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EGL

The Environmental Group Limited

28 August 2009

EGL RECORDS STRONG GROWTH IN FULL YEAR REVENUE AND PROFIT DESPITE SECOND HALF HEADWINDS

Despite the very difficult economic conditions confronting Australia, The Environmental Group Limited (ASX: EGL), today announced a 33% increase in revenue to $38.6 million and a 136% increase in Profit before Tax (PBT) to $1.45 million. Both revenue and profitability were records for the Company.

Cash flow from operations at $1.66 million again exceeded PBT. This is the third consecutive year that EGL has realised cash flows in excess of $1.6 million from operations. EBITDA for the period was $2.11 million, an improvement of 131% over the previous corresponding period.

EGL continued to use prior year tax losses carried forward to minimise cash outflows in relation to income taxes. Net profit after tax (NPAT) grew by 180% to $958,000

The fiscal year in review can best be considered in two distinct parts.

In the first half of the 2008/09 financial year a strong performance from EGL's traditional gas cleaning division spearheaded solid performances from all divisions. This six month period ended 31 December 2008, realised revenues of $23.1 million and PBT of $1.62 million.

By contrast the second six months ended 30 June 2009 generated revenues of $15.5 million and a loss after abnormals and before tax of $180,000.

Two factors contributed to the second half performance.

In part the decline in revenue and contribution reflected reduced demand amongst our customer base for engineering services as key customers sought to defer capital works in response to the global financial crisis.

The second and, however, more significant factor was a severe contraction in demand for the Company's mine maintenance services. This was compounded by this division's inaccurate reporting in the key areas of financial performance, customer accreditation and safety management. Subsequent to year end, EGL has responded decisively to this division's poor performance with the Group Managing Director taking direct charge of the business and management of the division.

The Board recognises that different shareholders have different investment objectives and that many invested in the Company in the expectation of capital growth, through profits being reinvested rather than distributed. Accordingly, the Board intends to place before the 2009 AGM a resolution to introduce a Dividend Reinvestment Plan. Once a resolution in relation to this proposed Plan has been considered by shareholders, the Board will then consider the declaration of a final dividend for the year ended 30 June 2009.

As at 30 June 2009, EGL continued to enjoy a robust balance sheet with no net debt and cash balances in excess of $5 million. Throughout the year, the Company deployed its strong balance sheet to support organic and acquisitive growth.

EGL is actively evaluating new acquisition opportunities to complement its portfolio of profitable environmental product and service businesses. The quality of acquisition opportunities continues to improve, with prices beginning to ease as credit markets remain tight.

We anticipate that business investment in our key markets of mining services and utilities will remain subdued for the balance of this calendar year. The Company will regularly update the market as it gains better insights into market demand, revenues and profitability for fiscal 2009/10. EGL remains positive for the long term outlook of the environmental sector.

About EGL

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

For further information on this announcement, please contact:

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APPENDIX 4E

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

Preliminary Final Report
Financial Year Ended 30 June 2009

(Previous reporting period: Year ended 30 June 2008)

Results for announcement to the market

					$
Revenues from ordinary activities	Up	$9,629,818 or 33.2%	to		38,604,276
Profit (loss) from ordinary activities before tax	Up	$834,762 or 135.7%	to		1,449,701
Profit (loss) from ordinary activities after tax attributable to members	Up	$616,059 or 179.9%	to		958,484
Net profit (loss) for the year attributable to members	Up	$616,059 or 179.9%	to		958,484

Dividends	Amount per security	Franked amount per security
Final dividend proposed:	**-**	**-**
Interim dividend paid:	-	-
Record date for determining entitlements to the dividends:	**-**	

No dividend has been declared (2008 - 0.3 cents) however the EGL Board has resolved to place before the 2009 Annual General Meeting a resolution to introduce a Dividend Reinvestment Plan. Once a resolution in relation to this proposed Plan has been considered by shareholders, the Board will then consider the declaration of a final dividend for the year ended 30 June 2009.

Explanation of figures reported above
Refer to attached preliminary final report and covering commentary.

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

Consolidated Preliminary Income Statement

	Notes	Consolidated 2009 $	2008 $
Revenue from continuing operations	4	**38,604,276**	**28,974,458**
Other income		**-**	1,127
Expenses			
Subcontracting and material costs		**(25,415,322)**	(19,909,176)
Employee expenses		**(7,407,190)**	(5,023,026)
Occupancy expenses		**(794,455)**	(431,463)
Marketing expenses		**(59,880)**	(66,401)
Professional fees		**(735,672)**	(718,214)
Depreciation and amortisation		**(681,253)**	(467,025)
Other expenses		**(2,060,803)**	(1,745,341)
Total expenses		**(37,154,575)**	**(28,360,646)**
Profit before income tax		**1,449,701**	**614,939**
Income tax expense	8	**(491,217)**	(272,514)
Net profit attributable to members of the parent entity		**958,484**	**342,425**
Earnings per share for profit attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic earnings per share	9	**0.41**	0.17
Diluted earnings per share	9	**0.41**	0.17

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

Consolidated Preliminary Balance Sheet

	Notes	Consolidated 2009 $	2008 $
ASSETS			
Current Assets			
Cash and cash equivalents		**5,040,290**	5,512,973
Trade and other receivables		**4,199,756**	7,546,845
Other financial assets	11	**395,903**	856,224
Inventories		**850,206**	612,716
Other current assets		**168,333**	140,155
Total Current Assets		**10,654,488**	**14,668,913**
Non-Current Assets			
Plant and equipment		**2,530,318**	1,918,146
Deferred tax assets		**1,384,531**	1,732,929
Intangible assets	12	**9,965,684**	9,469,736
Total Non-Current Assets		**13,880,533**	**13,120,811**
Total assets		**24,535,021**	**27,789,724**
LIABILITIES			
Current Liabilities			
Short term borrowings		**-**	23,645
Interest bearing liabilities		**540,403**	766,167
Trade and other payables		**4,362,064**	8,389,681
Provisions		**744,839**	539,366
Tax liabilities		**183,794**	44,446
Total Current Liabilities		**5,831,100**	**9,763,305**
Non-Current Liabilities			
Interest bearing liabilities		**909,610**	300,626
Deferred tax liabilities		**72,747**	100,221
Provisions		**121,744**	182,595
Total Non-Current Liabilities		**1,104,101**	**583,442**
Total Liabilities		**6,935,201**	**10,346,747**
Net assets		**17,599,820**	**17,442,977**
EQUITY			
Issued capital	6	**16,610,134**	16,707,670
Retained earnings	7	**836,720**	381,568
Reserves		**152,966**	353,739
Total Equity		**17,599,820**	**17,442,977**

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated Preliminary Cash Flow Statement

		Consolidated	
	Notes	2009 $	2008 $
Cash Flows from Operating Activities			
Receipts from customers		**41,200,113**	28,676,028
Payments to suppliers and employees		**(39,569,335)**	(26,746,617)
Interest paid		**(135,250)**	(94,514)
Interest received		**196,059**	233,985
Income taxes paid		**(30,944)**	(134,264)
Net cash flow provided by operating activities	14	**1,660,643**	**1,934,618**
Cash Flows from Investing Activities			
Payment for purchase of subsidiaries acquired, net of cash acquired		**(308,752)**	(3,737,909)
Contingent consideration paid		**(711,997)**	(389,342)
Purchases of plant and equipment		**(503,253)**	(849,215)
Proceeds from sale of property, plant and equipment		**109,859**	13,636
Decrease / (increase) in fixed term deposit		**421,425**	12,859
Capitalised acquisition costs		**-**	-
Net cash flow provided by (used in) investing activities		**(992,718)**	**(4,949,971)**
Cash Flows from Financing Activities			
Proceeds from share issue		**-**	7,547,184
Transaction costs of issue of shares		**-**	(546,948)
Payment of dividends		**(696,458)**	-
Payments on cancellation of shares		**(97,536)**	-
Proceeds from borrowings		**700,000**	272,442
Repayment of borrowings		**(800,000)**	(200,000)
Lease and Hire purchase repayments		**(246,614)**	(151,048)
Net cash flow provided by (used in) funding activities		**(1,140,608)**	**6,921,630**
Net increase / (decrease) in cash and cash equivalents		**(472,683)**	**3,906,277**
Cash and cash equivalents at the beginning of the financial year		**5,512,973**	**1,606,696**
Cash at the end of the financial year		**5,040,290**	**5,512,973**

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

Consolidated Preliminary Statement of Changes in Equity

	Share Capital $	Retained Earnings $	Reserves $	Total $
Balance at 1 July 2007	**9,031,216**	**25,383**	**94,056**	**9,150,655**
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit (Loss) for the year	-	342,425	-	342,425
Total income and expense for the period	**-**	**342,425**	**-**	**342,425**
Equity transactions:				
Options issued during the year: share based payments	-	-	273,443	273,443
Options forfeited during the year		13,760	(13,760)	-
Shares issued	8,060,945	-	-	8,060,945
Net costs of share issue	(384,491)	-	-	(384,491)
Balance at 30 June 2008	**16,707,670**	**381,568**	**353,739**	**17,442,977**
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit (loss) for the year	-	958,484	-	958,484
Total income and expense for the period	**-**	**958,484**	**-**	**958,484**
Equity transactions:				
Options issued during the year: share based payments	-	-	65,336	65,336
Options forfeited during the year: share based payments	-	201,750	(266,109)	(64,359)
Dividends Paid	-	(705,082)	-	(705,082)
Shares cancelled during the year	(97,536)	-	-	(97,536)
Balance at 30 June 2009	**16,610,134**	**836,720**	**152,966**	**17,599,820**

Notes to financial statements

1. Reporting Entity

The Environmental Group Limited (the "Company" or "EGL") is a company domiciled in Australia. The address of the Company's registered office is Unit 3, 9 Packard Avenue Castle Hill NSW 2154. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

2. Basis of preparation

(a) Statement of compliance

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

The preliminary final report should be read in conjunction with the 2008 annual report, the December 2008 half year report and any announcement by The Environmental Group Limited in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The Board of Directors approved the preliminary final report on 27 August 2009.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated preliminary final report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008.

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

Notes to the preliminary financial report for the year ended 30 June 2009

4. Revenue

	2009 $	2008 $
Revenue from continuing operations		
Design and construction work	**19,467,939**	13,037,626
Stock sales	**-**	398,594
Service	**18,949,780**	15,275,664
	38,417,719	28,711,884
Other revenue		
Interest income	**186,557**	262,574
Total revenue from continuing operations	**38,604,276**	**28,974,458**

5. Dividends

No dividend has been declared (2008 - 0.3 cents) however the EGL Board has resolved to place before the 2009 Annual General Meeting a resolution to introduce a Dividend Reinvestment Plan. Once a resolution in relation to this proposed Plan has been considered by shareholders, the Board will then consider the declaration of a final dividend for the year ended 30 June 2009.

The value of the franking credits available as at 1 July 2009 is $913,091 (2008- $1,215,269).

6. Contributed equity

	2009 $	2008 $
Ordinary shares		
233,221,767 fully paid shares (2008: 235,027,291)	**16,610,134**	**16,707,670**
Movements in ordinary share capital		
Opening balance	16,707,670	9,031,216
124,911,136 fully paid shares issued on 21 Sep 2007	-	7,494,668
69,281 fully paid shares issued on 11 Jan 2008	-	5,542
7,407,407 fully paid shares issued on 1 Feb 2008	-	500,000
746,104 fully paid shares issued on 3 Apr 2008	-	60,735
1,805,524 fully paid shares cancelled on 6 Feb 2009	(97,536)	-
Net share issue costs	-	(384,491)
At the end of the financial year	**16,610,134**	**16,707,670**

On 13 January 2009, the Company announced an on-market share buy-back for capital management purposes, to buy a maximum of 22,680,449 fully-paid ordinary shares over a maximum 12 month period. Up to the year ended 30 June 2009, the Company has re-purchased 1,805,524 shares at a total cost of $97,536.

Notes to the preliminary financial report for the year ended 30 June 2009

7. Retained Earnings

	2009 $	2008 $
Retained profits at the beginning of financial year	381,568	25,383
Dividends paid	(705,082)	-
Net profit attributable to members of company	958,484	342,425
Options forfeited during the year	201,750	13,760
Retained profits at the end of financial year	**836,720**	**381,568**

8. Income Tax Expense

	2009 $	2008 $
Prima facie tax on the operating profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit from ordinary activities before income tax calculated at 30%	(434,910)	(184,482)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible amortisation	(8,237)	(2,571)
Non-deductible entertainment expenses	(10,206)	(5,236)
Share based payments	(293)	(82,033)
Recognition of timing differences not previously brought to account	(35,067)	(13,293)
Capital raising expenses	35,067	35,067
Other items	(37,571)	(19,965)
Aggregate income tax expense reported on the income statement	**(491,217)**	**(272,513)**

9. Earnings Per Share

	2009	2008
Profit after tax used in the calculation of basic earnings per share:	958,484	342,425
Weighted average number of shares used in the denominator:	234,314,975	201,834,529
Profit after tax used in the calculation of dilutive earnings per share:	958,484	342,425
Weighted average number of shares used in the denominator:	234,314,975	201,834,529

10. Asset backing per security

	2009	2008
Net tangible asset backing per ordinary security (cents)	2.71	2.70
Net asset backing per ordinary share (cents)	7.55	7.42

11. Investments

	2009 $	2008 $
Term deposits & bank bills	395,903	856,224

12. Intangibles

	2009 $	2008 $
Trade mark	2,710	2,710
Goodwill	9,828,096	9,135,206
Licence – at cost	61,357	61,357
Accumulated depreciation	(54,081)	(54,081)
Development costs – at cost	672,757	754,233
Accumulated amortisation	(545,155)	(429,689)
	9,965,684	**9,469,736**

13. Contingent Liabilities

	2009 $	2008 $
Bank guarantees given in respect of performance guarantees in favour of third parties	**1,385,897**	849,899

14. Cash Flow Information

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

	2009 $	2008 $
Profit from operating activities after tax	958,484	342,425
Non-cash flows in profit from operating activities:		
Depreciation & amortisation	681,253	477,387
Other non-cash flow items	(14,410)	191,226
Options issued – share based payments	977	273,443
Profit / (Loss) on disposal of plant and equipment	35,293	(1,127)
Changes in assets and liabilities:		
(Increase) / decrease in Receivables	3,362,341	(3,147,151)
(Increase) / decrease in Inventories	(237,491)	486,730
(increase) / decrease in Prepayments and other assets	(28,178)	187,822
(Increase) / decrease in Deferred tax assets	348,398	241,323
(Decrease) / increase in Payables	(3,702,520)	3,160,990
(Decrease) / Increase in Provisions	144,622	(144,186)
(Decrease) / increase in Tax liabilities	139,348	(134,264)
(Decrease) / increase in Deferred tax liabilities	(27,474)	(134,264)
Net cash provided by operating activities	**1,660,643**	**1,934,618**

15. Acquisition of business operations

On 21 July 2008, The Environmental Group Limited, through its wholly owned subsidiary Mine Assist Pty Ltd, completed the acquisition of the business assets of Lenmac Engineering Pty Limited, an unlisted company based in Australia specialising in the provision of products and services to the mining industry.

The acquired business contributed revenues of $1,928,987 and profit before tax of $101,335 to the Group for the period 22 July 2008 to 30 June 2009. The consolidated revenue and net profit that would have resulted had the acquisition been made on 1 July 2008 is not disclosed as their estimation is unreliable due to the impact of certain expenses of a private company nature during the period prior to acquisition.

16. Loss of control of entities having material effect

Not Applicable

17. Details of associates and joint venture entities

Not Applicable

18. Commentary on the results

Despite the very difficult economic conditions confronting Australia, The Environmental Group Limited generated a 33% increase in revenue to $38.6 million and a 136% increase in Profit before Tax (PBT) to $1.45 million. Both revenue and profitability were records for the Company.

Cash flow from operations at $1.66 million again exceeded PBT. This is the third consecutive year that EGL has realised cash flows in excess of $1.6 million from operations. EBITDA for the period was $2.11 million, an improvement of 131% over the previous corresponding period.

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We anticipate that business investment in our key markets of mining services and utilities will remain subdued for the balance of this calendar year. The Company will regularly update the market as it gains better insights into market demand, revenues and profitability for fiscal 2009/10. EGL remains positive for the long term outlook of the environmental sector.

Compliance statement

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

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

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

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

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

Dated at Sydney this 27th day of August 2009.

Signed in accordance with a resolution of the directors.

Bill Highland
CEO & Managing Director