

The Environmental Group Limited

Trading as EGL

ABN 89 000 013 427

Interim Report - 31 December 2022

The Environmental Group Limited
Trading as EGL
Appendix 4D
Half-year report

1. Company details

Name of entity:	The Environmental Group Limited
ABN:	89 000 013 427
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	51.9% to	40,774,439
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	52.9% to	2,732,846
Earnings Before Interest and Tax (EBIT)	up	67.2% to	1,925,682
Profit from ordinary activities after tax attributable to the Equity holders of The Environmental Group Limited	up	76.4% to	1,410,906
Profit for the half-year attributable to the Equity holders of The Environmental Group Limited	up	76.4% to	1,410,906

Dividends

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

The profit for the Group after providing for income tax amounted to \$1,410,906 (31 December 2021: \$799,808).

EBITDA (profit before depreciation, interest and tax) before significant items for the 6 months ended 31 December 2022 was \$3,056,180 (31 December 2021: \$1,996,472). The Significant items in the period included performances rights expense of \$157,639, foreign exchange losses for \$130,695 and redundancy \$35,000.

EBIT (profit before interest and tax) before significant items for the 6 months ended 31 December 2022 was \$2,249,016 (31 December 2021: \$1,361,250). The Significant items in the period included performances rights expense of \$157,639, foreign exchange losses for \$130,695 and redundancy \$35,000.

Profit after interest and tax attributable to Equity Holders of EGL for the 6 months ended 31 December 2022 was \$1,410,906 compared to \$799,808 for the comparative period 31 December 2021.

The financial position of the Group has strengthened over the period with net assets increasing by \$1,568,546 to \$26,702,714.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.27</u>	<u>2.88</u>

4. Control gained over entities

There were no business combinations for the six months ended 31 December 2022.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

The Interim Report of The Environmental Group Limited for the half-year ended 31 December 2022 is attached.

11. Signed

Signed  _____

Date: 23 February 2023

Lynn Richardson
Chair

The Environmental Group Limited
Trading as EGL
Corporate directory
31 December 2022

Directors	Ms Lynn Richardson (Chair Non-Executive) Mr Adrian Siah (Non-Executive) Mr Vincent D'Rozario (Non-Executive) Mr Graeme Nayler (Non-Executive)
Joint Company Secretary	Mr Andrew Bush & Kate Goland (Clear Sky Blue Pty Ltd)
Registered office	Level 1 Suite 1 10 Ferntree Place Notting Hill Victoria 3168 Telephone: (03) 9763 6711
Share register	Board Room Pty Ltd Level 12 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600
Auditor	RSM Australia Partners Level 21, 55 Collins Street Melbourne, VIC 3000
Solicitors	Baker Jones Level 10 160 Queen Street Melbourne, VIC 3000
Bankers	Westpac Banking Corporation
Stock exchange listing	The Environmental Group Limited shares are listed on the Australian Securities Exchange (ASX code: EGL)
Website	www.environmental.com.au
Corporate Governance Statement	https://www.environmental.com.au/about-egl/corporate-governance

The Environmental Group Limited
Trading as EGL
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the Group for the half-year ended 31 December 2022.

Directors

The following persons were directors of the Group during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ms Lynn Richardson

Chair (Non-Executive)

Mr Adrian Siah

Director (Non-Executive)

Mr Graeme Nayler

Director (Non-Executive)

Mr Vincent D' Rozario

Director (Non-Executive)

Company Secretary

Mr Andrew Bush was joint Company Secretary of EGL during the whole of the half-year and up to the date of this report. Ms Kate Goland (Clear Sky Blue) was the Joint Company Secretary during the whole of the half-year and up to the date of this report.

Principal activities

The principal activities during the period ending 31 December 2022 of the entities within the Group were providing engineered solutions for a sustainable future. Total Air Pollution Control (TAPC) provided highly efficient industrial air contaminant solutions for gas, emissions, particle removal and odour controls. EGL Energy (Tomlinson Energy Services & Ignite Services) supported efficiency in energy use and flexibility in fuel choice through the supply of boilers, combustion efficiency, heat exchange, biomass boilers and autoclaves. Baltec IES continued to assist the transition from coal-powered to renewable energy production, supporting the gas turbine industry by providing inlet and exhaust systems for gas turbines. EGL Waste provided recycling and sorting technologies, offering all service lines as a one stop solution to the waste industry, as we move further into waste treatment. EGL Water division delivered enhanced separation technology designed to protect our environment by removing Per- and polyfluoroalkyl chemical substances (PFAS) from contaminated water.

Review of operations

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

As a society we are becoming increasingly focused on the need to improve environmental outcomes, while industry must also continue to be productive and grow. As an environmental engineering company our focus is to provide solutions that improve the sustainability of our industries, from removing harmful gases going to the atmosphere, utilising waste generated heat, or optimising energy efficiency, there are solutions to doing things better. As we look to do more within the waste treatment industry, EGL divisions can each play their role in providing the one stop shop solution, as we continue to build the “**One EGL**” vision.

EGL Waste specialises in recycling and sorting technologies, while TAPC offers solutions for gas treatment, emissions reduction, particle removal, and odour control. EGL Energy (Tomlinson Energy Services & Ignite Services) focuses on optimizing combustion efficiency, heat exchange, and the use of biomass boilers and autoclaves. As the waste treatment industry in Australia continues to evolve towards a waste-to-energy model, Baltec IES brings their expertise in intake and off-take systems for turbines and thermal dynamics to support this shift. They are also equipped to design inverter filtration systems for solar farms.

The first half of financial year 2023 again proved to be a period of very strong growth as we align our business units to support many of the same clients with our products and services. At the same time we have been improving our systems and processes to provide a consistent quality offering every time. The culture in the company is one of accountability and trust, giving the team the confidence to stand behind and grow the business.

This growth has resulted in financial performance improving throughout the 1H23 compared to the prior comparable period (pcp) 1H22: EGL's revenue increased by 51.9% to \$40,774,439 (1H22 \$26,839,368), EBITDA improved significantly up to \$3,056,180 (1H22 \$1,996,472), an increase of 53.1%, and EBIT up to \$2,249,016, an increase of 65.2%, before significant items of \$323,335, (unrealised FX losses \$130,696, performance rights \$157,639 and restructuring costs \$35,000). Net Profit after tax \$1,410,906 up 76.4%.

EGL Water is in a very exciting stage of development. The first commercial plant was delivered on time and on budget in September. Installation commenced on site late November, with the plant completed by mid-January for EPA approval. The current pilot license for PFAS separation trials has been closed with all information provided to the EPA. Commercial unit EPA documentation was submitted and approved by the EPA to process PFAS waste streams on 31 January 2023. Water testing and pressure testing completed prior to processing PFAS contaminated waste. The plant is processing various waste streams with samples collected and sent to laboratories for analysis. Initial testing results have shown all regulated PFAS separated to below detectable levels. Further testing will continue on various levels of PFAS contamination and waste streams as we continue to optimise the plant.

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. EGL PFAS separation technology requires no pre-treatment and is simple to operate. The technology utilises Gas Foam Fractionation for both Soil and Water remediation. EGL Water's PFAS separation and concentration technology has now been demonstrated as a viable solution for treating PFAS contaminated ground water, surface water, leachate, and wastewater. The majority of PFAS contamination in our society is at low concentrates in large volumes which requires a low-cost solution that we now have available.

TAPC had a strong financial performance with revenue increasing by 171% on the pcp to \$9,608,322 and EBIT up 185.8% to \$1,522,750. Our two major lithium and rare earth projects contributed to the significant growth, performing very well. Orders are placed for large componentry of the major projects at the time of contract award to mitigate cost increases during the execution phase protecting margins, achieving 16% EBIT margins in 1H23. The pipeline remains strong for new lithium and rare earth projects globally, with the refined product being a key component into the renewable energy sector. Servicing of plants and spares organically grew revenue by 50% and EBITDA by 102% on pcp to \$432,102K for the half. TAPC has expanded its offering to the waste sector through dust extraction and odour control systems, with the first construction and demolition plant dust extraction system ready for delivery.

EGL Energy achieved good revenue growth up 42.3% on pcp to \$18,481,558, with EBITDA up 2.7% to \$1,778,756. Tomlinson Energy Service (TES) completed four projects with 10MW boilers ordered mid-year 2021 installed and commissioned this half which lost a total of approximately \$515K. The costs of boilers increased 62% in the last twelve months, due to steel, freight, burners and valve price increases. The price validity on quotes has been

The Environmental Group Limited
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Directors' report
31 December 2022

reduced from 6 months to 14 days. Freight and steel costs are now returning to normal levels which should return TES to largely normal margins this half.

Our expansion into the medical waste sector with TES now supplying autoclaves with our boilers, has seen an exciting new product line develop. As the price of energy increases, Biomass boilers are becoming increasingly competitive and part of the circular economy, as are waste and by product technologies where heat exchange is used to generate energy. Ignite Services performed well and contributed above expectations in their first full half of ownership. The quality of workmanship in fabricating the first PFAS plant was a highlight for the half, delivering the plant on time and on budget, working seamlessly with our engineering team and EGL Water.

Baltec performed well in the half with revenue up 4% on pcp to \$10,478,422. A very good result with engineering's resources supporting the huge growth in TAPC. Our sales team is now able to visit clients again with 80% of revenue generated from offshore. Management focus continues to be on margin and process improvement. Warranty costs of \$141,693 impacted the result from an issue in 2020 which we have rectified post Covid travel restrictions. Project management execution was a highlight delivering projects at largely forecast margins in an inflationary environment. An exciting new market has also opened for Baltec, being engaged to design an inlet system to prevent dust impacting inverters for a significant solar farm. Further product development will be undertaken to maximise opportunities in this new market.

For the half year EGL Waste generated revenue of \$2,206,118 and delivered EBIT of \$318,207. Fabrication of the Rino Resources plant is on schedule with phase 1 & 2 shipments being on route to Australia at the half year. Installation commenced mid-January and is expected to take approximately six months to complete. Service technicians are being employed for installation and post installation servicing. Tender pipeline remains strong with a total value of over \$115,000,000 in tenders provided to clients.

Post the end of the financial period an agreement was signed for a Memorandum of Understanding (MOU) with 374Water Systems, Inc. (NASDAQ: SCWO) for the establishment of a Strategic Partnership Agreement (SPA) between the two companies.

The agreement is for EGL to act as the exclusive reseller of 374Water's AirSCWO™ technology within the Australia and New Zealand territories. The technology is suitable for PFAS destruction and would enable the AirSCWO™ technology to compliment EGL's PFAS Concentration projects to provide an end to end solution. The agreement also allows for the exploration of 374Water to market EGL's PFAS Concentration technology in the North American market as a complement to the AirSCWO™ technology.

Engineering a sustainable future requires innovation, designing new technologies and licencing new technologies as we expand our offering to meet market need. This ranges from heavy engineering products through Baltec, to advanced process engineering through TAPC, our broad boiler range for TES, and PFAS separation technology and now destruction technology through EGL Water.

The financial position of the group has continued to improve with cash on hand increasing to \$2,727,949 and a net cash from operations of \$2,507,642 for the period. The \$2,000,000 working capital facility was undrawn as at 31 December 2022. The outlook for FY23 remains strong with EGL again forecasting on increased earnings, at this stage expecting EBITDA to increase by greater than 35% year on year as detailed in the November 2022 AGM.

The Environmental Group Limited
Trading as EGL
Directors' report
31 December 2022

Dividends

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Lynn Richardson
Chair

23 February 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of The Environmental Group Limited and controlled entities for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "M Parameswaran".

M PARAMESWARAN

Partner

Dated: 23 February 2023

Melbourne, Victoria

The Environmental Group Limited
Trading as EGL
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General information

The financial statements cover The Environmental Group Limited as a consolidated entity and the entities it controlled at the end of, or during the half 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:

Level 1 Suite 1
10 Ferntree Place
Notting Hill Victoria 3168

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 22 February 2023.

The Environmental Group Limited
Trading as EGL
Consolidated statement of comprehensive income
For the half-year ended 31 December 2022

	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue			
Revenue from continuing operations	4	40,774,439	26,839,368
Subcontracting and material costs		<u>(32,479,223)</u>	<u>(20,015,141)</u>
Gross profit		<u>8,295,216</u>	<u>6,824,227</u>
Expenses			
Employee expenses		(3,305,451)	(3,004,077)
Depreciation & amortisation		(807,164)	(635,222)
Other expenses		(1,289,161)	(944,487)
Marketing expenses		(127,997)	(278,090)
Occupancy expenses		(179,832)	(135,548)
Professional fees		<u>(659,929)</u>	<u>(674,893)</u>
Operating Profit		1,925,682	1,151,910
Interest income		1,052	14
Interest & finance expenses		<u>(132,814)</u>	<u>(96,737)</u>
Profit before income tax expense		1,793,920	1,055,187
Income tax expense	5	<u>(383,014)</u>	<u>(255,379)</u>
Profit after income tax expense for the half-year attributable to the Equity holders of The Environmental Group Limited		1,410,906	799,808
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the Equity holders of The Environmental Group Limited		<u>1,410,906</u>	<u>799,808</u>
		Cents	Cents
Basic earnings per share	21	0.44	0.28
Diluted earnings per share	21	0.44	0.28

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

The Environmental Group Limited
Trading as EGL
Consolidated statement of financial position
As at 31 December 2022

	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	2,727,949	1,737,839
Trade and other receivables		9,497,636	10,574,168
Contract assets	7	12,148,476	6,829,130
Inventories		1,609,644	1,484,209
Other current assets		327,433	383,753
Total current assets		<u>26,311,138</u>	<u>21,009,099</u>
Non-current assets			
Property, plant and equipment	8	1,642,690	1,275,339
Right-of-use assets	9	2,625,688	2,733,253
Intangibles	10	16,335,595	16,299,320
Deferred tax assets		3,333,917	3,772,199
Other		50,178	42,838
Total non-current assets		<u>23,988,068</u>	<u>24,122,949</u>
Total assets		<u>50,299,206</u>	<u>45,132,048</u>
Liabilities			
Current liabilities			
Trade and other payables		15,009,153	11,542,540
Contract liabilities	11	1,178,161	755,988
Borrowings	12	600,000	600,000
Lease liabilities	13	1,218,675	1,101,502
Employee benefits		2,450,675	2,301,458
Total current liabilities		<u>20,456,664</u>	<u>16,301,488</u>
Non-current liabilities			
Borrowings	14	450,000	750,000
Lease liabilities	15	1,575,734	1,799,875
Deferred tax liabilities		960,057	1,015,325
Long-term provisions		154,037	131,192
Total non-current liabilities		<u>3,139,828</u>	<u>3,696,392</u>
Total liabilities		<u>23,596,492</u>	<u>19,997,880</u>
Net assets		<u>26,702,714</u>	<u>25,134,168</u>
Equity			
Issued capital	16	28,746,918	28,746,918
Reserves		1,033,675	876,035
Accumulated losses		(3,077,879)	(4,488,785)
Total equity		<u>26,702,714</u>	<u>25,134,168</u>

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

The Environmental Group Limited
Trading as EGL
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

	Issued capital \$	Non- controlling interest \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	23,386,418		- 631,157	(6,042,449)	17,975,126
Profit after income tax expense for the half-year	-		-	799,808	799,808
Other comprehensive income for the half-year, net of tax	-		-	-	-
Total comprehensive income for the half-year	-		-	799,808	799,808
Contributions of equity, net of transaction costs	4,510,467		-	-	4,510,467
Share-based payments (note 22)	-		- 67,760	-	- 67,760
Balance at 31 December 2021	<u>27,896,885</u>		- 698,917	(5,242,641)	<u>23,353,161</u>

	Issued capital \$	Non- controlling interest \$	Reserves \$	Accumulated losses \$	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 half- year	-		-	1,410,906	1,410,906
Other comprehensive income for the half- year, net of tax	-		-	-	-
Total comprehensive income for the half- year	-		-	1,410,906	1,410,906
Share-based payments (note 22)	-		157,640	-	157,640
Balance at 31 December 2022	<u>28,746,918</u>		<u>1,033,675</u>	<u>(3,077,879)</u>	<u>26,702,714</u>

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

The Environmental Group Limited
Trading as EGL
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		40,900,547	27,078,588
Payments to suppliers & employees		<u>(38,261,143)</u>	<u>(27,484,785)</u>
		2,639,404	(406,197)
Interest received		1,052	14
Interest paid		<u>(132,814)</u>	<u>(96,737)</u>
Net cash from/(used in) operating activities		<u>2,507,642</u>	<u>(502,920)</u>
Cash flows from investing activities			
Payment for acquisition of plant and equipment	8	(492,229)	(59,550)
Payments for intangibles	10	(145,723)	(161,048)
Payments for security deposits		<u>(7,340)</u>	<u>-</u>
Net cash used in investing activities		<u>(645,292)</u>	<u>(220,598)</u>
Cash flows from financing activities			
Proceeds from issue of shares (net of capital raising costs)	16	-	4,510,500
Repayment of borrowings		(300,000)	(300,000)
Repayment of lease liabilities		<u>(572,240)</u>	<u>(453,893)</u>
Net cash from/(used in) financing activities		<u>(872,240)</u>	<u>3,756,607</u>
Net increase in cash and cash equivalents		990,110	3,033,089
Cash and cash equivalents at the beginning of the financial half-year		<u>1,737,839</u>	<u>642,191</u>
Cash and cash equivalents at the end of the financial half-year	6	<u><u>2,727,949</u></u>	<u><u>3,675,280</u></u>

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

The Environmental Group Limited
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Notes to the financial statements
31 December 2022

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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.

Note 2. 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.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

Goodwill and other indefinite life intangible assets

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 1. 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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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.

Employee benefits provision

As discussed in note 1, 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the Group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations

As discussed in note 1, 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.

Note 3. Operating segments

Identification of reportable operating segments

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors 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.

Segment assets

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

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Note 3. Operating segments (continued)

	Products Pollution Control \$	EGL Energy \$	Products Gas Turbine \$	Other Segments \$	EGL Waste \$	Corporate \$	Total \$
31 Dec 2022							
Revenue							
Sales to external customers	9,608,322	18,481,558	10,428,297	-	2,206,117	20	40,724,314
Other revenue	-	-	50,125	-	-	-	50,125
Total revenue	<u>9,608,322</u>	<u>18,481,558</u>	<u>10,478,422</u>	<u>-</u>	<u>2,206,117</u>	<u>20</u>	<u>40,774,439</u>
EBITDA	<u>1,557,077</u>	<u>1,720,636</u>	<u>531,840</u>	<u>-</u>	<u>353,152</u>	<u>(1,429,859)</u>	<u>2,732,846</u>
Depreciation and amortisation							(807,164)
Interest Revenue							1,052
Finance costs							(132,814)
Profit before income tax expense							<u>1,793,920</u>
Income tax expense							(383,014)
Profit after income tax expense							<u>1,410,906</u>
Assets							
Segment assets	<u>18,034,348</u>	<u>17,527,977</u>	<u>18,930,800</u>	<u>486,298</u>	<u>4,468,904</u>	<u>19,088,669</u>	<u>78,536,996</u>
Intersegment eliminations							(31,571,707)
<i>Unallocated assets:</i>							
Deferred tax asset							<u>3,333,917</u>
Total assets							<u>50,299,206</u>
Liabilities							
Segment liabilities	<u>18,305,436</u>	<u>12,792,924</u>	<u>8,961,248</u>	<u>10,895</u>	<u>4,547,769</u>	<u>9,589,870</u>	<u>54,208,142</u>
Intersegment eliminations							(31,571,707)
<i>Unallocated liabilities:</i>							
Deferred tax liability							<u>960,057</u>
Total liabilities							<u>23,596,492</u>

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Note 3. Operating segments (continued)

	Products Pollution Control \$	EGL Energy \$	Products Gas Turbine \$	Other Segments \$	EGL Waste \$	Corporate \$	Total \$
31 Dec 2021							
Revenue							
Sales to external customers	3,544,510	12,990,121	10,038,079	147,817	118,841	-	26,839,368
Total revenue	<u>3,544,510</u>	<u>12,990,121</u>	<u>10,038,079</u>	<u>147,817</u>	<u>118,841</u>	<u>-</u>	<u>26,839,368</u>
EBITDA	<u>541,757</u>	<u>1,709,628</u>	<u>515,594</u>	<u>40,673</u>	<u>118,782</u>	<u>(1,139,302)</u>	<u>1,787,132</u>
Depreciation and amortisation							(635,222)
Interest Revenue							14
Finance costs							(96,737)
Profit before income tax expense							<u>1,055,187</u>
Income tax expense							(255,379)
Profit after income tax expense							<u>799,808</u>
30 Jun 2022							
Assets							
Segment assets	8,096,698	18,552,228	15,140,419	486,296	1,955,201	21,157,878	65,388,720
Intersegment eliminations							(24,028,871)
<i>Unallocated assets:</i>							
Deferred tax asset							3,772,199
Total assets							<u>45,132,048</u>
Liabilities							
Segment liabilities	6,540,920	11,848,374	5,562,816	10,895	2,285,599	16,762,822	43,011,426
Intersegment eliminations							(24,028,871)
<i>Unallocated liabilities:</i>							
Deferred tax liability							1,015,325
Total liabilities							<u>19,997,880</u>

Major Customers

The Group has a number of customers to whom it provides both products and services. The Group supplies to a single external customer in the products segment who accounts for 12.3% of external revenue (2022: 15.1%). The next most significant client accounts for 8.8% (2022: 12.7%) of external revenue.

	Sales to external customers		Geographical non-current assets	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	30 Jun 2022
	\$	\$	\$	\$
Australia	32,307,734	17,743,293	23,988,068	24,122,949
Rest of the World	8,416,580	9,096,075	-	-
	<u>40,724,314</u>	<u>26,839,368</u>	<u>23,988,068</u>	<u>24,122,949</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

The Environmental Group Limited
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Notes to the financial statements
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Note 4. Revenue

	31 Dec 2022	31 Dec 2021
	\$	\$
From external customers	40,724,314	26,839,368
R&D Tax Offset	50,125	-
	<u>40,774,439</u>	<u>26,839,368</u>

Disaggregation of revenue

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

	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Major product lines</i>		
Engineering and Fabrication Solutions	19,350,652	11,512,758
Service	19,927,348	13,972,288
Parts	1,446,314	1,354,322
	<u>40,724,314</u>	<u>26,839,368</u>
<i>Geographical regions</i>		
Australia	32,307,734	17,743,293
Rest of the World	8,416,580	9,096,075
	<u>40,724,314</u>	<u>26,839,368</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	1,446,314	1,354,322
Services transferred over time	39,278,000	25,485,046
	<u>40,724,314</u>	<u>26,839,368</u>

The Environmental Group Limited
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Note 5. Income tax expense

	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Income tax expense</i>		
Deferred tax - origination and reversal of temporary differences	<u>383,014</u>	<u>255,379</u>
Aggregate income tax expense	<u><u>383,014</u></u>	<u><u>255,379</u></u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	438,282	27,593
Increase/(decrease) in deferred tax liabilities	<u>(55,268)</u>	<u>227,786</u>
Deferred tax - origination and reversal of temporary differences	<u>383,014</u>	<u>255,379</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>1,793,920</u>	<u>1,055,187</u>
Tax at the statutory tax rate of 30%	538,176	316,556
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax effect amounts which are not deductible/(taxable) in calculating taxable income	<u>(146,640)</u>	<u>365,309</u>
	391,536	681,865
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(417,540)
Sundry items	<u>(8,522)</u>	<u>(8,946)</u>
Income tax expense	<u><u>383,014</u></u>	<u><u>255,379</u></u>

Note 6. Current assets - Cash and cash equivalents

	31 Dec 2022	30 Jun 2022
	\$	\$
Cash at bank	2,727,949	1,556,682
Cash in transit	<u>-</u>	<u>181,157</u>
	<u><u>2,727,949</u></u>	<u><u>1,737,839</u></u>

The Environmental Group Limited
Trading as EGL
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Note 7. Current assets - contract assets

	31 Dec 2022	30 Jun 2022
	\$	\$
Contract assets	<u>12,148,476</u>	<u>6,829,130</u>
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial half-year are set out below:		
Opening balance	6,829,130	2,479,831
Additions through business combinations	-	210,895
Accrued income	<u>5,319,346</u>	<u>4,138,404</u>
Closing balance	<u>12,148,476</u>	<u>6,829,130</u>

Where a contract obligation has been reached but not invoiced a contract asset is recognised.

Note 8. Non-current assets - property, plant and equipment

	31 Dec 2022	30 Jun 2022
	\$	\$
Plant and equipment - at cost	2,803,417	2,313,264
Less: Accumulated depreciation	<u>(1,479,298)</u>	<u>(1,382,960)</u>
	1,324,119	930,304
Motor vehicles - at cost	453,192	453,192
Less: Accumulated depreciation	<u>(134,621)</u>	<u>(108,157)</u>
	318,571	345,035
	<u>1,642,690</u>	<u>1,275,339</u>

Reconciliations

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

	Plant and Equipment	Motor Vehicle	Total
	\$	\$	\$
Balance at 1 July 2022	930,304	345,035	1,275,339
Additions	493,084	-	493,084
Disposals	(480)	-	(480)
Depreciation expense	<u>(98,789)</u>	<u>(26,464)</u>	<u>(125,253)</u>
Balance at 31 December 2022	<u>1,324,119</u>	<u>318,571</u>	<u>1,642,690</u>

The Environmental Group Limited
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Note 9. Non-current assets - right-of-use assets

	31 Dec 2022	30 Jun 2022
	\$	\$
Land and buildings - right-of-use	2,480,711	2,450,715
Less: Accumulated depreciation	<u>(1,289,087)</u>	<u>(982,846)</u>
	<u>1,191,624</u>	<u>1,467,869</u>
Motor vehicles - right-of-use	2,539,795	2,192,935
Less: Accumulated depreciation	<u>(1,105,731)</u>	<u>(927,551)</u>
	<u>1,434,064</u>	<u>1,265,384</u>
	<u><u>2,625,688</u></u>	<u><u>2,733,253</u></u>

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 financial half-year are set out below:

	Property Leases \$	Vehicle Leases \$	Total \$
Balance at 1 July 2022	1,467,869	1,265,384	2,733,253
Additions	-	465,273	465,273
Depreciation expense	<u>(276,245)</u>	<u>(296,593)</u>	<u>(572,838)</u>
Balance at 31 December 2022	<u><u>1,191,624</u></u>	<u><u>1,434,064</u></u>	<u><u>2,625,688</u></u>

Note 10. Non-current assets - intangibles

	31 Dec 2022	30 Jun 2022
	\$	\$
Goodwill - at cost	<u>15,070,216</u>	<u>15,070,216</u>
Development - at cost	<u>668,059</u>	<u>524,611</u>
Intellectual property - at cost	<u>350,000</u>	<u>350,000</u>
Customer contracts - at cost	240,000	240,000
Less: Accumulated amortisation	<u>(64,000)</u>	<u>(40,000)</u>
	<u>176,000</u>	<u>200,000</u>
Software - at cost	638,555	636,655
Less: Accumulated amortisation	<u>(567,235)</u>	<u>(482,162)</u>
	<u>71,320</u>	<u>154,493</u>
	<u><u>16,335,595</u></u>	<u><u>16,299,320</u></u>

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Note 10. Non-current assets - intangibles (continued)

Reconciliations

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

	Goodwill \$	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	-	-	-	1,900	143,448	145,348
Amortisation expense	-	-	(24,000)	(85,073)	-	(109,073)
Balance at 31 December 2022	<u>15,070,216</u>	<u>350,000</u>	<u>176,000</u>	<u>71,320</u>	<u>668,059</u>	<u>16,335,595</u>

Note 11. Current liabilities - contract liabilities

	31 Dec 2022 \$	30 Jun 2022 \$
Contract liabilities	<u>1,178,161</u>	<u>755,988</u>

Reconciliation

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

Opening balance	755,988	1,677,346
Payments received in advance	30,701,228	26,392,185
Additions through business combinations	-	95,965
Transfer to revenue - included in the opening balance	(30,279,055)	(27,409,508)
Closing balance	<u>1,178,161</u>	<u>755,988</u>

Where a contract obligation has not been reached but invoiced a contract liability is recognised.

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 12. Current liabilities - borrowings

	31 Dec 2022 \$	30 Jun 2022 \$
Bank loans	<u>600,000</u>	<u>600,000</u>

Refer to note 14 for further information on assets pledged as security and financing arrangements.

Note 13. Current liabilities - lease liabilities

	31 Dec 2022 \$	30 Jun 2022 \$
Lease liability	<u>1,218,675</u>	<u>1,101,502</u>

The Environmental Group Limited
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Note 14. Non-current liabilities - borrowings

	31 Dec 2022	30 Jun 2022
	\$	\$
Bank loans	<u>450,000</u>	<u>750,000</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	31 Dec 2022	30 Jun 2022
	\$	\$
Bank loans	<u>1,050,000</u>	<u>1,350,000</u>

Assets pledged as security

Overdraft (Bank loans) are secured over all present and future rights, property and undertakings of The Environmental Group limited and the following subsidiaries:

- Environmental Group (Operations) Pty Ltd;
- Total Air Pollution Control Pty Ltd;
- Mine Assist Pollution Control Pty Ltd;
- Bridge Management Services Pty Ltd;
- Baltec IES Pty Ltd;
- EGL Water Pty Ltd;
- Tomlinson Energy Service Pty Ltd;
- Active Environmental Services Pty Ltd.
- Ignite Services Pty Ltd
- EGL Waste Services Pty Ltd

Financing arrangements

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

	31 Dec 2022	30 Jun 2022
	\$	\$
Total facilities		
Bank overdraft	2,000,000	2,000,000
Bank Bill Business loans*	1,050,000	1,350,000
Trade Guarantee and Standby Letters of Credit Facility	8,000,000	8,000,000
	<u>11,050,000</u>	<u>11,350,000</u>
Used at the reporting date		
Bank overdraft	-	-
Bank Bill Business loans*	1,050,000	1,350,000
Trade Guarantee and Standby Letters of Credit Facility	7,448,840	6,441,888
	<u>8,498,840</u>	<u>7,791,888</u>
Unused at the reporting date		
Bank overdraft	2,000,000	2,000,000
Bank Bill Business loans*	-	-
Trade Guarantee and Standby Letters of Credit Facility	551,160	1,558,112
	<u>2,551,160</u>	<u>3,558,112</u>

* The Groups Bank Bill Business Loan facility reduces by the amount of the quarterly repayments included in the business financing agreement.

The Environmental Group Limited
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31 December 2022

Note 15. Non-current liabilities - lease liabilities

	31 Dec 2022	30 Jun 2022
	\$	\$
Lease liability	<u>1,575,734</u>	<u>1,799,875</u>

Note 16. Equity - issued capital

	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>322,668,953</u>	<u>312,202,805</u>	<u>28,746,918</u>	<u>28,746,918</u>

Movements in ordinary share capital

Movements in spare share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	312,202,805		28,746,918
Performance shares	7 September 2022	<u>10,466,148</u>	\$0.000	<u>-</u>
Balance	31 December 2022	<u>322,668,953</u>		<u>28,746,918</u>

Note 17. Equity - dividends

Dividends

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

Note 18. Contingent liabilities

Standby Letter of Credit

The Groups bank has given guarantees to unrelated parties in respect of performance bonds and guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance bonds and guarantees for the Group at 31 December 2022 are \$7,448,840 (30 June 2022: \$6,441,888).

Note 19. Related party transactions

Parent entity

The Environmental Group Limited is the parent entity.

Transactions with related parties

There were no transactions with related parties during the current and previous financial half-year.

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.

Loans to/from related parties

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

Note 20. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

The Environmental Group Limited
Trading as EGL
Notes to the financial statements
31 December 2022

Note 21. Earnings per share

	31 Dec 2022	31 Dec 2021
	\$	\$
Profit after income tax attributable to the Equity holders of The Environmental Group Limited	<u>1,410,906</u>	<u>799,808</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>318,740,563</u>	<u>284,104,255</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>322,668,148</u>	<u>284,104,255</u>
	Cents	Cents
Basic earnings per share	0.44	0.28
Diluted earnings per share	0.44	0.28

Note 22. 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:

31 Dec 2022

Grant date	Expiry date	Fair Value	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
08/02/2021	30/06/2023	\$0.035	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2023	\$0.035	2,166,667	-	-	-	2,166,667
08/02/2021	30/06/2024	\$0.035	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2024	\$0.035	2,166,667	-	-	-	2,166,667
09/02/2021	30/06/2022	\$0.035	10,000,000	-	(10,000,000)	-	-
23/09/2021	30/06/2022	\$0.140	357,142	-	(313,463)	(43,679)	-
11/03/2022	30/06/2022	\$0.270	173,962	-	(152,685)	(21,277)	-
11/03/2022	30/06/2023	\$0.270	347,922	-	-	-	347,922
11/03/2022	30/06/2024	\$0.270	347,922	-	-	-	347,922
12/10/2022	30/06/2023	\$0.193	-	250,000	-	-	250,000
			<u>24,226,948</u>	<u>250,000</u>	<u>(10,466,148)</u>	<u>(64,956)</u>	<u>13,945,844</u>

The Environmental Group Limited
Trading as EGL
Notes to the financial statements
31 December 2022

Note 22. Share-based payments (continued)

30 June 2022

Grant date	Expiry date	Fair Value	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/02/2021	30/06/2023	\$0.035	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2023	\$0.035	2,166,667	-	-	-	2,166,667
08/02/2021	30/06/2024	\$0.035	4,333,333	-	-	-	4,333,333
08/02/2022	30/06/2024	\$0.035	2,166,667	-	-	-	2,166,667
23/09/2021	30/06/2022	\$0.140	-	357,142	-	-	357,142
09/02/2021	30/06/2022	\$0.035	10,000,000	-	-	-	10,000,000
11/03/2022	30/06/2022	\$0.270	-	173,962	-	-	173,962
11/03/2022	30/06/2023	\$0.270	-	347,922	-	-	347,922
11/03/2022	30/06/2024	\$0.270	-	347,922	-	-	347,922
			<u>23,000,000</u>	<u>1,226,948</u>	<u>-</u>	<u>-</u>	<u>24,226,948</u>

In 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.

The Environmental Group Limited
Trading as EGL
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Lynn Richardson
Chair

23 February 2023

RSM Australia Partners

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

Conclusion

We have reviewed the accompanying half-year financial report of The Environment Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in blue ink, appearing to be "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be "M Parameswaran".

M PARAMESWARAN

Partner

Melbourne, Victoria
23 February 2023