The Environmental Group Limited

ABN 89 000 013 427
Unit 1A, 9 Packard Avenue
Castle Hill NSW 2154
Telephone: (02) 8858 3499
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29 August 2013

Commentary on Results for the Year Ended 30 June 2013

The consolidated entity recorded an after tax loss of $795,647 for the year ending 30 June 2013. The result comprises a gain from continuing operations of $448,184 after tax offset by losses from discontinued operations of $1,243,831. As a consequence of the loss for the year, shareholders funds reduced by 11.3%.

The 2013 fiscal year was one of considerable structural change at The Environment Group Limited (EGL) as the new board and management worked to redress a decade of loss of shareholder value.

Whereas in the previous result (2012) your Directors addressed the balance sheet, resulting in the necessity to write down unsupportable asset values, this financial year (2013) your Directors addressed the income statement, resulting in the elimination and/or closure of loss making activities and operations.

As reported in the half-year report, in August 2012 the company's wastewater treatment subsidiary EGL Management Services Pty Ltd (EGLMS) was placed into liquidation. Your Chairman has attended the meeting of creditors held in Brisbane in June 2013. Note 32 in the accounts provides further detail.

The unanticipated, sudden and dramatic reversal of fortunes experienced by the global coal industry towards the end of the 2012 fiscal year necessitated an immediate closure of loss making and marginal operations at our mining services subsidiary Mine-Assist Pty Limited (Mine-Assist), as was reported in the half-year result. During the second half, conditions continued to deteriorate and the Board took the decision to place Mine-Assist into liquidation in June 2013. An ASX announcement to that effect was made at the time.

The actions discussed above have removed loss-making operations from the company. Our largest business Total Air Pollution Control Pty Ltd (TAPC) recorded a pre-tax profit of $1,696,258 for the year ending June 2013 and is budgeted for a similar result for the current financial year.

TAPC has completed an excellent year. Congratulations to Gary Hardie and his team for a pre-tax profit contribution of $1,696,258 on revenues of $11,757,805. During the year TAPC was restructured and now consists of three business segments: Electrostatic Precipitators (ESP), Filtration and Gas and Vapour. Shareholders are encouraged to visit the TAPC web site at www.tapc.com.au.

Project highlights for the year were completion by the Gas and Vapour division of a pilot project for Xtrata at Mt Isa, (setting the scene for additional work in developing a trial plant) and a major electrostatic precipitator rebuild at Olympic Dam for BHP Billiton, which will assist Olympic Dam achieve performance increases in the copper smelter and associated sulphuric acid plant. TAPC also completed an electrostatic precipitator rebuild for One Steel at Wyalla SA.

The Gas and Vapour division won a $1 million contract to design and build a gas scrubbing system for the Nui Phao project in Vietnam. A gas scrubbing unit was also provided for Blakers Pumps in Western Australia. The filtration division completed major projects for Dulux, Bemax and Metso.

Although the previous owners of Mine-Assist Pty Ltd (Mine-Assist), Mr. Len Tanks and Mr. Mark Spinks, were engaged, with a free hand, to restore Mine-Assist to profitability, their efforts ultimately proved fruitless with profitability an unattainable goal. In excess of 10,000 employee and contractor positions were shed from NSW and Queensland coalfields during the 2013 financial year. Competition for contracts for remaining work during the year resulted in reduced margins across the industry. The extent and depth of margin erosion for Mine-Assist, coupled with the Enterprise Bargaining Agreement (EBA) under which Mine-Assist operated, (negotiated by the previous management), placed the company in an uncompetitive and ultimately unsustainable position. Equally, years of under-investment in plant and equipment left Mine-Assist with higher maintenance costs than competitors. Mine-Assist management's anticipation and expectation of an upturn in business conditions in October 2012, (which never eventuated), then an expectation of an upturn in February (which also did not eventuate) ultimately led to the only prudent conclusion your Board could make, and so in June 2013 the Board of EGL took the decision to place Mine-Assist into voluntary liquidation and appointed Mr. David Morgan of Clout & Associates as liquidator on 3 June 2013.

As identified in the 2012 Annual Report, the reduction in operations over the previous years (Gas & Vapour, EGL Management Services Pty Limited) along with the wind-down of the mining services business in the current year (and ultimately liquidation), necessitated a review of corporate costs, roles and activity. The corporate head office underwent significant restructuring during the year with a view to simplify and streamline processes wherever possible. In terms of employees, head office now carries two people, a reduction from seven. Company Secretarial function has been out-sourced to Catherine Officer of Company Matters Pty Limited. Head office is an overhead cost against the income produced by the operating subsidiaries and it is the intention of the Board to keep this cost to a minimum.

During the year, the group's indebtedness to the Westpac Banking Corporation (WBC) of $500,000 was repaid in full and all WBC Bank Guarantees were returned. EGL currently has no bank debt.

Outlook

EGL as it is currently structured, and on the assumption that budgeted income is achieved, is expected EGL will return to profitability in the current financial year.

In 2012 your Directors addressed the Balance Sheet and wrote off unsustainable asset values. In 2013 your Directors addressed the income operational structure by closing loss-making operations. In the 2014 year and beyond, your Directors will focus on opportunities for growth in profitability and in per share value. It is the intention of the Board to manage the capital of EGL so as to maximize shareholder value.

Louis A. Niederer
Chairman

ENQUIRIES

For further information, please contact Mr. Louis Niederer, Chairman by telephone on (02) 8858 3499.

ABOUT EGL

EGL is a leading ASX listed facility services and environmental solutions company that provides industrial services, clean air and clean water to the resource, industrial and municipal sectors. EGL provides industrial services to the resources sector, operates air and water infrastructure, completes engineered solutions to enhance air and water quality and provides environmental facility management. For further information on EGL visit www.environmental.com.au .

APPENDIX 4E

The Environmental Group Limited
ABN 89 000 013 427
And its controlled entities

Preliminary Final Report
Financial Year Ended 30 June 2013

(Previous reporting period: Year ended 30 June 2012)

This report is based on audited accounts

Results for announcement to the market

						$
Revenues from ordinary activities	**Up**	**3,561,478**	**or**	**33%**	**to**	**14,310,459**
Total profit from continuing operations	**Up**	**4,546,798**	**or**	**111%**	**to**	**448,184**
Total comprehensive loss for the year	**Down**	**9,322,634**	**or**	**92%**	**to**	**(795,647)**
Net loss for the year attributable to members	**Down**	**9,322,634**	**or**	**92%**	**to**	**(795,647)**

Dividends	Amount per security	Franked amount per security
Final dividend proposed:	**Nil**	**Nil**
Interim dividend paid:	**Nil**	**Nil**
Record date for determining entitlements to the dividends:	**Not applicable**	

The directors have declared no dividends during the period.

Explanation of figures reported above

Refer to attached annual report and covering commentary.

This financial report is the preliminary final report provided to the Australian Securities Exchange under listing rule 4.3

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

CONTENTS

This financial report addresses The Environmental Group Limited ACN 000 013 427 as the consolidated group consisting of The Environmental Group Limited and its controlled entities.

The Environmental Group Limited is a company limited by shares, incorporated in Australia. It is listed on ASX (ASX code: EGL).
The company's registered office is Unit 1A, 9 Packard Avenue, Castle Hill, NSW 2154

All press releases, financial statements and other information are available on our website – **www.environmental.com.au**.

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2013.

Directors

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

Information on Directors

The following Director were in office during the financial year and until the date of this report:

MR LOUIS A NIEDERER MBA – CHAIRMAN (EXECUTIVE)

Appointed to the Board on 18 May 2012 and appointed Chairman from August 2012.

Mr Niederer has over 25 years experience in the Finance Industry. Previously, Chairman of Bremer Park Limited (ASX: BPK) and Director of University Paton Limited (ASX:UPL) and Pearl Healthcare Limited (ASX:PHL). Previous positions held with Potts West Trumbull, Deutsche Bank and James Capel & Company (HSBC). He established Niederer & Company Investment Management (an individually managed account investment business) in 1996. Assets under management grew to approximately $100 million. The business was closed, with the return of all funds to clients, in 2007.

MR TIM HARGREAVES B.SC (HONS), PGDip PEng – DIRECTOR (NON–EXECUTIVE)

Appointed to the Board on 18 May 2012. Chairman of the Nomination and Remuneration Committee.

Mr Hargreaves has over 35 years experience in technical and managerial roles in the petroleum and mining sectors in Asia and the Middle East for major companies including BHP, Fletcher Challenge and Union Texas Petroleum as well as start ups and small independents. He has led successful exploration and commercialisation campaigns in Pakistan and Egypt which were dependent upon technical and commercial innovation in complex regulatory environments. Since 2009 he has been Research Director Resources and Commodities for a private Singapore based funds management company and prior to that he was Technical Director for a private Dubai based petroleum investment company.

MR GILES WOODGATE B.Com, CA – DIRECTOR (NON-EXECUTIVE)

Appointed to the Board on 20 November 2012. Chairman of the Audit and Risk Committee.

Mr Woodgate is a Chartered Accountant of over 33 years experience. He was conferred a Bachelor of Commerce (UNSW) in 1979 and has specialised as an insolvency practitioner since 1981, with such firms as KPMG (Sydney and London) and Horwaths (Sydney and New Zealand). Since 1989 he has been the principal and senior partner of Woodgate & Co., an insolvency practice located in Sydney. Mr Woodgate is a member of the Institute of Chartered Accountants in Australia, the Insolvency Practitioners Association of Australia and the Commercial Law Association of Australia. He is a director of Foxford Pty Ltd and Wine & Viticulture Advisers (International) Pty Ltd.

The following Directors resigned during the financial year:

MR JOHN D READ B.SC (HONS), MBA, FAICD

Resigned on 19 November 2012.

Mr Read has over 25 years experience in leading and promoting high growth Australian enterprises including Directorships of numerous companies listed on the Australian Securities Exchange. He is one of Australia's foremost and most experienced venture capitalists. Mr Read is currently Chairman of Patrys Limited (ASX: PAB) and was formerly Chairman of Pro-Pac Packaging Limited (ASX:PPG) from 2005 to 2010. Mr Read is also a Director of CVC Limited (ASX: CVC), CVC Private Equity Limited, CVC Sustainable Investments Limited, and numerous private corporations.

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 ("EGL") Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
L. Niederer	15,804,172	-
T. Hargreaves	-	-
G. Woodgate	-	-

Company Secretary

Johannes (Yuri) van der Walt was appointed Company Secretary on 3 May 2010 and his contract was terminated on 13 August 2012. Sarah Prince was appointed Company Secretary on 13 August 2012 and resigned 30 July 2013. Catherine Officer was appointed Company Secretary on 30 July 2013. Ms Officer is an experienced Company Secretary and Corporate Lawyer with over 15 years' experience. Ms Officer has a comprehensive knowledge of and experience in administering regulatory frameworks and processes in a listed company environment, gained from working for both a regulator (ASX Limited) and a major listed financial services company (Macquarie Group Limited). At Macquarie, Ms Officer was an Associate Director in the Company Secretarial Division responsible for management of operational risk within the Division, and the administration of the Macquarie CPS Trust, a hybrid quoted security. In her role as National Listings Counsel at ASX, Ms Officer was responsible for the development and implementation of the Listing Rules, including the Enhanced Disclosure framework.

Dividends

No dividends have been declared or paid since reporting date up to the date of signing this Directors report.

Principal Activities

The principal activities during the year of entities within the consolidated entity were:

- Design, application and servicing of innovative gas and vapour, particle removal, water, and wastewater solutions providing clean air and clean water to a diverse range of Municipal, Industrial, and Resource sector customers.
- Supply of mining services to the resources sector including the provision of industrial cleaning and coating services, industrial fabrication services and the provision of water reticulation including the supply of polyethylene welded pipe systems.

Results for the year

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Significant Changes in the State of Affairs

On 27 August 2012 the Queensland court appointed Mr B.V. Hellen and Mr N.R Markey of Pilot Chartered Accountants as liquidators of EGL Management Services Pty Ltd.

On 20 November 2012 Mr John Read resigned as a Non-Executive Director, replaced by Mr Giles Woodgate.

On 03 June 2013 EGL MA Pty Ltd (formerly Mine Assist Pty Ltd), a wholly owned subsidiary of the Group, appointed Mr David Morgan of Clout & Associates as liquidator.

In the opinion of the Directors, no other significant changes, not otherwise disclosed in this report or the consolidated financial statements occurred in the state of affairs of the Group during the financial year under review.

Likely Developments and Expected Results

EGL as it is currently structured, and on the assumption that budgeted income is achieved, is expected EGL will return to profitability in the current financial year.

Environmental Regulation and Performance

The Group's operations may have an environmental impact. Where the Group undertakes site installation work it is typically incumbent upon the Group to address environmental issues in relation to those sites. This usually involves the preparation and implementation of an Environmental Management Plan for the site. Activities of this nature and environmental issues generally are addressed by and carried out under the Environmental Group Management System.

No significant environmental issues were reported or recorded on any EGL sites during the financial year and the Group met all its obligations in this area.

Share Options

Unissued Shares

As at the date of this report, there were no unissued ordinary shares under option. Refer to the remuneration report for further details of the options outstanding.

Shares issued as a result of the exercise of options

During the financial year, no employees or Executives have exercised options to acquire fully paid ordinary shares in The Environmental Group Limited.

Indemnification and Insurance of Directors and Auditors

During or since the financial year the Group has paid premiums to insure each of the Directors and the Public Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Officers of the Group, other than conduct involving a wilful breach of duty in relation to the Group. Policy details are subject to confidentiality clauses and therefore cannot be legally disclosed.

No indemnities have been given or insurance premiums paid during or since the end of the financial year for the Auditors of the Group.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

	Directors' Meeting		Meetings of Committees: Audit & Risk		Nomination & Remuneration	
Number of meetings held	**11**		**3**		**-**	
Number of meetings attended:	**A**	**B**	**A**	**B**	**A**	**B**
Louis Niederer	11	11	3	3	-	-
Tim Hargreaves	11	11	3	3	-	-
Giles Woodgate	6	6	1	1	-	-
John Read	5	5	2	2	-	-

KEY: A: Number of meetings attended
B: Number of meetings held during the time the Director held office or was a member of the committee during the year
*: Not a member of the relevant committee

One audit & risk committee meeting was held subsequent to the year ended 30 June 2013, and attended by all members.

Mr Giles Woodgate is Chairman of the Audit and Risk committee. Mr Tim Hargreaves is Chairman of the Nomination and Remuneration committee.

Non-Audit Services

No fees were paid or payable to McIntosh Bishop for non-audit services provided during the year ended 30 June 2013.

After Reporting Date Events

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Proceedings on Behalf of Company

On 27 August 2012, EGL Management Services Pty Limited ("EGLMS") was placed into liquidation pursuant to a court order of the Queensland Supreme Court. Prior to liquidation EGLMS had over a number of years instigated a number of claims against Unitywater in respect of the operating contract. In response subsequent to 1 July 2011 Unitywater instigated a number of counter claims in respect of the operating contract. The counter claims have and always were denied by EGLMS. It is not known what action (if any) the liquidators of EGLMS will take on the claims and counter claims and accordingly the financial impact, if any, of these claims and counter claims on the EGL Group is not known and cannot be quantified. As at the date of this report, EGL has not received notice of any claim against any other member of its group of companies concerning the claims of Unitywater against EGLMS.

Except for the proceedings regarding the liquidation of EGL Management Services Pty Ltd no person has applied for leave of the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any other such proceedings during the year.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Directors' Resolution

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

Mr Louis Niederer
Chairman

Sydney
29 August 2013

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and Executive remuneration “Key Management Personnel” arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and the Corporate Regulations 2001. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise).

For the purposes of this report, the term 'Executive' encompasses the Chief Executive, senior Executives, general managers and secretaries of the Group.

Remuneration Committee and Philosophy

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

The remuneration structures offered to senior Executives are designed to attract and retain suitability qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creating value for shareholders. The remuneration structures take into account:

- The capacity and experience of the Senior Executives;
- The Senior Executives’ ability to control the performance of areas of the Group’s business;
- The Group’s performance including earnings and overall returns to shareholders;
- The amount of incentives within each Senior Executives’ remuneration.

Executive and Non-Executive Director Remuneration

The Executive and Non-Executive Directors of the company are entitled to a fee that is determined by the Remuneration Committee on the commencement of the role and on an annual basis thereafter. The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders based on the size and nature of the company.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting.

Each Non-Executive Director will receive a fee of $48,000 for being a Director of the company. The Chairman of the Board receives a fee of $120,000. No additional fee is paid to a Director who sits on a Board committee.

The Non-Executive Directors do not receive retirement benefits, nor do they participate in any incentive programs. The remuneration of Non-Executive Directors for the periods ended 30 June 2013 and 30 June 2012 are detailed in table 1 and 2 respectively of this report.

Executive Remuneration

The total remuneration for senior Executives has three components as 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.

REMUNERATION REPORT (AUDITED)

Variable Remuneration – Short term incentives (STI)
Short term incentives are provided by way of a cash bonus scheme. This is a structured, fully defined scheme that is annually reviewed by the Board with the targets and performance criteria for the following financial year set at Board level. The maximum bonus available to any employee is linked to the financial and performance targets for the individual business unit and Group as a whole. Once met, a defined bonus pool then becomes available. Individual rewards are then recommended by the Chairman based upon the individual Executive's performance and the performance of their operating division. The performance of all Executives is reviewed annually with performance targets and KPI's set for the following year.

Long term incentives (LTI)
Long term incentives are provided by way of share options. These provide an incentive to achieve a sustained high level of performance. They are also seen to assist in the retention of key Executives. Options for Executive Directors are approved by shareholders.

Group Performance and Directors and Executives' Remuneration

The remuneration policy and practices are aimed at aligning remuneration of key staff with the performance of the Group and the wealth of the shareholders. No short term or long term incentives have been paid for the 2013 financial year.

In addition to components of fixed remuneration, key Executive Directors and Executives are eligible for the award of Executive share options. The exercise of such options at a future date may give rise to a benefit materially in excess of the fixed remuneration component. Superior managerial performance may translate into a higher share price thus aligning the Executive remuneration with shareholder wealth creation.

The following table summarises the Group's financial performance and share price over the past 5 financial years:

	2009	2010	2011	2012	2013
Revenue ($)	38,604,276	31,197,312	28,282,119	33,996,413	20,495,765
Net Profit/(loss) ($)	958,484	559,175	(766,651)	(10,118,281)	(795,647)
Number of shares issued	233,221,767	237,181,212	79,060,389	79,060,389	79,060,389
Share price at year-end (cents)	5.1	4.0	4.0	5.0	3.0
Dividends paid per share (cents)	0.3	0.2	-	-	-

EGL's revenues balance includes income from continuing & discontinuing acquisitions

EGL's shares were consolidated on a one for three basis as at 23 December 2010.

Employment contracts

General Manager: Air Pollution Control

Mr Gary Hardie is employed under a fixed 3 year contract which expires on 30 June 2015.

- Mr Hardie receives a fixed remuneration of $270,000 per annum (inclusive of superannuation)
- The contract commenced 10 October 2012 and include a profit share arrangement whereby Mr Hardie is entitled to 10% of the profit before tax ('PBT') for the period 10 October 2012 to 30 June 2013 up to a PBT of $2,000,000 and 15% of the PBT for the period 10 October 2012 to 30 June 2013 for any PBT over $2,000,000.
- Termination is by legal agreement and expires in June 2015 unless terminated within the time period by both parties or a material breach by Mr Hardie.

Other Executives

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing 1 month's written notice or providing payment in lieu of the notice period. The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

REMUNERATION REPORT (AUDITED)

Remuneration of Key Management Personnel (KMP)

Key management personnel include the Directors of the Group and:

- Mr Louis Niederer: Chairman
- Mr Tim Hargreaves: Director
- Mr Giles Woodgate: Director
- Mr John Read: Former Director and Chairman
- Ms Sarah Prince: Former Company Secretary
- Mr Gary Hardie: General Manager – EGL Products
- Mr Oscar Sikorski: Group Finance Manager
- Mr Greg Hunt: Former General Manager – EGL Facility Services
- Mr Johannes van der Walt: Former Chief Operating Officer and Company Secretary
- Mr Frank Placko: Former General Manager – Water Group

Table 1: Remuneration for the year ended 30 June 2013

2013	Short-term benefits			Long-term	Post Employment			
	Salary and Fees $	Cash bonus $	Non-monetary benefits $	Long service leave $	Super-annuation $	Other $	Total $	% performance related
Directors								
Louis Niederer (Chairman) *	120,000	-	-	-	-	-	120,000	-
Tim Hargreaves **	48,000	-	-	-	-	-	48,000	-
Giles Woodgate ***	28,901	-	-	-	-	-	28,901	-
John Read (Former Chairman) ****	23,000	-	-	-	-	-	23,000	-
Sub-Total	**219,901**	**-**	**-**	**-**	**-**	**-**	**219,901**	**-**
Other key management personnel								
Sarah Prince ^	42,563	-	-	-	-	-	42,563	-
Gary Hardie	241,992	-	-	-	23,615	-	265,607	-
Oscar Sikorski	137,615	-	-	-	12,385	-	150,000	-
Greg Hunt ^^	217,798	-	-	-	16,239	-	234,037	-
Johannes van der Walt ^^^	114,130	-	-	-	9,771	29,110	153,011	-
Frank Placko ^^^^	86,377	-	-	-	4,198	46,777	137,352	-
Sub-Total KMP	**840,475**	**-**	**-**	**-**	**66,208**	**75,887**	**982,570**	**-**
Totals	**1,060,376**	**-**	**-**	**-**	**66,208**	**75,887**	**1,202,471**	**-**

* During the year management fees were paid or payable to L.A Niederer & Company Pty Ltd totalling $120,000 in relation to Director services of Louis Niederer. Appointed Chairman on 1 August 2012.

** During the year management fees were paid or payable to TJ & T Hargreaves totalling $48,000 in relation to Director services of Tim Hargreaves.

*** During the year management fees were paid or payable to Woodgate & Co. totalling $28,901 in relation to Director services of Giles Woodgate. Appointed 20 November 2012.

**** During the year management fees were paid or payable to Cannington Corporation Pty Ltd totalling $23,000 in relation to Director services of John Read. Resigned as Chairman on 1 August 2012 and Director on 20 November 2012.

^ During the year company secretarial fees were paid or payable to Company Matters Pty Ltd totalling $42,563 in relation to company secretarial services of Sarah Prince. Appointed 13 August 2012 and resigned 30 July 2013.

^^ On 8 August 2013 Greg Hunt resigned as General Manager – EGL Facility Services.

^^^ On 13 August 2012 the position of Chief Operating Officer was made redundant. As such Johannes van der Walt's contract with the company was terminated.

^^^ ^ On 28 September 2012 the position of General Manager – Water Group was made redundant. As such Frank Placko's contract with the company was terminated.

REMUNERATION REPORT (AUDITED)

Table 2: Remuneration for the year ended 30 June 2012

2012	Short-term benefits			Long-term	Post Employment		
	Salary and Fees	Cash bonus	Non-monetary benefits	Long service leave	Super-annuation	Total	% performance related
	$	$	$	$	$	$	
Directors							
John Read (Former Chairman) *	100,000	-	-	-	-	100,000	-
William Highland **	35,000	-	-	-	-	35,000	-
Alex Fabbri ***	35,000	-	-	-	-	35,000	-
Louis Niederer (Chairman) ****	10,000	-	-	-	-	10,000	-
Tim Hargreaves *****	4,000	-	-	-	-	4,000	-
Sub-Total	**184,000**	**-**	**-**	**-**	**-**	**184,000**	**-**
Other key management personnel							
Johannes van der Walt ^	252,294	26,667	-	-	22,706	301,667	-
Frank Placko	139,475	-	6,063	-	12,553	158,091	-
Steve Hodgson ^^	208,578	-	-	-	17,552	226,130	-
Greg Hunt ^^^	22,244	10,000	-	-	1,500	33,744	-
Gary Hardie	205,072	-	-	-	18,457	223,529	-
Sub-Total KMP	**827,663**	**36,667**	**6,063**	**-**	**72,768**	**943,161**	**-**
Totals	**1,011,663**	**36,667**	**6,063**	**-**	**72,768**	**1,127,161**	**-**

* During the year management fees were paid or payable to Cannington Corporation Pty Ltd totalling $100,000 in relation to Director services of John Read. At reporting date an amount of $67,203 was payable to Canning Corporation Pty Ltd. Resigned as Chairman on 1 August 2012.

** During the year management fees were paid or payable to William Highland $35,000 in relation to Director services of William Highland. At reporting date an amount of $14,152 was payable to William Highland. Resigned as Director on 18 May 2012.

*** During the year management fees were paid or payable to Closeburn Pty Ltd totalling $35,000 in relation to Director services of Alex Fabbri. At reporting date an amount of $18,991 was payable to Closeburn Pty Ltd. Resigned 18 May 2012.

**** During the year management fees were payable to L.A Niederer & Company Pty Ltd totalling $10,000 in relation to Director services of Louis Niederer. Appointed as Director on 18 May 2012 and Chairman on 1 August 2012.

***** During the year management fees were payable to TJ & T Hargreaves totalling $4,000 in relation to Director services of Tim Hargreaves. Appointed 18 May 2012

^ On 13 August 2012 the Board determined the position of Chief Operating Officer was made redundant. As such Johannes van der Walt's contract with the company was terminated.

^^ Contract terminated 25 May 2012.

^^^ A sign on bonus was granted to Greg Hunt upon the commencement of his employment.

Value of options granted

The total value of options granted to key management personnel included in share based payments in the current year is Nil (2012: Nil).

REMUNERATION REPORT (AUDITED)

Option holdings

The number of options over ordinary shares in the Group held during the financial year by each Director of The Environmental Group Ltd and other key management personnel of the Group, including their personally related parties, are set out in Note 28 to the financial statements.

Share holdings

The number of shares held during the financial year by each Director of The Environmental Group Ltd and other key management personnel of the Group, including their personally related parties, are set out in Note 28. There were no shares granted during the reporting period as compensation.

The value date per option, grant date and exercise price of last exercise are disclosed in Note 31

Shares issued on exercise of Compensation options

No shares have been issued during the years ended 30 June 2013 and 30 June 2012 on exercise of compensation options.

CORPORATE GOVERNANCE STATEMENT

The Environmental Group Ltd ("the Company") is committed to maintaining a sound corporate governance framework in the best interests of the Company, shareholders and stakeholders more generally. The Statement below outlines the Company's approach to corporate governance for the last financial year, and its compliance with the ASX Corporate Governance Principles and Recommendations (**the Recommendations**). A summary checklist is set out in section 8. Where the Company has not adopted a Recommendation either in whole or in part, the reasons for that variance are given. The Board's approach has been to adopt the principles and practices that it considers are in stakeholders' best interests, while taking into account the relative size of the Company and its business operations.

1. THE BOARD OF DIRECTORS

1.1 Role of Board and Management

The key functions and responsibilities of the Board are set out in its Charter and include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, operating plans (including the annual budget) and funding plans;
- reviewing and approving major corporate initiatives including investments or divestments and fund raisings;
- overseeing and monitoring organisational performance, the achievement of the Company's strategic goals and objectives and compliance with the company's code of professional ethics and conduct;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors;
- appointment or removal of the company's auditors, evaluation of auditor performance and independence;
- setting Non-Executive remuneration within shareholder approved limits;
- ensuring there are effective management processes in place;
- approving the risk management policy, framework and risk tolerance of the Company, ensuring the significant risks facing the company have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place;
- ensuring appropriate reporting to shareholders; and
- enhancing and protecting the reputation of the organisation.

Senior Management is responsible for:

- implementation of corporate strategy;
- development of business plans and day to day management of the Company;
- establishment, oversight, review and maintenance of the Company's risk management framework; and
- keeping the Board fully informed of any material developments.

1.2 Board Composition

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

The current Chairman, Mr Louis Niederer, is an Executive Director and was elected Chairman in August 2012. Mr Niederer is also a director of Allabah Pty Ltd, a substantial shareholder of the Company. Accordingly, the Chairman does not satisfy the independence criteria of the Recommendations. Taking into account Mr Niederer's extensive business experience and knowledge of the Company, the Board believes that he is the most appropriate person to discharge the responsibilities of Chairman.

There are currently no female board members. Given the relative size of the Company and the Board, and the small number of employees, the Company does not believe it is necessary to have a professional development program in place to encourage women to join the Board at this time.

1.3 Board access to information and advice

All Directors regularly receive detailed financial and operational information from Executive management to enable them to carry out their duties, and have unrestricted access to company records. Each Director enters into a *Deed of Indemnity and Access* with the Company to ensure access to company documents for seven years after retirement from the Board. Directors have the right to seek independent advice at the Company's expense, in order to fulfill their duties and responsibilities as Directors.

1.4 Conflicts of interest

In accordance with the *Corporations Act 2001* (Cth) and Board Policy, Directors must disclose any actual or potential conflict of interest both on appointment as a Director and on an ongoing basis. In accordance with Board policy, any Director with a material personal interest in a matter being considered by the Board must declare their interest, and is precluded from participating in discussions or decision making on such dealings.

2. BOARD COMMITTEES

The Board has established two Committees to assist in the execution of its duties. The Committees and their membership as at the date of this statement are set out in the table below:

	Audit & Risk Committee	**Nomination & Remuneration Committee**
Louis Niederer (Executive)	●	●
Tim Hargreaves (Independent Non-Executive)	●	● **Chair**
Giles Woodgate (Independent Non-Executive)	● **Chair**	●

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

2.1 Audit and Risk Committee

The Audit and Risk Committee ("**ARC**") assists the Board to fulfil its responsibilities of oversight and corporate governance. The ARC provides advice and recommendations to the Board on matters of corporate governance, reliability and quality of financial reporting and disclosure. This includes review of the Company's internal control environment regarding the effectiveness and efficiency of operations, and reliability of financial reporting.

The ARC provides assurance that the Board is receiving adequate, up to date and reliable information, and that the accounting policies and practices applied by management are consistent and comply with applicable regulations and standards. The ARC receives regular reports from management and external auditors. It expects to meet with the external auditors at least twice a year or more frequently if necessary.

The members of the ARC are not all Non-Executive, as required by Recommendation 4.2. However, the Board considers that the individuals on the Committee can and do make quality and independent judgements in the best interests of the company on all relevant issues, and that the existing membership is appropriate for the effective and efficient operation of the ARC.

2.2 Nomination & Remuneration Committee

The Nomination & Remuneration Committee ("**NRC"**) consists of the Chair and at least one Non-Executive Director.

The functions of the NRC are:

- review of remuneration policies and practices generally;
- specific recommendations on remuneration packages and other terms of employment for the Executive and Non-Executive Directors (within shareholder approved levels);
- reviewing the membership of the Board on a regular basis, having regard to present and future needs of the company;
- making recommendations on Board composition and appointments;
- proposing candidates for the Board and overseeing Board succession;
- reviewing the independence of Directors; and
- managing succession planning, including the implementation of appropriate Executive development programs.

Executive remuneration and other terms of employment are reviewed annually by the NRC having regard to performance, relevant comparative information and independent expert advice where necessary. Remuneration packages are set at levels that are intended to attract and retain Executives capable of managing the consolidated entity's operations and achieving the company's strategic objectives.

Remuneration and other terms of employment for the employees are formalised in service agreements, covering a range of matters including their duties, rights, responsibilities and entitlements. Remuneration of Executive and Non-Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

3. INTEGRITY OF FINANCIAL REPORTING

Audit governance and independence

The Board is committed to three basic principles of audit governance:
- that the Company's financial reports present a true and fair view;
- that the Company's accounting policies are relevant and comply with applicable standards and regulations; and
- that the external auditor is independent and serves shareholder interests.

McIntosh Bishop have been appointed external auditors since 2012. As required by the Corporations Act*,* the responsibilities of the lead audit partner and review audit partner cannot be performed by the same people for longer than five years. The current lead audit partner assumed the role in 2012.

The ARC reviews the annual and half-year financial reports. The ARC provides assurance that the Board is receiving adequate, up to date and reliable information, and that accounting policies and practices applied by management comply with applicable regulations and standards. At least annually, the ARC meets separately with the external auditor without management being present.

The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

4. RISK MANAGEMENT

Risk management is undertaken to provide a structured approach to managing risk across the the Company group of companies. The Risk Management Policy and framework utilised by the Company provides a detailed methodology for systematic identification, assessment and management of risk across the organisation. The Policy also defines reporting processes to ensure organisational exposures are managed at an appropriate level across the organisation. The Company has adopted the risk categories listed below. These categories assist risk identification, measurement and provide a basis for organising and reporting outcomes.

Risk Categories	Broad Definitions
Corporate	Risks relating to the management or maintenance of the Company's key assets including the company's IP; property, plant and equipment and environment.
Financial	Risks associated with the development, collection, storage and reporting of financial information vital to sustaining the management of the Company's operations. This category also includes risks associated with budgeting, management reporting and cost containment.
Business Continuity	Risks relating to the planning and processes required to maintain the continuity of business activities or recovery response to a disastrous event, which may impact the effectiveness of business operations. This includes internal and external activities and processes.
Human Resources	Risks associated with performance management & development of the Company's staff. It also includes risks associated with managing the company's workforce including recruitment, remuneration, retention and industrial relationship management.
Legal	Risks relating to non-compliance with legislation, regulations, supervision or internal policies and procedures. This also includes all regulatory issues impacting the Company's operations.
OH&S	Risks associated with complying with OH&S legislation, internal policies and accreditation requirements.
Project	Risks associated with inadequate planning or management of projects leading to under performance or the incurrence of a loss.
Investor Impact	Risks associated with the company's perception amongst its shareholders, including the maintenance and growth of the company's share price.

Accountabilities

The **ARC** is the recipient of reporting from the risk management team and ultimately, in conjunction with the Board, approves the risk management policy, framework and risk tolerance of the Company.

The **senior management team** members have responsibility and accountability for the management of risk in respective areas of responsibility. Specific duties include:

- Ensuring risk management processes are in place and operating effectively;
- Reporting risk events in accordance with the reporting process included in the framework;
- Developing and maintaining a register of risks for divisions/programs within their respective portfolios; and
- Implementing measures to appropriately resolve risk issues as they are identified, within their respective lines.

All staff across the Company are responsible for observing the Company's policies, procedures, delegations and minimising risks to the organisation, at all times.

An **external audit** may be conducted periodically to provide an independent examination and evaluation of risk mitigation plans (policies, procedures, systems) in place to manage risk within acceptable tolerance limits. The auditor will work closely with the senior management team to understand the risks facing the Company; avoid duplication of services with assurance providers, and will use risk management information to assist in determining the level of reliance on key systems. No such audit has been conducted in the current year.

5. PROMOTE ETHICAL AND RESPONSIBLE BEHAVIOUR

5.1 Code of Conduct

The Company has adopted a Code of Conduct for Directors, Executives, employees, consultants and advisors to promote ethical and responsible decision-making. The Code of Conduct is reviewed and updated as necessary to ensure it reflects the highest standards of integrity and professionalism. In summary, the Code requires that at all times company personnel:

- act with honesty and integrity;
- safeguard the interests of the Company;
- avoid conflicts of interest;
- respect confidentiality and not misuse information; and
- uphold the objectives of the Company.

The ARC is responsible for ensuring compliance with the Code. An employee that breaches the Code of Conduct may face disciplinary action and possible dismissal.

5.2 Securities Trading

The Company's Trading Policy requires all Directors and employees, contractors and consultants to comply with the law relating to insider trading and the requirements of the Company's Trading Policy.

Trading of company securities by directors or employees is not permitted during blackout periods, and any material intended transaction of the Company's securities must be notified to the Board, for approval, through the Chair, in advance. Current blackout periods exist for the following periods each year:

- from 30 June until two trading days after release of the full year preliminary financial report to the ASX;
- from 31 December until two trading days after the release of the half year financial report to the ASX;
- two trading days subsequent to any price sensitive disclosure made to ASX in accordance with the ASX Listing Rules, including those made under continuous and periodic disclosure provisions; and
- other periods as advised by the Company Secretary in anticipation of significant announcements.

5.3 Environmental Health & Occupational Health and Safety

The Company monitors its compliance with all relevant legislation, and continually assesses the impact of its operations on the environment. The Company encourages employees to actively participate in the management of environmental and OH&S issues, and encourages the adoption of similar standards by the company's principal suppliers, contractors and consultants.

Information on compliance with significant environmental regulations is set out in the Directors' under the heading "Environmental Regulation and Performance".

5.4 Diversity

The Company has not established a formal Diversity Policy. Potential employees are assessed according to the candidate's ability to perform a specified role, regardless of gender, age, ethnicity, religion or cultural background, and are appointed on merit. The Board considers that this is the most efficient and effective way of meeting the needs of the Company, taking into account the Company's culture and broader objectives, while also having regard to the size of the Company and its business operations.

6. CONTINUOUS DISCLOSURE

The Board recognises the importance of timely and balanced disclosure of all material matters concerning the Company and is committed to achieving the highest standards of market disclosure. The Board is responsible for compliance with the Company's continuous disclosure obligations. The Board focuses on timely disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

7. SHAREHOLDER COMMUNICATIONS

The Company is committed to ensuring all shareholders have equal access to comprehensive and timely information. The methods by which this is achieved include:

- Timely disclosure of all material matters is released to ASX;
- The Company website provides access to:
  - all ASX releases
  - the Company's annual and interim reports
  - information about the Company's business operations
  - the Company's Corporate Governance Statement
- Electronic copies of the Annual Report are available to all shareholders, with a hard copy distributed to those shareholders who have requested one.
- The financial statements are sent to any shareholder upon request.

All information once disclosed to the ASX is posted on the company's website (www.environmental.com.au) as soon as possible. Material used by the Chairman in presentations to shareholders, analysts, brokers and the media is released to ASX and then posted on the company's website.

8. ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS - COMPLIANCE TABLE

Best Practice Recommendations		Reference	Compliance
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	1.1	✓
1.2	Disclose the process for evaluating the performance of Senior Executives	2.2	✓
1.3	Provide the information indicated in Guide to reporting on Principle 1		✓
2.1	A majority of the Board should be independent Directors	1.2	✓
2.2	The chairperson should be an independent Director.	1.2	✕
2.3	The roles of chairperson and Chief Executive Officer should not be exercised by the same individual.	1.2	✕
2.4	The Board should establish a nomination committee.	2.2	✓
2.5	Disclose the process for evaluating the performance of the Board, its Committee and Directors	2.2	✓
2.6	Provide the information indicated in Guide to reporting on Principle 2.	2.2	✓
3.1	Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key Executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity; 3.1.2 the practice necessary to take into account their legal obligations and the reasonable expectations of stakeholders; and 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	✓
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy	5.4	✕
3.3	Disclose in each annual report the measurable objections for achieving gender diversity set by the board in according with the diversity policy and progress towards achieving them.	5.4	✕
3.4	Disclose in each annual report the support and encouragement for women to join a board as a part of professional development.	1.2	✕
3.5	Provide the information indicated in Guide to reporting on Principle 3.	5.1	✓
4.1	The Board should establish an audit committee.	2.1	✓
4.2	Structure the audit committee so that it consists of:	2.1	
	• only Non-Executive Directors		✕
	• a majority of independent Directors		✓
	• an independent chairperson, who is not chairperson of the Board		✓
	• at least three members.		✓
4.3	The audit committee should have a formal charter.	2.1	✓
4.4	Provide the information indicated in Guide to reporting on Principle 4.	2.1	✓
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.	6	✓
5.2	Provide the information indicated in Guide to reporting on Principle 5.	6	✓

Best Practice Recommendations		Reference	Compliance
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	7	✓
6.2	Provide information indicated in Guide to reporting on Principle 6.	7	✓
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	4	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	4	✓
7.3	The Chief Executive Officer (or equivalent) should state to the Board in writing that: 7.3.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. 7.3.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	4	✓
7.4	Provide the information indicated in Guide to reporting on Principle 7.	4	✓
8.1	The Board should establish a remuneration committee.	2.2	✓
8.2	The remuneration committee should be structured so that it:	Remuneration report	
	- Consist of mainly independent directors		✓
	- Is chaired by an independent director		✓
	- Has at least 3 members		✓
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	Remuneration report	✓
8.4	Provide the information indicated in Guide to reporting on Principle 9.	2.2	✓

McIntosh Bishop

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
THE ENVIRONMENTAL GROUP LIMITED

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of The Environmental Group Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

McIntosh Bishop
Chartered Accountants

Robert David Macdonald
Partner
Sydney, 29 August 2013

McIntosh Bishop
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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	Consolidated 2013 $	2012 $
Revenue from continuing operations	6	**14,310,459**	**10,748,981**
Subcontracting and material costs	7(d)	(6,788,942)	(6,306,964)
Gross profit		**7,521,517**	**4,442,018**
Employee expenses	7(b)	(4,025,090)	(2,807,782)
Occupancy expenses		(494,992)	(255,413)
Marketing expenses		(28,346)	(10,545)
Professional fees		(942,768)	(632,566)
Depreciation and amortisation	7(a)	(96,458)	(107,722)
Impairment of non financial assets	7(a)	-	(3,860,450)
Other expenses		(1,031,062)	192,613
Operating Profit/(Loss)		**902,801**	**(3,039,847)**
Interest expense		(50,015)	(40,338)
Interest income		8,419	13,748
Profit/(Loss before tax)		**861,205**	**(3,066,437)**
Income tax expense	8(a)	(413,021)	(1,032,177)
Profit/(Loss) for the year from continuing operations		**448,184**	**(4,098,614)**
Discontinued operations			
Loss for the year from discontinued operations	20	(1,243,831)	(6,019,667)
Loss for the year		**(795,647)**	**(10,118,281)**
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		**(795,647)**	**(10,118,281)**
Loss attributable to equity holders of The Environmental Group Limited		**(795,647)**	**(10,118,281)**
Earnings per share for loss attributable to the ordinary equity holders of the Group	9	**Cents**	Cents
Basic loss per share			
Profit/(Loss) from continuing operations		0.57	(5.18)
Loss from discontinued operations		(1.57)	(7.61)
Total		(1.00)	(12.79)
Diluted loss per share			
Profit/(Loss) from continuing operations		0.57	(5.18)
Loss from discontinued operations		(1.57)	(7.61)
Total		(1.00)	(12.79)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		Consolidated	
		2013	**2012**
	Notes	**$**	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	10	593,737	282,885
Trade and other receivables	11	3,468,864	6,285,369
Inventories	12	314,302	406,055
Other current assets	13	154,643	759,764
Other financial assets	16	176,546	181,792
Total Current Assets		**4,708,092**	**7,915,865**
Non-Current Assets			
Deferred tax assets	8(c)	599,641	621,149
Plant and equipment	14	490,859	2,088,646
Intangible assets	15	5,175,190	5,044,184
Total Non-Current Assets		**6,265,690**	**7,753,979**
Total Assets		**10,973,782**	**15,669,844**
LIABILITIES			
Current Liabilities			
Trade and other payables	17	2,823,771	6,398,727
Financial liabilities	18	90,121	990,783
Short-term provisions	19	482,815	904,484
Total Current Liabilities		**3,396,707**	**8,293,994**
Non-Current Liabilities			
Financial liabilities	18	1,229,527	199,210
Deferred tax liabilities	8(d)	57,302	14,289
Long-term provisions	19	32,776	109,234
Total Non-Current Liabilities		**1,319,605**	**322,733**
Total Liabilities		**4,716,312**	**8,616,727**
Net Assets		**6,257,470**	**7,053,117**
EQUITY			
Equity attributable to the ordinary equity holders of the Group			
Issued capital	21(a)	16,855,632	16,855,632
Retained earnings		(10,751,128)	(9,955,481)
Reserves	21(b)	152,966	152,966
Total Equity		**6,257,470**	**7,053,117**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

Consolidated	Share Capital $	Retained Earnings $	Reserve $	Total $
Balance at 30 June 2011	**16,855,632**	**162,800**	**152,966**	**17,171,398**
Total comprehensive income for the year	-	(10,118,281)	-	(10,118,281)
Balance at 30 June 2012	**16,855,632**	**(9,955,481)**	**152,966**	**7,053,117**
Total comprehensive income for the year	-	(795,647)	-	(795,647)
Balance at 30 June 2013	**16,855,632**	**(10,751,128)**	**152,966**	**6,257,470**

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

		Consolidated	
		2013	**2012**
	Notes	**$**	**$**
Operating activities			
Receipts from customers		11,909,723	11,362,668
Payments to suppliers and employees		(10,069,711)	(10,049,669)
Interest paid		(31,729)	(40,339)
Interest received		8,419	13,748
Net cash provided by operating activities	22	**1,816,703**	**1,286,408**
Investing activities			
Contingent consideration paid for subsidiary		(536,392)	(343,325)
Purchases of plant and equipment		(123,285)	(304,109)
Development payments		-	(32,234)
Proceeds from sale of plant and equipment		-	10,302
Decrease in fixed term deposit		5,246	27,143
Net cash used in investing activities		**(654,431)**	**(642,223)**
Financing activities			
Payment of dividends		(138)	(64)
Proceeds from borrowings		1,100,000	100,000
Repayment of borrowings		(1,786,407)	(1,523,417)
Net cash used in financing activities		**(686,545)**	**(1,423,481)**
Net decrease in cash and cash equivalents		**475,727**	**(779,296)**
Cash and cash equivalents at the beginning of the financial year		118,011	897,307
Cash and cash equivalents at the end of the financial year	10	**593,737**	**118,011**

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

NOTE 1. CORPORATE INFORMATION

This financial report of The Environmental Group Limited for the year ended 30 June 2013 was authorised for issue by the Directors in accordance with a resolution of the Directors on 29 August 2013. The Group's registered office is Unit 1A, 9 Packard Avenue, Castle Hill, NSW 2154.

The financial report includes financial statements for The Environmental Group Limited ("the Company") and its controlled entities as a consolidated entity ("the Group"). The Environmental Group Limited is a public listed company, incorporated and domiciled in Australia. For the purposes of preparing the financial statements the company and group are for profit entities.

The Environmental Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities during the year of entities within the consolidated entity were:

- Design, application and servicing of innovative gas and vapour, particle removal, water, and wastewater solutions providing clean air and clean water to a diverse range of Municipal, Industrial, and Resource sector customers.
- Supply of mining services to the resources sector including the provision of industrial cleaning and coating services, industrial fabrication services and the provision of water reticulation including the supply of polyethylene welded pipe systems.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis based on historical cost modified by the revaluation of selected non-current assets and financial instruments for which fair value basis of accounting has been applied.

The financial report is presented in Australian dollars.

Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Certain Australian Standards and interpretations have been recently issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2013. For more information on these standards and interpretations, refer to note 2(W).

(A) Basis of Consolidation

The consolidated financial statements comprise the financial statements of The Environmental Group Limited and its subsidiaries as at 30 June each year.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from the intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the group and ceases to be consolidated from the date on which control is transferred out of the group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(B) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 2(J)) or a gain from a discounted purchase. The method adopted for the measurement of goodwill will impact on the measurement of any Non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(C) Cash and Cash Equivalents

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

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

(D) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised at fair value.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or, default payments are considered objective evidence of possible impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(E) Inventories

Raw materials, finished goods and stores

Raw materials, finished goods and stores are measured at the lower of cost and net realisable value. Costs are assigned on a first in, first out basis.

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

Work-in-progress

Cost includes both variable and fixed costs relating to specific contracts, and those costs are attributed to the contract activity in general and that can be allocated on a reasonable basis.

(F) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular purchases and sales of financial assets are recognised on the trade date, the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Held-to-maturity investments

Held-to-maturity investments are Non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in Non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to Key Management Personnel are Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as Non-current.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment.

(G) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred. Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the specific asset. Depreciation rates used are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Leasehold Improvements	10%	Straight-line
Plant and Equipment	7.5% - 40%	Diminishing-value
Motor Vehicles	15% - 22.5%	Diminishing-value

The assets' residual values, useful lives and amortisation methods are reviewed periodically and adjusted if appropriate.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(H) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(I) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other Non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(J) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated includes only the EGL Pollution Control cash generating unit.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

The Group performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for all cash generating units to which goodwill and indefinite lived intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 15.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles other than Goodwill

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

A summary of the policies applied to the Group's intangible assets is as follows:

	Trade Mark	**Licences**	**Goodwill**	**Development costs**
Useful lives	Indefinite	Indefinite	Indefinite	5 years
Method used	Not amortised or revalued	Not amortised or revalued	Not amortised or revalued	Amortised
Internally generated / Acquired	Acquired	Acquired	Acquired	Internally Generated
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists	Where an indicator of impairment exists

(K) Trade and other payables

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

(L) Other financial liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

(M) Provisions

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

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

(N) Employee leave benefits

Provision is made for the Group’s liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(O) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to its employees (including KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to Directors and senior Executives, and
- the Employee Share Plan (ESP), which provides benefits to all employees, including senior Executives and Executive Directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined internally using a binominal model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of The Environmental Group Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of Non-market performance conditions being met; and
- the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by the Group to employees of subsidiaries are recognised in the group financial statements. The expense recognised by the Group is the total expense associated with all such awards.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

(P) Contributed Equity

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

(Q) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Products

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

(ii) Services

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

(iii) Interest revenue

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

(R) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that has been disposed of and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and is further analysed in note 20.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

(S) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

The Environmental Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The head entity, The Environmental Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, The Environmental Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

(T) Earnings Per Share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends; and
- other Non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares.

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

(U) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

(V) Comparative figures

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

(W) New standards and interpretations not yet adopted

Adoption of New and Revised Accounting Standards

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

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these

investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6*: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 10*: Consolidated Financial Statements*, AASB 11: *Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013)

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013)

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
  - (i) service cost and net interest expense in profit or loss; and
  - (ii) remeasurements in other comprehensive income

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013)

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014)

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011* (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

- AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;
- AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;

- AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(a) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. The ability to utilise tax losses acquired as part of a business combination (i.e. losses brought into the tax consolidated group on acquisition of a subsidiary) are subject to the satisfaction of certain transfer tests.

(b) Significant accounting estimates and assumptions

Impairment of Goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using either a value in use discounted cash flow of methodology or fair value less costs to sell model to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment losses were recognised in the current year in respect of goodwill. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 15.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed periodically and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

Provision for Warranties

Provision is made in respect of the consolidated group's estimated liability on all products and services under warranty at reporting date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

Capital Work Contracts and Work in Progress

Capital Work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

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

Judgement is exercised in determining the stage of completion of the contract and in reliably estimating the total contract revenue and contract costs to completion.

Provision for Stock Obsolescence

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made.

NOTE 4. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits, bank loans, and finance leases.

The Group manages its exposure to key financial risks, including interest rate and currency risk with the objective of supporting the delivery of the Group's financial targets whilst protecting future financial security.

The main financial risks that arise in the normal course of business for the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring exposure to foreign exchange risk and assessments of market forecast for interest rate and foreign exchange prices. 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.

It is, and has been, throughout the period under review, the Board's policy that no speculative trading in financial instruments be undertaken.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised , in respect of financial instruments are disclosed in Note 2(F) to the financial statements.

Set out below by category are the carrying amounts of all of the Group's financial instruments recognised in the financial statements. The carrying amounts approximate their fair value.

	Consolidated	
	2013	2012
	$	$
Financial Assets		
Cash and cash equivalents	593,737	282,885
Trade and other receivables	3,468,864	6,285,369
Financial assets	176,546	181,792
	4,239,147	**6,750,046**
Financial Liabilities		
Trade and other payables	2,823,771	6,398,727
Loans from Directors	1,200,000	100,000
Bank overdraft and lease liability	119,648	1,089,993
	4,143,419	**7,588,720**

Risk exposure and Responses

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that are used. Interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts. The interest rate liability risk arises primarily from bank bills with a maximum of 90 days duration, which are supported by a facility with a major commercial bank. The timing of rollover of these bank bills gives rise to variable interest rate, and therefore, cash flow risks.

The following tables summarise interest rate risk, for the Group together with effective weighted average interest rates at reporting date.

Consolidated	Interest rate	Floating interest rate $	Non-interest bearing $	Total $
30 June 2013				
Financial Assets				
Cash at bank and on hand	1.97%	593,737	-	593,737
Trade and other receivables		-	3,468,864	3,468,864
Term deposits and bank bills	4.03%	176,546	-	176,546
		770,283	**3,468,864**	**4,239,147**
Financial Liabilities				
Loans from Directors	11.92%	1,200,000	-	1,200,000
Bank overdraft and lease liability	9.71%	119,648	-	119,648
Trade and other payables		-	2,823,771	2,823,771
		1,319,648	**2,823,771**	**4,143,419**
Net Financial assets		**(549,365)**	**645,093**	**95,728**
30 June 2012				
Financial Assets				
Cash at bank and on hand	0.40%	282,885	-	282,885
Trade and other receivables		-	6,285,369	6,285,369
Term deposits and bank bills	5.00%	181,792	-	181,792
		464,677	**6,285,369**	**6,750,046**
Financial Liabilities				
Loans from Directors	12.00%	100,000	-	100,000
Bank overdraft and lease liability	9.04%	1,089,993	-	1,089,993
Trade and other payables		-	6,398,727	6,398,727
		1,189,993	**6,398,727**	**7,588,720**
Net Financial assets		**(725,316)**	**(113,358)**	**(838,674)**

At current interest rates and based on amounts at reporting date, over the course of a full year, a movement of 100 basis points in borrowing rates, considered reasonable in respective of current market conditions, with an accompanying change in deposit rates would increase or decrease pre tax profit for the group by $5,494 (2012: $7,181), directly impacting the equity in the Group.

Foreign currency risk

The Group has transactional currency exposure arising from those sales and purchases which are denominated in United States dollars. From time to time the Group hold cash denominated in United States dollars. Currently the Group has no foreign exchange hedge programmes in place. Senior management manage the purchase and sale of foreign currency to meet requirements. Transaction exposures, where possible, are netted off across the Group to reduce volatility and provide a natural hedge.

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

	Consolidated			
	2013		2012	
	USD	Euro	USD	Euro
	$	$	$	$
Financial Assets				
Cash and cash equivalents	599	-	2,677	-
Trade and other receivables	41,562	-	225,964	-
Financial Liabilities				
Trade and other payables	64,828	-	22,082	133,422

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 an increase of $1,079 (2012: increase of $5,127), 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 a decrease of $2,519 (2012: decrease of $10,254), directly impacting the equity in the Group.

Credit risk

Credit risk arises from the financial assets of the Group which comprise cash and cash equivalents, trade and other receivables, term deposit and bank bills. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Group trade only with creditworthy third parties. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet all financial commitments in a timely and cost-effective manner. The Group constantly reviews the liquid position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels

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

	Consolidated	
	2013	2012
	$	$
6 months or less	2,902,622	7,047,698
6 – 12 months	8,450	195,354
1 – 5 years	1,232,347	345,668
	4,143,419	**7,588,720**

NOTE 5. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

— the products sold and/or services provided by the segment;

— the manufacturing process;

— the type or class of customer for the products or services;

— the distribution method; and

— any external regulatory requirements.

Types of products and services by segment

The Group's primary reporting format is business segments. The Group operates solely in Australia and the environmental sector. Revenue, profit and assets all relate to operations in Australia. The following are the reportable segments:

EGL Products includes those operations supplying facility services to industry, including the mining sector and the operation and maintenance of water treatment plants and incorporates the EGL Infrastructure Operations and EGL Pollution Control Cash Generating Units

EGL Facility Services incorporates the operations supplying design, construct and install services to industry, including air pollution control and pressure sewer systems and incorporates the EGL Facility Services Cash Generating Unit.

The Corporate Segment incorporates the expenditures and assets incurred by the EGL group head office.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

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

(d) Segment liabilities

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

(e) Segment performance

The following table present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2013 and 30 June 2012.

(i) Revenue

	Products $	Services $	Coporate $	Total $
Year ended 30 June 2013				
Revenue				
From external customers	11,757,805	2,552,654	-	14,310,459
Discontinued operations	-	6,185,306	-	6,185,306
Total segment revenue	**11,757,805**	**8,737,960**	**-**	**20,495,765**
Total group revenue				**20,495,765**
Expenses from continuing operations				
Subcontracting and material costs	(5,386,750)	(1,402,192)	-	(6,788,942)
Employee benefit expense	(3,284,629)	(432,836)	(307,625)	(4,025,090)
Occupancy expenses	(242,116)	(244,829)	(8,047)	(494,992)
Professional fees	(200,963)	(10,288)	(731,517)	(942,768)
Deprecation and amortisation	(89,487)	(6,673)	(298)	(96,458)
Other expenses	(857,602)	(88,606)	(154,796)	(1,101,004)
Tax expense	(625,917)	(120,829)	333,725	(413,021)
Total expenses from continuing operations	**(10,687,464)**	**(2,306,252)**	**(868,558)**	**(13,862,274)**
Expenses from discontinued operations	**-**	**(7,429,138)**	**-**	**(7,429,138)**
Segment net profit/(loss)	**1,070,341**	**(997,430)**	**(868,558)**	**(795,647)**
Year ended 30 June 2012				
Revenue				
From external customers	9,825,188	923,793	-	10,748,981
Discontinued operations	-	23,247,432	-	23,247,432
Total segment revenue	**9,825,188**	**24,171,225**	**-**	**33,996,413**
Total group revenue				**33,996,413**
Expenses from continuing operations				
Subcontracting and material costs	(5,583,468)	(723,496)	-	(6,306,964)
Employee benefit expense	(2,109,881)	(80,089)	(617,814)	(2,807,784)
Occupancy expenses	(205,702)	(48,966)	(743)	(255,411)
Professional fees	(26,653)	-	(605,913)	(632,566)
Deprecation and amortisation	(106,269)	(837)	(616)	(107,722)
Impairment of non financial assets	(3,654,895)	-	-	(3,654,895)
Other expenses	(192,829)	374,897	-	182,068
Tax expense	(520,445)	-	(511,732)	(1,032,177)
Total expenses from continuing operations	**(12,400,142)**	**(478,490)**	**(1,736,818)**	**(14,615,450)**
Expenses from discontinued operations	**-**	**(29,499,244)**	**-**	**(29,499,244)**
Segment net profit/(loss)	**(2,574,954)**	**(5,806,509)**	**(1,736,818)**	**(10,118,281)**

(ii) Assets

	Products $	Services $	Corporate $	Total $
Year ended 30 June 2013				
Assets				
Segment assets	9,116,356	1,392,784	362,732	10,871,872
Assets from discontinued operations	-	-	-	-
Total Segment Assets	9,116,356	1,392,784	362,732	10,871,872
Year ended 30 June 2012				
Assets				
Segment assets	8,851,297	-	294,007	9,145,304
Assets from discontinued operations	-	6,524,540	-	6,524,540
Total Segment Assets	8,851,297	6,524,540	294,007	15,669,844

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the products segment who accounts for 14% of external revenue (2012: 11%). The next most significant client accounts for 10% (2012: 10%) of external revenue.

The totals presented for the Group's operating segment reconcile to the key financial figures as presented in its financial statements as follows:

(iii) Reconciliation to financial statement

	2013 $	2012 $
Revenues		
Total reportable segment revenues	20,495,765	33,996,413
Discontinued operations	(6,185,306)	(23,247,432)
Group revenues	**14,310,459**	**10,748,981**
Assets		
Total reportable segment assets	10,901,383	15,669,844
Group assets	**10,901,383**	**15,669,844**

NOTE 6. REVENUE

	Consolidated	
	2013	2012
	$	$
Revenue		
Product	11,757,805	9,825,188
Services	2,552,654	923,793
Revenue from continuing operations	**14,310,459**	**10,748,981**
Revenue from discontinued operations	6,185,306	23,247,432
Other revenue		
Interest income	18,287	24,103
	18,287	**24,103**
Total revenue	**20,514,052**	**34,020,516**

NOTE 7. EXPENSES

The loss before income tax includes the following specific expenses.

	Consolidated	
	2013	2012
	$	$
(a) Depreciation, impairment and amortisation included in the income statement		
Depreciation of equipment	50,391	61,895
Depreciation of vehicles	41,872	41,579
Depreciation of leasehold improvements	4,195	4,248
Impairment of non financial assets	-	3,860,450
	96,458	**3,968,172**
(b) Employee benefits expense		
Wages and salaries	2,894,439	2,214,077
Defined contribution superannuation expense	243,945	194,658
Other employee benefits expense	886,706	399,047
	4,025,090	**2,807,782**
(c) Minimum lease payments		
Rent leases	510,551	1,209,454
Operating lease	127,178	587,516
(d) Cost of sales	6,788,942	6,306,964
(e) Foreign exchange losses	7,496	788

NOTE 8. INCOME TAX

	Consolidated 2013 $	2012 $
(a) Income tax (benefit)/expense		
Current tax	283,807	(121,444)
Deferred tax	129,214	1,153,621
	413,021	1,032,177
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
Total accounting profit / (loss) before income tax expense	**861,205**	**(7,508,455)**
Tax at the Australian tax rate of 30%	258,362	(2,252,537)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Adjustments in respect of current income tax of previous years	-	23,870
Amortisation of intangibles	-	2,988
Non-deductible entertainment expenses	-	2,122
Non deductible impairment	169,019	1,962,216
De-recognition of deferred tax assets	-	1,276,942
Sundry items	(14,360)	16,575
Aggregate Income tax expense/(benefit)	**413,021**	**1,032,176**
The applicable weighted average effective tax rates are as follows:	48%	(14%)

The decrease in the weighted average effective consolidated tax rate for 2012 is a result of the de-recognition of tax losses

(c) Deferred tax asset	Opening Balance $	Charged to income $	Consolidated Charged directly to Equity $	Exchange Differences $	Closing Balance $
Fixed assets	5,154	67,283	-	-	72,437
Accruals	114,069	(9,234)	-	-	104,835
Provisions	364,287	79,590	-	-	443,877
Tax losses	1,276,942	(1,276,942)	-	-	-
Balance at 30 June 2012	1,760,452	(1,139,303)	-	-	621,149
Fixed assets	72,437	(49,461)	-	-	22,976
Accruals	104,835	2,585	-	-	107,420
Provisions	443,877	(258,439)	-	-	185,438
Tax losses	-	283,807	-	-	283,807
Balance at 30 June 2013	621,149	(21,508)	-	-	599,641

(d) Deferred tax liability

	Consolidated				
	Opening Balance	Charged to income	Charged directly to Equity	Exchange Differences	Closing Balance
	$	$	$	$	$
Capitalised development costs	249,733	(249,733)	-	-	-
Other	24,717	(10,428)	-	-	14,289
Balance at 30 June 2012	**274,450**	**(260,161)**	**-**	**-**	**14,289**
Other	14,289	43,013	-	-	57,302
Balance at 30 June 2013	**14,289**	**43,013**	**-**	**-**	**57,302**

(e) Tax losses

	Consolidated	
	2013	2012
	$	$
Unused tax losses for which no deferred tax asset has been recognised	19,773,401	19,773,401
Potential tax benefit at 30%	5,932,020	5,932,020

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

NOTE 9. EARNINGS PER SHARE

The following reflects the income used in the basic and diluted earnings per share calculation:

(a) Earnings used in calculating earnings per share

	Consolidated	
	2013	2012
Basic and diluted earnings per share	$	$
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	448,184	(8,540,632)
Net loss from discontinued operations attributable to ordinary equity holders of the parent	(1,243,831)	(6,019,667)

(b) Weighted average number of shares

	Consolidated	
	2013	2012
	Number	Number
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	79,060,389	79,060,389

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.

(c) Information concerning the classification of securities

Unexercised options, including those granted to key management personnel as described in note 31, were not included in the determination of basic earnings per share or dilutive earnings per share in 2013 or 2012 as they were considered antidilutive.

NOTE 10. CASH AND CASH EQUIVALENTS

	Note	Consolidated 2013 $	2012 $
Cash at bank and in hand		593,737	282,885
Balance per Statement of Financial Position		**593,737**	**282,885**

Reconciliation of cash
Cash at the end of financial year shown in the Statement of Cash Flow is reconciled to items in the Statement of Financial Positions as follows

Cash and cash equivalents at the end of the financial year	593,737	282,885
Discontinued operations	-	(164,874)
Cash and cash equivalents per cash flow	**593,737**	**118,011**

Cash at bank and in hand

The cash at bank are both non-interest bearing and interest bearing with rates between 0.01% and 2.75%

NOTE 11. TRADE AND OTHER RECEIVABLES

	Consolidated 2013 $	2012 $
Current		
Trade receivables	3,179,050	6,064,075
Allowance for impairment loss (a)	(102,535)	(120,478)
	3,076,515	**5,943,597**
Other receivables	392,349	341,772
	3,468,864	**6,285,369**

(a) Allowance for impairment loss

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

Movements in the provision for impairment loss were as follows:	2013 $	2012 $
At 1 July	120,478	166,229
Charge for the year	69,320	95,644
Amounts written off	(87,263)	(141,395)
	102,535	**120,478**

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	Current	30 days	60 days PDNI*	90+ days PDNI*	90+ days CI*
2013	Consolidated	3,179,050	1,827,628	786,837	333,641	128,409	102,535
2012	Consolidated	6,064,075	3,216,432	1,811,121	809,229	106,815	120,478

* Past due not impaired ('PDNI'); Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated $128,408 (2012: $121,395). Payment terms on these amounts have not been re-negotiated however credit is being monitored until full payment is made. Each business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

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

NOTE 12. INVENTORIES

	Consolidated	
	2013	**2012**
	$	**$**
At cost		
Raw materials	176,019	203,744
Goods in Transit	-	13,345
	176,019	**217,089**
At net realisable value		
Raw materials	135,414	156,744
Work-in-progress	2,869	32,222
	138,283	**188,966**
	314,302	**406,055**

Inventory write-down

No write-down of inventories to net realisable value occurred during the year ended 30 June 2013 (2012: $23,223).

NOTE 13. OTHER CURRENT ASSETS

	Consolidated	
	2013	**2012**
	$	**$**
Prepayments	123,247	698,126
Other assets	31,396	61,638
	154,643	**759,764**

NOTE 14. PLANT AND EQUIPMENT

Consolidated	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$
Year ended 30 June 2013				
Opening net book amount	1,160,271	665,219	263,156	2,088,646
Additions	110,055	37,473	198	147,726
Disposals	(798,704)	(465,562)	(116,065)	(1,380,331)
Depreciation and amortisation charge - continuing operations	(50,391)	(41,872)	(4,195)	(96,458)
Depreciation and amortisation charge - discontinued operations	(191,581)	(73,564)	(3,579)	(268,724)
Closing net book amount	229,650	121,694	139,515	490,859
At 30 June 2013				
Cost	722,013	312,606	165,796	1,200,415
Accumulated depreciation and amortisation	(492,363)	(190,912)	(26,281)	(709,556)
Net book amount	229,650	121,694	139,515	490,859

Consolidated	Equipment	Vehicles	Leasehold improvements	Total
	$	$	$	$
Year ended 30 June 2012				
Opening net book amount	1,973,010	903,629	243,602	3,120,241
Additions	259,740	87,923	101,280	448,943
Disposals	(21,867)	(22,404)	-	(44,271)
Impairment	(595,964)	(111,538)	(70,141)	(777,643)
Depreciation and amortisation charge - continuing operations	(61,895)	(41,579)	(4,248)	(107,722)
Depreciation and amortisation charge - discontinued operations	(392,753)	(150,812)	(7,337)	(550,902)
Closing net book amount	1,160,271	665,219	263,156	2,088,646
At 30 June 2012				
Cost	2,708,531	1,594,380	368,586	4,671,497
Accumulated depreciation and amortisation	(1,548,260)	(929,161)	(105,430)	(2,582,851)
Net book amount	1,160,271	665,219	263,156	2,088,646

All depreciation and impairment charges are included within depreciation and amortisation and impairment of non financial assets respectively.

NOTE 15. INTANGIBLE ASSETS

(a) Reconciliation of carrying amounts

Consolidated	Goodwill	Trademark	Licences	Developmen	Total
	$	$	$	$	$
Year ended 30 June 2013					
Opening Net book amount	5,014,976	2,710	7,276	19,222	5,044,184
Acquisition through business combination	157,504	-	-	-	157,504
Impairment	-	-	(7,276)	(19,222)	(26,498)
Net book amount	**5,172,480**	**2,710**	**-**	**-**	**5,175,190**
At 30 June 2013					
Cost	11,113,788	2,710	-	-	11,116,498
Accumulated amortisation and impairment	(5,941,308)	-	-	-	(5,941,308)
Net book amount	**5,172,480**	**2,710**	**-**	**-**	**5,175,190**
Year ended 30 June 2012					
Opening Net book amount	10,569,500	2,710	7,276	840,136	11,419,622
Additions, separately acquired	-	-	-	32,234	32,234
Additions, internally generated	-	-	-	18,564	18,564
Acquisition through business combination	386,784	-	-	-	386,784
Amortisation	-	-	-	(7,689)	(7,689)
Impairment	(5,941,308)	-	-	(864,023)	(6,805,331)
Net book amount	**5,014,976**	**2,710**	**7,276**	**19,222**	**5,044,184**
At 30 June 2012					
Cost	10,956,284	2,710	61,357	56,450	11,076,801
Accumulated amortisation and impairment	(5,941,308)	-	(54,081)	(37,228)	(6,032,617)
Net book amount	**5,014,976**	**2,710**	**7,276**	**19,222**	**5,044,184**

(b) Description of the Group's intangible assets and goodwill

(i) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(ii) Licences

Licences have been acquired through business combinations and are carried at cost less accumulated impairment losses. These intangible assets have been determined to have indefinite useful lives. The licences have been granted on an ongoing basis with no expiry date, however the license provider may withdraw their consent at any time.

(iii) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 5 years. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(c) Impairment losses

Based on management's assessment of growth rates and discounted future cash flows compared to the carrying value of the assets within each cash generating unit the Board have determined that development costs in EGL Infrastructure Operations and all goodwill associated with EGL Infrastructure Operations, EGL Management Services and EGL Facility Services is impaired.

(d) Impairment test for goodwill and intangibles with indefinite useful lives

Goodwill acquired through business combinations and licences have been allocated to the EGL Pollution Control cash generating unit.

For the purposes of impairment testing this cash generating unit is at a lower level than the reportable segments disclosed at note 5. Goodwill and other intangibles with indefinite lives is allocated to the group's cash generating units identified according to business division, a summary of which is presented below:

	EGL Infrastructure Operations	EGL Pollution Control	Total
	$	$	$
Goodwill	-	5,172,480	5,172,480
Trademark	2,710	-	2,710

<u>*EGL Pollution Control Cash Generating Unit*</u>

The recoverable amount of the EGL Pollution Control Cash Generating Unit has been determined using a value in use calculation which is based on financial cash flow projections over a five year period. The pre tax discount rate applied to the cash flow projections is 17% (2012: 17%). The growth rate used to extrapolate the cash flows beyond the budget period is between 4-8%.

An increase in the discount rate to 21% or a decrease in the growth rate to 34% would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

Key assumptions used in value in use calculations

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

Gross margins are based on the values achieved in recent years preceding the start of the budget period.

Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining the appropriate discount rates, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to each unit.

Growth rate estimates reflect recent past experience

NOTE 16. FINANCIAL ASSETS

	Consolidated 2013 $	2012 $
Current		
Term deposits and Bank bills	176,546	181,792

NOTE 17. TRADE AND OTHER PAYABLES

	Consolidated 2013 $	2012 $
Trade payables	2,568,871	2,874,073
Sundry creditors and other payables	254,900	3,524,654
	2,823,771	**6,398,727**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 4.

Fair values

The carrying amount of the Group's trade and other payables approximate their fair value.

NOTE 18. FINANCIAL LIABILITIES

	Note	Consolidated 2013 $	2012 $
Current			
Obligations under finance leases and hire purchase contracts	25	90,121	391,812
Overdraft		-	498,971
Director Loan	29	-	100,000
		90,121	**990,783**
Non Current			
Obligations under finance leases and hire purchase contracts	25	29,527	199,210
Directors' Loan	29	1,200,000	-
		1,229,527	**199,210**

(a) Fair values

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Interest rate and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 4.

NOTE 19. PROVISIONS

	Consolidated 2013 $	2012 $
Current		
Long service leave	39,362	38,715
Annual leave	275,456	478,985
Legal costs	167,997	-
Earnout	-	386,784
	482,815	**904,484**
Non Current		
Long service leave	32,776	109,234
	32,776	**109,234**

Earnout

The final earnout instalment was paid 11 February 2013. This amounted to $149,608. This concluded the TAPC earnout agreement. Therefore no provision was recognised by the Group at reporting date (2012: $386,784).

Movements in provisions

Movement in each class of provision during the financial year, other than provision relating to employee benefits, are set out below:

Consolidated	**Employee leave provision**	**Legal costs provision**	**Earnout provision**	**Total**
	$	**$**	**$**	**$**
At 30 June 2012	626,934	-	386,784	1,013,718
Arising during the year	362,121	167,997	149,608	679,726
Utilised	(641,461)	-	(536,392)	(1,177,853)
At 30 June 2013	**347,594**	**167,997**	**-**	**515,591**

NOTE 20. ASSETS AND DISPOSAL GROUPS CLASSIFIED AS DISCONTINUED OPERATIONS

EGL MA Pty Ltd (formerly Mine-Assist Pty Ltd)

On 03 June 2013 EGL MA Pty Ltd (formerly Mine-Assist Pty Ltd), a wholly owned subsidiary of the Group, appointed Mr David Morgan of Clout & Associates as liquidator. Consequently, assets and liabilities allocable to EGLMA Pty Ltd were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income (see loss for the year from discontinued operations).

Operating loss of EGL MA Pty Ltd until date of liquidation is summarised as follows:

	2013 $	2012 $
Revenue	5,986,225	18,417,238
Subcontracting and material costs	(4,772,760)	(14,925,740)
Employee expenses	(1,905,375)	(2,567,148)
Occupancy expenses	(262,445)	(562,802)
Marketing expenses	(14,512)	(29,978)
Professional fees	(48,107)	(33,359)
Other expenses	(1,419,018)	(952,954)
Depreciation and amortisation	(268,724)	(302,801)
Impairment expense	-	(2,680,270)
Reversal of costs on deconsolidation	243,352	-
Operating loss	**(2,461,364)**	**(3,637,815)**
Interest expense	(140,135)	(88,548)
Interest income	9,868	10,355
Loss from discontinued operations before tax	**(2,591,631)**	**(3,716,008)**
Income tax benefit	798,717	266,721
Loss for the year	**(1,792,914)**	**(3,449,287)**

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

	2013 $	2012 $
Current Assets		
Cash and cash equivalents	-	138,176
Trade and other receivables	-	3,870,338
Inventories	-	192,084
Other current assets	-	179,337
Non-Current Assets		
Deferred tax assets	-	220,663
Plant and equipment	-	1,627,951
Intangible assets	-	19,223
Assets included in disposal group	-	6,247,772
Current Liabilities		
Trade and other payables	-	3,634,844
Financial liabilities	-	180,028
Short-term provisions	-	217,828
Non-Current Liabilities		
Financial liabilities	-	164,181
Deferred tax liabilities	-	5,767
Long-term provisions	-	63,160
Liabilities included in disposal group	-	4,265,808

Cash flows generated by EGL MA Pty Ltd for the reporting period are as follows:

	2013 $	2012 $
Operating activities		
Receipts from customers	11,297,611	20,857,755
Payments to suppliers and employees	(12,779,642)	(21,994,201)
Interest paid	(140,135)	(88,548)
Interest received	9,868	10,355
	(1,612,298)	(1,214,639)
Investing activities		
Purchases of plant and equipment	-	-
Proceeds from sale of plant and equipment	698,333	-
	698,333	-
Financing activities		
Repayment of borrowings	(344,211)	(240,681)
Loans received from related parties	1,120,000	662,704
	775,789	422,023
Net decrease in cash and cash equivalents	**(138,176)**	**(792,616)**
Cash and cash equivalents at the beginning of the financial year	**138,176**	**930,792**
Cash and cash equivalents at the end of the financial year	**-**	**138,176**

EGL Management Services Pty Ltd

On 23 May 2012 EGL Water Operations, a wholly owned subsidiary of the Group, appointed Mr. Christopher Palmer of O'Brien Palmer as Receiver and Manager of EGL Management Services Pty Ltd, another wholly subsidiary of the Group. Mr. Christopher Palmer resigned as receiver on 14 June 2012. On 27 August 2012 the Supreme Court of Queensland appointed Mr B.V. Hellen and Mr N.R Markey of Pilot Chartered Accountants as liquidators of EGL Management Services Pty Ltd. Consequently, assets and liabilities allocable to EGL Management Services Pty Ltd were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income (see loss for the year from discontinued operations).

Operating profit/(loss) of EGL Management Services Pty Ltd until liquidation is summarised as follows:

	2013	**2012**
	$	**$**
Revenue	199,081	4,830,194
Subcontracting and material costs	(167,240)	(3,788,640)
Employee expenses	(51,634)	(905,243)
Occupancy expenses	-	(580)
Marketing expenses	-	(1,818)
Professional fees	(39,368)	(365,687)
Other expenses	(17,798)	(927,197)
Depreciation and amortisation	-	(258,293)
Impairment expense		(1,042,251)
Reversal of costs on deconsolidation	861,363	-
Operating profit/(loss)	**784,404**	**(2,459,515)**
Interest expense	-	(15,520)
Interest income	-	2,118
Profit/(Loss) from discontinued operations before tax	**784,404**	**(2,472,917)**
Income tax expense	(235,321)	(97,463)
Profit/(Loss) for the year	**549,083**	**(2,570,380)**

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

	2013 $	2012 $
Current Assets		
Cash and cash equivalents	-	26,698
Trade and other receivables	-	329,001
Assets and disposal group	-	355,699
Current Liabilities		
Trade and other payables	-	1,158,571
Financial liabilities	-	25,473
Short-term provisions	-	1,896
Non-Current Liabilities		
Financial liabilities	-	9,669
Long-term provisions	-	32
Liabilities included in disposal group	-	1,195,641

Cash flows generated by EGL Management Services Pty Ltd for the reporting period are as follows:

	2013 $	2012 $
Operating activities		
Receipts from customers	402,198	5,623,953
Payments to suppliers and employees	(502,385)	(6,721,345)
Interest paid	-	(15,520)
Interest received	-	2,118
	(100,187)	(1,110,794)
Investing activities		
Purchases of plant and equipment	-	-
Increase in fixed term deposit	-	(109,007)
	-	(109,007)
Financing activities		
Repayment of borrowings	73,489	8,303
Loans received from related parties	-	795,228
	73,489	803,531
Net decrease in cash and cash equivalents	**(26,698)**	**(416,270)**
Cash and cash equivalents at the beginning of the financial year	**26,698**	**442,968**
Cash and cash equivalents at the end of the financial year	**-**	**26,698**

NOTE 21. ISSUED CAPITAL AND RESERVES

(a) Share capital

Ordinary shares	Consolidated 2013 $	2012 $
79,060,389 fully paid shares (2012: 79,060,389)	**16,855,632**	**16,855,632**

Fully paid ordinary shares (with no par value) carry one vote per share and carry the right to dividends.

Movements in ordinary share capital:

Date	Details	Number of Ordinary Shares	Share Capital $
30-Jun-11	Balance	79,060,389	16,855,632
30-Jun-12	Closing Balance	**79,060,389**	**16,855,632**
30-Jun-13	**Closing Balance**	**79,060,389**	**16,855,632**

(b) Reserves

There was no movement in reserves during the financial year (2012: nil). The balance relates to employee benefits used to record the value of share based payments provided to employees as part of their remuneration.

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The table below summarises total capital managed by the Group:

	Consolidated 2013 $	2012 $
Total borrowings *	4,005,970	7,588,720
Less cash and cash equivalents	(593,737)	(282,885)
Net debt	**3,412,233**	**7,305,835**
Total equity	6,257,470	7,053,117
Total capital	**9,669,703**	**14,358,952**
Net debt/total equity	55%	104%

* Includes interest bearing liabilities, borrowings and trade and other payables

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTE 22. STATEMENT OF CASH FLOWS RECONCILIATION

	Consolidated 2013 $	Consolidated 2012 $
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit from operating activities after tax	(795,647)	(10,118,281)
Non-cash flows in profit from operating activities:		
Depreciation, amortisation & impairment	381,810	7,779,745
Add back of costs incurred from discontinued operation	(1,104,715)	-
Loss on disposal of plant and equipment	-	41,768
Changes in assets and liabilities:		
Decrease in Receivables	2,911,186	448,322
Decrease in Inventories	91,753	352,181
Decrease / (increase) in Prepayments	605,121	(512,542)
Decrease in Deferred tax assets	21,508	1,139,303
(Decrease) in Payables	(1,556,392)	(271,022)
(Decrease) / increase in Provisions	(493,421)	361,662
Increase / (decrease) in Deferred tax Liabilities	43,013	(260,161)
Net cash provided by / (used in) from operating activities	**104,217**	**(1,039,025)**

b. Non-cash Financing and Investing Activities

(i) During the year the consolidated group acquired plant and equipment with an aggregate value of $30,432 (2012: $26,990) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

NOTE 23. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(a):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2013 %	2012 %
The Environmental Group Share Plans Pty Limited	Australia	Ordinary	**100**	100
Environmental Group (Operations) Pty Limited *(formerly Environmental Systems Pty Limited)*	Australia	Ordinary	**100**	100
Horizon APC Australia Pty Limited *(formerly Activated Carbons Australia Pty Limited)*	Australia	Ordinary	**100**	100
Environmental Products Pty Limited	Australia	Ordinary	**100**	100
Coal and Carbon Industries (Australia) Pty Limited	Australia	Ordinary	**100**	100
Environmental Systems International Pty Limited *(formerly Stannary Hills Mining Pty Limited)*	Australia	Ordinary	**100**	100
Jetflote Australia Pty Limited	Australia	Ordinary	**100**	100
Water Environment Systems Pty Limited	Australia	Ordinary	**100**	100
EGL Developments Pty Limited	Australia	Ordinary	**100**	100
EGL Water Operations Pty Limited	Australia	Ordinary	**100**	100
EGL Management Services Pty Limited *(formerly Anglian Water Pty Limited)*	Australia	Ordinary	**100**	100
Coriolis Water Services (Australia) Pty Limited	Australia	Ordinary	**100**	100
EGL MA Pty Limited *(formerly Mine-Assist Pty Limited)*	Australia	Ordinary	**100**	100
Pump Assist Pty Limited	Australia	Ordinary	**100**	100
Total Air Pollution Control Pty Limited	Australia	Ordinary	**100**	100
Mine Assist Mechanical Pty Limited *(formerly Moranbah Mechanical Services Pty Limited)*	Australia	Ordinary	**100**	-
Bridge Management Services Pty Limited *(formerly Bowen Basin Pipe Services Pty Limited)*	Australia	Ordinary	**100**	-

NOTE 24. BUSINESS COMBINATIONS

Prior Period Acquisition

On 10 October 2007, The Environmental Group Limited acquired 100% of the voting shares of Total Air Pollution Control Pty Limited ("TAPC"). Under the terms of the share sale agreement, the previous shareholders of TAPC were paid $386,784 during the current period for a share of the profits generated by the business in the financial year ended 30 June 2012. In addition an amount of $157,504 has been recognised as goodwill for the financial year ended 30 June 2013 as a result of payments accrued under the TAPC earn out agreement specified in note 31 in accordance with the previous AASB 3 standard regarding contingent consideration.

NOTE 25. COMMITMENTS

Leasing commitments

<u>*Operating lease commitments*</u>

The Group has entered into commercial leases on certain items of property and equipment. Equipment leases are generally taken over a 36 - 48 month period. Property leases have been taken out for up to 10 years.

Future minimum rentals payable under Non-cancellable operating leases as at 30 June 2013 are as follows:

	Consolidated 2013	2012
	$	$
Within one year	227,145	464,045
Later than one year but not more than five years	283,406	717,993
After more than five years	-	27,416
	510,551	**1,209,454**

Finance leases and hire purchase commitments

The Group leases motor vehicles and items of plant and equipment. These leases have an average term of 4.5 years. Commitments in relation to finance and hire purchase arrangements are as follows:

	Minimum lease payments due		
	Within 1 year	**1 to 5 years**	**Total**
	$	$	$
30 June 2013			
Lease payments	97,063	30,115	127,178
Finance charges	(3,911)	(3,619)	(7,530)
Net present values	**93,152**	**26,496**	**119,648**
30 June 2012			
Lease payments	393,546	193,970	587,516
Finance charges	(22,060)	(9,576)	(31,636)
Net present values	**371,486**	**184,394**	**555,880**

NOTE 26. DIVIDENDS

(a) Recognised amounts

	Consolidated 2013	2012
Declared and paid during the year:	$	$
Franked dividend on ordinary shares (2012: Nil)	-	-

(b) Unrecognised amounts

Since reporting date, the consolidated entity has not declared or paid dividends.

(c) Franking credit balance

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

	Consolidated 2013	2012
	$	$
Franking account balance as at the end of the financial year:	1,005,323	1,005,323
	1,005,323	**1,005,323**

(d) Tax rates

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

NOTE 27. EVENTS AFTER THE REPORTING DATE

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation for key management personnel

	Consolidated	
	2013	**2012**
	$	**$**
Short term employee benefits	1,060,376	1,054,393
Post-employment benefits	142,095	72,768
Total compensation	**1,202,471**	**1,127,161**

Options

2013

Name	Balance at start of year	Granted during year as compensation	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at end of year
Directors						
John Read	133,333	-	-	(133,333)	-	-

2012

Name	Balance at start of year	Granted during year as compensation	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable at end of year
Directors						
John Read	133,333	-	-	-	133,333	133,333
William Highland	1,333,333	-	-	(1,333,333)	-	-

Share holdings

2013

Name	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors				
John Read	3,604,566	-	(3,604,566)	-
Louis Niederer	15,804,172	-	-	15,804,172
Executives				
Gary Hardie	2,469,136	-	-	2,469,136
Frank Placko	1,170	-	(1,170)	-

2012

Name	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors				
John Read	2,955,224	-	649,342	3,604,566
Louis Niederer	-	-	15,804,172	15,804,172
Executives				
Ashley Arnott	66,667	-	(66,667)	-
Gary Hardie	2,469,136	-	-	2,469,136
Frank Placko	1,170	-	-	1,170

Details relating to key management personnel are included in the Remuneration Report on pages 8-12.

NOTE 29. RELATED PARTY DISCLOSURE

Key management personnel
Details relating to key management personnel, including remuneration paid are included in note 28.

(i) Loans to key management personnel

In 2013 no loans were made to Directors of The Environmental Group Limited or other key management personnel of the group, including their personally related parties.

(ii) Other transactions with key management personnel

During the year ended 30 June 2013 the Group paid or accrued:

- Director fees to L.A Niederer & Company Pty Ltd totalling $120,000 of which Louis A. Niederer is a Director.
- Director fees to TJ & T Hargreaves totalling $48,000 of which Tim Hargreaves is a Director.
- Director fees totalling $28,901 and consultancy fees totalling $45,349 to Woodgate & Co. of which Giles Woodgate is a Director.
- Director fees to Cannington Corporation Pty Ltd totalling $23,000 of which John Read is a Director.
- Interest bearing loan of $1,000,000 at an annual interest rate of 12% from Allabah Pty Ltd of which Louis A. Niederer is a Director. This amount is payable 28 February 2015. The loan is convertible to ordinary shares at a conversion price of 5 cents at the lenders discretion.
- Interest bearing loan of $200,000 at an annual interest rate of 11.5% from Tastim Pty Ltd of which Tim Hargreaves is a Director. This amount is payable on demand. The loan is convertible to ordinary shares at a conversion price of 5 cents at the lenders discretion.

- Rental fees of $81,743 to TAPC (Holdings) Pty Limited of which Gary Hardie is a Director.
- Earn-out of $149,608 to Gary Hardie

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

During the year ended 30 June 2012 the Group paid or accrued:

- Director fees to Cannington Corporation Pty Ltd totalling $100,000 of which John Read is a Director. Cannington Corporation provided interest bearing loan of $67,203 at an annual interest rate of 12% to the company at balance date. This amount is payable on demand.
- Director fees to William Highland totalling $35,000 for the services of William Highland. At balance date an amount of $14,152 was payable to William Highland.
- Director fees to Closeburn Pty Ltd totalling $35,000 of which Alex Fabbri is a Director. At the balance date an amount of $18,991 was payable to Closeburn Pty Ltd.
- Director fees to L.A Niederer & Company Pty Ltd totalling $10,000 of which Louis A. Niederer is a Director.
- Director fees to TJ & T Hargreaves totalling $4,000 of which Tim Hargreaves is a Director.
- Interest bearing loan of $100,000 at an annual interest rate of 12% from Allabah Pty Ltd of which Louis A. Niederer is a Director. This amount is payable on demand.
- Rental fees of $70,218 to TAPC (Holdings) Pty Limited of which Gary Hardie is a Director.
- Earn-out of $386,784 to Gary Hardie

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

NOTE 30. REMUNERATION OF AUDITORS

The auditor of The Environmental Group Limited is McIntosh Bishop (2012: Grant Thornton Audit Pty Ltd). During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices and Non-related audit firms:

	Consolidated	
	2013	2012
	$	$
Amounts received or due and receivable by McIntosh Bishop (2012: Grant Thornton) for:		
an audit or review of the financial report of the entity and any other entity in the consolidated group	55,000	130,924

The Group has not employed McIntosh Bishop on any assignments additional to their statutory audit duties.

NOTE 31. SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

Total expense recognised for share-based payment transactions during the year is shown in the table below: follows:

	Consolidated	
	2013	2012
	$	$
Expense arising from share-based payment transactions	-	-

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2013 and 2012.

(b) Types of share based payment plans and summary of option granted

Employee Share Plan

In a resolution approved by shareholders at the AGM of 29 November 2000, the Group operates a Staff Share Plan for the benefit of all employees. A total of 621,111 ordinary shares have been issued since commencement of the scheme at no cost to the employees. A further 195,812 shares were purchased "on market" at no cost to the employees. No shares have been purchased or issued during the years ended 30 June 2012 and 2013.

Options granted and on issue

Options on issue relate to outstanding Board and Executive options. Set out below is the summary of Executive options on issue and the movement in the numbers of options over the year ended 30 June 2013.

Grant date	Expiry Date	Exercise Price	Opening Balance	Issued	Exercised	Expired	Closing Balance	Dates exercisable
1-Feb-08	31-Jan-13	$0.24	133,333	-	-	(133,333)	-	1-Feb-08
Total			133,333	-	-	(133,333)	-	
Weighted average exercise price:			$0.24	-	-	-	-	

The total number of outstanding Board and Executive options represents 0.0% (2012: 1.9%) of the total number of issued ordinary shares in the capital of The Environmental Group Ltd.

NOTE 32. CONTINGENT LIABILITIES

Guarantees

The group has given bank guarantees to unrelated parties in respect of performance guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance guarantees for the Group at 30 June 2013 are $150,932 (2012: $317,943).

Earn out agreements from business combinations

Under the terms of the share sale agreement, the former shareholders of Total Air Pollution Control Pty Limited were entitled to a share of certain future profits generated by the business during the five years commencing on 10 October 2007 and concluding 9 October 2012. The payment amount was calculated on the profit before tax recorded each year. All obligations under this agreement have been fulfilled.

Legal proceedings

On 27 August 2012, EGL Management Services Pty Limited ("EGLMS") was placed into liquidation pursuant to a court order of the Queensland Supreme Court. Prior to liquidation EGLMS had over a number of years instigated a number of claims against Unitywater in respect of the operating contract. In response subsequent to 1 July 2011 Unitywater instigated a number of counter claims in respect of the operating contract. The counter claims have and always were denied by EGLMS. It is not known what action (if any) the liquidators of EGLMS will take on the claims and counter claims and accordingly the financial impact, if any, of these claims and counter claims on the EGL Group is not known and cannot be quantified. As at the date of this report, EGL has not received notice of any claim against any other member of its group of companies concerning the claims of Unitywater against EGLMS.

NOTE 33. THE ENVIRONMENTAL GROUP LIMITED PARENT COMPANY INFORMATION

	2013 $	2012 $
ASSETS		
Current Assets	14,203,255	14,525,211
Non-Current Assets	329,539	65,374
Total assets	**14,532,794**	**14,590,585**
Current Liabilities	1,426,655	615,888
Total liabilities	**1,426,655**	**615,888**
Net assets	**13,106,139**	**13,974,697**
EQUITY		
Equity attributable to the ordinary equity holders of the company		
Contributed equity	16,805,618	16,805,618
Retained earnings	(3,758,389)	(2,889,831)
Reserves	58,910	58,910
Total Equity	**13,106,139**	**13,974,697**
Financial performance		
Loss for the year	**(868,558)**	**(5,021,429)**
Other comprehensive income	-	-
Total comprehensive income	**(868,558)**	**(5,021,429)**

Directors' Declaration

The Directors of The Environmental Group Limited declare that:

1. In the opinion of the Directors:

   The financial statements, notes and the additional disclosures included in the Directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) Giving a true and fair view of consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
   (ii) Complying with Accounting Standards and Corporations Regulations 2001; and
   (iii) Complying with International Financial Reporting Standards as discussed in Note 1;

2. The Executive Chairman has declared that:

   (i) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
   (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (iii) the financial statements and notes for the financial year give a true and fair view;

3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Louis Niederer
Executive Chairman
Sydney
29 August 2013

McIntosh Bishop

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

Report on the Financial Report

We have audited the accompanying financial report of The Environmental Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report which 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 a financial report that is free from material misstatement, whether due to fraud or error.

(In Note 2, the directors also state, in accordance with Australian Accounting Standard 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.)

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report which gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 29 August 2013, would be in the same terms if provided to the directors as at the date of this auditor's report.

McIntosh Bishop
Chartered Accountants
Level 4, 83 Mount Street
North Sydney 2060
P.O. Box 1903
North Sydney 2059
Tel: 02 9957 5567
Fax: 02 9956 8452
ABN: 14 722 713 700
Email: dmac@mcintoshbishop.com.au

McIntosh Bishop

Auditor's Opinion

In our opinion the financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Report on the Remuneration Report

We have audited the Remuneration Report included in *pages 8 to 12* of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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.

Opinion

In our opinion, the Remuneration Report of the Company for the year ended 30 June 20*13*, complies with s 300A of the *Corporations Act 2001*.

McIntosh Bishop

Chartered Accountants

Robert David Macdonald
Partner

Sydney, 29 August 2013

Shareholding Statistics

The following information is current as at 26 August 2013

Distribution of equity securities

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

Holdings Ranges	Fully paid ordinary shareholdings	%
1 - 1,000	1301	0.44
1,001 - 5,000	329	1.04
5,001 - 10,000	131	1.26
10,001 - 100,000	268	10.92
100,001 and over	74	86.34
Totals	**2103**	**100.00**

Ordinary share capital

79,060,389 fully paid ordinary shares are held by 2,103 individual shareholders.

Voting rights: On a show of hands, every member present in person or by proxy, shall have one vote and upon a poll every such attending member shall be entitled to one vote for every share held.

Options

There are no options held.

Marketable Parcel

The number of shareholdings held in less than marketable parcel is 1,815.

Substantial Shareholders

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

Holder Name	Balance at 26-08-2013	%
ALLABAH PTY LTD	15,804,172	19.990
BUILDASSIST NSW PTY LTD	5,750,918	7.274
MR CLARENCE JOHN KELLY & MRS ROBYN SUZANNE KELLY <CHAS KELLY SUPER FUND A/C>	4,029,067	5.096
ACE PROPERTY HOLDINGS PTY LTD	4,000,000	5.059

Twenty largest holders of quoted equity securities

Holder Name	Number of Ordinary Shares Held	% of Ordinary Shares Issued
ALLABAH PTY LTD	15,804,172	19.990
BUILDASSIST NSW PTY LTD	5,750,918	7.274
MR CLARENCE JOHN KELLY & MRS ROBYN SUZANNE KELLY <CHAS KELLY SUPER FUND A/C>	4,029,067	5.096
ACE PROPERTY HOLDINGS PTY LTD	4,000,000	5.059
DOLDORY PTY LTD <LEWIS FAMILY SUPERFUND A/C>	2,534,511	3.206
MR JOHN DITRIA <DITRIA SUPERANNUATION A/C>	2,250,567	2.847
CANNINGTON CORPORATION PTY LIMITED <CANNINGTON S/F J READ A/C>	2,177,691	2.754
LIMITS PTY LIMITED <DUNCAN GAMBLE FAMILY A/C>	2,000,000	2.530
BROS NOMINEES PTY LTD <BROS NOMINEES S/F A/C>	1,886,865	2.387
TAPC (HOLDINGS) PTY LTD <G & K HARDIE SUPER FUND A/C>	1,666,667	2.108
THE THUNDER GROUP PTY LTD <THE THUNDER A/C>	1,580,000	1.998
HOUSSELS FAMILY LIMITED <PARTNERSHIP A/C>	1,490,772	1.886
MR GUY FABER	1,468,845	1.858
BREMER PARK LIMITED	1,390,000	1.758
325TH P & C NOMINEES PTY LTD <HIGGS SUPER FUND A/C>	1,340,285	1.695
SYSUPER PTY LTD <M SYMONDS SUPER FUND A/C>	1,138,825	1.440
CHUCKY PTY LTD <MJ TURNER SUPER FUND>	1,126,164	1.424
LONGFARN PTY LTD <YOUNG FAMILY A/C>	1,050,569	1.329
LIMITS PTY LIMITED <DIGGADAWG SUPER FUND A/C>	1,000,000	1.265
MR JOHN READ <CANNINGTON SUPER FUND A/C>	978,542	1.238
	54,664,460	**69.142**