables	18,601,338	16,541,612
Provision for Earnout	-	900,775
Finance leases	179,405	218,006
Bank loan	150,000	750,000
	18,930,743	**18,410,393**

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:

	2024 USD A$	2024 EURO A$	2023 USD A$	2023 EURO A$
Cash at bank and on hand	4,546,894	1,197,500	2,961,347	664,819
Trade and other receivables	1,328,626	329,141	2,662,109	1,964,419
Trade and other payables	4,428,289	447,711	2,991,499	979,709

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 $120,293 (2023: decrease of $203,880), 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 $308,589 (2023: increase of $475,721), 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 $150,000 (2023: $750,000), with an average interest rate of 5.37% (2023: 5.135%), are principal and interest payment loans. Monthly cash outlays of approximately $2,346.52 (2023: $3,209) per month are required to service the interest payments.

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	
	2024 $	**2023 $**
6 months or less	16,054,284	13,093,651
6 - 12 months	972,332	1,037,378
1 - 5 years	4,051,543	3,414,092
	21,078,159	**17,545,121**

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2024 $	**2023 $**
Bank overdraft	5,000,000	5,000,000
Trade Guarantee and Standby Letters of Credit Facility	999,154	1,105,530
	5,999,154	**6,105,530**

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. The Group currently has an overdraft facility of $5,000,000, it also has an unused Trade Guarantee and Standby Letters of credit facility of $999,154. This facility was also increased on 4 July 2023 from $8,800,000 to $12,000, 000.

Consolidated - 2024	Weighted Average Interest Rate %	Floating Interest Rate $	Fixed Interest Rate $	Remaining Contractual Maturities $
Non-derivatives				
Interest bearing				
Bank bill business loan	5.37%	150,000	-	150,000
Lease liability	6.63%	-	5,190,037	5,190,037
Financial lease	7.86%	-	179,405	179,405
Total non-derivatives		**150,000**	**5,369,442**	**5,519,442**

Note 38 . **Key management personnel disclosures**

Compensation

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

	Consolidated	
	2024 $	**2023 $**
Short-term employee benefits	1,319,564	1,229,092
Post-employment benefits	138,992	118,962
Performance rights	125,642	236,760
	1,584,198	**1,584,814**

Options

No options were granted in the year ended 30 June 2024 (nil-2023).

Shareholdings of key management personnel

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

2024	**Balance at start of year**	**Received during year on exercise of options**	**Other changes during the year**	**Balance at end of year**
Directors and key management personnel				
Ms Lynn Richardson	3,825,001	-	-	3,825,001
Mr Adrian Siah	7,389,724	-	(7,389,724)	-
Mr Graeme Nayler	268,000	-	-	268,000
Mr Michael Constable (appointed 24 August 2023)	-	-	1,080,819	1,080,819
Mr Andrew Bush	1,382,032	-	171,822	1,553,854
Mr Jason Dixon	20,337,247	-	3,733,333	24,070,580
Mr Paul Gaskett	10,168,623	-	2,166,667	12,335,290
Ms Brenda Borghouts	132,224	-	37,906	170,130

2023	**Balance at start of year**	**Received during year on exercise of options**	**Other changes during the year**	**Balance at end of year**
Directors and key management personnel				
Ms Lynn Richardson	3,750,001	-	75,000	3,825,001
Mr Adrian Siah	7,389,724	-	-	7,389,724
Mr Graeme Nayler	268,000	-	-	268,000
Mr Andrew Bush	1,171,247	-	210,785	1,382,032
Mr Jason Dixon	13,670,580	-	6,666,667	20,337,247
Mr Paul Gaskett	6,835,290	-	3,333,333	10,168,623
Ms Brenda Borghouts	79,840	-	52,384	132,224

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

Note 39. **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	
	2024 $	**2023 $**
Other services - RSM Australia Partners		
Review of Airtight Stock take procedures	-	6,059
Audit and review of the financial statements	193,450	141,000

Note 40. **Contingent liabilities**

The Groups bank has given guarantees to unrelated parties in respect of performance bonds and guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance bonds and guarantees for the Group at 30 June 2024 are $11,000,846 (2023: $7,694,470).

Note 41. **Related party transactions**

Parent entity

The Environmental Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 44.

Key management personnel

Disclosures relating to key management personnel are set out in Note 38 and the remuneration report included in the Directors' Report.

Receivable from and payable to related parties

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

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

Note 42. **Parent entity information**

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

	Consolidated	
Statement of profit or loss	**2024 $**	**2023 $**
Financial performance		
Profit after income tax	(3,132,059)	(2,561,870)
Statement of financial position		
Assets		
Current assets	18,848,535	16,053,945
Non-current assets	1,294,429	5,958,554
Total assets	**20,142,964**	**22,012,499**
Liabilities		
Current liabilities	3,767,885	2,841,185
Non-current liabilities	898,724	1,163,218
Total liabilities	**4,666,609**	**4,004,403**
Net assets	15,476,355	18,008,097
Equity		
Equity attributable to the ordinary equity holders of the Company		
Contributed equity	37,014,478	37,014,478
Accumulated losses	(22,751,533)	(20,061,451)
Reserves	1,213,410	1,055,070
Total equity	**15,476,355**	**18,008,097**

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

The parent company provided no guarantees or securities during the year (2023: $0.00).

Contingent liabilities

The parent company provided no guarantees or securities during the year (2023: $0.00).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Significant accounting policies

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

Material accounting policy information

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 43. **Business combinations**

FY24

There were no business combinations in FY24.

FY23 Acquisition

On the 5th May 2023 EGL acquired 100% of the ordinary shares of Airtight Pty Ltd for the total consideration transferred of $4,855,162. Airtight is a leading supplier of air pollution control systems and filtration solutions across a variety of industries. Airtight provides small to large scale air pollution control projects in most industries including construction inputs, minerals, foundry, dairy, mining, and timber processing. Approximately 85% of Airtight sales are in light industrials sector. AT is headquartered in NSW with its major operations in three locations: Wetherill Park in NSW, Bayswater in VIC, and Tingalpa in QLD.

The goodwill of $3,897,008 represents strong recurring revenue and expected future growth from the areas mentioned in the previous paragraph.

The acquisition will be a major expansion of EGL's presence in the air pollution control market, providing a significant growth to the current TAPC business unit. Airtights focus is on the lighter industrials market compared to TAPC in the heavy industrials / refining sector. The business aligns with EGL's strategy, while providing a broader client base focusing on smaller scale projects (typically $100k-$250k). Larger customer segments include joinery, food & beverage, schools, TAFEs, and universities.

Integrating the acquired business will provide opportunities to recognise synergies through EGL Waste with the dust extraction and collection systems suitable for waste processing facilities. Currently TAPC does not bid on this work, as it is not their key strength, and much of it is outsourced. Airtight can be bolted on to EGL's existing infrastructure and platform.

The acquired business contributed revenues of $3,391,888 and an EBITDA of $154,787 to the consolidated entity for the period from 5 May 2023 to 30 June 2023. If the acquisition occurred on 1 July 2022 estimated full year contributions would have been revenues of $18,200,000 and EBITDA of $1,820,000. It is impracticable to disclose the revenue and profit or loss of the combined entity as if the acquisition had occurred at the beginning of the annual reporting period, as the acquired entity did not comply with Australian Accounting Standards prior to its acquisition by Environmental Group Limited.

As at 30 June 2023, provisionally determined values were reported. Subsequent to 30 June 2023, final fair values for the business combination were determined. Comparative amounts for 30 June 2023 have been restated in this financial report to the final determined fair values. The restated aggregated fair value of the identifiable assets and liabilities as at the date of acquisition were:

Note 43. Business combinations (continued)

	Provisional Fair Value reported at 30 June 2023 $	Adjustments to Provisional Fair Value $	Final Fair Value $
Cash and cash equivalents	33,836	-	33,836
Trade receivables	1,442,843	-	1,442,843
Other receivables	182,502	-	182,502
Inventories (1)	3,704,373	(426,489)	3,277,884
Plant and equipment (1)	22,657	426,489	449,146
Motor vehicles	406,690	-	406,690
Right-of-use assets	924,267	-	924,267
Deferred tax asset	149,055	-	149,055
Trade payables	(2,290,138)	-	(2,290,138)
Other payables	(660,842)	-	(660,842)
Contract liabilities (2)	(1,002,110)	(402,698)	(1,404,808)
Provision for income tax (3)	(353,530)	303,208	(50,322)
Employee benefits	(439,945)	-	(439,945)
Right-of-use Liability	(937,360)	-	(937,360)
Lease liability	(224,144)	-	(224,144)
Net assets/(liabilities) acquired	958,154	(99,490)	858,664
Goodwill	3,897,008	(898,304)	2,998,702
Acquisition-date fair value of the total consideration transferred	**4,855,162**	**(997,794)**	**3,857,368**
Representing:			
Cash paid or payable to vendor	3,454,387	-	3,454,387
Holdback (4)	500,000	(97,021)	402,979
Earnout (5)	900,775	(900,775)	-
	4,855,162	**(997,796)**	**3,857,366**
Acquisition costs expensed to profit or loss	**316,815**	**-**	**316,815**

1. The decrease in the fair value of Inventory and increase in the fair value of plant and equipment comprises of $426,489 which has been re-classified as Showroom display assets.
2. Contract liabilities were increased due to a projects estimated cost being underestimated.
3.The decrease in provision for income tax of $303,208 is a result of a revised tax return for FY22.
4.The hold back payment has been adjusted due to changes in the estimated working capital and tax payable.
5.The earnout was subjected to achieving an EBITDA target of $1,530,155 for the FY24. Upon receipt of further information regarding past performance of Airtight Solutions, including the adjustment number 2 above, management revised its budget for Airtight Solutions according to which the probability of meeting EBITDA target to achieve the amount was low. Therefore, the balance is revised accordingly.

Note 44. 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 2024 %	2023 %
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) (Deregistered)	Australia	-	100.00%
Bridge Management Services Pty Limited (formerly Bowen Basin Pipe Services Pty Limited) (Deregistered)	Australia	-	100.00%
Baltec IES Pty Ltd.	Australia	100.00%	100.00%
EGL Waste Pty Ltd.	Australia	100.00%	100.00%
EGL Water Pty Ltd.	Australia	100.00%	100.00%
Tomlinson Energy Service Pty Ltd.	Australia	100.00%	100.00%
Active Environmental Services Pty Ltd.	Australia	100.00%	100.00%
Ignite Services Pty Ltd.	Australia	100.00%	100.00%
Airtight Pty Limited	Australia	100.00%	100.00%

Note 45. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2024 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 46. Reconciliation of profit after income tax to net cash provided by operating activities

	Consolidated	
	2024 $	**2023 $**
Profit after income tax expense for the year	4,390,131	2,613,069
Adjustments for:		
Depreciation and amortisation	2,542,587	1,713,171
Share-based payments expense	158,340	330,756
Foreign exchange differences	163,367	118,941
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,996,545)	(1,016,629)
Increase in contract assets	(3,094,773)	(1,743,930)
Decrease/(increase) in inventories	(428,164)	87,125
Decrease/(increase) in deferred tax assets	(22,906)	731,002
Increase in prepayments	(297,918)	(89,428)
(Decrease)/increase in trade and other payables	2,800,811	1,835,450
Increase in deferred tax liabilities	695,597	223,080
Increase in other provisions	300,903	441,515
Net cash provided by operating activities	**4,211,430**	**5,244,122**

Note 47. Earnings per share

	Consolidated	
	2024 $	**2023 $**
Profit after income tax attributable to the owners of The Environmental Group Limited	**4,390,131**	**2,613,069**

	Cents	**Cents**
Basic earnings per share	1.16	0.80
Diluted earnings per share	1.15	0.79

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	379,537,382	328,274,739
Adjustments for calculation of diluted earnings per share:		
Outstanding performance rights	1,964,082	1,949,858
Weighted average number of ordinary shares used in calculating diluted earnings per share	**381,501,464**	**330,224,597**

Note 48. **Share-based payments**

A performance rights plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the Company to certain key management personnel of the Group.

The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

2024	Performance year-end	Exercise price	Balance at start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date							
08/02/2021	30/06/2023	$0.03	4,333,333	-	(4,333,333)	-	-
08/02/2021	30/06/2023	$0.03	2,166,667	-	(2,166,667)	-	-
08/02/2021	30/06/2024	$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2024	$0.03	2,166,667	-	-	-	2,166,667
11/03/2022	30/06/2022	$0.27	347,922	-	(347,922)	-	-
11/03/2022	30/06/2024	$0.27	347,922	-	-	-	347,922
29/11/2023	30/06/2024	$0.19	250,000	-	(250,000)	-	-
24/11/2023	30/06/2024	$0.23	-	213,000	-	-	213,000
			13,945,844	**213,000**	**(7,097,922)**	**-**	**7,060,922**

2023	Performance year-end	Exercise price	Balance at start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date							
08/02/2021	30/06/2023	$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2023	$0.03	2,166,667	-	-	-	2,166,667
08/02/2021	30/06/2024	$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2024	$0.03	2,166,667	-	-	-	2,166,667
23/09/2021	30/06/2022	$0.14	357,142	-	(313,462)	(43,680)	-
11/03/2022	30/06/2022	$0.27	173,962	-	(152,686)	(21,276)	-
11/03/2022	30/06/2023	$0.27	347,922	-	-	-	347,922
11/03/2022	30/06/2024	$0.27	347,922	-	-	-	347,922
29/09/2022	30/06/2023	$0.19	-	250,000	-	-	250,000
			14,226,948	**250,000**	**(466,148)**	**(64,956)**	**13,945,844**

In each of FY23 and FY24, 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.

Consolidated entity disclosure statement

For the year ended 30 June 2024

Entity name (All represents body corporate entities unless otherwise specified)	**Place formed / Country of incorporation**	**Ownership interest %**	**Tax residency**
The Environmental Group Limited.	Australia	100.00%	Australian
The Environmental Group Share Plans Pty Limited	Australia	100.00%	Australian
Environmental Group (Operations) Pty Limited (formerly Environmental Systems Pty Limited)	Australia	100.00%	Australian
EGL Waste Pty Ltd.	Australia	100.00%	Australian
EGL Water Pty Ltd.	Australia	100.00%	Australian
Tomlinson Energy Service Pty Ltd.	Australia	100.00%	Australian
Ignite Services Pty Ltd.	Australia	100.00%	Australian
Active Environmental Services Pty Ltd.	Australia	100.00%	Australian
Baltec IES Pty Ltd.	Australia	100.00%	Australian
Airtight Pty Ltd.	Australia	100.00%	Australian
Total Air Pollution Control Pty Ltd.	Australia	100.00%	Australian

Directors' declaration

As at 30 June 2024

The Environmental Group Limited (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. 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 Australian Financial Reporting Standards as issued by the Australian 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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached Consolidated Entity Disclosure Statement required by subsection (3A) is true and correct in accordance with Section 295(4)(da) of the *Corporations Act 2001*.

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
Chair

21 August 2024

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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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
Impairment of Goodwill Refer to Note 19 in the financial statements	

At 30 June 2024, The Group had goodwill with a carrying value of $18,068,920, which represents approximately 24% 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.
	With the assistance of our Corporate Finance team, our audit procedures included:
	• Assessing the reasonableness of management's determination that the goodwill should be allocated to six 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 2024 was $98,251,869. 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 the revenue recognition policy; • Assessing revenue transactions before and after year-end to ensure that revenue is recognised in the correct period; and • Performing substantive analytical review procedures on the different revenue streams.

Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
Accounting for Business Combination Refer to Note 43 in the financial statements	
On the 5th May 2023 EGL acquired 100% of the ordinary shares of Airtight Pty Ltd for the total consideration transferred of $3,857,366. The group performed the provisional accounting in the financial year 2023 and opted to use the measurement period arrangement allowed under the accounting standards to finalise the acquisition accounting within 12 months from the acquisition date. During the financial year 2024, management has reviewed the additional information available regarding the status and performance of Airtight as at the acquisition date, and has made necessary adjustments to finalise the acquisition accounting. This is considered a Key Audit Matter as accounting for such a transaction is complex and involves significant judgement in applying the accounting standards. This includes valuation of consideration paid and payable, including contingent consideration, as well as the measurement and recognition of intangible assets. Apart from the accounting treatment of the consideration and assets recognised, there is also a risk that sufficient and accurate disclosures are not made in accordance with the accounting standards.	Our audit procedures included: • Assessing the further adjustments made by the management during the measurement period, including substantiating the significant items against supporting documents and calculations; • Performing additional test of details over certain balances after finalization of the acquisition accounting by the management; 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 2024, 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:

a. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and

b. the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of:

i. the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii. the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of The Environmental Group Limited, for the year ended 30 June 2024, 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: 21 August 2024
Melbourne, Victoria

Shareholder information

The shareholder information set out below was applicable as at 5 August 2024.

Distribution of equitable securities

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

	Ordinary shares		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	1,284	0.09	-	-
1,001 to 5,000	726	0.56	-	-
5,001 to 10,000	356	0.77	-	-
10,001 to 100,000	839	8.41	5	4.93
100,001 and over	265	90.17	3	95.07
	3,470	**100.00**	**8**	**100.00**
Holding less than a marketable parcel	**1,366**	**39.30**	**-**	**-**

Equity security holders

20 largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities as at 5 August 2024 are listed below:

	Ordinary shares	
	Number held	% of total shares issued
JP Morgan Nominees Australia Pty Limited	32,955,534	8.82
Citicorp Nominees Pty Limited	29,154,542	7.81
Jalie 2 Pty Ltd (Jalie 2 A/C)	24,070,580	6.45
HSBC Custody Nominees (Australia) Limited	22,808,078	6.11
Mirrabooka Investments Limited	22,208,191	5.95
Mrs Denise Morgan Richardson	19,008,416	5.09
Mr Ellis Richardson	19,008,416	5.09
Mr Paul Walter Gaskett (Geriab A/C)	12,335,289	3.30
BNP Paribas Noms Pty Ltd	10,533,939	2.82
Carrier International Pty Limited (Super Fund A/C)	8,831,419	2.36
Cannington Corporation Pty Ltd Cannington (Super Fund A/C)	5,524,778	1.48
Amcil Limited	5,447,525	1.46
Doldory Pty Ltd Lewis Family (Super Fund A/C)	4,761,182	1.27
Ace Property Holdings Pty Ltd	4,600,000	1.23
Buildassist NSW Pty Ltd	4,149,354	1.11
Mr Alexander James Hill	4,000,000	1.07
Richmarsh Investments Pty Limited	3,825,001	1.02
Zachary Investments Pty Ltd	2,600,000	0.70
Khong Perpetual Dynasty Pension Fund Pty Ltd. (Khong Pension Fund A/C)	2,572,500	0.69
TAPC (Holdings) Pty Ltd. (G&K Hardie Super Fund A/C)	2,339,506	0.63
	240,734,250	**64.46**

Options over ordinary shares

There are no options over ordinary shares.

Substantial shareholding notices lodged with the ASX as of 5 August 2024 in the Company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
Mrs Denise Morgan Richardson	38,016,832	10.38
Mr Ellis Richardson	38,016,832	10.38
Jalie 2 Pty Ltd (Jalie 2A/C)	20,337,247	6.30
Mirrabooka Investments Limited	22,208,191	6.12
HD Capital Partners Pty Ltd.	20,000,000	5.40
Challenger Limited & Apollo Global Management Inc.	18,724,807	5.01
Greencape Capital Pty Ltd.	18,724,807	5.01

Voting rights

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

Ordinary shares

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

Corporate Directory

Directors	**Ms Lynn Richardson** *Chair (Non-Executive) Appointed Chair 23 November 2017* **Mr Vincent D'Rozario** *(Non-Executive) Appointed 9 March 2021* **Mr Graeme Nayler** *(Non-Executive) Appointed 9 March 2021* **Mr Michael Constable** *(Non-Executive) Appointed 24 August 2023*
Company Secretary	Mr Andrew Bush (Joint Company Secretary) Appointed 1 of July 2017 Ms Kate Goland of Clear Sky Blue was appointed joint Company Secretary on 27 October 2022
Notice of annual general meeting	The details of the annual general meeting of The Environmental Group Limited are: Quest Notting Hill 10 Ferntree Place Notting Hill Victoria 3168 10.00 AM AEDT 19 November 2024
Registered office	Level 2, Suite 2.01, 315 Ferntree Gulley R Mount Waverley Victoria 3149 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 27, 120 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://environmental.com.au/corporate-governance

Disclaimer

The Environmental Group Limited (EGL) 2023-2024 Annual Report covers the operations of The Environmental Group for the financial year ended 30 June 2024. 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 The Environmental Group'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.

The Environmental Group Limited

Engineering a Sustainable Future