# The Environmental Group Limited

**Trading as EGL**

**ABN 89 000 013 427**

# Interim Report - 31 December 2023

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

## 1. Company details

| | |
|---|---|
| Name of entity: | The Environmental Group Limited |
| ABN: | 89 000 013 427 |
| Reporting period: | For the half-year ended 31 December 2023 |
| Previous period: | For the half-year ended 31 December 2022 |

## 2. Results for announcement to the market

| | | | | $ |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 14.6% | to | 46,709,347 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | up | 57.5% | to | 4,303,017 |
| Earnings Before Interest and Tax (EBIT) | up | 66.2% | to | 3,201,226 |
| Profit from ordinary activities after tax attributable to the Equity holders of The Environmental Group Limited | up | 47.2% | to | 2,076,970 |
| Profit for the half-year attributable to the Equity holders of The Environmental Group Limited | up | 47.2% | to | 2,076,970 |

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

The profit for the Group after providing for income tax amounted to $2,076,970 (31 December 2022: $1,410,906).

EBITDA (profit before depreciation, interest and tax) before significant items for the 6 months ended 31 December 2023 was $4,515,674 (31 December 2022: $3,056,180). The Significant items in the period included performances rights expense of $79,170, foreign exchange losses for $92,898 and redundancy $40,589.

EBIT (profit before interest and tax) before significant items for the 6 months ended 31 December 2023 was $3,413,883 (31 December 2022: $2,249,016). The Significant items in the period included performances rights expense of $79,170, foreign exchange losses for $92,898 and redundancy $40,589.

Profit after interest and tax attributable to Equity Holders of EGL for the 6 months ended 31 December 2023 was **$**2,076,970 compared to $1,410,906 for the comparative period 31 December 2022.

The financial position of the Group has strengthened over the period with net assets increasing by $2,156,140 to $38,551,696.

## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 4.91 | 4.45 |

## 4. Control gained over entities

There were no business combinations for the six months ended 31 December 2023.

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## 5. Loss of control over entities

Not applicable.

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## 6. Dividends

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

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## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

Not applicable.

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## 9. Audit qualification or review

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

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## 10. Attachments

The Interim Report of The Environmental Group Limited for the half-year ended 31 December 2023 is attached.

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## 11. Signed

Signed ______________________ Date: 21 February 2024

Lynn Richardson
Chair

**The Environmental Group Limited**
**Trading as EGL**
**Corporate directory**
**31 December 2023**

| | |
|---|---|
| Directors | Ms Lynn Richardson (Chairman Non-Executive)<br>Mr Adrian Siah (Non-Executive) Resigned 23 August 2023<br>Mr Vincent D'Rozario (Non-Executive)<br>Mr Graeme Nayler (Non-Executive)<br>Mr Michael Constable (Non-Executive) Appointed 24 August 2023 |
| Joint Company Secretary | Mr Andrew Bush & Kate Goland (Clear Sky Blue Pty Ltd) |
| Registered office | Suite 2.03 Level 2<br>315 Ferntree Gully Road<br>Mount Waverley Victoria 3149<br>Telephone: (03) 9763 6711 |
| Share register | Board Room Pty Ltd<br>Level 12 225 George Street<br>Sydney NSW 2000<br>Telephone: (02) 9290 9600 |
| Auditor | RSM Australia Partners<br>Level 21, 55 Collins Street<br>Melbourne, VIC 3000 |
| Solicitors | Baker Jones<br>Level 10<br>160 Queen Street<br>Melbourne, VIC 3000 |
| Bankers | Westpac Banking Corporation |
| Stock exchange listing | The Environmental Group Limited shares are listed on the Australian Securities Exchange (ASX code: EGL) |
| Website | www.environmental.com.au |
| Corporate Governance Statement | https://www.environmental.com.au/about-egl/corporate-governance |

**The Environmental Group Limited**
**Trading as EGL**
**Directors' report**
**31 December 2023**

The directors present their report, together with the financial statements, on the Group for the half-year ended 31 December 2023.

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

**Ms Lynn Richardson**
Chairman (Non-Executive)

**Mr Adrian Siah**
Director (Non-Executive)
Resigned from the Board 23 August 2023.

**Mr Graeme Nayler**
Director (Non-Executive)

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

**Mr Michael Constable**
Director (Non-Executive)
Appointed to the Board 24 August 2023.

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

**Principal activities**
The principal activities during the period ending 31 December 2023 of the entities within the Group were design, application and servicing of innovative gas vapour and dust emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment and service install provider for heat transfer plant and equipment primarily related to boilers including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries. Waste agency agreement with an engineering and fabrication company of waste recycling plant and equipment.

**Review of operations**

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

Our focus has been to provide services to the sector as well as engineering solutions, to improve margins and drive the sustainability of our earnings. I am very pleased to report to our shareholders that over 50% of our revenue in now recurring building a stronger and a more reliable earnings stream. Our focus is still to provide solutions that improve the sustainability of our industries, removing harmful gases and particulate matter going to the atmosphere, utilising waste generated heat, or optimising energy efficiency, however providing a higher level of service, maintenance and spares to our engineered solutions, ensure we are the one stop shop solution, as we continue to build the “One EGL” vision.

A key focus as detailed in the annual report for this year was to drive margin expansion through improving our business practices and importantly valuing the IP that the company has created, be it a leader in treating gas and vapour from the lithium and rare earths refining sector, working with the energy sector to support the gas turbine market, as it, we transition to renewables with our unique silencer designs to operate in peaking load power generation, the gold standard in PFAS separation from liquids or having the most energy efficient water tube boilers in the Australian market, supported by the largest national service network.

The first half of financial year 2024 delivered on our expectations of consolidating our growth while improving margins across the business. We now have consistent processes throughout all business units, lifting the quality of our offering, lower costs in procurement and generating information to allow us to better service our clients. With the acquisition of Airtight Solutions in May last year I am happy to report they are now on EGL’s systems and processes which should drive improved operations into the future.

This growth has resulted in financial performance improving throughout the 1H24 compared to the prior comparable period (pcp) 1H23: EGL’s revenue increased by 14.6% to $ 46,709,347 (1H23 $40,774,439), EBITDA improved significantly up to $4,515,674 (1H23 $3,056,180), an increase of 47.8%, and EBIT up to $3,413,883, an increase of 51.8%, before significant items of $212,657, (unrealised FX losses $92,898, performance rights $79,170 and restructuring costs $40,589). Net Profit after tax $2,076,970 up 47.2%.

The Operating cashflow from operating activities was $2,857,800 prior to $2,806,183 working capital funding of Airtight Solutions post completion, the working capital funding was adjusted for in the purchase price of the entity.

TAPC continued its financial performance with revenue decreasing by 8% on the pcp to $ 8,843,340 and EBIT down to $1,380,764 still a very strong result. We finished one of our two major lithium and rare earth projects during the period on time and on budget, a commendable result in the current inflationary environment with margins largely stable on pcp. The capital spend on new lithium projects globally, has softened with the fall in the lithium price, but the long term need for refined product remains strong as a key component into the renewable energy sector. Growth in critical metals (or rare earths refining) continues with some significant tenders currently in the pipeline.

Servicing of plants and spares organically grew revenue by 64% to $3,616,742 as we continue to focus on growing recurring revenue in the business . TAPC has expanded its offering to the waste sector through dust extraction and odour control systems, with the first construction and demolition plant dust extraction system installed and commission during the period working together with Airtight Solutions.

In the first full reporting period Airtight recorded revenue of $8,500,517 largely in line with expectations and EBITDA of $ 509,548 (pre intercompany eliminations). The result was impacted by costs associated with transferring Airtight onto our systems and platforms and a contract executed prior to our ownership at lower margin. Airtight are fully functioning on our systems and have been integrated onto all our processes, we would expect to see improved results in the second half. Airtight have a market leading product in dust extraction systems, with synergies through sales into the waste sector expected to exceed our expectations with tenders for dust extraction systems on waste plants of over $6M. Both Airtight and TAPC have been aggregated for segment reporting in Note 4 of the Financial Statements.

EGL Energy had an outstanding half with revenue down 1.7% on pcp to $ 18,164,785, with EBITDA up 49.3% to $2,655,049. As stated in the full year result and at the AGM, freight and steel costs have returned to normal levels post COVID19 combined with the increased level of service work EBITDA margin expanded from 9.6% pcp to 14.6% in the current half. In further pleasing news new boiler sales in the last few months have been very strong for Tomlinson's and position the business well for the coming period. Ignite Services performed well and continued to contribute above expectations with both revenue and earnings growth.

Baltec performed well in the half with revenue up 2.2% on pcp to $ 10,713,439 with EBITDA up 148.3% to $1,620,886. The management focus on margin and process improvement led to the strong improvement with EBITDA margins increasing from 6.2% pcp to 15.1%. Baltec has established a unique position in the market designing silencers suitable for gas turbines running in peaking load capacity supporting the move to renewable energy while being able to achieve the noise attenuation required by our customers. The IP generated by an engineering team is world leading and has positioned the business for further growth in the future.

For the half year EGL Waste generated revenue of $ 446,662 and delivered EBITDA of $101,009. Our offering to the industry is continuing to grow through not only the sales of Turmec recycling plants, but also with our provision now of servicing, maintenance and spares which was launched this half. As detailed in the ASX release dated 19 February 2024, we now also represent Kadant PAAL exclusively in Australia as a leading manufacturer of baling presses, specialising in the design and manufacture of high-performance balers and ancillary equipment, a meaningful addition to our Turmec agency agreement. Our pipeline for recycling plant tenders remains strong at $129M with some very good near-term prospects after recently being engaged to do a detailed engineering design on a large-scale construction and demolition recycling facility. The Rino Resources plant was successfully commissioned during the period, including our dust extraction facility, which was a great milestone for EGL and Turmec.

EGL Water has continued to progress forward with our first commercial PFAS separation plant, all documentation required is now fully submitted to the EPA to obtain licence amendments to operate at the liquid waste facility in Melbourne. While this process has taken longer than expected timing is out of our control as the licence amendment is submitted by the facility operator. We expect approval will be granted in the current quarter.
Over the last six months, our collaboration with Victoria University on PFAS remediation trials for soils and biosolids has been ongoing. We've conducted three initial trials for each waste stream, seeing consistent enhancements with each iteration. Our ongoing refinement of the process has yielded highly encouraging results utilising the same technology platform. Our technology is effective, but importantly can be provided at a low operating and capital cost, with no additional waste streams generated through our process.

The financial position of the Group has strengthened over the period with net assets increasing by to $38,551,696. Cash on hand at the balance date was $7,670,424 and an undrawn $5,000,000 debt facility provides significant working capital to fund further growth.

The outlook for FY24 remains strong with EGL again upgrading its earnings, The Group is now forecasting normalised EBITDA to increase approximately 45% year on year up from the 30% announced at the November 2023 AGM.

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

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

**Matters subsequent to the end of the financial half-year**
No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

**The Environmental Group Limited**
**Trading as EGL**
**Directors' report**
**31 December 2023**

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

On behalf of the directors

Lynn Richardson
Chair

21 February 2024

**RSM Australia Partners**

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of The Environmental Group Limited and controlled entities for the half year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS**

**M PARAMESWARAN**
Partner

Dated: 21 February 2024
Melbourne, Victoria

**The Environmental Group Limited**
**Trading as EGL**
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**31 December 2023**



**General information**

The financial statements cover The Environmental Group Limited as a consolidated entity and the entities it controlled at the end of, or during the half year. The financial statements are presented in Australian dollars, which is The Environmental Group Limited's functional and presentation currency.

The Environmental Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2 Suite 2.03
315 Ferntree Gully Road
Mount Waverley Victoria 3149

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2024.

**The Environmental Group Limited**
**Trading as EGL**
**Statement of comprehensive income**
**For the half-year ended 31 December 2023**

| | Note | 31 Dec 2023 $ | 31 Dec 2022 $ |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from continuing operations | 4 | 46,709,347 | 40,774,439 |
| Subcontracting and material costs | | (33,323,094) | (32,479,223) |
| Gross profit | | 13,386,253 | 8,295,216 |
| **Expenses** | | | |
| Employee expenses | | (5,519,696) | (3,305,451) |
| Depreciation & amortisation | | (1,101,791) | (807,164) |
| Travel expenses | | (750,053) | (384,965) |
| Other expenses | | (1,402,712) | (904,196) |
| Marketing expenses | | (219,274) | (127,997) |
| Occupancy expenses | | (336,049) | (179,832) |
| Professional fees | | (855,452) | (659,929) |
| **Operating Profit** | | 3,201,226 | 1,925,682 |
| Interest income | | 5,360 | 1,052 |
| Interest & finance expenses | | (148,043) | (132,814) |
| **Profit before income tax expense** | | 3,058,543 | 1,793,920 |
| Income tax expense | 5 | (981,573) | (383,014) |
| **Profit after income tax expense for the half-year attributable to the Equity holders of The Environmental Group Limited** | | 2,076,970 | 1,410,906 |
| Other comprehensive income for the half-year, net of tax | | - | - |
| **Total comprehensive income for the half-year attributable to the Equity holders of The Environmental Group Limited** | | 2,076,970 | 1,410,906 |
| | | **Cents** | **Cents** |
| Basic earnings per share | 21 | 0.56 | 0.44 |
| Diluted earnings per share | 21 | 0.56 | 0.44 |

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

**The Environmental Group Limited**
**Trading as EGL**
**Statement of financial position**
**As at 31 December 2023**

| | Note | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 7,670,424 | 9,367,213 |
| Trade and other receivables | | 14,260,324 | 12,917,218 |
| Contract assets | 7 | 8,131,082 | 10,044,553 |
| Inventories | | 5,134,920 | 5,101,457 |
| Other current assets | | 1,453,066 | 473,181 |
| Total current assets | | 36,649,816 | 37,903,622 |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 1,991,937 | 1,802,698 |
| Right-of-use assets | 9 | 3,829,945 | 3,263,622 |
| Intangibles | 10 | 20,377,310 | 20,275,498 |
| Deferred tax assets | | 2,714,539 | 3,190,252 |
| Other | | 158,754 | 230,930 |
| Total non-current assets | | 29,072,485 | 28,763,000 |
| **Total assets** | | 65,722,301 | 66,666,622 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 15,312,877 | 16,541,612 |
| Contract liabilities | 11 | 1,213,060 | 3,870,002 |
| Borrowings | 12 | 450,000 | 600,000 |
| Lease liabilities | 13 | 1,433,959 | 1,416,832 |
| Employee benefits | | 3,183,986 | 3,138,030 |
| Provision for Earnout | | 900,775 | - |
| Financial liabilities | | 40,183 | 38,601 |
| Total current liabilities | | 22,534,840 | 25,605,077 |
| **Non-current liabilities** | | | |
| Provision for Earnout | | - | 900,775 |
| Lease liabilities | 15 | 2,561,449 | 2,021,327 |
| Deferred tax liabilities | | 1,744,265 | 1,238,405 |
| Long-term provisions | | 171,142 | 176,077 |
| Financial liabilities | | 158,909 | 329,405 |
| Total non-current liabilities | | 4,635,765 | 4,665,989 |
| **Total liabilities** | | 27,170,605 | 30,271,066 |
| **Net assets** | | 38,551,696 | 36,395,556 |
| **Equity** | | | |
| Issued capital | 16 | 37,064,481 | 37,064,481 |
| Reserves | | 1,285,961 | 1,206,791 |
| Retained profits/(accumulated losses) | | 201,254 | (1,875,716) |
| **Total equity** | | 38,551,696 | 36,395,556 |

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

**The Environmental Group Limited**
**Trading as EGL**
**Statement of changes in equity**
**For the half-year ended 31 December 2023**

| | Issued capital $ | Non-controlling interest $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2022 | 28,746,918 | - | 876,035 | (4,488,785) | 25,134,168 |
| Profit after income tax expense for the half-year | - | - | - | 1,410,906 | 1,410,906 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | - | 1,410,906 | 1,410,906 |
| Share-based payments (note 22) | - | - | 157,640 | - | 157,640 |
| Balance at 31 December 2022 | 28,746,918 | - | 1,033,675 | (3,077,879) | 26,702,714 |

| | Issued capital $ | Non-controlling interest $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 July 2023 | 37,064,481 | - | 1,206,791 | (1,875,716) | 36,395,556 |
| Profit after income tax expense for the half-year | - | - | - | 2,076,970 | 2,076,970 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | - | 2,076,970 | 2,076,970 |
| Share-based payments (note 22) | - | - | 79,170 | - | 79,170 |
| Balance at 31 December 2023 | 37,064,481 | - | 1,285,961 | 201,254 | 38,551,696 |



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

**The Environmental Group Limited**
**Trading as EGL**
**Statement of cash flows**
**For the half-year ended 31 December 2023**

| | Note | 31 Dec 2023 $ | 31 Dec 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 49,171,435 | 40,900,547 |
| Payments to suppliers & employees | | (48,977,135) | (38,261,143) |
| | | 194,300 | 2,639,404 |
| Interest received | | 5,360 | 1,052 |
| Interest paid | | (148,043) | (132,814) |
| Net cash from operating activities | | 51,617 | 2,507,642 |
| **Cash flows from investing activities** | | | |
| Payment for Airtight Acquisition (Holdback payment) | | (99,751) | - |
| Payment for acquisition of plant and equipment | 8 | (421,127) | (492,229) |
| Payments for intangibles | 10 | (169,595) | (145,723) |
| Payments for security deposits | | 72,176 | (7,340) |
| Net cash used in investing activities | | (618,297) | (645,292) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (300,000) | (300,000) |
| Repayment of lease liabilities | | (830,109) | (572,240) |
| Net cash used in financing activities | | (1,130,109) | (872,240) |
| Net increase/(decrease) in cash and cash equivalents | | (1,696,789) | 990,110 |
| Cash and cash equivalents at the beginning of the financial half-year | | 9,367,213 | 1,737,839 |
| Cash and cash equivalents at the end of the financial half-year | 6 | 7,670,424 | 2,727,949 |



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

## Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

### New or amended Accounting Standards and Interpretations adopted

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

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

## Note 2. Critical accounting judgements, estimates and assumptions

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

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

*Allowance for expected credit losses*
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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

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

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

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

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

*Goodwill and other indefinite life intangible assets*
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

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

*Employee benefits provision*
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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

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

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

*Business combinations*
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## Note 3. Operating segments

*Identification of reportable operating segments*
Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

### Basis of accounting for purposes of reporting by operating segments

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

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

**The Environmental Group Limited**
**Trading as EGL**
**Notes to the financial statements**
**31 December 2023**

**Note 3. Operating segments (continued)**

| 31 Dec 2023 | EGL Clean Air $ | EGL Energy $ | Products Gas Turbine $ | Other Segments $ | EGL Waste $ | Corporate $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Sales to external customers | 17,157,386 | 18,164,785 | 10,622,130 | - | 446,662 | - | 46,390,963 |
| Other revenue | 186,470 | - | 91,309 | 40,605 | - | - | 318,384 |
| **Total revenue** | 17,343,856 | 18,164,785 | 10,713,439 | 40,605 | 446,662 | - | 46,709,347 |
| | | | | | | | |
| **EBITDA** | 1,742,190 | 2,657,738 | 1,497,520 | - | (40,700) | (1,474,561) | 4,382,187 |
| Depreciation and amortisation | - | - | - | - | - | - | (1,101,791) |
| Performance shares | - | - | - | - | - | - | (79,170) |
| Finance costs | - | - | - | - | - | - | (148,043) |
| Interest income | - | - | - | - | - | - | 5,360 |
| **Profit/(Loss) before income tax expense** | | | | - | | | 3,058,543 |
| Income tax expense | | | | | | | (981,573) |
| **Profit after income tax expense** | | | | | | | 2,076,970 |
| | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets | 32,510,538 | 21,049,734 | 26,157,292 | 486,296 | 4,140,346 | 31,149,563 | 115,493,769 |
| Intersegment eliminations | | | | | | | (52,486,007) |
| *Unallocated assets:* | | | | | | | |
| Deferred tax asset | | | | | | | 2,714,539 |
| **Total assets** | | | | | | | 65,722,301 |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Segment liabilities | 9,901,515 | 8,961,485 | (10,173,709) | (961,696) | 1,531,031 | (36,318,293) | (27,059,667) |
| Intersegment eliminations | | | | | | | 52,486,007 |
| *Unallocated liabilities:* | | | | | | | |
| Deferred tax liability | | | | | | | 1,744,265 |
| **Total liabilities** | | | | | | | 27,170,605 |

**Note 3. Operating segments (continued)**

| 31 Dec 2022 | EGL Clean Air $ | EGL Energy $ | Products Gas Turbine $ | Other Segments $ | EGL Waste $ | Corporate $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Sales to external customers | 9,608,322 | 18,481,558 | 10,428,297 | - | 2,206,117 | 20 | 40,724,314 |
| Other revenue | - | - | 50,125 | - | - | - | 50,125 |
| **Total revenue** | 9,608,322 | 18,481,558 | 10,478,422 | - | 2,206,117 | 20 | 40,774,439 |
| | | | | | | | |
| **EBITDA** | 1,557,077 | 1,720,636 | 531,840 | - | 353,152 | (1,272,219) | 2,890,486 |
| Depreciation and amortisation | | | | | | | (807,164) |
| Performance shares | | | | | | | (157,640) |
| Interest Revenue | | | | | | | 1,052 |
| Finance costs | | | | | | | (132,814) |
| **Profit before income tax expense** | | | | | | | 1,793,920 |
| Income tax expense | | | | | | | (383,014) |
| **Profit after income tax expense** | | | | | | | 1,410,906 |
| | | | | | | | |
| **Assets** | | | | | | | |
| Segment assets | 18,034,348 | 17,527,977 | 18,930,800 | 486,298 | 4,468,904 | 19,088,669 | 78,536,996 |
| Intersegment eliminations | | | | | | | (31,571,707) |
| *Unallocated assets:* | | | | | | | |
| Deferred tax asset | | | | | | | 3,333,917 |
| **Total assets** | | | | | | | 50,299,206 |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Segment liabilities | 18,305,436 | 12,792,924 | 8,961,248 | 10,895 | 4,547,769 | 9,589,870 | 54,208,142 |
| Intersegment eliminations | | | | | | | (31,571,707) |
| *Unallocated liabilities:* | | | | | | | |
| Deferred tax liability | | | | | | | 960,057 |
| **Total liabilities** | | | | | | | 23,596,492 |

**Major Customers**

The Group has a number of customers to whom it provides both products and services. The Group supplies to a single external customer in the EGL Clean Energy segment who accounts for 11.5% of external revenue (2022: 12.3%). The next most significant client accounts for 7.9% (2022: 8.8%) of external revenue.

| | **Sales to external customers** | | **Geographical non-current assets** | |
|---|---|---|---|---|
| | **31 Dec 2023 $** | **31 Dec 2022 $** | **31 Dec 2023 $** | **30 Jun 2023 $** |
| Australia | 30,893,447 | 32,307,734 | 27,850,482 | 23,988,068 |
| Rest of the World | 15,497,517 | 8,416,580 | - | - |
| | 46,390,963 | 40,724,314 | 27,850,482 | 23,988,068 |

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

## Note 4. Revenue

| | 31 Dec 2023<br>$ | 31 Dec 2022<br>$ |
|---|---|---|
| **From external customers** | 46,390,964 | 40,724,314 |
| R&D Tax Offset | 306,383 | 50,125 |
| Other revenue | 12,000 | - |
| | 46,709,347 | 40,774,439 |

*Disaggregation of revenue*

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

| | 31 Dec 2023<br>$ | 31 Dec 2022<br>$ |
|---|---|---|
| *Major product lines* | | |
| Engineering and Fabrication Solutions | 23,258,873 | 19,350,652 |
| Service | 20,221,361 | 19,927,348 |
| Parts | 2,910,730 | 1,446,314 |
| | 46,390,964 | 40,724,314 |
| *Geographical regions* | | |
| Australia | 30,893,447 | 32,307,734 |
| Rest of the World | 15,497,517 | 8,416,580 |
| | 46,390,964 | 40,724,314 |
| *Timing of revenue recognition* | | |
| Goods transferred at a point in time | 2,910,731 | 1,446,314 |
| Services transferred over time | 43,480,233 | 39,278,000 |
| | 46,390,964 | 40,724,314 |

## Note 5. Income tax expense

| | 31 Dec 2023 $ | 31 Dec 2022 $ |
|---|---|---|
| *Income tax expense* | | |
| Deferred tax - origination and reversal of temporary differences | 981,573 | 383,014 |
| Aggregate income tax expense | 981,573 | 383,014 |
| Deferred tax included in income tax expense comprises: | | |
| Decrease in deferred tax assets | 475,713 | 438,282 |
| Increase in deferred tax liabilities | 505,860 | (55,268) |
| Deferred tax - origination and reversal of temporary differences | 981,573 | 383,014 |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 3,058,543 | 1,793,920 |
| Tax at the statutory tax rate of 30% | 917,563 | 538,176 |
| Permanent differences | 64,010 | (155,162) |
| Income tax expense | 981,573 | 383,014 |

## Note 6. Current assets - Cash and cash equivalents

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Cash at bank | 5,530,742 | 9,367,213 |
| Cash on deposit | 2,139,682 | - |
| | 7,670,424 | 9,367,213 |

## Note 7. Current assets - contract assets

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Contract assets | 8,131,082 | 10,044,553 |

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

| | | |
|---|---|---|
| Opening balance | 10,044,553 | 6,829,130 |
| Accrued income | (1,913,471) | 3,215,423 |
| Closing balance | 8,131,082 | 10,044,553 |

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

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

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Plant and equipment - at cost | 3,080,104 | 2,693,459 |
| Less: Accumulated depreciation | (1,724,677) | (1,581,727) |
| | 1,355,427 | 1,111,732 |
| | | |
| Motor vehicles - at cost | 675,294 | 641,882 |
| Less: Accumulated depreciation | (230,044) | (165,096) |
| | 445,250 | 476,786 |
| | | |
| Motor vehicles under lease | 218,000 | 218,000 |
| Less: Accumulated depreciation | (26,740) | (3,820) |
| | 191,260 | 214,180 |
| | | |
| | 1,991,937 | 1,802,698 |

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

| | Land & Buildings $ | Leasehold Improvements $ | Plant and Equipment $ | Motor Vehicle $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2023 | | | 1,111,732 | 690,966 | 1,802,698 |
| Additions | | | 386,708 | 36,363 | 423,071 |
| Disposals | | | - | (1,945) | (1,945) |
| Depreciation expense | | | (143,013) | (88,874) | (231,887) |
| | | | | | |
| Balance at 31 December 2023 | | | 1,355,427 | 636,510 | 1,991,937 |

## Note 9. Non-current assets - right-of-use assets

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Land and buildings - right-of-use | 4,344,620 | 3,538,423 |
| Less: Accumulated depreciation | (2,136,564) | (1,743,556) |
| | 2,208,056 | 1,794,867 |
| | | |
| Motor vehicles - right-of-use | 2,902,529 | 2,868,974 |
| Less: Accumulated depreciation | (1,280,640) | (1,400,219) |
| | 1,621,889 | 1,468,755 |
| | | |
| | 3,829,945 | 3,263,622 |

The Group leases land and buildings for its offices and warehouses under agreements of between one to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases motor vehicles with agreements of four years.

**Note 9. Non-current assets - right-of-use assets (continued)**

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

| | Property Leases $ | Vehicle Leases $ | Total $ |
|---|---|---|---|
| Balance at 1 July 2023 | 1,794,867 | 1,468,755 | 3,263,622 |
| Additions | 831,156 | 569,265 | 1,400,421 |
| Disposals | - | (31,978) | (31,978) |
| Depreciation expense | (417,967) | (384,153) | (802,120) |
| Balance at 31 December 2023 | 2,208,056 | 1,621,889 | 3,829,945 |

**Note 10. Non-current assets - intangibles**

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Goodwill - at cost | 18,967,225 | 18,967,225 |
| Development - at cost | 806,093 | 806,093 |
| Less: Accumulated amortisation | (52,688) | (13,102) |
| | 753,405 | 792,991 |
| Intellectual property - at cost | 350,000 | 350,000 |
| Customer Relationships - at cost | 240,000 | 240,000 |
| Less: Accumulated amortisation | (112,000) | (88,000) |
| | 128,000 | 152,000 |
| Software - at cost | 816,749 | 647,155 |
| Less: Accumulated amortisation | (638,069) | (633,873) |
| | 178,680 | 13,282 |
| | 20,377,310 | 20,275,498 |

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

| | Goodwill $ | Trademark $ | Intellectual Property $ | Customer Relationship $ | Software $ | Product Development $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balance at 1 July 2023 | 18,967,225 | - | 350,000 | 152,000 | 13,282 | 792,991 | 20,275,498 |
| Additions | - | - | - | - | 169,595 | - | 169,595 |
| Amortisation expense | - | - | - | (24,000) | (4,197) | (39,586) | (67,783) |
| Balance at 31 December 2023 | 18,967,225 | - | 350,000 | 128,000 | 178,680 | 753,405 | 20,377,310 |

## Note 11. Current liabilities - contract liabilities

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Contract liabilities | 1,213,060 | 3,870,002 |

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

| | | |
|---|---|---|
| Opening balance | 3,870,002 | 755,988 |
| Payments received in advance | 26,462,082 | 29,544,231 |
| Additions through business combinations | - | 1,002,109 |
| Transfer to revenue - included in the opening balance | (29,119,024) | (27,432,326) |
| Closing balance | 1,213,060 | 3,870,002 |

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

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

## Note 12. Current liabilities - borrowings

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Bank loans | 450,000 | 600,000 |

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

## Note 13. Current liabilities - lease liabilities

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Lease liability | 1,433,959 | 1,416,832 |

## Note 14. Non-current liabilities - borrowings

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Total facilities | | |
| Bank overdraft | 5,000,000 | 5,000,000 |
| Bank Bill Business loans* | 450,000 | 750,000 |
| Trade Guarantee and Standby Letters of Credit Facility | 12,000,000 | 8,800,000 |
| | 17,450,000 | 14,550,000 |
| Used at the reporting date | | |
| Bank overdraft | - | - |
| Bank Bill Business loans* | 450,000 | 600,000 |
| Trade Guarantee and Standby Letters of Credit Facility | 8,996,828 | 7,448,840 |
| | 9,446,828 | 8,048,840 |
| Unused at the reporting date | | |
| Bank overdraft | 5,000,000 | 5,000,000 |
| Bank Bill Business loans* | - | 150,000 |
| Trade Guarantee and Standby Letters of Credit Facility | 3,003,172 | 1,351,160 |
| | 8,003,172 | 6,501,160 |

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

## Note 15. Non-current liabilities - lease liabilities

| | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|
| Lease liability | 2,561,449 | 2,021,327 |

## Note 16. Equity - issued capital

| | 31 Dec 2023 Shares | 30 Jun 2023 Shares | 31 Dec 2023 $ | 30 Jun 2023 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 373,436,874 | 366,338,953 | 37,064,481 | 37,064,481 |

*Movements in ordinary share capital*

*Movements in spare share capital*

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 July 2023 | 366,338,953 | | 37,064,481 |
| Performance shares | 11 October 2023 | 7,097,921 | $0.000 | - |
| Balance | 31 December 2023 | 373,436,874 | | 37,064,481 |

## Note 17. Equity - dividends

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

## Note 18. Contingent liabilities

### Standby Letter of Credit

The Groups bank has given guarantees to unrelated parties in respect of performance bonds and guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these financial statements. The total performance bonds and guarantees for the Group at 31 December 2023 are $8,996,828 (30 June 2023: $7,694,470).

## Note 19. Related party transactions

*Parent entity*
The Environmental Group Limited is the parent entity.

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

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

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

## Note 20. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Note 21. Earnings per share

| | 31 Dec 2023 $ | 31 Dec 2022 $ |
|---|---|---|
| Profit after income tax attributable to the Equity holders of The Environmental Group Limited | 2,076,970 | 1,410,906 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 369,450,370 | 318,740,563 |
| Adjustments for calculation of diluted earnings per share: | | |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 373,436,874 | 322,668,148 |
| | **Cents** | **Cents** |
| Basic earnings per share | 0.56 | 0.44 |
| Diluted earnings per share | 0.56 | 0.44 |

## Note 22. Share-based payments

A performance rights plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the Company to certain key management personnel of the Group. The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

31 Dec 2023

| Grant date | Expiry date | Fair Value | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|---|---|---|---|---|---|---|---|
| 08/02/2021 | 30/06/2023 | $0.035 | 4,333,333 | - | (4,333,333) | - | - |
| 08/02/2021 | 30/06/2023 | $0.035 | 2,166,667 | - | (2,166,667) | - | - |
| 08/02/2021 | 30/06/2024 | $0.035 | 4,333,333 | - | - | - | 4,333,333 |
| 08/02/2021 | 30/06/2024 | $0.035 | 2,166,667 | - | - | - | 2,166,667 |
| 11/03/2022 | 30/06/2023 | $0.270 | 347,922 | - | (347,922) | - | - |
| 11/03/2022 | 30/06/2024 | $0.270 | 347,922 | - | - | - | 347,922 |
| 12/10/2022 | 30/06/2023 | $0.193 | 250,000 | - | (250,000) | - | - |
| | | | 13,945,844 | - | (7,097,922) | - | 6,847,922 |

30 June 2023

| Grant date | Expiry date | Fair Value | Balance at the start of the half-year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 08/02/2021 | 30/06/2023 | $0.035 | 4,333,333 | - | - | - | 4,333,333 |
| 08/02/2021 | 30/06/2023 | $0.035 | 2,166,667 | - | - | - | 2,166,667 |
| 08/02/2021 | 30/06/2024 | $0.035 | 4,333,333 | - | - | - | 4,333,333 |
| 08/02/2021 | 30/06/2024 | $0.035 | 2,166,667 | - | - | - | 2,166,667 |
| 23/09/2021 | 30/06/2022 | $0.140 | 357,142 | - | (313,463) | (43,679) | - |
| 11/03/2022 | 30/06/2022 | $0.270 | 173,962 | - | (152,685) | (21,277) | - |
| 11/03/2022 | 30/06/2023 | $0.270 | 347,922 | - | - | - | 347,922 |
| 11/03/2022 | 30/06/2024 | $0.270 | 347,922 | - | - | - | 347,922 |
| 19/09/2022 | 30/06/2023 | $0.193 | - | 250,000 | - | - | 250,000 |
| | | | 14,226,948 | 250,000 | (466,148) | (64,956) | 13,945,844 |

In FY24 the company's actual EBITDA will be measured against Target EBITDA for that year, and the maximum share allocation will be made if the Company achieves or exceeds 100% of that target. If less than 100% is achieved, then the share allocation will be reduced by a like proportion, down to a minimum of 70%. If the Company's actual EBITDA is less than 70% of the target EBITDA, then no shares will be issued.

**The Environmental Group Limited**
**Trading as EGL**
**Directors' declaration**
**31 December 2023**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the directors

Lynn Richardson
Chair

21 February 2024

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

*Conclusion*

We have reviewed the accompanying half-year financial report of The Environmental Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility for the Review of the Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

RSM

**RSM AUSTRALIA PARTNERS**

**M PARAMESWARAN**
Partner

Dated: 21 February 2024
Melbourne, Victoria