

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D

For the half-year ended 31 December 2016

(Previous Corresponding Period: Half-Year ended 31 December 2015)

	Current Reporting Period \$	Previous Reporting Period \$	Change	
Revenue from continuing operations	12,328,093	13,205,981	Down	7%
			877,888	
Net Profit/ (loss) after tax for the period from continuing operations	53,872	(174,489)	Up	131%
			228,361	
(Loss)/profit attributable to equity holders of The Environmental Group Limited	48,704	(165,508)	Up	129%
			214,212	

Dividends / Distributions

There are no dividends declared as at the date of reporting.

Explanation of figures reported above

Refer to attached half year report and covering commentary.

This Appendix 4D should be read in conjunction with the Half Year Interim Financial Report for 6 months ended 31 December 2016 and the most recent annual report for the year ended 30 June 2016.

Half Year Interim Financial Report

31 December 2016

ASX HALF-YEAR INFORMATION : 31 DECEMBER 2016

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with The Environmental Group Limited's 30 June 2016 Annual Report and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.



**The Environmental
Group Limited**

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The Environmental Group Limited (“EGL”) is a company limited by shares, incorporated and domiciled in Australia. It is listed on the Australian Securities Exchange (ASX Code: EGL).

All press releases, financial statements and other information is available on our website at www.environmental.com.au . If you have any questions in relation to our reporting, please email the company secretary at afink@egl.com.au

CORPORATE DIRECTORY

THE ENVIRONMENTAL GROUP LIMITED

ABN: 89 000 013 427

Directors	Mr David Cartney (Non-Executive Chairman) Mr Ellis Richardson (Managing Director) Ms Lynn Richardson (Non-Executive) Mr Sinan Boratav (Executive) - Resigned 1 July 2016
Company Secretary	Mr Allan Fink
Registered Office	Unit 1A, 9 Packard Avenue Castle Hill NSW 2154 Telephone: (02) 8852 3811 Email: afink@egl.com.au Website: www.environmental.com.au
Share Registry	Board Room Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600 Facsimile: (02) 9279 0664
Home Stock Exchange	The Environmental Group Limited's shares are listed on the Australian Securities Exchange. Listing Code: EGL
Auditor	McIntosh Bishop Level 4, 83 Mount Street, North Sydney NSW 2060

THE ENVIRONMENTAL GROUP LIMITED HALF YEAR REPORT

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by The Environmental Group Limited ("EGL") during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. EGL's public announcements, financial statements, and other information is available on our website at www.environmental.com.au.

The Directors' Report

Your Directors present their report on the consolidated entity consisting of The Environmental Group Limited ("EGL") and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The name of Directors who held office during or since the end of the Half-Year are:

Mr David Cartney (Non-Executive Chairman) was a Director of EGL during the whole of the half-year and up to the date of this report.

Mr Ellis Richardson (Executive) was the Managing Director of EGL during the whole of the half-year and up to the date of this report.

Ms Lynn Richardson (Non-Executive) was a Director of EGL during the whole of the half-year and up to the date of this report.

Mr Sinan Boratav (Executive) resigned as a Director of EGL on 1 July 2016

Company Secretary

Mr Allan Fink was Company Secretary of EGL during the whole of the half-year and up to the date of this report.

REVIEW OF OPERATIONS

The results for the 6 months ended December 2016 reflect a strong improvement compared to the 2015 half year results. The profit before taxation of \$121,171 is a turnaround of \$605,000 compared to the comparative period.

Baltec IES Pty (Baltec) achieved improved profitability, although Total Air Pollution (Pty) Limited (TAPC) continued to make a loss, but improved its performance.

Baltec performed well during the 6 months ended 31 December 2016, with a significant improvement in gross margin and a reduction in operating costs. Net profit before taxation increased by 27% compared to the 6 months ended December 2015. The strategic shift by the business to re-focus its efforts on higher margin projects led to the improvement in the overall result during the period under review.

Whilst TAPC made a loss for the period, the investment in its business development activities has resulted in the business winning significant contracts, as was announced to the market on 2nd November 2016. The prime \$7 million project commenced early this year, therefore revenue and profit on the project for the period under review were insignificant. TAPC's revenue is down 21% on the comparative period however, an improvement in the gross margin and cost containment, resulted in an improved result for the business. The Directors expect a continued strengthening in the performance of TAPC over the second six months of the financial year.

Group revenue decreased by 7% for the period with gross margin percentage 26% higher compared to the comparative period and overall group costs were well contained during the period under review.

The directors are pleased with the turnaround in the group's profit before taxation of \$121,000 compared to a

loss before taxation of \$483,000 for the comparative period.

The Directors advised shareholders of the suspension of the CEO, while an independent review is undertaken. Dean Dowie was appointed interim CEO until the outcome of the review is determined.

The group cash and cash equivalents have improved significantly to \$4.6million at the 31 December 2016 compared to the comparative period and an overall reduction in debt.

Your directors are cautiously optimistic about the outlook for the remainder of the year. This will depend on the continued improvement in TAPC and Baltec continuing to be successful in its strategy previously advised to shareholders. It is anticipated that Baltec will contribute positively to the groups' profitability over the next 6 months.

Dividends

No dividends have been declared or paid during the current reporting period and up to the date of this report.

Significant Events after balance sheet date

No significant events have occurred in the state of affairs of the consolidated entity since the end of the financial period under review up to the date of this report. Subsequent to 31 December 2016, the company received notification that there had been a complaint made to ASIC that there had been a "serious fraud" regarding the payments totalling \$400,000 to a subsidiary, PT Baltec Exhaust Dan Inlet System Indonesia (PT Baltec) in the past 12 months. The directors advised that the company's auditors, McIntosh Bishop carried out an independent and thorough investigation and found that the allegations were without any foundation.

Auditor's Independence Declaration

The auditor's independence declaration under s307C of the Corporations Act 2001 is set out on page 7, and forms part of this report.

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



David Cartney
Non-Executive Chairman

Melbourne
27 February 2017

**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 review of The Environmental Group Limited for the half-year ended 31 December 2016, 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



John Francis Hurley
Partner
Sydney, 27 February 2017

Consolidated Statement of Comprehensive Income

For the Half Year Ended 31 December 2016

	Half-Year	
	31 Dec 2016 \$	31 Dec 2015 \$
Revenue from continuing operations	12,328,093	13,205,981
Subcontracting and material costs	(9,169,298)	(10,699,486)
Gross profit	3,158,795	2,506,495
Employee expenses	(1,554,592)	(1,767,116)
Occupancy expenses	(127,897)	(103,111)
Marketing expenses	(203,974)	(77,571)
Professional fees	(432,158)	(532,174)
Depreciation and amortisation	(117,520)	(34,076)
Distribution from Liquidated entity	-	-
Other expenses	(442,741)	(381,918)
Operating Profit/(loss)	279,913	(389,471)
Interest & Finance expenses	(159,760)	(96,236)
Interest income	1,018	1,974
Profit/(Loss) before income tax	121,171	(483,733)
Income tax expense	(67,299)	309,244
Net Profit/ (loss) after tax for the period from continuing operations	53,872	(174,489)
Discontinued operations		
Profit/(loss) for the period from discontinued operations	(60)	(897)
Net (loss)/profit after tax for the period from discontinued operations	53,812	(175,386)
Total comprehensive income for the period	53,812	(175,386)
(Loss)/profit attributable to:		
Equity holders of The Environmental Group Limited	48,704	(165,508)
Non-controlling interest	5,108	(9,878)
	53,812	(175,386)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Group	Cents	Cents
Basic earnings per share		
Earnings/(loss) from continuing operations	0.02	(0.08)
Diluted earnings per share		
Earnings/(loss) from continuing operations	0.02	(0.08)

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

Consolidated Statement of Financial Position

As at 31 December 2016

	31 Dec 2016 \$	30-Jun-16 \$
Current Assets		
Cash and cash equivalents	4,690,837	3,115,448
Trade and other receivables	3,388,258	5,425,107
Other financial assets	125,843	126,360
Inventories	119,210	120,283
Other current assets	253,901	316,184
Total Current Assets	8,578,049	9,103,382
Non Current Assets		
Plant and equipment	631,972	699,302
Deferred tax assets	2,610,818	1,996,038
Intangible assets	9,182,838	9,182,837
Total Non Current Assets	12,425,628	11,878,177
Total Assets	21,003,677	20,981,559
Current Liabilities		
Trade and other payables	6,227,211	5,243,867
Financial Liabilities	468,476	703,010
Short term borrowings and Bank overdrafts	-	1,117,081
Short-term provisions	320,158	350,393
Total Current Liabilities	7,015,845	7,414,351
Non Current Liabilities		
Interest bearing liabilities	825,198	1,105,947
Deferred tax liabilities	740,738	58,659
Long-term provisions	49,990	68,520
Total Non Current Liabilities	1,615,926	1,233,126
Total Liabilities	8,631,771	8,647,477
Net Assets	12,371,906	12,334,082
Equity		
Share Capital	21,759,831	21,759,831
Retained earnings	(9,527,166)	(9,575,870)
Reserves	209,742	225,730
Non-controlling interest	(70,501)	(75,609)
Total Equity	12,371,906	12,334,082

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

Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2016

	Half-Year	
	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	15,597,751	16,593,888
Payments to suppliers and employees	(12,181,583)	(18,416,867)
Interest received	1,018	1,137
Finance costs	(159,760)	(96,236)
Net cash inflow from operating activities	3,257,426	(1,918,078)
Cash flows from investing activities		
Proceeds from shareholders- rights issued	-	754,199
Purchase of plant and equipment	(50,190)	(36,454)
Decrease in fixed term deposit	517	-
Net cash outflow from investing activities	(49,673)	717,745
Cash flows from financing activities		
Payment of Borrowings	(657,241)	
Proceeds from Borrowings	167,764	
Payment of dividends	-	(32)
Repayment of Leases	(25,806)	(51,827)
Net cash (outflow)/inflow from financing activities	(515,283)	(51,859)
Net (decrease)/increase in cash and cash equivalents	2,692,470	(1,252,192)
Cash and cash equivalents at the beginning of the half year	1,998,367	2,420,166
Net cash acquired with subsidiary	-	-
Cash and cash equivalents at end of period	4,690,837	1,167,974

Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2016

CONSOLIDATED	Share Capital \$	Retained Earnings \$	Reserves \$	Non-controlling interests \$	Total Equity \$
At 1 July 2016	21,759,831	(9,575,870)	225,730	(75,609)	12,334,082
Total comprehensive income	-	48,704	-	-	48,704
Shares Issued - Rights Offer ^	-	-	-	-	-
FX currency reserves	-	-	(15,988)	-	(15,988)
Non-controlling interest	-	-	-	5,108	5,108
At 31 December 2016	21,759,831	(9,527,166)	209,742	(70,501)	12,371,906

CONSOLIDATED	Issued Capital \$	Retained Earnings \$	Reserves \$	Non-controlling interests \$	Total Equity \$
At 1 July 2015	21,005,632	(9,597,611)	201,550	(39,884)	11,569,687
Total comprehensive income	-	(165,508)	-	-	(165,508)
Shares Issued - Rights Offer ^	754,199	-	-	-	754,199
FX currency reserves	-	-	27,163	-	27,163
Non-controlling interest	-	-	-	(9,878)	(9,878)
At 31 December 2015	21,759,831	(9,763,119)	228,713	(49,762)	12,175,663

^ Rights Offer - 53,871,322 shares issued at 1.4 cents each

Notes to the Consolidated Financial Statements

For the Half Year Ended 31 December 2016

1. Basis of Preparation of half-year report

This general purpose consolidated financial report for the interim half-year reporting period ended 31 December 2016 has been in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all notes of the type normally included in an annual financial report. The financial report of The Environmental Group Limited for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 23 February 2017. This report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by EGL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2. Comparative figures

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Segment assets

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

3. Contingent Liabilities

Estimates of material amounts of contingent liabilities, not provided for in the financial reports arising from bank guarantees in respect of performance and warranty bonds:

31 Dec 2016	31 Dec 2015
\$	\$
3,933,164	3,182,519

4. Cash and Cash Equivalents

Included in cash and cash equivalents are deposits with financial institutions as security for performance and warranty bonds amounting to amounting to \$1,671,034 (Dec 2015 - \$1,293,252). Overdrafts utilised of \$929,293 have been included in cash and cash equivalents

4. Interest-Bearing Loans and Borrowings

Interest bearing liabilities include Commercial Hire Purchase leases and premium funding of \$177,679 (Dec 2015-\$226,093), interest bearing loans from Baltec Inlet & Exhaust Systems Pty Ltd of \$865,995 (Dec 2015 - \$1,493,118) , banking facilities comprising an overdraft limit of \$950,000 (Dec 15 - \$750,000) with \$929,293 (Dec 15 - \$451,419) utilised at December 2016 and \$1,550,000 (Dec - \$1,150,000) for the establishment of performance and warranty bonds with \$1,494,904 (Dec - \$765,191) utilised at 31 December 2016 additionally there is an interest bearing loan from CBA of \$250,000 (Dec 2015 - \$250,000).

5. Events occurring after balance sheet date

As noted in the Directors' report, subsequent to 31 December 2016, the company received notification that there had been a complaint made to ASIC that there had been a "serious fraud" regarding the payments totalling \$400,000 to a subsidiary, PT Baltec Exhaust Dan Inlet System Indonesia (PT Baltec) in the past 12 months. The directors advised that the company's auditors, McIntosh Bishop carried out a thorough investigation and found that the allegations were without any foundation.

Other than the item referred to above there are no other significant events have occurred in the state of affairs of the consolidated entity since the end of the financial period under review up to the date of this report.

6. Dividends and Distributions paid or payable

No dividends have been declared or paid during the current reporting period and up to the date of this report.

Directors' Declaration

In the opinion of the directors of The Environmental Group Limited:

(a) the financial statements and notes of the Group that are contained in pages 8 to 13 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standards 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



David Cartney

Non-Executive Chairman

Melbourne

27 February 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of The Environmental Group Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes to the financial report and the directors' declaration of the consolidated entity, comprising both the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standards on Review Engagements ASRE 2410 *Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the Auditor of The Environmental Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The Environmental Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

McIntosh Bishop

Chartered Accountants

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year consolidated financial report of The Environmental Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

McIntosh Bishop
Chartered Accountants



John Francis Hurley
Partner

Sydney, 27 February 2017

SUPPLEMENTARY APPENDIX 4D INFORMATION

NTA Backing

Net tangible asset backing per ordinary security

31 Dec 2016

0.61 Cents

30-Jun-16

0.75 Cents

Net asset backing per ordinary security

5.73 Cents

7.61 Cents

Other Supplementary Information

Appendix 4D Items 4, 5 and 6 are not applicable.