

The Environmental Group Limited

Trading as EGL

ABN 89 000 013 427

Interim Report - 31 December 2024

For personal use only

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 2024 |
| Previous period: | For the half-year ended 31 December 2023 |

2. Results for announcement to the market

| | | | \$ |
|---|------|----------|------------|
| Revenues from ordinary activities | up | 16.1% to | 54,232,766 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | down | 13.4% to | 3,726,756 |
| Earnings Before Interest and Tax (EBIT) | down | 27.8% to | 2,309,954 |
| Profit from ordinary activities after tax attributable to the Equity holders of The Environmental Group Limited | down | 30.5% to | 1,443,907 |
| Profit for the half-year attributable to the Equity holders of The Environmental Group Limited | down | 30.5% to | 1,443,907 |

Dividends

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

The profit for the Group after providing for income tax amounted to \$1,443,907 (31 December 2023: \$2,076,970).

As announced in the Trading Update lodged with ASX in November 2024, one project within EGL's Baltec IES business unit (Baltec) incurred a material cost overruns of approximately \$1.2M which is detailed in the review of operations, despite this occurrence the group delivered an EBITDA of \$3,886,154.

EBITDA (profit before depreciation, interest and tax) before significant items for the 6 months ended 31 December 2024 was \$3,886,154 (31 December 2023:(\$4,515,674). The Significant items in the period included restructuring costs of \$88,174, ERP implementation cost \$55,531, performance rights \$75,000 and foreign exchange gain of \$59,292.

EBIT (profit before interest and tax) before significant items for the 6 months ended 31 December 2024 was \$2,469,352 (31 December 2023: \$3,413,883). The Significant items in the period included restructuring costs of \$88,174, ERP implementation cost \$55,531, performance rights \$75,000 and foreign exchange gain of \$59,292.

Profit after interest and tax attributable to Equity Holders of EGL for the 6 months ended 31 December 2024 was \$1,443,907 compared to \$2,076,970 for the comparative period 31 December 2023.

The financial position of the Group has strengthened over the period with net assets increasing by \$1,518,907 to \$42,462,934.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>6.00</u> | <u>5.70</u> |

4. Control gained over entities

There were no business combinations for the six months ended 31 December 2024.

5. Loss of control over entities

There were no loss of control of entities in the six months ended 31 December 2024.

6. Dividends

Current period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.


9. Audit qualification or review

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

10. Attachments

The Interim Report of The Environmental Group Limited for the half-year ended 31 December 2024 is attached.

11. Signed

Signed  _____

Date: 19 February 2025

Lynn Richardson
Chairman

The Environmental Group Limited
Trading as EGL
Corporate directory
31 December 2024

| | |
|--------------------------------|--|
| Directors | Ms Lynn Richardson (Chairman Non-Executive) Mr Vincent D'Rozario (Non-Executive) Mr Graeme Naylor (Non-Executive) (Resigned 24 October 2024) Mr Michael Constable (Non-Executive) Ms Lucia Cade (Non-Executive) (Appointed 26 September 2024) |
| Joint Company Secretary | Mr Andrew Bush & Ms Kate Goland (Clear Sky Blue Pty Ltd) |
| Registered office | Suite 2.01 Level 2 315 Ferntree Gully Road Mount Waverley, VIC 3149 Telephone: (03) 9541 8699 |
| Share register | Board Room Pty Ltd Level 8, 210 George Street Sydney, NSW 2000 Telephone: (02) 9290 9600 |
| Auditor | RSM Australia Partners Level 27, 120 Collins Street Melbourne, VIC 3000 |
| Solicitors | Baker Jones Level 10, 160 Queen Street Melbourne, VIC 3000 |
| Bankers | Westpac Banking Corporation |
| Stock exchange listing | The Environmental Group Limited shares are listed on the Australian Securities Exchange (ASX code: EGL) |
| Website | www.environmental.com.au |
| Corporate Governance Statement | https://www.environmental.com.au/about-egl/corporate-governance |

The Environmental Group Limited
Trading as EGL
Directors' report
31 December 2024

The directors present their report, together with the financial statements, on the Environmental Group Limited and its controlled entities ("the Group") for the half-year ended 31 December 2024.

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 Graeme Naylor

Director (Non-Executive)

Resigned from the Board on the 23 October 2024

Mr Vincent D' Rozario

Director (Non-Executive)

Mr Michael Constable

Director (Non-Executive) and Chair of the Audit and Risk committee

Ms Lucia Cade

Director (Non-Executive)

Appointed to the Board on the 26 September 2024

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 2024 of the entities within the Group were the 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 (EGL) is committed to engineering a sustainable future by providing products and engineering services across a diverse range of clients and industries. Our products and systems improve the sustainability of our industries, removing harmful gases and particulate matter going to the atmosphere, utilising waste generated heat, or optimising energy efficiency and effectively treat waste streams. We collaborate with industry to develop practical, long-term environmental solutions.

Our focus is on enhancing and deepening service offerings to clients by being a “one stop shop solution,” driving our service and maintenance revenue to improve margins and ensuring the sustainability of our earnings. EGL has grown and evolved materially over the last four years. This growth has included a significant increase in the number of our service technicians to 83, with 10 appointed in this half year. With over 52% of our revenue this half in service maintenance and spares, EGL continues to build more reliable and resilient earnings.

As detailed in the FY24 EGL Annual Report, a key priority for this year is to continue building a platform of strong product offerings that leverage our intellectual property and strategic relationships. This will provide EGL with a compelling offering for clients in our target industries. Whether it be in developing world-leading silencer technologies for peaking load gas turbines, broadening our products and servicing in EGL Energy through the Fulton distribution agreement, Kadant PAAL bailers into EGL Waste, whole-of-site emissions solutions through EGL Clean Air and extending our services into the broader waste industry.

EGL's revenue growth of 16.1% on the prior comparable period (pcp) is a testament to the success of our strategy and the execution capabilities of our team.

As announced in the Trading Update lodged with ASX in November 2024, one project within EGL's Baltec IES business unit (Baltec) incurred a material cost overrun. Subsequent to EGL winning the project, increased weights attributable to design variations were not correctly updated in the Project Management System resulting in a margin impact of approximately \$1.2M. A full process review has been completed, and appropriate measures and controls have been implemented to prevent recurrence. While this was a one-off incident, we acknowledge it is a significant blemish on our otherwise outstanding track record. The implementation of a new enterprise resource planning (ERP) system is scheduled for the last quarter of this calendar year. This rollout will further enhance our systems capabilities and support future growth.

Despite the one-off item mentioned above, EGL's financial performance remained sound in the first half of FY25 with revenue increasing by 16.1% to \$54.2M (1H24 \$46.7M), EBITDA down 13.9% to \$3.9M (1H24 \$4.5M), and EBIT down 27.7% to \$2.5M, before significant items of \$0.2M. Net Profit after tax \$1.4M down 30.5%. Excluding the margin impact of the Baltec cost overrun, management estimate EBITDA would have been up approximately 12.6% on the pcp.

Baltec successfully expanded its market position in the first half of the year, resulting in strong and significant growth in revenue, up 84.5% on pcp to \$19.8M. Despite EBITDA being materially impacted by the one-off project cost overrun, it did increase 14.9% to \$1.9M. The pipeline of work in the gas turbine enhancement industry remains very strong. With the increased volume of work expected, management will remain focussed on ensuring successful project delivery. Baltec has established a unique position in the market designing silencers suitable for gas turbines running in peaking load capacity. This supports the move to renewable energy while being able to achieve the noise attenuation required by our customers. The intellectual property generated by our engineering team is world-leading and has positioned the business for further growth in the future.

EGL Energy had an outstanding half year with revenue up 34% on pcp to \$24.4M and EBITDA up 15.1% to \$3.1M. As expected, the EBITDA margin declined 2.1% due to the significant increase in service staff hired to support top-line growth. EGL Energy invests approximately three months of training for new service staff in order for them to become a qualified boiler service technician. This investment in our staff will provide long-term benefits to EGL. After securing the Fulton Boiler distribution agreement in Australia in May 2024, we commenced our sales initiative. We are very pleased to report that this also contributed strongly to the growth experienced within EGL Energy and is outperforming initial expectations.

As prefaced by our FY24 and AGM commentary, EGL Clean Air has faced challenging market conditions. There has been a significant decline in the lithium sector where EGL has historically provided kiln off gas scrubbing systems and other air pollution control systems. This has led to a significant reduction in revenue. This half and on a pcp basis, revenue was down 45% to \$9.6M and EBITDA decreased by 54.8% to \$0.8M. With little improvement

The Environmental Group Limited
Trading as EGL
Directors' report
31 December 2024

in the lithium sector anticipated, EGL Clean Air has been actively developing strategies to reposition the business for growth in the future. Our strategic purchase of Airtight Solutions in May 2023, which deals in air pollution control in dust and particulate matter largely unrelated to the mining sector, has diversified our revenue base and has mitigated the single sector risk into which we were facing. It is pleasing to note that trading conditions are improving in that sector.

EGL Waste has had exceptional success from its large pipeline of tendered projects tendered in the last period. This included the award of a construction and demolition plant in Queensland and notification of preferred supplier for a materials recovery plant in New Zealand. We are currently working through the commercial negotiations to finalise the contract. Additionally, we believe we are in a strong position with further projects due for award in the next 6 - 12 months. For the half year, EGL Waste generated revenue of \$0.6M up 24% on pcp and delivered EBITDA of \$0.1M. Our offering continues to grow through not only the sales of Turmec recycling plants, but also with our provision of servicing, maintenance and spares. Our growth prospects are further enhanced by our Australia-wide exclusive distribution agreement for the Kadant PAAL market-leading range of baling presses. Kadant PAAL specialise 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 \$108M with very good near-term prospects after recently being engaged to do a detailed engineering design on a large-scale construction and demolition recycling facility for a major Australian waste company.

EGL Water achieved a significant milestone this half with Reclaim Waste's liquid waste facility receiving draft approval from the Environmental Protection Agency (EPA), with the final licence pending issue, to treat per- and poly-fluoroalkyl substances (PFAS) at its Laverton facility through EGL's PFAS separation plant. This achievement demonstrates shared commitment to improve environmental outcomes and innovative waste management practices. We expect to see the final licence granted by the EPA in the coming months. EGL Water was also granted a patent for its PFAS separation technology in the United States of America this period - a second significant milestone.

Commercialisation of EGL's PFAS separation technology has continued to progress with the Board approving a detailed business and marketing plan and committing the required resources to leverage this technology. Several clients have expressed interest and requested plant pricing information for the PFAS separation technology, including liquid waste treatment facilities, landfill owners and water authorities. Pleasingly, clients widely recognise foam fractionation technology as a safe and reliable method for removing PFAS from liquid waste.

Over the last six months, EGL's collaboration with Victoria University on PFAS remediation trials for soils and biosolids has continued to produce positive results. Through this collaboration we have undertaken three initial trials for each waste stream, seeing consistent enhancements with each iteration. Our technology has proven to be effective and, importantly, can be provided at a low operating and capital cost to client, with no additional waste streams generated.

The financial position of EGL remains strong with net assets increasing by 3.7% to \$42.5M. Cash on hand at the balance date was \$8.0M and an undrawn \$5.0M debt facility provides significant working capital to fund further growth and acquisitions.

The outlook for FY25 is strong with a very good second half expected as our growth initiatives continue to build earnings. EGL forecasts increased earnings of 10 to 15% on FY24 EBITDA.

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 matter or circumstance has arisen since 31 December 2024 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 2024

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
Chairman

19 February 2025

RSM Australia Partners

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F +61 (0) 3 9286 8199

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of The Environmental Group Limited and its controlled entities for the half year ended 31 December 2024, 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****B Y CHAN**
Partner

Dated: 19 February 2025
Melbourne, Victoria

The Environmental Group Limited
Trading as EGL
Contents
31 December 2024

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General information

The financial statements cover The Environmental Group Limited as a consolidated entity and the entities it controlled at the end of, or during the half year together referred to as "The Group". 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 2.01
315 Ferntree Gully Road
Mount Waverley, VIC 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 19 February 2025.

The Environmental Group Limited
Trading as EGL
Consolidated Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

| | Note | 31 Dec 2024 \$ | 31 Dec 2023 \$ |
|--|------|-------------------------|-------------------------|
| Revenue | | | |
| Revenue from continuing operations | 3 | 54,232,766 | 46,709,347 |
| Subcontracting and material costs | | <u>(39,911,646)</u> | <u>(33,323,094)</u> |
| Gross profit | | <u>14,321,120</u> | <u>13,386,253</u> |
| Expenses | | | |
| Employee expenses | | (6,714,265) | (5,519,696) |
| Depreciation & Amortisation expenses | | (1,416,802) | (1,101,791) |
| Travel expenses | | (840,392) | (750,053) |
| Other expenses | | (1,599,401) | (1,402,712) |
| Marketing expenses | | (188,190) | (219,274) |
| Occupancy expenses | | (428,529) | (336,049) |
| Professional fees | | <u>(823,587)</u> | <u>(855,452)</u> |
| Operating Profit | | 2,309,954 | 3,201,226 |
| Interest income | | 20,507 | 5,360 |
| Interest & finance expenses | | <u>(310,769)</u> | <u>(148,043)</u> |
| Profit before income tax expense | | 2,019,692 | 3,058,543 |
| Income tax expense | | <u>(575,785)</u> | <u>(981,573)</u> |
| Profit after income tax expense for the half-year attributable to the Equity holders of The Environmental Group Limited | | 1,443,907 | 2,076,970 |
| Other comprehensive income for the half-year, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the half-year attributable to the Equity holders of The Environmental Group Limited | | <u><u>1,443,907</u></u> | <u><u>2,076,970</u></u> |
| | | Cents | Cents |
| Basic earnings per share | 15 | 0.38 | 0.56 |
| Diluted earnings per share | 15 | 0.38 | 0.56 |

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

The Environmental Group Limited
Trading as EGL
Consolidated Statement of financial position
As at 31 December 2024

| | Note | 31 Dec 2024 | 30 Jun 2024 |
|--------------------------------------|------|-------------------|-------------------|
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 8,015,596 | 10,147,059 |
| Trade and other receivables | | 15,014,907 | 15,342,397 |
| Contract assets | 5 | 15,053,814 | 13,139,326 |
| Inventories | | 7,336,675 | 5,103,132 |
| Other current assets | | 577,469 | 771,099 |
| Total current assets | | <u>45,998,461</u> | <u>44,503,013</u> |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 1,849,736 | 1,994,756 |
| Right-of-use assets | 7 | 4,956,172 | 4,996,544 |
| Intangibles | 8 | 19,839,202 | 19,857,216 |
| Deferred tax assets | | 3,273,806 | 3,213,158 |
| Other | | 154,941 | 154,941 |
| Total non-current assets | | <u>30,073,857</u> | <u>30,216,615</u> |
| Total assets | | <u>76,072,318</u> | <u>74,719,628</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 20,005,127 | 18,601,338 |
| Contract liabilities | 9 | 2,911,817 | 4,105,809 |
| Lease liabilities | | 1,735,823 | 1,711,544 |
| Employee benefits | | 3,350,995 | 3,461,354 |
| Financial liabilities | | 43,301 | 191,836 |
| Total current liabilities | | <u>28,047,063</u> | <u>28,071,881</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 3,445,226 | 3,478,493 |
| Deferred tax liabilities | | 1,800,136 | 1,934,002 |
| Employee Benefits | | 198,517 | 153,656 |
| Financial liabilities | | 118,442 | 137,569 |
| Total non-current liabilities | | <u>5,562,321</u> | <u>5,703,720</u> |
| Total liabilities | | <u>33,609,384</u> | <u>33,775,601</u> |
| Net assets | | <u>42,462,934</u> | <u>40,944,027</u> |
| Equity | | | |
| Issued capital | 11 | 37,064,481 | 37,064,481 |
| Reserves | | 1,440,131 | 1,365,131 |
| Retained profits | | 3,958,322 | 2,514,415 |
| Total equity | | <u>42,462,934</u> | <u>40,944,027</u> |

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

The Environmental Group Limited
Trading as EGL
Consolidated Statement of changes in equity
For the half-year ended 31 December 2024

| | Issued capital | Reserves | (Accumulated losses)/ Retained Profits | 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 | - | 79,170 | - | 79,170 |
| Balance at 31 December 2023 | <u>37,064,481</u> | <u>1,285,961</u> | <u>201,254</u> | <u>38,551,696</u> |

| | Issued capital | Reserves | (Accumulated losses)/ Retained Profits | Total equity |
|--|-----------------------|------------------|---|---------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2024 | 37,064,481 | 1,365,131 | 2,514,415 | 40,944,027 |
| Profit after income tax expense for the half-year | - | - | 1,443,907 | 1,443,907 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 1,443,907 | 1,443,907 |
| Share-based payments | - | 75,000 | - | 75,000 |
| Balance at 31 December 2024 | <u>37,064,481</u> | <u>1,440,131</u> | <u>3,958,322</u> | <u>42,462,934</u> |

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

The Environmental Group Limited
Trading as EGL
Consolidated Statement of cash flows
For the half-year ended 31 December 2024

| | 31 Dec 2024 | 31 Dec 2023 |
|---|---------------------------|-------------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 56,898,490 | 49,171,435 |
| Payments to suppliers & employees | <u>(57,340,184)</u> | <u>(48,977,135)</u> |
| | (441,694) | 194,300 |
| Interest received | 20,507 | 5,360 |
| Interest paid | <u>(310,769)</u> | <u>(148,043)</u> |
| Net cash from/(used in) operating activities | <u>(731,956)</u> | <u>51,617</u> |
| Cash flows from investing activities | | |
| Payment for Airtight Acquisition (Holdback payment) | - | (99,751) |
| Payment for acquisition of plant and equipment | 6 (194,923) | (421,127) |
| Payments for intangibles | 8 (117,986) | (169,595) |
| Payments for security deposits | - | 72,176 |
| Proceeds from disposal of property, plant and equipment | <u>53,591</u> | <u>-</u> |
| Net cash used in investing activities | <u>(259,318)</u> | <u>(618,297)</u> |
| Cash flows from financing activities | | |
| Repayment of borrowings | (150,000) | (300,000) |
| Repayment of lease liabilities | <u>(90,189)</u> | <u>(830,109)</u> |
| Net cash used in financing activities | <u>(1,140,189)</u> | <u>(1,130,109)</u> |
| Net decrease in cash and cash equivalents | (2,131,463) | (1,696,789) |
| Cash and cash equivalents at the beginning of the financial half-year | <u>10,147,059</u> | <u>9,367,213</u> |
| Cash and cash equivalents at the end of the financial half-year | 4 <u><u>8,015,596</u></u> | <u><u>7,670,424</u></u> |

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

The Environmental Group Limited
Trading as EGL
Notes to the financial statements
31 December 2024

Note 1. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2024 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 2024 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. 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
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Notes to the financial statements
31 December 2024

Note 2. Operating segments (continued)

| 31 Dec 2024 | EGL Clean Air \$ | EGL Energy \$ | EGL Turbine Enhancement \$ | Other Segments \$ | EGL Waste \$ | Corporate \$ | Total \$ |
|--|------------------------|-------------------|----------------------------------|-------------------------|-----------------|-----------------|-------------------|
| Revenue | | | | | | | |
| Sales to external customers | 9,560,630 | 24,335,354 | 19,371,210 | - | 562,408 | - | 53,829,602 |
| Intersegment sales | 33,964 | 65,555 | - | - | - | - | 99,519 |
| Total sales revenue | <u>9,594,594</u> | <u>24,400,909</u> | <u>19,371,210</u> | <u>-</u> | <u>562,408</u> | <u>-</u> | <u>53,929,121</u> |
| Other revenue | 2,623 | 7,916 | 392,625 | - | - | - | 403,164 |
| Intersegment eliminations | - | - | - | - | - | (99,519) | (99,519) |
| Total revenue | <u>9,597,217</u> | <u>24,408,825</u> | <u>19,763,835</u> | <u>-</u> | <u>562,408</u> | <u>(99,519)</u> | <u>54,232,766</u> |
| EBITDA | 791,633 | 3,056,573 | 1,863,043 | - | 58,662 | (1,883,742) | 3,886,169 |
| Depreciation and amortisation | | | | | | | (1,416,802) |
| Restructuring costs | | | | | | | (88,174) |
| ERP Expenses | | | | | | | (55,531) |
| Forex (gain)/loss | | | | | | | 59,292 |
| Performance shares | | | | | | | (75,000) |
| Finance costs | | | | | | | (310,769) |
| Interest income | | | | | | | 20,507 |
| Profit/(Loss) before income tax expense | | | | | | | <u>2,019,692</u> |
| Income tax expense | | | | | | | (575,785) |
| Profit after income tax expense | | | | | | | <u>1,443,907</u> |
| Assets | | | | | | | |
| Segment assets | 37,832,887 | 34,108,200 | 38,308,581 | - | 4,815,947 | 37,265,808 | 152,331,423 |
| Intersegment eliminations | | | | | | | (79,532,911) |
| <i>Unallocated assets:</i> | | | | | | | |
| Deferred tax asset | | | | | | | 3,273,806 |
| Total assets | | | | | | | <u>76,072,318</u> |
| Liabilities | | | | | | | |
| Segment liabilities | 4,603,093 | 10,769,135 | (18,020,737) | - | 1,396,260 | (46,471,414) | (47,723,663) |
| Intersegment eliminations | | | | | | | 79,532,911 |
| <i>Unallocated liabilities:</i> | | | | | | | |
| Deferred tax liability | | | | | | | 1,800,136 |
| Total liabilities | | | | | | | <u>33,609,384</u> |

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Note 2. Operating segments (continued)

| 31 Dec 2023 | EGL Clean Air \$ | EGL Energy \$ | EGL Turbine Enhancement \$ | 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 | <u>17,343,856</u> | <u>18,164,785</u> | <u>10,713,439</u> | <u>-</u> | <u>487,267</u> | <u>-</u> | <u>46,709,347</u> |
| EBITDA | | | | | | | |
| | 1,752,085 | 2,647,741 | 1,620,886 | - | (37,772) | (1,474,561) | 4,508,379 |
| Depreciation and amortisation | - | - | - | - | - | - | (1,101,791) |
| Restructuring costs | - | - | - | - | - | - | (33,294) |
| Performance shares | - | - | - | - | - | - | (79,170) |
| Finance costs | - | - | - | - | - | - | (148,043) |
| Interest income | - | - | - | - | - | - | 5,360 |
| Forex (gain)/loss | - | - | - | - | - | - | (92,898) |
| Profit/(Loss) before income tax expense | <u>1,752,085</u> | <u>2,647,741</u> | <u>1,620,886</u> | <u>-</u> | <u>(37,772)</u> | <u>(1,474,561)</u> | <u>3,058,543</u> |
| Income tax expense | - | - | - | - | - | - | (981,573) |
| Profit after income tax expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,076,970</u> |
| 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) |
| <i>Unallocated assets:</i> | | | | | | | |
| Deferred tax asset | - | - | - | - | - | - | 2,714,539 |
| Total assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>65,722,301</u> |
| 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 |
| <i>Unallocated liabilities:</i> | | | | | | | |
| Deferred tax liability | - | - | - | - | - | - | 1,744,265 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>27,170,605</u> |

Major Customers

The Group has a number of customers to whom it provides both products and services. The Group supplies to a single external customer in the EGL Turbine Enhancements who accounts for 11.3% of external revenue (2023: 11.5%). The next most significant client accounts for 9.9% (2023: 7.9%) of external revenue also from the EGL Gas Turbine Enhancements segment.

| | Sales to external customers | | Geographical non-current assets | |
|-------------------|--------------------------------|-------------------|------------------------------------|-------------------|
| | 31 Dec 2024 \$ | 31 Dec 2023 \$ | 31 Dec 2024 \$ | 31 Dec 2023 \$ |
| Australia | 41,314,962 | 30,893,447 | 27,765,146 | 27,850,482 |
| Rest of the World | 12,514,640 | 15,497,517 | - | - |
| | <u>53,829,602</u> | <u>46,390,964</u> | <u>27,765,146</u> | <u>27,850,482</u> |

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Note 2. Operating segments (continued)

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 3. Revenue

| | 31 Dec 2024 | 31 Dec 2023 |
|--------------------------------|--------------------|--------------------|
| | \$ | \$ |
| From external customers | 53,829,602 | 46,390,964 |
| R&D Tax Offset | 412,625 | 306,383 |
| Other | (9,461) | 12,000 |
| | <u>54,232,766</u> | <u>46,709,347</u> |

Disaggregation of revenue

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

| | 31 Dec 2024 | 31 Dec 2023 |
|---------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| <i>Major product lines</i> | | |
| Engineering and Fabrication Solutions | 25,430,040 | 23,258,873 |
| Service | 25,292,408 | 20,221,361 |
| Parts | 3,107,154 | 2,910,730 |
| | <u>53,829,602</u> | <u>46,390,964</u> |
| <i>Geographical regions</i> | | |
| Australia | 41,314,962 | 30,893,447 |
| Rest of the World | 12,514,640 | 15,497,517 |
| | <u>53,829,602</u> | <u>46,390,964</u> |
| <i>Timing of revenue recognition</i> | | |
| Goods transferred at a point in time | 3,107,154 | 2,910,731 |
| Services transferred over time | 50,722,448 | 43,480,233 |
| | <u>53,829,602</u> | <u>46,390,964</u> |

Note 4. Current assets - Cash and cash equivalents

| | 31 Dec 2024 | 30 Jun 2024 |
|-----------------|--------------------|--------------------|
| | \$ | \$ |
| Cash at bank | 5,888,590 | 7,342,426 |
| Cash on deposit | 1,718,360 | 2,155,240 |
| Cash in transit | 408,646 | 649,393 |
| | <u>8,015,596</u> | <u>10,147,059</u> |

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Note 5. Current assets - contract assets

| | 31 Dec 2024 | 30 Jun 2024 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Contract assets | <u>15,053,814</u> | <u>13,139,326</u> |
| <i>Reconciliation</i> | | |
| Reconciliation of the written down values at the beginning and end of the current and previous financial half-year are set out below: | | |
| Opening balance | 13,139,326 | 10,044,553 |
| Invoice to customers | (31,759,105) | (53,663,347) |
| Accrued income | <u>33,673,593</u> | <u>56,758,120</u> |
| Closing balance | <u>15,053,814</u> | <u>13,139,326</u> |

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

Note 6. Non-current assets - property, plant and equipment

| | 31 Dec 2024 | 30 Jun 2024 |
|--------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Plant and equipment - at cost | 3,568,008 | 3,393,084 |
| Less: Accumulated depreciation | <u>(2,164,537)</u> | <u>(1,962,122)</u> |
| | 1,403,471 | 1,430,962 |
| Motor vehicles - at cost | 593,386 | 672,388 |
| Less: Accumulated depreciation | <u>(292,542)</u> | <u>(276,935)</u> |
| | 300,844 | 395,453 |
| Motor vehicles under lease | 218,000 | 218,000 |
| Less: Accumulated depreciation | <u>(72,579)</u> | <u>(49,659)</u> |
| | 145,421 | 168,341 |
| | <u>1,849,736</u> | <u>1,994,756</u> |

Reconciliations

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

| | Plant and Equipment \$ | Motor Vehicle \$ | Total \$ |
|-----------------------------|------------------------------|------------------------|------------------|
| Balance at 1 July 2024 | 1,430,962 | 563,794 | 1,994,756 |
| Additions | 194,923 | - | 194,923 |
| Disposals | (13,667) | (49,385) | (63,052) |
| Depreciation expense | <u>(208,748)</u> | <u>(68,143)</u> | <u>(276,891)</u> |
| Balance at 31 December 2024 | <u>1,403,470</u> | <u>446,266</u> | <u>1,849,736</u> |

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Note 7. Non-current assets - right-of-use assets

| | 31 Dec 2024 | 30 Jun 2024 |
|-----------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Land and buildings - right-of-use | 3,424,356 | 4,215,765 |
| Less: Accumulated depreciation | <u>(1,460,991)</u> | <u>(2,105,484)</u> |
| | <u>1,963,365</u> | <u>2,110,281</u> |
| Motor vehicles - right-of-use | 4,869,772 | 4,239,982 |
| Less: Accumulated depreciation | <u>(1,876,965)</u> | <u>(1,353,719)</u> |
| | <u>2,992,807</u> | <u>2,886,263</u> |
| | <u><u>4,956,172</u></u> | <u><u>4,996,544</u></u> |

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

Reconciliations

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

| | Property Leases \$ | Vehicle Leases \$ | Total \$ |
|-----------------------------|--------------------------|-------------------------|-------------------------|
| Balance at 1 July 2024 | 2,110,281 | 2,886,263 | 4,996,544 |
| Additions | 477,985 | 684,283 | 1,162,268 |
| Disposals | (183,971) | (14,758) | (198,729) |
| Depreciation expense | <u>(440,930)</u> | <u>(562,981)</u> | <u>(1,003,911)</u> |
| Balance at 31 December 2024 | <u><u>1,963,365</u></u> | <u><u>2,992,807</u></u> | <u><u>4,956,172</u></u> |

Note 8. Non-current assets - intangibles

| | 31 Dec 2024 | 30 Jun 2024 |
|----------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Goodwill - at cost | <u>18,068,920</u> | <u>18,068,920</u> |
| Product Development - at cost | 1,014,159 | 845,822 |
| Less: Accumulated amortisation | <u>(136,607)</u> | <u>(93,845)</u> |
| | <u>877,552</u> | <u>751,977</u> |
| Intellectual property - at cost | <u>350,000</u> | <u>350,000</u> |
| Customer Relationships - at cost | 240,000 | 240,000 |
| Less: Accumulated amortisation | <u>(158,000)</u> | <u>(136,000)</u> |
| | <u>82,000</u> | <u>104,000</u> |
| Software - at cost | 1,296,361 | 1,346,712 |
| Less: Accumulated amortisation | <u>(835,631)</u> | <u>(764,393)</u> |
| | <u>460,730</u> | <u>582,319</u> |
| | <u><u>19,839,202</u></u> | <u><u>19,857,216</u></u> |

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Note 8. Non-current assets - intangibles (continued)

Reconciliations

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

| | Goodwill \$ | Product Development \$ | Intellectual Property \$ | Customer Relationship \$ | Software \$ | Total \$ |
|--------------------------------|-------------------|------------------------------|--------------------------------|--------------------------------|----------------|-------------------|
| Balance at 1 July 2024 | 18,068,920 | 751,977 | 350,000 | 104,000 | 582,319 | 19,857,216 |
| Additions | - | 168,336 | - | - | - | 168,336 |
| Transfers in/(out) | - | - | - | - | (50,350) | (50,350) |
| Amortisation expense | - | (42,762) | - | (22,000) | (71,238) | (136,000) |
| Balance at 31 December 2024 | <u>18,068,920</u> | <u>877,551</u> | <u>350,000</u> | <u>82,000</u> | <u>460,731</u> | <u>19,839,202</u> |

Note 9. Current liabilities - contract liabilities

| | 31 Dec 2024 \$ | 30 Jun 2024 \$ |
|----------------------|-------------------|-------------------|
| Contract liabilities | <u>2,911,817</u> | <u>4,105,809</u> |

Reconciliation

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

| | | |
|---|---------------------|---------------------|
| Opening balance | 4,105,809 | 3,870,002 |
| Payments received in advance | 17,719,351 | 38,576,604 |
| Transfer to revenue - included in the opening balance | <u>(18,913,343)</u> | <u>(38,340,797)</u> |
| Closing balance | <u>2,911,817</u> | <u>4,105,809</u> |

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

Accounting policy for contract liabilities

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

The Environmental Group Limited
Trading as EGL
Notes to the financial statements
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Note 10. Non-current liabilities - borrowings

| | 31 Dec 2024 | 30 Jun 2024 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Total facilities | | |
| Bank overdraft | 5,000,000 | 5,000,000 |
| Trade Guarantee and Standby Letters of Credit Facility | 12,000,000 | 12,000,000 |
| Bank Bill Business loan * | - | 150,000 |
| | <u>17,000,000</u> | <u>17,150,000</u> |
| Used at the reporting date | | |
| Bank overdraft | - | - |
| Trade Guarantee and Standby Letters of Credit Facility | 10,809,179 | 11,000,846 |
| Bank Bill Business loan* | - | 150,000 |
| | <u>10,809,179</u> | <u>11,150,846</u> |
| Unused at the reporting date | | |
| Bank overdraft | 5,000,000 | 5,000,000 |
| Trade Guarantee and Standby Letters of Credit Facility | 1,190,821 | 999,154 |
| Bank Bill Business loan* | - | - |
| | <u>6,190,821</u> | <u>5,999,154</u> |

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

Note 11. Equity - issued capital

| | 31 Dec 2024 | 30 Jun 2024 | 31 Dec 2024 | 30 Jun 2024 |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>380,497,795</u> | <u>373,436,874</u> | <u>37,064,481</u> | <u>37,064,481</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--------------------|-------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2024 | 373,436,874 | | 37,064,481 |
| Performance shares | 10 September 2024 | <u>7,060,921</u> | \$0.000 | <u>-</u> |
| Balance | 31 December 2024 | <u>380,497,795</u> | | <u>37,064,481</u> |

Note 12. Equity - dividends

Dividends

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

Note 13. 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 2024 are \$10,809,179 (30 June 2024: \$11,000,846).

The Environmental Group Limited
Trading as EGL
Notes to the financial statements
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Note 14. Events after the reporting period

No matter or circumstance has arisen since 31 December 2024 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 15. Earnings per share

| | 31 Dec 2024 | 31 Dec 2023 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Profit after income tax attributable to the Equity holders of The Environmental Group Limited | <u>1,443,907</u> | <u>2,076,970</u> |
| | 31 Dec 2024 | 31 Dec 2023 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 377,773,200 | 369,450,370 |
| Adjustments for calculation of diluted earnings per share: | | |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>377,773,200</u> | <u>373,436,874</u> |
| | Cents | Cents |
| Basic earnings per share | 0.38 | 0.56 |
| Diluted earnings per share | 0.38 | 0.56 |

The Environmental Group Limited
Trading as EGL
Directors' declaration
31 December 2024

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 2024 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
Chairman

19 February 2025

RSM Australia Partners

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

Conclusion

We have reviewed the accompanying half-year financial report of The Environmental Group Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising material accounting policy information and other explanatory information, 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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2024 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 2024 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 AUSTRALIA PARTNERS



B Y CHAN
Partner

Dated: 19 February 2025
Melbourne, Victoria