APPENDIX 4E

The Environmental Group Limited
ABN 90 000 013 427
And its controlled entities

Preliminary Final Report
Financial Year Ended 30 June 2010

(Previous reporting period: Year ended 30 June 2009)

This report is based on accounts which are in the process of being audited

Results for announcement to the market

				$
Revenues from ordinary activities	**Down**	**$7,406,964 or 19.2%**	to	**31,197,312**
Profit (loss) from ordinary activities before tax	**Down**	**$692,597 or 47.8%**	to	**757,104**
Profit (loss) from ordinary activities after tax attributable to members	**Down**	**$399,309 or 41.7%**	to	**559,175**
Net profit (loss) for the year attributable to members	**Down**	**$399,309 or 41.7%**	to	**559,175**

Dividends	Amount per security	Franked amount per security
Final dividend proposed: Interim dividend paid:	**Nil** **0.20 cents**	**Nil** **0.20 cents**
Record date for determining entitlements to the dividends:	**Not applicable**	

The directors have declared not a final dividend during the period.

Explanation of figures reported above

Refer to attached preliminary final report and covering commentary.

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

Consolidated Preliminary Statement of Comprehensive Income

	Notes	Consolidated 2010 $	Consolidated 2009 $
Revenue from continuing operations	5	**31,197,312**	**38,604,276**
Other income		-	-
Expenses			
Subcontracting and material costs		(20,114,964)	(25,415,322)
Employee expenses		(6,437,871)	(7,407,190)
Occupancy expenses		(830,333)	(794,455)
Marketing expenses		(54,380)	(59,880)
Professional fees		(1,289,398)	(735,672)
Depreciation and amortisation		(520,451)	(681,253)
Other expenses		(880,413)	(1,434,563)
Finance costs		(312,398)	(626,240)
Total expenses		(30,440,208)	(37,154,575)
Profit before income tax		757,104	1,449,701
Income tax expense	9	197,929	491,217
Profit for the year		559,175	958,484
Other comprehensive income			
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		559,175	958,484
Earnings per share for profit attributable to the ordinary equity holders of the company		Cents	Cents
Basic earnings per share	10	0.24	0.41
Diluted earnings per share	10	0.24	0.41

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

Consolidated Preliminary Statement of Financial Position

	Notes	Consolidated 2010 $	Consolidated 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents		3,265,723	5,040,290
Trade and other receivables		7,176,944	4,199,756
Other financial assets	12	394,256	395,903
Inventories		1,106,150	850,206
Current tax assets		99,186	-
Other current assets		334,316	167,551
Total Current Assets		12,376,575	10,653,706
Non-Current Assets			
Investments		-	782
Plant and equipment		2,740,546	2,530,318
Deferred tax assets		1,190,144	1,384,531
Intangible assets	13	10,323,131	9,965,684
Total Non-Current Assets		14,253,821	13,881,315
Total assets		26,630,396	24,535,021
LIABILITIES			
Current Liabilities			
Interest bearing liabilities		668,542	540,403
Trade and other payables		6,517,935	4,362,064
Provisions		619,488	744,839
Tax liabilities		-	183,794
Total Current Liabilities		7,805,965	5,831,100
Non-Current Liabilities			
Interest bearing liabilities		701,555	909,610
Deferred tax liabilities		54,513	72,747
Provisions		130,314	121,744
Total Non-Current Liabilities		886,382	1,104,101
Total Liabilities		8,692,347	6,935,201
Net assets		17,938,049	17,599,820
EQUITY			
Issued capital	7	16,855,632	16,610,134
Retained earnings	8	929,451	836,720
Reserves		152,966	152,966
Total Equity		17,938,049	17,599,820

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

Consolidated Preliminary Statement of Cash Flows

	Notes	Consolidated 2010 $	Consolidated 2009 $
Cash Flows from Operating Activities			
Receipts from customers		33,811,716	41,200,113
Payments to suppliers and employees		(33,997,804)	(39,595,572)
Interest paid		(108,467)	(135,250)
Interest received		58,563	196,059
Income taxes paid		(227,729)	(30,944)
Net cash flow (used in)/ provided by operating activities	15	(463,721)	1,634,406
Cash Flows from Investing Activities			
Payment for purchase of subsidiaries acquired, net of cash acquired		-	(308,752)
Contingent consideration paid		(355,932)	(711,997)
Purchases of plant and equipment		(678,756)	(1,033,736)
Proceeds from sale of property, plant and equipment		16,122	62,161
(Increase) / decrease in fixed term deposit		(169,914)	421,425
Net cash flow used in investing activities		(1,188,480)	(1,570,899)
Cash Flows from Financing Activities			
Payment of dividends		(205,522)	(696,458)
Payments on cancellation of shares		-	(97,536)
Proceeds from borrowings		593,149	1,734,614
Repayment of borrowings		(200,000)	(800,000)
Lease repayments		(309,993)	(676,810)
Net cash flow used in funding activities		(122,366)	(536,190)
Net decrease in cash and cash equivalents		(1,774,567)	(472,683)
Cash and cash equivalents at the beginning of the financial year		5,040,290	5,512,973
Cash at the end of the financial year		3,265,723	5,040,290

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

Consolidated Preliminary Statement of Changes in Equity

	Share Capital $	Retained Earnings $	Reserves $	Total $
Balance at 1 July 2008	**16,707,670**	**381,568**	**353,739**	**17,442,977**
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit (loss) for the year	-	958,484	-	958,484
Total comprehensive income for the period	**-**	**958,484**	**-**	**958,484**
Equity transactions:				
Options issued during the year: share based payments	-	-	65,336	65,336
Options forfeited during the year: share based payments	-	201,750	(266,109)	(64,359)
Dividends Paid	-	(705,082)	-	(705,082)
Shares cancelled during the year	(97,536)	-	-	(97,536)
Balance at 30 June 2009	**16,610,134**	**836,720**	**152,966**	**17,599,820**
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit (loss) for the year	-	559,175	-	559,175
Total comprehensive income for the period	**-**	**559,175**	**-**	**559,175**
Equity transactions:				
Unissued Capital Dividends under DRP	245,498	-	-	245,498
Dividends Paid	-	(466,444)	-	(466,444)
Balance at 30 June 2010	**16,855,632**	**929,451**	**152,966**	**17,938,049**

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

Notes to financial statements

1. Reporting Entity

The Environmental Group Limited (the "Company" or "EGL") is a company domiciled in Australia. The address of the Company's registered office is Unit 3, 9 Packard Avenue Castle Hill NSW 2154. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2. Basis of preparation

(a) Statement of compliance

The preliminary final report is a financial report that has been prepared in accordance with the recognition and measurement aspects of Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and Appendix 4E of the Australian Securities Exchange Listing Rules.

The preliminary final report should be read in conjunction with the 2009 Annual Report, the December 2009 Half Year Report and any announcement by The Environmental Group Limited in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The Board of Directors approved the preliminary final report on 31 August 2010.

(b) Basis of measurement

The consolidated preliminary financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated preliminary final report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2009.

The Group has not elected to early adopt any accounting standards or amendments.

Notes to the preliminary financial report for the year ended 30 June 2010

4. Segment information

	EGL Products	EGL Facility Services	Other	Total
Year ended 30 Jun 2010				
Revenue				
Total segment revenue	13,362,813	17,775,936	58,563	31,197,312
Result				
Net profit (loss) before tax	1,968,240	317,796	(1,528,932)	757,104
Assets				
Segment assets	16,677,512	8,185,856	1,767,028	26,630,396
Liabilities				
Segment liabilities	15,120,108	4,627,796	(11,055,557)	8,692,347

	EGL Products	EGL Facility Services	Other	Total
Year ended 30 Jun 2009				
Revenue				
Total segment revenue	23,071,892	15,350,349	182,035	38,604,276
Result				
Net profit (loss) before tax	2,529,284	48,802	(1,128,385)	1,449,701
Assets				
Segment assets	8,689,439	6,777,646	9,067,936	24,535,021
Liabilities				
Segment liabilities	3,863,377	3,063,200	8,624	6,935,201

5. Revenue

	2010 $	2009 $
Revenue from continuing operations		
Products	13,362,813	23,071,892
Services	17,775,936	15,350,349
	31,138,749	38,422,241
Other revenue		
Interest	58,563	182,035
Total revenue from continuing operations	31,197,312	38,604,276

6. Dividends

The directors have declared not a final dividend for the period.

The value of the franking credits available as at 1 July 2010 is $818,400 (2009 $913,091).

Dividends paid during the year totalled $466,444 (2009 $705,082).

7. Contributed equity

	2010 $	2009 $
Ordinary shares		
237,181,213 fully paid shares (2009: 233,221,767)	**16,855,632**	**16,610,134**
Movements in ordinary share capital		
Opening balance	16,610,134	16,707,670
1,805,524 fully paid shares cancelled on 6 Feb 2009	-	(97,536)
Shares issued as part of Dividend Reinvestment Plan on 27 Nov 2009	245,498	-
At the end of the financial year	**16,855,632**	**16,610,134**

On 17 February 2010, the Company announced an on-market share buy-back for capital management purposes, to buy a maximum of 22,500,000 fully-paid ordinary shares over a maximum 12 month period. Up to the year ended 30 June 2010, the Company has re-purchased nil shares.

8. Retained Earnings

	2010 $	2009 $
Retained profits at the beginning of financial year	836,720	381,568
Dividends paid	(466,444)	(705,082)
Total comprehensive income attributable to members of company	559,175	958,484
Options forfeited during the year	-	201,750
Retained profits at the end of financial year	**929,451**	**836,720**

9. Income Tax Expense

	2010 $	2009 $
Prima facie tax on the operating profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on (profit) loss from ordinary activities before income tax calculated at 30%	(227,131)	(434,910)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible amortisation	(2,996)	(8,237)
Non-deductible entertainment expenses	(8,944)	(10,206)
Share based payments	-	(293)
Recognition of timing differences not previously brought to account	(9,466)	(35,067)
Capital raising expenses	-	35,067
Other items	50,608	(37,571)
Aggregate income tax expense reported on the income statement	**(197,929)**	**(491,217)**

10. Earnings Per Share

	2010	2009
Profit after tax used in the calculation of basic earnings per share:	559,175	958,484
Weighted average number of shares used in the denominator:	235,558,489	234,314,975
Profit after tax used in the calculation of dilutive earnings per share:	559,175	958,484
Weighted average number of shares used in the denominator:	239,558,489	239,010,176

11. Asset backing per security

	2010	2009
Net tangible asset backing per ordinary security (cents)	3.23	2.79
Net asset backing per ordinary share (cents)	7.62	7.61

12. Investments

	2010 $	2009 $
Term deposits & bank bills	394,256	395,903

13. Intangibles

	2010 $	2009 $
Trade mark	2,710	2,710
Goodwill	10,219,343	9,828,096
Licence – at cost	61,357	61,357
Accumulated depreciation	(54,081)	(54,081)
Development costs – at cost	757,937	672,757
Accumulated amortisation	(664,135)	(545,155)
	10,323,131	**9,965,684**

14. Contingent Liabilities

	2010 $	2009 $
Bank guarantees given in respect of performance guarantees in favour of third parties	**782,883**	**1,385,897**

15. Cash Flow Information

Reconciliation of net profit (loss) after income tax to net cash flows from operations:

	2010 $	2009 $
Profit from operating activities after tax	559,175	958,484
Non-cash flows in profit from operating activities:		
Depreciation & amortisation	520,451	681,253
Other non-cash flow items	-	330
Options issued – share based payments	-	977
Changes in assets and liabilities:		
(Increase) / decrease in Receivables	(2,977,188)	3,362,341
Increase in Inventories	(255,944)	(227,491)
Increase in Prepayments and other assets	(333,908)	(27,396)
Decrease in Deferred tax assets	194,387	348,398
Increase / (decrease) in Payables	2,155,871	(3,702,520)
(Decrease) / Increase in Provisions	(25,351)	128,156
(Decrease) / Increase in Tax liabilities	(282,980)	139,348
Decrease in Deferred tax liabilities	(18,234)	(27,474)
Net cash provided (used in) / by operating activities	**(463,721)**	**1,634,406**

16. Acquisition of business operations

Not Applicable

17. Loss of control of entities having material effect

Not Applicable

18. Details of associates and joint venture entities

Not Applicable

19. Commentary on the results

The Company reported operating revenues of $31.2 million a decline of 19.2% over the previous corresponding period, reflecting a challenging and turbulent trading environment. A number of large capital works projects by major industrial and resource companies have been deferred, which has led to a significant 42% drop in demand for EGL's traditional products. This has been partially offset by a 16% increase in demand for the Company's service offering. The decline in revenue adversely impacted profitability with NPAT declining by $399,309 to $559,175. In large part EGL's ability to weather the GFC is a function of its diverse product and service offerings and its diverse geographic presence. EGL now operates from 10 offices throughout Australia and South East Asia.

During the year under review the Company incurred an accounting income tax expense of $197,929. However, it is foreshadowed that EGL will not be liable to pay any income tax for the year ended 30 June 2010 and has in the alternative recorded a current tax asset in the order of $100,000 at balance date.

Given unfavourable market conditions management's focus has been directed to improved efficiencies, new product offerings and geographic expansion. Gross margins for the period increased by 10.9% to 35.5% compared to 34% in the previous corresponding period. In part this higher gross margin contribution offset lower revenues in the period and supported the underlying NPAT.

Adapting to changing market conditions, EGL will integrate its Gas & Vapour division with its Total Air Pollution Control business with a combined sales force and shared engineering, project and administrative resources. The combined air pollution control group is forecast to achieve higher sales on a reduced cost base.

In addition to its eight Australian offices, EGL has established sales offices in Singapore and Manila which have made a positive contribution to the Group's 2010 result and will spearhead sales of the Group's entire product range and service offering in 2010/11.

EGL continues to enjoy a strong balance sheet with no net external debt and working capital in excess of $4.5 million as at 30 June 2010. Cash flow from operations was constrained during the period recording a cash outflow from operations of $463,721 as the Company aggressively invested in working capital in the form of new projects and customers at the end of the period. Indicative of this expansion was the investment in trade receivables which increased by approximately $3m to $7.21 million at balance date.

Compliance statement

1 This report has been prepared in accordance with AASB Standards (including Australian Accounting Interpretations) and other AASB authoritative pronouncements.

2 This report, and the accounts upon which the report is based, use the same accounting policies.

3 This report gives a true and fair view of the matters disclosed.

4 This report is based on accounts which are in the process of being audited.

5 The accounts on which this report is based are not likely to be subject to dispute or qualification.

Dated at Sydney this 31st day of August 2010.

Signed in accordance with a resolution of the directors.

Yuri van der Walt
Company Secretary