



Envirozel Limited
and Controlled Entities

Annual Report FY07

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Corporate Directory

DIRECTORS

G McKern (Executive Chairman)
P Jones (Non-Executive Director)
G Coleman (Non-Executive Director)
K Fagg (Non-Executive Director)

COMPANY SECRETARY

I Wallace

REGISTERED & PRINCIPAL OFFICE

Level 7, 410 Collins St
Melbourne, Vic 3000
Telephone: +61 3 9670 4545
Facsimile: +61 3 9670 6670

SHARE REGISTRY

Computershare Investor Services Pty Ltd
452 Johnston St
ABBOTSFORD, VIC 3067
Telephone: 1300 137 328
Facsimile: 1300 137 341

AUDITORS

Bentleys MRI
114 William Street
MELBOURNE, VIC 3001

BANKERS

Commonwealth Bank of Australia

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
(Home Exchange - Melbourne)

Chairman's Report

Shareholders, it's a pleasure to report on the financial year 2006/07, during which our share price started at 14 cents and finished at, or above, 50 cents.

I started my 2006 report with a statement that you, our shareholders, can look forward to being rewarded, in the years ahead, with some genuine returns on investment, both through share price increases and dividends.

The year 2006/07 has vindicated my positive statement, as the share price has increased significantly, and we will be paying our maiden dividend, fully franked, prior to the end of calendar year 2007.

You will recall that last year we announced a profit of \$1,548,910, which was the first profit in the history of the company. For 2006/07 our pre-tax profit was \$5,500,472, and after tax \$5,959,653.

There were many highlights during the year, including:

- the acquisition, on 1 January, of Danum Engineering Pty Ltd, a long established Geelong based business which specialises in maintenance projects on major industrial sites, including Shell, Blue Circle Cement, Midway Pulp Mill, and other blue-chip clients.
- the acquisition, on 1 June, of National Engineering Pty Ltd, a structural steel business which was established in the NSW regional city of Young in 1890, and still operates from there. In recent years, one of the major projects handled by National Engineering was the fabrication and erection of the structural steel for all the buildings in the Olympic Games complex at Homebush, Sydney.
- excellent performances by Syfon Systems Pty Ltd and Brockman Engineering Pty Ltd, both exceeding budgets for both revenue and profit.
- further strengthening of our partnership with the Commonwealth Bank, through their Business Banking team based in Bendigo.
- we have developed an outstanding team of advisers to provide expertise with acquisitions, comprising:

Kennedy Needham (corporate), McKean & Park (legal), AFS & Associates (finance) and Cummings Flavel McCormack (tax).

Without their assistance we would not have been able to achieve our growth targets.

- our strong relationship with our lead stockbrokers, Southern Cross Equities, has been invaluable. During the year, and subsequently, SCE has worked with us on 3 successful share placements, raising a total of \$17,790,363. As a result, we now have a number of major institutions and high-nett-worth investors on our register.
- we have also enjoyed the benefit of having regular access to and support from a number of other leading brokers, including Baillieu's, ABN Amro Morgans, Tolhurst, Wilson HTM, Bridges and Citigroup.

Subsequent to the financial year 2006/07, we announced the acquisition of TSF Engineering Pty Ltd, a Sydney based business specialising in power generation and telecommunications.

We start 2007/08 with full year trading ahead of us from all five operating businesses, which we expect will result in a revenue base in excess of \$100 million. This has been achieved well ahead of the 2 - 3 year target I suggested in last year's Annual Report.

The EVZ Group employs more than 400 people, the vast majority of whom are skilled tradesmen. These people are, without doubt, our best asset, and to reward their loyalty, we have introduced an employee share plan, with the allocation of \$1,000 worth of EVZ shares to each of them. It is pleasing to note that a number of employees have increased their holding by purchasing on the market.

We continue to receive approaches from businesses that are available for acquisition, and whilst we investigate all of them, we are very selective. Now that we have a solid base of five successful operating businesses, we have further defined our criteria for potential acquisitions to ensure they are complementary to, not in competition with, our other businesses.

One of our strategic concentrations from now on will be on organic growth, which will include pursuing synergies between the businesses, group buying and, where appropriate, group bidding for major projects. The results of these efforts will become apparent in the years ahead.

I reiterate the closing remarks I used in last year's Report.

"Shareholders, I can assure you that your Company is led by an outstanding Board of Directors, which, in my mind, includes the Company Secretary. I have been Chairman of a number of companies both public and private, and Government business enterprises, and I can state, quite honestly, that I have never had the pleasure of leading a more dedicated enthusiastic, cohesive team beforehand. Our Board does not meet once or twice a month, everyone is involved, in one way or another, on a daily basis".

I express my gratitude to all our employees, sub-contractors, suppliers, customers, and corporate advisers. Without their support we would not be where we are today, with a very bright future ahead of us.

Finally I thank you, our Shareholders, for your ongoing support of, and commitment to, the Envirozel Group.



Gordon McKern
Executive Chairman

Directors' Report

The directors present their report on the financial statements of the Company and economic entity for the year ended 30 June 2007. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

DIRECTORS

The following persons were directors of the Company during the financial year and up to the date of this report:

Gordon McKERN

Peter JONES

Geoff COLEMAN

Keith FAGG

Andrew POWIS (resigned 27 February 2007)

INFORMATION ON DIRECTORS

Details of the directors of the Company in office at the date of this report are:

Gordon McKern

Appointed 15 December 2003 - Executive Chairman.

Mr McKern is a highly experienced Company Director, having been Chairman on a number of occasions over the past years in public and private enterprise, Government Businesses, and community organisations. He formed McKern Industries Pty Ltd in 1969, a family business which still operates strongly.

Interest in Shares	8,023,818
Interest in Options	Nil

Peter Jones

Appointed 29 March 2004 - Non-Executive Director.

Mr Jones is a Chartered Accountant and has extensive skills in business development, financing and property development. Mr Jones is Chairman of the Audit Committee and a member of the Remuneration Committee.

Interest in Shares	7,400,000
Interest in Options	Nil

Geoff Coleman

Appointed 3 August 2004 - Non Executive Director.

Mr Coleman was a former Victorian State Government Minister for Natural Resources and a member of the Victorian State Parliament for 21 years. He brings to the company considerable knowledge and experience developed over the years in many industries. Mr Coleman is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Interest in Shares	1,841,667
Interest in Options	Nil

Keith Fagg

Appointed 20 December 2005 - Non Executive Director.

Mr Fagg is a member of a highly respected Geelong based family, which has owned and operated the Fagg's Mitre 10 business, one of the largest in Australia in that Group. Mr Fagg has wide-ranging managerial skills. Mr Fagg is a member of the Audit and Remuneration Committees.

Interest in Shares	1,100,000
Interest in Options	Nil

Directors' Report

Continued

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of any committee of directors) held during the financial year and the number of meetings attended by each director (whilst they were a director or committee member):

Total number of meetings held:	DIRECTOR'S MEETINGS		AUDIT COMMITTEE MEETINGS	
	13		2	
	No. Attended	No. Held Whilst a director	No. Attended	No. Held Whilst a member
G McKern	13	13	Not applicable	Not applicable
P Jones	12	13	2	2
K Fagg	12	13	2	2
G Coleman	13	13	2	2
A Powis (resigned 27 February 2007)	9	9	Not applicable	Not applicable

REMUNERATION COMMITTEE MEETINGS

Total number of meetings held:	4		
	No. Attended	No. Held Whilst a member	
G McKern	Not applicable	Not applicable	
P Jones	4	4	
K Fagg	4	4	
G Coleman	4	4	
A Powis (resigned 27 February 2007)	Not applicable	Not applicable	

COMPANY SECRETARY

The Company Secretary is Ian Wallace. Mr Wallace is a Chartered Accountant with accounting and company secretarial experience in listed and unlisted companies.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity are:

- Design and installation of siphonic roof drainage to major buildings including airports, shopping centres and sporting venues throughout Australia and south-east Asia.
- Manufacture, service and maintenance of steel tanks for use in the water, petrochemical and chemical industries.
- Construction, on-site installation and maintenance engineering services to petrochemical, aluminium, glass, cement, defence and agriculture industries.
- Fabrication and erection of structural steelwork, for commercial, industrial and retail projects.
- Development and commercial marketing of all forms of water treatment and recycling, including replacement of potable water by re-use technologies.

OPERATING RESULTS

The operating result for the economic entity for the year after income tax expense, was a profit of \$5,959,653 compared to a profit after income tax expense in 2006 of \$1,548,910.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year.

REVIEW OF ACTIVITIES

During the year the Syfon group of companies continued to generate strong profits and revenues in the siphonic roof drainage sector. Revenues for the year increased by 19%, to \$11,145,640.

The Brockman business generated revenues of \$18,561,855. The current year financial statements include a full twelve months operations for Brockman Engineering. Brockman Engineering was acquired effective 1 April 2006.

During the year the company acquired the business of Danum Engineering, through its subsidiary Danum Engineering Pty Ltd. Danum Engineering Pty Ltd provides construction, on-site installation and maintenance engineering services to a wide range of industries including petrochemical, aluminium, glass, cement, defence and agriculture. The acquisition was effective 1 January 2007. Danum Engineering generated revenues for the six months to 30 June 2007 of \$17,635,043.

During the year the company acquired the business of National Engineering, through its subsidiary National Engineering Pty Ltd. National Engineering Pty Ltd details, fabricates and erects structural steelwork, for commercial, industrial and retail projects including stadiums, car parking stations, bridges, multi-storey buildings, the resource sector and mining. The acquisition was effective 1 June 2007. National Engineering generated revenues for the one month to 30 June 2007 of \$958,480.

During the year the economic entity raised funds, through share placements and bank funding, to support its acquisitions, growth and operations.

Directors' Report

Continued

CHANGES IN STATE OF AFFAIRS

During the year the company acquired the business of Danum Engineering, through its subsidiary Danum Engineering Pty Ltd. The Danum Engineering business provides construction, on-site installation and maintenance engineering services to a wide range of industries including petrochemical, aluminium, glass, cement, defence and agriculture.

During the year the company acquired the business of National Engineering, through its subsidiary National Engineering Pty Ltd. National Engineering Pty Ltd details, fabricates and erects structural steelwork for commercial, industrial and retail projects including stadiums, car parking stations, bridges, multi-storey buildings, the resource sector and mining.

SUBSEQUENT EVENTS

Subsequent to 30 June 2007, the company announced the acquisition of the TSF Engineering business. TSF Engineering specialises in the design and installation of power generation equipment, communications equipment and marine installations. TSF operates throughout Australia, Asia and the Pacific region. The TSF Engineering business revenue for 2006-07 was approximately \$33 million.

The TSF business client list includes; the Department of Defence, Telstra, St. George Bank, IBM, Global Switch, Investa, Westpac, and Tenix. In the last two years TSF Engineering has generated an average profit of approximately \$5.5 million per annum.

The consideration paid for the TSF Engineering business was \$14 million and was majority funded by a share placement, with the balance via bank funding. In addition the vendors may receive a bonus payment after twelve months based on the TSF business achieving 2007/08 earnings in excess of stipulated targets. The acquisition is effective from 1 July 2007 and was completed on 31 August 2007.

On 29 August 2007 the acquisition of the business of National Engineering was completed. The balance of the acquisition price paid at settlement was \$5.1 million.

The company announced subsequent to balance date the placement of 20,000,000 ordinary shares at 50 cents per share to assist in funding the acquisition of the TSF Engineering business. The placement received strong demand from a range of new and existing institutional and high net worth investors. The pricing of the issue was at a 2% premium to the volume weighted average price for the preceding 7 trading days.

Finally, on 5 September 2007 the company placed a further 4,000,000 ordinary shares at 50 cents per share. The proceeds of the placement will be used to fund the company's expansion and for working capital purposes.

Other than the matters noted above there have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years after the financial year.

FUTURE DEVELOPMENTS

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the economic entity and the expected results of those operations in financial years after the financial year would be likely to result in unreasonable prejudice to the economic entity. Accordingly, this information has not been included in this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

SHARE OPTIONS

As at the end of the financial year there were 600,000 unlisted options on issue, which may be exercised into fully paid ordinary shares on the following terms:-

- 600,000 options exercisable at 11.05 cents on or before 31 December 2007.

There were 1,900,000 options exercised during the year, and 1,000,000 options lapsed during the year.

ENVIRONMENTAL REGULATION

The economic entity is not subject to any significant environmental regulations under a Commonwealth, State or Territory Law.



Directors' Report

Continued

INSURANCE OF OFFICERS

During the financial year the company insured the directors and officers of the company against legal costs that may be brought against the officers in their capacity as officers of the company. The policy provides for confidentiality with respect to its premium.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of any non-audit services during the year was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that any non-audit services provided does not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

During the year there were no non-audit services provided by the company's auditors.

AUDITORS INDEPENDENCE DECLARATION

As required under section 307C of the Corporations Act 2001, Envirozel Limited has obtained an independence declaration from its auditors, Bentley's MRI. This is included on page 13 of this financial report.



Directors' Report

Remuneration Report

This report details the nature and amount of remuneration for each director of Envirozel Limited, and for the key management personnel.

Remuneration policy

The remuneration policy of Envirozel Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Envirozel Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and key senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice where appropriate from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and where appropriate performance incentives.

The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. Any bonuses and incentives will be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice will be sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and may be able to participate in any employee share/option plan introduced.

Shares and options issued as part of remuneration

No shares or options have been issued as part of remuneration during the year to 30 June 2007.

Performance based remuneration

Currently there is no performance based remuneration.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives.



Directors' Report

Remuneration Report (Continued)

Details of remuneration for the year ended 30 June 2007

The remuneration for each director and each of the key management personnel of the consolidated entity during the year was as follows:

2007	Directors	Salary \$	Fees \$	Non-Cash Benefits \$	Superannuation Contributions \$	Total \$
	G McKern	167,500	-	-	-	167,500
	P Jones	-	42,500	-	-	42,500
	K Fagg	-	2,917	-	39,583	42,500
	G Coleman	-	42,500	-	-	42,500
		167,500	87,917	-	39,583	295,000

Mr Powis resigned as a Director on 27 February 2007 and continued on as an executive of the consolidated entity. His remuneration is disclosed in the section disclosing remuneration of key management personnel. Mr Powis did not receive director's fees.

2006

	G McKern	117,500	-	-	-	117,500
	P Jones	-	35,000	-	-	35,000
	A Powis	172,000	-	54,134	15,480	241,614
	G Coleman	-	35,000	-	-	35,000
	K Fagg (appointed 20 December 2005)	-	20,417	-	-	20,417
		289,500	90,417	54,134	15,480	449,531

Key management personnel of the economic entity

2007	Salary \$	Fees \$	Non-Cash Benefits \$	Superannuation Contributions \$	Total \$
A Powis (Managing Director Syfon Systems Pty Ltd)	205,578	-	26,455	15,939	247,972
A Bellgrove (General Manager Syfon Systems Pty Ltd)	185,314	-	19,183	14,276	218,773
D Forbes (Managing Director Brockman Engineering Pty Ltd)	123,102	-	-	100,620	223,722
M Goddard (Project Manager Brockman Engineering Pty Ltd)	100,170	-	3,738	75,729	179,637
V Juchima (Managing Director Danum Engineering Pty Ltd) - commenced 1 January 2007	118,522	-	-	12,787	131,309
D Williams (Managing Director National Engineering Pty Ltd) - commenced 1 June 2007	11,667	-	659	8,333	20,659
I Wallace (Company Secretary)	-	95,624	-	-	95,624
P Cooper (General Manager NuSource Water)	132,322	-	15,000	17,678	165,000
	876,675	95,624	65,035	245,362	1,282,696

2006

A Bellgrove (General Manager Syfon Systems Pty Ltd)	154,000	-	22,426	13,860	190,286
D Forbes (General Manager Brockman Engineering Pty Ltd) - commenced 1 April 2006	20,056	-	-	25,470	45,526
M Goddard (Project Manager Brockman Engineering Pty Ltd) - commenced 1 April 2006	19,942	-	-	14,847	34,789
I Wallace (Company Secretary)	-	56,525	-	-	56,525
P Cooper (General Manager NuSource Water)	137,615	-	15,000	12,385	165,000
	331,613	56,525	37,426	66,562	492,126

Directors' Report

Remuneration Report (Continued)

Remuneration and other terms of employment for certain key executives are formalised in service agreements. Each of these agreements may provide for the provision of other benefits including car allowances. Major provisions of the agreements relating to remuneration are set out below.

A Powis

Managing Director - Syfon Systems Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement. Subsequent to balance date, Mr Powis was appointed Executive - Business Development with Envirozel Limited.

A Bellgrove

General Manager - Syfon Systems Pty Ltd

- Term of agreement - 3 year agreement ended 7 June 2007. There were no incentive terms within the agreement. Subsequent to balance date Mr Bellgrove was appointed Managing Director of Syfon Systems Pty Ltd.

P Cooper

Business Development Manager - NuSource Water Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.

D Forbes

Managing Director - Brockman Engineering Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.

M Goddard

Project Manager of Brockman Engineering Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.

V Juchima

Managing Director - Danum Engineering Pty Ltd

- Term of agreement - 3 years from 1 January 2007. There are no incentive terms within the agreement.

D Williams

Managing Director - National Engineering Pty Ltd

- Term of agreement - 2 years from 1 June 2007. There are no incentive terms within the agreement.

Signed in accordance with a resolution of the Board of Directors.



Director – G McKern

Signed at Melbourne this 25 September 2007

Corporate Governance Statement

For The Year Ended 30 June 2007

A review of the economic entity's 'Corporate Governance Framework' has been performed in light of the 'Best Practice Recommendations' released by the Australian Securities Exchange Corporate Governance Council in March 2003. The Board of Directors has adopted a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its controlled entities. The ongoing relevance and effectiveness of this framework will be periodically reviewed to reflect changing circumstances and ways of improving the practices.

Unless otherwise stated the economic entity has instituted new and additional Policies and Charters that meet the Best Practice Recommendations.

Role of the Board and Management

The Board's role is to govern the economic entity rather than to manage it. In governing the economic entity, the Directors must act in the best interests of the economic entity as a whole. It is the role of senior management to manage the economic entity in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities are summarised as:

1. Leadership of the organisation
2. Strategy formulation
3. Overseeing planning activities
4. Shareholder liaison
5. Monitoring, compliance and risk management
6. Group finances
7. Human resources
8. Ensuring the health, safety and well-being of Directors, Officers, Employees and Contractors
9. Delegation of authority
10. Remuneration policy
11. Nomination policy

Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties, and be of value to the economic entity.

The names of the Directors, their independence, qualifications and experience are included in the Directors Report, along with the term of office held by each.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the economic entity's industries.
- The Board striving to have a balance between the overall number of Directors and the number of Directors being independent as defined in the ASX Corporate Governance Guidelines.

The Board currently has four Directors, of which three are Independent Directors. The number of Independent Directors on the Board may vary as the economic entity develops. The Board believes that it can attract appropriate Independent Directors with the necessary industry experience over time and in line with the economic entity's growth.

Where any Director has a material personal interest in a matter, in accordance with the Corporations Act, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Shareholders, as a whole, is pursued and that their interest or the Director's independence is not adversely affected.

The Board believes that at the current stage in its development, it is appropriate to have an Executive Chairman. The Executive Chairman's overall expertise has been crucial to the growth and development of the economic entity and has negated any perceived lack of independence.

Directors collectively or individually have the right to seek independent professional advice at the economic entity's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

The Company does not have a Nomination Committee because it is deemed to be more efficient at this time to have the Full Board consider Board membership nomination matters.

Ethical and Responsible Decision-Making

As part of its commitment to recognising the legitimate interests of stakeholders, the economic entity has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company. The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

Integrity in Financial Reporting

The full Board of Directors has reviewed the Annual Report prior to signing. The Board has received attestations, as recommended by the ASX Corporate Governance Council, as to the Company's financial condition prior to signing this Annual Report.

A duly constituted Audit Committee has been in existence during the financial year. The Committee's Charter encompasses the ASX Corporate Governance Council's 'Best Practice Recommendations', including the 'Responsibilities of Risk Management & Compliance'.

Currently, the Audit Committee consists of three Independent Directors. The current members of the Committee, at the date of this report are, P Jones (Chairman), G Coleman and K Fagg. Their qualifications are detailed in the Directors' Report.

The Committee holds a minimum of two meetings a year. Details of attendance by members at the Audit Committee meetings is contained in the Directors' Report.

Corporate Governance Statement

For The Year Ended 30 June 2007 (Continued)

Timely and Balanced Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with ASXs' 'Listing Rules' the Company immediately notifies the ASX of relevant information concerning the Company. Information which falls into the ASXs' continuous disclosure requirements is information which:

1. a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Rights of Shareholders

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

1. Communicating effectively with Shareholders through; ongoing releases to the market via the ASX announcements platform, direct mailings to Shareholders and the General Meetings of the Company;
2. Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for Shareholders to participate in General Meetings of the Company; and
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

The Company makes available to Shareholders wishing to make inquiries, a telephone number, e-mail address and continues to re-develop its website, which will be updated regularly with ASX announcements and other relevant information.

Recognise and Manage Risk

The Audit Committee reviews risk management within the economic entity.

In addition, the Executive Chairman has given a statement to the Board that:

1. In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the Policies adopted by the Board.
2. The economic entity's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk, is operating effectively in all material respects.

Encourage Enhanced Performance

During the year the Board conducted a review and assessment of its performance. The review was conducted by an external facilitator. The results of this review were collated and developed into a series of recommendations to improve performance. The report was presented to the Board from which an action plan was developed to implement the recommendations and set performance criteria and goals for the current and future financial years.

Remunerate Fairly and Responsibly

The Company has a Remuneration Committee. The Remuneration Committee is made up of three Independent Directors. The current members of the Remuneration Committee are, G Coleman (Chairman), P Jones and K Fagg. The Remuneration Committee is responsible for:

1. Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees.
2. Approving the design of Executive & Employee incentive plans (including equity-based plans and options) and proposed payments or awards under such plans.
3. Reviewing performance hurdles associated with incentive plans.
4. Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time.
5. Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
6. Succession planning for Senior Executive Officers.
7. Performance assessment of the Senior Executive Officers.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders.

Senior Executives receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or options, subject to shareholder approval may also be granted based on an individual's performance.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Current remuneration is disclosed in Directors Report and Annual Report.

Legitimate Interests of Stakeholders

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, the Board encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL



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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ENVIROZEL LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**

**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this 25 day of September 2007.



Chartered Accountants

A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

An abstract line drawing in the bottom left corner of the page, consisting of several thin, white lines that form a geometric, structural shape, resembling a stylized staircase or a framework of beams and supports.

Financial Statements

Envirozel Limited
and Controlled Entities

ABN 87 010 550 357

Income Statements

For the year ended 30 June 2007

Notes		Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
Revenue	2(a)	48,362,408	13,849,635	846,371	26,267
Other income	2(b)	237,600	45,579	237,600	38,652
Expenses:					
Marketing expense		(454,302)	(190,170)	(71,788)	-
Cost of sales		(36,218,761)	(9,601,702)	-	-
Corporate and administration		(5,264,256)	(2,184,199)	(973,321)	(645,553)
Finance costs		(518,275)	(248,383)	(483,464)	(128,791)
New business development costs		(643,942)	(230,146)	(114,405)	-
Corporate restructure		-	20,000	-	20,000
Profit/(loss) before income tax		5,500,472	1,460,614	(559,007)	(689,425)
Income tax expense/(benefit)	3	(459,181)	(74,335)	(2,362,503)	(711,467)
Profit from continuing operations		5,959,653	1,534,949	1,803,496	22,042
Profit from discontinued operations	28	-	13,961	-	-
Profit for the year		5,959,653	1,548,910	1,803,496	22,042
Profit attributable to minority interest		-	-	-	-
Profit attributable to members of the parent entity	15	5,959,653	1,548,910	1,803,496	22,042
		Cents per share	Cents per share	Cents per share	Cents per share
Overall operations					
Basic earnings per share	16	3.56	1.36	1.08	0.02
Diluted earnings per share	16	3.55	1.35	1.08	0.03
Continuing operations					
Basic earnings per share	16	3.56	1.34	1.08	0.02
Diluted earnings per share	16	3.55	1.34	1.08	0.03

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

Balance Sheets

As at 30 June 2007

Notes		Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
CURRENT ASSETS					
Cash and cash equivalents	21	8,275,124	1,728,400	1,116,885	660,201
Trade and other receivables	4	13,017,676	4,744,532	278,426	183,197
Inventories	5	2,566,334	1,121,119	-	-
TOTAL CURRENT ASSETS		23,859,134	7,594,051	1,395,311	843,398
NON-CURRENT ASSETS					
Trade and other receivables	4	338,730	425,337	23,445,512	4,850,288
Financial Assets	6	25,000	25,000	3,760,154	3,760,154
Plant and Equipment	7	5,439,545	2,093,057	4,205	3,202
Deferred Tax Assets	8	2,180,273	312,637	1,386,089	-
Intangible Assets	9	14,769,867	3,956,761	-	-
TOTAL NON-CURRENT ASSETS		22,753,415	6,812,792	28,595,960	8,613,644
TOTAL ASSETS		46,612,549	14,406,843	29,991,271	9,457,042
CURRENT LIABILITIES					
Trade and other payables	10	17,071,151	3,195,541	6,717,591	199,364
Current tax liabilities	8	961,333	4,361	961,333	-
Short-term borrowings	11	304,938	2,018,951	250,000	2,000,000
TOTAL CURRENT LIABILITIES		18,337,422	5,218,853	7,928,924	2,199,364
NON-CURRENT LIABILITIES					
Long-term borrowings	12	6,032,864	2,101,518	5,950,000	2,100,000
Deferred tax liabilities	8	3,817	4,098	-	-
Other long term provisions	13	96,467	22,910	-	-
TOTAL NON-CURRENT LIABILITIES		6,133,148	2,128,526	5,950,000	2,100,000
TOTAL LIABILITIES		24,470,570	7,347,379	13,878,924	4,299,364
NET ASSETS		22,141,979	7,059,464	16,112,347	5,157,678
EQUITY					
Issued Capital	14	33,430,541	24,279,368	33,430,541	24,279,368
Reserves	15	194,632	222,943	198,700	198,700
Accumulated losses	15	(11,483,194)	(17,442,847)	(17,516,894)	(19,320,390)
TOTAL EQUITY		22,141,979	7,059,464	16,112,347	5,157,678

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

Statement Of Changes In Equity

For The Year Ended 30 June 2007

Economic Entity

	Issued Capital \$	Accumulated Losses \$	Capital Reserves \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2005	21,380,498	(18,991,757)	198,700	5,527	2,592,968
Shares issued during the year	2,898,870	-	-	-	2,898,870
Profit attributable to members of parent entity	-	1,548,910	-	-	1,548,910
Adjustments from translation of foreign controlled entities	-	-	-	18,716	18,716
Sub-total	24,279,368	(17,442,847)	198,700	24,243	7,059,464
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2006	24,279,368	(17,442,847)	198,700	24,243	7,059,464
Balance at 1 July 2006	24,279,368	(17,442,847)	198,700	24,243	7,059,464
Shares issued during the year	9,151,173	-	-	-	9,151,173
Profit attributable to members of parent entity	-	5,959,653	-	-	5,959,653
Adjustments from translation of foreign controlled entities	-	-	-	(28,311)	(28,311)
Sub-total	33,430,541	(11,483,194)	198,700	(4,068)	22,141,979
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2007	33,430,541	(11,483,194)	198,700	(4,068)	22,141,979

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

Statement Of Changes In Equity

For The Year Ended 30 June 2007

Parent Entity

	Issued Capital \$	Accumulated Losses \$	Capital Reserves \$	Total \$
Balance at 1 July 2005	21,380,498	(19,342,432)	198,700	2,236,766
Shares issued during the year	2,898,870	-	-	2,898,870
Profit attributable to members of parent entity	-	22,042	-	22,042
Sub-total	24,279,368	(19,320,390)	198,700	5,157,678
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2006	24,279,368	(19,320,390)	198,700	5,157,678
Balance at 1 July 2006	24,279,368	(19,320,390)	198,700	5,157,678
Shares issued during the year	9,151,173	-	-	9,151,173
Profit attributable to members of parent entity	-	1,803,496	-	1,803,496
Sub-total	33,430,541	(17,516,894)	198,700	16,112,347
Dividends paid or provided for	-	-	-	-
Balance at 30 June 2007	33,430,541	(17,516,894)	198,700	16,112,347

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

Statements Of Cash Flows

For The Year Ended 30 June 2007

Notes	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers (inclusive of GST)	50,082,633	14,216,791	3,175,000	70,000
Payments to Suppliers & Employees (inclusive of GST)	(42,544,686)	(13,765,229)	(1,004,642)	(1,136,319)
Income tax paid	(17,696)	(15,111)	-	-
Interest received	158,587	36,920	55,275	26,267
Finance costs	(518,275)	(248,383)	(483,464)	(128,791)
NET CASH FLOWS PROVIDED/ (USED) BY OPERATING ACTIVITIES	21(ii) 7,160,563	224,988	1,742,169	(1,168,843)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for controlled entities	(11,232,056)	(1,738,821)	-	-
Loans to controlled entities	-	-	(11,232,056)	(4,138,821)
Proceeds from sale of land	-	38,652	-	38,652
Proceeds from sale of plant and equipment	14,091	81,688	-	-
Purchase of plant and equipment	(439,417)	(186,172)	(4,602)	(3,015)
NET CASH FLOWS USED BY INVESTING ACTIVITIES	(11,657,382)	(1,804,653)	(11,236,658)	(4,103,184)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Shares Issued	7,851,173	2,548,870	7,851,173	2,548,870
Convertible Loan Repaid	-	(801,516)	-	(801,516)
Proceeds - Loans	5,200,000	2,050,000	5,200,000	4,450,000
Repayment of Loans	(3,100,000)	(660,889)	(3,100,000)	(300,000)
Proceeds from Lease Financing	95,480	-	-	-
Payments for Lease Financing	(32,179)	(112,368)	-	(1,492)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	10,014,474	3,024,097	9,951,173	5,895,862
NET INCREASE IN CASH HELD				
Net Cash Balance Acquired	28 1,029,069	-	-	-
Cash at beginning of financial year	1,728,400	283,968	660,201	36,366
CASH AT END OF FINANCIAL YEAR	21(i) 8,275,124	1,728,400	1,116,885	660,201

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

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

1. Summary Of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Envirozel Limited and controlled entities, and Envirozel Limited as an individual parent entity. Envirozel Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Envirozel Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 27 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Envirozel Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and credits which are immediately assumed by Envirozel Limited. The current tax liability of each group entity is then subsequently assumed by Envirozel Limited. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 7 June 2004. The tax consolidated group has entered a tax sharing arrangement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full. Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

(e) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes To And Forming Part Of The Accounts For The Year Ended 30 June 2007

1. Summary Of Significant Accounting Policies (continued)

(e) Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
• Leasehold improvements	5 to 30%
• Plant and equipment	5 to 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Financial Instruments Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial Assets At Fair Value Through Profit And Loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans And Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-Maturity Investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-Sale Financial Assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(h) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

1. Summary Of Significant Accounting Policies (continued)

(h) Impairment Of Assets (continued)

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(j) Foreign Currency Transactions And Balances

Functional And Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction And Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of two months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

1. Summary Of Significant Accounting Policies (continued)

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Critical Accounting Estimates And Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill and plant and equipment for the year ended 30 June 2007.

2. Profit

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
(a) REVENUE				
Sales	48,147,725	13,742,209	-	-
Interest Received or Receivable	158,587	36,920	55,275	26,267
Sundry Income	56,096	70,506	5,796	-
Intercompany Management Fees	-	-	785,300	-
	48,362,408	13,849,635	846,371	26,267
(b) OTHER INCOME				
Gain on disposal of property, plant and equipment	-	45,579	-	38,652
Gain on sale of Investments	237,600	-	237,600	-
	237,600	45,579	237,600	38,652
(c) PROFIT FOR THE YEAR				
Expenses:				
Provision for Impairment of Receivables	-	(10,179)	-	(10,179)
Movement in Employee Benefits	200,533	147,860	-	-
Bad Debts	82,000	29,168	-	9,241
Operating Lease Payments	380,421	168,875	24,985	16,431
Finance Costs - External	518,275	239,580	483,464	119,988
Finance Costs - Related Parties	-	8,803	-	8,803
Depreciation of Plant & Equipment	396,109	110,677	3,599	3,790

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
3. Income Tax				
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:				
Profit/(Loss) before Income Tax	5,500,472	1,474,575	(559,007)	(689,425)
Income tax calculated at 30% (2006: 30%)	1,650,142	442,373	(167,702)	(206,828)
Tax effect of permanent differences	70,206	34,153	2,424	1,410
Underprovision/(overprovision) in prior years	-	(25,867)	-	-
Taxation paid by offshore subsidiary	17,696	15,111	-	-
Deferred tax assets not previously brought to account	(7,538)	(33,843)	(7,538)	-
Prior year tax losses not previously brought to account	(2,189,687)	(711,467)	(2,189,687)	(711,467)
Deferred tax assets not brought to account	-	205,205	-	205,418
Income Tax Expense/(Benefit)	(459,181)	(74,335)	(2,362,503)	(711,467)
The applicable weighted average effective tax rates are as follows:	(8%)	(5%)	423%	103%
(b) The components of tax expense comprise:				
Current tax	1,797,966	465,770	(157,478)	(205,418)
Deferred tax	(59,922)	205,205	(7,800)	205,418
Deferred tax assets not previously brought to account	(7,538)	(33,843)	(7,538)	-
Prior year tax losses not previously brought to account	(2,189,687)	(711,467)	(2,189,687)	(711,467)
	(459,181)	(74,335)	(2,362,503)	(711,467)
4. Trade And Other Receivables				
Current				
Trade Receivables	9,705,649	4,061,664	-	-
Amounts due from Customers for Construction Contracts (refer note 30)	2,296,220	-	-	-
Retention Receivables	326,347	394,965	-	-
	12,328,216	4,456,629	-	-
Other Debtors and Prepayments	689,460	287,903	278,426	183,197
	13,017,676	4,744,532	278,426	183,197
Non Current				
Due from Controlled Entities	-	-	23,445,512	4,850,288
Retention Receivables	338,730	425,337	-	-
	338,730	425,337	23,445,512	4,850,288

Amounts due from controlled entities are non-interest bearing and have no fixed repayment dates.

Market practices provide for the retention of monies from progress and final billings on building construction contracts. The monies are received after a certain contracted period of time has elapsed after the completion of the building construction.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
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5. Inventories

Current

Raw Materials and Stores - at cost	1,506,834	732,480	-	-
Work In Progress - at cost	1,059,500	388,639	-	-
	2,566,334	1,121,119	-	-

6. Financial Assets

Non-Current Assets

Investment in Controlled Entities (Note 27)	-	-	3,735,154	3,735,154
Unlisted Shares in Unrelated Corporations - at cost	-	1,356,222	-	1,356,222
Provision for Impairment	-	(1,356,222)	-	(1,356,222)
Written Down Value	-	-	3,735,154	3,735,154
Funds on Deposit	25,000	25,000	25,000	25,000
	25,000	25,000	3,760,154	3,760,154

Funds on deposit represent a security deposit covering a guarantee for property lease obligations.

During the year, investments in unrelated corporations, which had previously been fully provided for, were either sold or written off. The net proceeds from the sale of these investments totalled \$237,600.

7. Plant And Equipment

Plant and Equipment

At Cost	6,072,188	2,493,972	7,617	18,566
Accumulated Depreciation	(632,643)	(400,915)	(3,412)	(15,364)
	5,439,545	2,093,057	4,205	3,202

Movement in carrying amounts

Carrying amount - Opening Balance	2,093,057	285,402	3,202	3,977
Additions	439,417	186,172	4,602	3,015
Disposals	(50,155)	(74,761)	-	-
Depreciation	(396,109)	(110,677)	(3,599)	(3,790)
Exchange Rate Adjustment	(5,345)	3,186	-	-
Fixed Assets acquired on acquisition of controlled entities	3,358,680	1,803,735	-	-
Carrying amount - Closing Balance	5,439,545	2,093,057	4,205	3,202

During the year certain fully depreciated assets were scrapped.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

8. Tax Assets And Liabilities

TAX ASSETS

NON-CURRENT

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
Deferred tax assets	2,180,273	312,637	1,386,089	-
Deferred tax assets comprise:				
Provisions	789,007	299,420	-	-
Other	20,516	13,217	15,339	-
Unrecouped tax losses	1,370,750	-	1,370,750	-
	2,180,273	312,637	1,386,089	-

The movement in deferred tax assets for each temporary difference during the year is as follows:

Provisions

Opening balance	299,420	41,792	-	-
Credited to income account	60,161	63,080	-	-
Deferred tax assets acquired	429,426	194,548	-	-
	789,007	299,420	-	-

Other

Opening balance	13,217	-	-	-
Credited to income account	(239)	13,217	7,801	-
Deferred tax assets not previously recognised	7,538	-	7,538	-
	20,516	13,217	15,339	-

Unrecouped tax losses

Opening balance	-	-	-	-
Tax losses recouped	(818,937)	-	(818,937)	-
Deferred tax assets not previously recognised	2,189,687	-	2,189,687	-
	1,370,750	-	1,370,750	-

Closing balance

	2,180,273	312,637	1,386,089	-
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TAX LIABILITIES

CURRENT

Income Tax	961,333	4,361	961,333	-
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NON-CURRENT

Provision for Deferred Tax	3,817	4,098	-	-
Opening balance	4,098	3,273	-	-
Additional Provisions raised during year	-	626	-	-
Exchange rate movement	(281)	199	-	-
Closing balance	3,817	4,098	-	-

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
9. Intangible Assets				
Goodwill on Consolidation	3,282,532	3,282,532	-	-
Goodwill on Acquisition	11,487,335	674,229	-	-
	14,769,867	3,956,761	-	-

	Economic Entity 2007 \$	Economic Entity 2006 \$
Movements in carrying amounts		
Goodwill on Consolidation		
Opening Balance	3,282,532	3,282,532
Movement in the year	-	-
Closing balance	3,282,532	3,282,532
Goodwill on Acquisition		
Opening Balance	674,229	-
Acquisitions through business combinations	10,813,106	674,229
Closing balance	11,487,335	674,229

It has been determined that the balances of the goodwill have an indefinite life.

The excess of the fair value of net assets over the purchase price of the business combinations acquired has been allocated to goodwill rather than be allocated to other intangible assets. The acquisition of the businesses that generate the goodwill was determined on the abilities of the entities, as a whole, to generate future profits and hence other intangibles have not been recognised.

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

Roof Drainage	3,282,532	3,282,532
Tank Construction	674,229	674,229
Engineering Services	8,114,871	-
Steel Fabrication	2,698,235	-
Total	14,769,867	3,956,761

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period. The cash flows are discounted using the yield of five year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	2007	2006
Growth Rate	3%	3%
Discount Rate	6.46%	5.81%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
10. Trade And Other Payables				
Current - unsecured				
Trade payables	6,670,295	1,606,634	161,337	81,185
Sundry payables and accrued expenses	7,867,301	613,748	6,556,254	87,411
Employee benefits	2,533,555	975,159	-	-
Amounts payable to controlled entities	-	-	-	30,768
	17,071,151	3,195,541	6,717,591	199,364

Included in Sundry payables and accrued expenses is an amount of \$1,300,000, which represents the balance of the purchase price relating to the Danum Engineering business acquisition. This amount was settled on 2 July 2007 by the payment of \$975,000 and the issue of 685,654 fully paid ordinary shares in the Company at an issue price of 47.4cents.

Also included in Sundry payables and accrued expenses is an amount of \$5,106,189, which represents the purchase price relating to the National Engineering business acquisition. This amount was paid on 29 August 2007 on completion of the National Engineering acquisition.

11. Borrowings

Short-term borrowings

Bank Loans - Secured	250,000	2,000,000	250,000	2,000,000
Lease Liabilities (Note 23) - Secured	54,938	18,951	-	-
	304,938	2,018,951	250,000	2,000,000

12. Borrowings

Long-term borrowings

Other Loans - Secured	-	2,100,000	-	2,100,000
Bank Loans - Secured	5,950,000	-	5,950,000	-
Lease Liabilities (Note 23) - Secured	82,864	1,518	-	-
	6,032,864	2,101,518	5,950,000	2,100,000

Bank Loans are in the form of Commercial Bank Bill facilities, which are subject to annual review. The Commercial Bank Bill rates are variable. Bank Loans are secured by a registered equitable mortgage over the assets and undertakings of Envirozel Limited and unlimited guarantees from Envirozel Limited's controlled entities: Syfon Systems Pty Ltd, Brockman Engineering Pty Ltd, NuSource Water Pty Ltd, Danum Engineering Pty Ltd and National Engineering Pty Ltd. Covenants within bank borrowings require total bank debt not to exceed 175% of annualised earnings before interest, taxes and depreciation.

During the year, other secured loans were repaid.

13. Other Long Term Provisions

Non-Current

Employee Benefits

	96,467	22,910	-	-
Movement				
Opening balance	22,910	23,664	-	-
Additional Provisions raised during year	73,557	(754)	-	-
Closing balance	96,467	22,910	-	-

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits is included in note 1.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
14. Issued Capital				
Issued and Paid Up				
181,558,894 ordinary shares (2006: 138,349,626 ordinary shares)	33,430,541	24,279,368	33,430,541	24,279,368

(a) Issued and Fully Paid Up

	Economic Entity 2007 \$	Parent 2007 \$
Opening balance	24,279,368	24,279,368
Shares Issued During the year		
11 August 2006	2,375,442	2,375,442
8 December 2006	5,076,281	5,076,281
10 January 2007	1,300,000	1,300,000
27 March 2007	279,450	279,450
15 May 2007	120,000	120,000
Closing balance	33,430,541	33,430,541
	2007 No.	2007 No.
Opening balance	138,349,626	138,349,626
Shares Issued During the year		
11 August 2006	17,875,500	17,875,500
8 December 2006	18,233,768	18,233,768
10 January 2007	5,200,000	5,200,000
27 March 2007	1,500,000	1,500,000
15 May 2007	400,000	400,000
Closing balance	181,558,894	181,558,894

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

(b) Share Options:

The following table shows the movement in share options to subscribe for ordinary shares in the Company for the year ended 30 June 2007.

Opening Options on issue	Class	Expiry Date	Ordinary Shares Entitlements	Exercise Price	Exercised During Year	Lapsed / Cancelled	Options Not Yet Exercised
1,000,000	ordinary	14/09/2006	1,000,000	\$0.30	-	1,000,000	-
1,000,000	ordinary	7/06/2007	1,000,000	\$0.30	1,000,000	-	-
1,500,000	ordinary	31/12/2007	1,500,000	\$0.1105	900,000	-	600,000
3,500,000					1,900,000	1,000,000	600,000

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
15. Reserves And Accumulated Losses				
(a) Accumulated Losses				
Accumulated losses at the beginning of the financial year	(17,442,847)	(18,991,757)	(19,320,390)	(19,342,432)
Net Profit	5,959,653	1,548,910	1,803,496	22,042
Accumulated losses at the end of the financial year	(11,483,194)	(17,442,847)	(17,516,894)	(19,320,390)
(b) Reserves				
Capital Reserves				
Reserve at beginning of year	198,700	198,700	198,700	198,700
Movement for year	-	-	-	-
Reserve at end of year	198,700	198,700	198,700	198,700
Foreign Currency Translation Reserve				
Reserve at beginning of year	24,243	5,527	-	-
Movement for year	(28,311)	18,716	-	-
Reserve at end of year	(4,068)	24,243	-	-
	194,632	222,943	198,700	198,700

Capital reserves represent capital profits, which will be used to fund the ongoing business of the economic entity.

	Economic Entity 2007 No.	Economic Entity 2006 No.	Parent 2007 No.	Parent 2006 No.
16. Earnings Per Share				
(a) Weighted average number of ordinary shares outstanding during the year used in calculation of Basic Earnings Per Share	167,350,405	114,147,086	167,350,405	114,147,086
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of Diluted Earnings Per Share	167,950,405	115,647,086	167,950,405	115,647,086

17. Remuneration Of Directors And Executives

Details of the remuneration of each director of Envirozel Limited and each of the key management personnel of the consolidated entity, including their personally related entities, are set out in the following tables.

2007 Directors	Salary \$	Fees \$	Non-Cash Benefits \$	Superannuation Contributions \$	Total \$
G McKern	167,500	-	-	-	167,500
P Jones	-	42,500	-	-	42,500
K Fagg	-	2,917	-	39,583	42,500
G Coleman	-	42,500	-	-	42,500
	167,500	87,917	-	39,583	295,000

Mr Powis resigned as a Director on 27 February 2007 and continued on as an executive of the consolidated entity. His remuneration is disclosed in the section disclosing remuneration of key management personnel. Mr Powis did not receive director's fees.

2006 Directors

G McKern	117,500	-	-	-	117,500
P Jones	-	35,000	-	-	35,000
A Powis	172,000	-	54,134	15,480	241,614
G Coleman	-	35,000	-	-	35,000
K Fagg (appointed 20 December 2005)	-	20,417	-	-	20,417
	289,500	90,417	54,134	15,480	449,531

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

17. Remuneration Of Directors And Executives (continued)

	Salary \$	Fees \$	Non-Cash Benefits \$	Superannuation Contributions \$	Total \$
2007 Key Management Personnel of the economic entity					
A Powis (Managing Director Syfon Systems Pty Ltd)	205,578	-	26,455	15,939	247,972
A Bellgrove (General Manager Syfon Systems Pty Ltd)	185,314	-	19,183	14,276	218,773
D Forbes (Managing Director Brockman Engineering Pty Ltd)	123,102	-	-	100,620	223,722
M Goddard (Project Manager Brockman Engineering Pty Ltd)	100,170	-	3,738	75,729	179,637
V Juchima (Managing Director Danum Engineering Pty Ltd) - commenced 1 January 2007	118,522	-	-	12,787	131,309
D Williams (Managing Director National Engineering Pty Ltd) - commenced 1 June 2007	11,667	-	659	8,333	20,659
I Wallace (Company Secretary)	-	95,624	-	-	95,624
P Cooper (General Manager NuSource Water)	132,322	-	15,000	17,678	165,000
	876,675	95,624	65,035	245,362	1,282,696

2006 Key Management Personnel of the economic entity

A Bellgrove (General Manager Syfon Systems Pty Ltd)	154,000	-	22,426	13,860	190,286
D Forbes (General Manager Brockman Engineering Pty Ltd) - commenced 1 April 2006	20,056	-	-	25,470	45,526
M Goddard (Project Manager Brockman Engineering Pty Ltd) - commenced 1 April 2006	19,942	-	-	14,847	34,789
I Wallace (Company Secretary)	-	56,525	-	-	56,525
P Cooper (General Manager NuSource Water)	137,615	-	15,000	12,385	165,000
	331,613	56,525	37,426	66,562	492,126

Service Agreements

Remuneration and other terms of employment for certain specified directors and executives are formalised in service agreements. Each of these agreements may provide for the provision of other benefits including car allowances. Major provisions of the agreements relating to remuneration are set out below.

A Powis, Managing Director - Syfon Systems Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.
- Subsequent to balance date, Mr Powis was appointed Executive - Business Development with Envirozel Limited.

A Bellgrove, General Manager - Syfon Systems Pty Ltd

- Term of agreement - 3 year agreement ended 7 June 2007. There were no incentive terms within the agreement.
- Subsequent to balance date Mr Bellgrove was appointed Managing Director of Syfon Systems Pty Ltd.

P Cooper, Business Development Manager - NuSource Water Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.

D Forbes, Managing Director - Brockman Engineering Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

17. Remuneration Of Directors And Executives (continued)

M Goddard, Project Manager - Brockman Engineering Pty Ltd

- Term of agreement - no fixed term of agreement. There are no incentive terms within the agreement.

V Juchima, Managing Director - Danum Engineering Pty Ltd

- Term of agreement - 3 years from 1 January 2007. There are no incentive terms within the agreement.

D Williams, Managing Director - National Engineering Pty Ltd

- Term of agreement - 2 years from 1 June 2007. There are no incentive terms within the agreement.

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
18. Auditors Remuneration				
Remuneration paid/payable to Auditors for:				
- audit or review of financial report	97,686	20,705	97,686	20,705
- taxation services	-	7,080	-	7,080
	97,686	27,785	97,686	27,785

19. Related Party Disclosures

(a) **The directors of Envirozel Limited during the financial year were:**

Mr G McKern
Mr P Jones
Mr G Coleman
K Fagg
A Powis (resigned 27 February 2007)

(b) **Transactions with director related entities**

- Consulting fees of \$42,916 (2006: \$67,083) were paid and \$11,250 (2006: \$Nil) is payable to G Coleman.
- Consulting fees of \$62,917 (2006: \$Nil) were paid and \$Nil (2006: \$20,417) is payable to K Fagg.
- Consulting fees of \$40,000 (2006: \$43,750) were paid and \$11,250 (2006: \$8,750) is payable to Stuart Andrew Pty Ltd, a company in which Mr P Jones has a beneficial interest.
- As at 30 June 2007, accrued remuneration payable to Gordon McKern was \$50,000 (2006: \$33,750).

(c) **Directors aggregate of shares and share options**

The aggregate number of shares and options of Envirozel Ltd held by the directors and director related entities was as follows:

	Parent 2007 No.	Parent 2006 No.
Ordinary Shares	18,265,485	27,247,683
Options	-	1,000,000

During the year Directors of the company acquired ordinary shares in the company. These shares were acquired as follows:

On Market acquisitions	800,000 shares
Off market acquisitions	1,520,000 shares

During the year Mr Powis ceased to be a Director. Prior to the date he ceased to be a Director he disposed of 1,000,000 ordinary shares in an off market transaction. At the date he ceased to be a Director he held 10,302,198 ordinary shares.

Subsequent to balance date Mr Jones acquired a further 100,000 shares from an on market acquisition.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

20. Segment Reporting

Primary Reporting

Business Segments	Roof Drainage 2007 \$	Roof Drainage 2006 \$	Tank Construction 2007 \$	Tank Construction 2006 \$	Engineering Services 2007 \$	Engineering Services 2006 \$	Steel Fabrication 2007 \$	Steel Fabrication 2006 \$
REVENUE								
Revenue - external	11,145,640	9,342,533	18,561,855	3,849,601	17,635,043	-	958,480	-
Total revenue	11,145,640	9,342,533	18,561,855	3,849,601	17,635,043	-	958,480	-
Depreciation and Amortisation	88,257	72,593	141,470	34,294	147,418	-	15,365	-
Impairment Costs	-	-	-	-	-	-	-	-
RESULT								
Segment Result pre tax	2,471,582	2,269,305	3,102,214	124,841	1,876,895	-	(13,475)	-
ASSETS								
Segment Assets	6,361,476	5,453,321	7,943,209	5,685,487	20,355,532	-	6,916,253	-
LIABILITIES								
Segment Liabilities	1,757,572	2,369,179	5,881,338	5,598,098	19,146,870	-	6,943,185	-
ACQUISITION OF NON CURRENT ASSETS								
	222,501	151,676	176,696	2,703,993	10,360,340	-	4,273,286	-

Business Segments	Water Treatment 2007 \$	Water Treatment 2006 \$	Corporate 2007 \$	Corporate 2006 \$	Eliminations 2007 \$	Eliminations 2006 \$	Economic Entity 2007 \$	Economic Entity 2006 \$
REVENUE								
Revenue - external	319	631,234	61,071	26,267	-	-	48,362,408	13,849,635
Total revenue	319	631,234	61,071	26,267	-	-	48,362,408	13,849,635
Depreciation and Amortisation	-	-	3,599	3,790	-	-	396,109	110,677
Impairment Costs	-	-	-	-	-	-	-	-
RESULT								
Segment Result	(479,737)	(230,146)	-	-	-	-	6,957,479	2,164,000
Unallocated Corporate Expenses			(1,457,007)	(689,425)			(1,457,007)	(689,425)
Profit from ordinary activities							5,500,472	1,474,575
Income Tax Expenses							(459,181)	(74,335)
Net Profit							5,959,653	1,548,910
ASSETS								
Segment Assets	55,277	55,537	28,053,524	9,457,042	(23,072,722)	(6,244,544)	46,612,549	14,406,843
LIABILITIES								
Segment Liabilities	1,258,909	725,638	11,941,177	4,299,364	(22,458,481)	(5,644,900)	24,470,570	7,347,379
ACQUISITION OF NON CURRENT ASSETS								
	-	-	4,602	3,015	-	-	15,037,425	2,858,684

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

20. Segment Reporting (Continued)

Secondary Reporting

Geographical Segment	Australia 2007 \$	Australia 2006 \$	Malaysia 2007 \$	Malaysia 2006 \$	Economic Entity 2007 \$	Economic Entity 2006 \$
External Segment Revenue	46,550,862	12,610,801	1,811,546	1,238,834	48,362,408	13,849,635
Segment assets by location of assets	45,280,270	13,545,465	1,332,279	861,378	46,612,549	14,406,843
Acquisition of non current assets	14,977,449	2,819,096	59,976	39,588	15,037,425	2,858,684

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
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21. Statement Of Cash Flows

(i) Cash balances comprise:

Cash on Hand	8,275,124	1,728,400	1,116,885	660,201
Closing Cash Balance	8,275,124	1,728,400	1,116,885	660,201

(ii) Reconciliation of the Operating Profit after Tax to Net Cash flows from Operations:

Operating profit after Tax	5,959,653	1,548,910	1,803,496	22,042
Provision for impairment of receivables	-	(10,179)	-	(10,179)
Gain/loss on sale of property, plant and equipment	36,064	(45,579)	-	(38,652)
Depreciation				
- plant and equipment	396,109	110,677	3,599	3,790
Foreign Currency Translation	(22,966)	15,530	-	-

Changes in assets and liabilities adjusted for effects of acquisition/disposal of operations during financial year

Increase/(Decrease) in provisions for employee entitlements	200,533	147,860	-	-
(Increase)/Decrease in inventories	(142,220)	(165,133)	-	-
(Increase)/Decrease in trade and other receivables	(3,664,087)	(469,555)	(95,229)	107,240
(Increase)/Decrease in receivables from controlled entities	-	-	312,253	(711,467)
(Increase)/Decrease in deferred tax assets	(1,438,210)	(76,297)	(1,386,089)	-
Increase/(Decrease) in payables	4,878,996	(836,432)	142,806	(541,617)
Increase/(Decrease) in current tax payable	956,972	4,361	961,333	-
Increase/(Decrease) in deferred tax liabilities	(281)	825	-	-

Net Cash provided/(used) by Operating Activities	7,160,563	224,988	1,742,169	(1,168,843)
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Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

22. Standby Arrangements And Unused Credit Facilities

Controlled entities in the economic entity have Contingent Liability Bank Guarantee facilities totalling \$3,550,000 available to them as at 30 June 2007 (2006: \$1,300,000). Of this total facility, \$1,558,495 (2006: \$853,224), remain unused and available for the controlled entities use as at 30 June 2007. The facilities are secured by a registered equitable mortgage over the assets and undertakings of all Australian companies in the economic entity.

A controlled entity in the economic entity has a Bank Overdraft facility totalling \$1,000,000 available to it as at 30 June 2007 (2006: \$Nil). Of this total facility, \$1,000,000 remains unused and available for the controlled entity's use as at 30 June 2007. The facility is secured by a registered equitable mortgage over the assets and undertakings of all Australian companies in the economic entity.

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
23. Lease Commitments				
Leases are payable as follows:				
Not later than 12 months	64,477	22,578	-	-
Later than 12 months but not later than 2 years	33,097	1,548	-	-
Later than 2 years but not later than 5 years	60,453	-	-	-
	158,027	24,126	-	-
Future lease finance charges	(20,225)	(3,657)	-	-
	137,802	20,469	-	-
Lease liabilities recognised in the statement of financial position:				
Current	54,938	18,951	-	-
Non-current	82,864	1,518	-	-
Total Lease liability	137,802	20,469	-	-

The weighted average interest rate implicit in these leases is 7.91% pa (2006: 8.99% pa).

24. Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable leases are payable as follows:

Property

Not later than 12 months	661,832	216,436	43,243	1,572
Between 12 months but not later than 5 years	2,406,805	657,228	88,224	-
	3,068,637	873,664	131,467	1,572

Plant and equipment

Not later than 12 months	31,036	15,841	-	-
Between 12 months but not later than 5 years	52,284	11,916	-	-
	83,320	27,757	-	-
Total commitments not recognised in the financial statements	3,151,957	901,421	131,467	1,572

Property leases are non-cancellable with a maximum five year term, with rent payable in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by at least the CPI per annum. Options exist to renew certain leases at the end of their lease term. With the approval of the lessors the property areas may be released.

25. Contingent Liabilities

There were no contingent liabilities as at the date of this report.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

26. Financial Instruments

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

(i) Treasury Risk Management

The Board of Directors is responsible for monitoring treasury risk. Currency and interest rate exposures are reviewed regularly to ensure any risk associated with these exposures is minimised.

(ii) Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

- Interest rate risk

The majority of the company's borrowings take the form of bank accepted bills of exchange. The rollover/maturity term of these bills and therefore the prevailing interest rates are continually reviewed in order to manage interest rate exposures.

- Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The Group monitors its foreign exchange exposure on a regular basis.

- Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

- Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

(a) Interest Rate Risk Exposures

The company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:-

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate, assets and liabilities to maturity.

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

26. Financial Instruments (Continued)

	Floating Interest Rate	1 year or less	Fixed Interest 1-5 years	More than 5 years	Non Interest Bearing	Total
2007	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	8,275,124	-	-	-	-	8,275,124
Trade and other receivables	-	-	-	-	13,356,406	13,356,406
Financial assets	25,000	-	-	-	-	25,000
	8,300,124	-	-	-	13,356,406	21,656,530
Weighted average						
Interest rate	4.5%	-	-	-	-	-
Financial Liabilities						
Trade and other payables	-	-	-	-	15,498,929	15,498,929
Borrowings	-	250,000	5,950,000	-	-	6,200,000
Lease Liabilities	-	54,938	82,864	-	-	137,802
	-	304,938	6,032,864	-	15,498,929	21,836,731
Weighted average						
Interest rate	-	9.7%	9.7%	-	-	-
Net Financial Assets (Liabilities)	8,300,124	(304,938)	(6,032,864)	-	(2,142,523)	(180,201)

	Floating Interest Rate	1 year or less	Fixed Interest 1-5 years	More than 5 years	Non Interest Bearing	Total
2006	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	-	-	-	-	1,728,400	1,728,400
Trade and other receivables	-	-	-	-	5,169,869	5,169,869
Financial assets	-	25,000	-	-	-	25,000
	-	25,000	-	-	6,898,269	6,923,269
Weighted average						
Interest rate	-	4.3%	-	-	-	-
Financial Liabilities						
Trade and other payables	-	-	-	-	2,224,743	2,224,743
Borrowings	-	2,000,000	2,100,000	-	-	4,100,000
Lease Liabilities	-	18,951	1,518	-	-	20,469
	-	2,018,951	2,101,518	-	2,224,743	6,345,212
Weighted average						
Interest rate	-	9.27%	8.28%	-	-	-
Net Financial Assets/ (Liabilities)	-	(1,993,951)	(2,101,518)	-	4,673,526	578,057

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

26. Financial Instruments (Continued)

(a) Interest Rate Risk Exposures (Continued)

Reconciliation of net Financials Assets/(Liabilities) to Net Assets

Net Financial Assets/(Liabilities)

Add/(subtract) Non-Financial assets and liabilities

Inventories

Plant and equipment

Intangible assets

Deferred Tax assets

Provisions

Net Assets

Economic
Entity
2007 \$

Economic Entity
2006 \$

(180,201)

578,057

2,566,334

1,121,119

5,439,545

2,093,057

14,769,867

3,956,761

2,180,273

312,637

(2,633,839)

(1,002,167)

22,141,979

7,059,464

(b) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value. The net fair values of other monetary financial assets and financial liabilities, which approximates their carrying values, are based upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

27. Investment In Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings		Cost of Parent Entity's Investment	
			2007	2006	2007 \$	2006 \$
Syfon Systems Pty Ltd	Australia	Ordinary	100%	100%	3,700,650	3,700,650
Syfon Systems Sdn Bhd Malaysia	Malaysia	Ordinary	100%	100%	34,504	34,504
Brockman Engineering Pty Ltd	Australia	Ordinary	100%	100%	-	-
NuSource Water Pty Ltd	Australia	Ordinary	100%	100%	-	-
Danum Engineering Pty Ltd	Australia	Ordinary	100%	-	-	-
National Engineering Pty Ltd	Australia	Ordinary	100%	-	-	-
					3,735,154	3,735,154

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

28. Acquisition / Disposal Of Businesses

a) Acquisition of Business

During the year the Economic Entity acquired the businesses and certain net assets from Danum Engineering and from National Engineering. The acquisition of Danum Engineering was effective 1 January 2007. The acquisition of National Engineering was effective 1 June 2007.

During the prior year the Economic Entity acquired the business and certain net assets from E.Brockman & Son Pty Ltd. The acquisition was effective 1 April 2006.

Details of the acquisitions are as follows:

	2007 \$	2006 \$
Consideration is comprised of:		
Deferred consideration	6,409,100	2,400,000
Shares Issued	1,300,000	-
Outflow of cash	11,232,056	1,738,821
Cash Acquired	(1,029,069)	-
Consideration	17,912,087	4,138,821
Fair Value of net assets acquired:		
Trade and other receivables	3,143,213	2,088,976
Inventories	1,302,995	793,383
Other current assets	1,379,237	31,647
Property, plant and equipment	3,358,680	1,803,735
Deferred tax assets	429,426	194,548
Trade and other payables	(1,029,118)	(799,203)
Employee Entitlements	(1,431,420)	(648,494)
Lease Payables	(54,032)	-
Goodwill on acquisition	10,813,106	674,229
Consideration	17,912,087	4,138,821

b) Disposal of operations

During the prior year the company disposed of a non operating company, Syfon Systems Intl, based in Malaysia.

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
Consideration				
Cash	-	-	-	-
	-	-	-	-
Net assets disposed:				
Payables	-	(13,961)	-	-
	-	(13,961)	-	-
Profit/(Loss) on sale	-	13,961	-	-

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

29. Subsequent Events

Subsequent to 30 June 2007, the company announced the acquisition of the TSF Engineering business. TSF Engineering specialises in the design and installation of power generation equipment, communications equipment and marine installations. TSF operates throughout Australia, Asia and the Pacific region.

The consideration paid for the TSF Engineering business was \$14 million and was majority funded by a share placement, with the balance via bank funding. In addition the vendors may receive a bonus payment after twelve months based on the TSF business achieving 2007/08 earnings in excess of stipulated targets.

The acquisition is effective from 1 July 2007 and was completed on 31 August 2007.

On 29 August 2007 the acquisition of the business of National Engineering was completed. The balance of the acquisition price paid at settlement was \$5.1million.

The company announced subsequent to balance date the placement of 20,000,000 ordinary shares at 50 cents per share to assist in funding the acquisition of the TSF Engineering business. The pricing of the issue was at a 2% premium to the volume weighted average price for the preceding 7 trading days.

Finally, on 5 September 2007 the company placed a further 4,000,000 ordinary shares at 50 cents per share. The proceeds of the placement will be used to fund the company's expansion and for working capital purposes.

Other than the matters noted above there have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years after the financial year.

30. Construction Contracts

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent 2007 \$	Parent 2006 \$
Aggregate amount of contract revenue recognised during the financial year	19,050,872	13,742,209	-	-
Aggregate of contract costs incurred and profits recognised (including losses recognised) to date on contracts in progress	15,096,096	9,601,702	-	-
Progress Billings	(12,799,876)	(9,601,702)	-	-
Amounts due from customers for contract work in progress	2,296,220	-	-	-
Total receivable from customers for contract work in progress as included in note 4	5,704,711	4,061,664	-	-
Retention Receivables as included in note 4	665,077	820,302	-	-

31. Change In Accounting Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
ASB 2005-10 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	1 Jan 2007	1 July 2007
	AASB 101	Presentation of Financial Statements		
	AASB 114	Segment Reporting		
	AASB 117	Leases		
	AASB 133	Earnings per Share		
	AASB 139	Financial Instruments: Recognition and Measurement		
AASB 7 Financial Instruments: Disclosures	AASB 132	Financial Instruments: Disclosure and Presentation	1 Jan 2007	1 July 2007

Notes To And Forming Part Of The Accounts

For The Year Ended 30 June 2007

32. Company Details

The registered office and principal place of business of
Envirozel Limited is
Level 7, 410 Collins Street
MELBOURNE, VIC 3000

The principal place of business of
Syfon Systems Pty Ltd is
22 Hargreaves Street
HUNTINGDALE, VIC 3166

The principal place of business of
Brockman Engineering Pty Ltd is
340 Forest Road
CORIO, VIC 3214

The principal place of business of
National Engineering Pty Ltd is
288 Boorowa Street
YOUNG, NSW 2594

The principal place of business of
Danum Engineering Pty Ltd is
17 Seaforth Street
North Shore
GEELONG, VIC 3214

The principal place of business of
NuSource Water Pty Ltd is
22 Hargreaves Street
HUNTINGDALE, VIC 3166

The principal place of business of
TSF Engineering Pty Ltd is
1 Prosperity Parade
WARRIEWOOD NSW 2102

Directors' Declaration

Directors' Declaration

The directors of Envirozel Limited declare that:

1. The financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 and:
 - (i) Give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) Comply with Accounting Standards and the Corporations Regulations 2001;
2. The Executive Chairman and Company Secretary have each declared that:
 - (i) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (ii) the financial statements and notes for the year comply with the Accounting Standards; and
 - (iii) the financial statements and notes for the year give a true and fair view.
3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors



Director - Gordon McKern

Signed at Melbourne this 25 September 2007

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENVIROZEL LTD

We have audited the accompanying financial report of Envirozel Ltd which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENVIROZEL LTD (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Envirozel Ltd on 25 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Envirozel Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**

**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this

26 day of September 2007.

Additional Shareholder Information

As At 31 August 2007

1. Substantial Shareholders

Ordinary
Shares

Not Applicable

2. Distribution of Shareholding

Range of Holding

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

No of Shareholders Ordinary Shares

320
742
504
987
184

2,737

Number of shareholder with less than marketable parcel of \$500 at \$0.52 per unit

214

3. Names of the 20 largest shareholders

1	National Nominees Pty Ltd
2	Cameron Richard Pty Ltd (Superannuation Fund A/C)
3	CJ Arms Superannuation Fund Pty Ltd CJ Arms Super Fund A/C
4	Thorney Investments Pty Ltd
5	Powis Enterprises Pty Ltd Powis Family A/C
6	Mr Gordon James McKern Mrs Anita Mary McKern
7	Smithley Super Pty Ltd Smith Super Fund A/C
8	Merrill Lynch (Australia) Nominees Pty Ltd Berndale A/C
9	Adam Bellgrove (Ingodwi Family A/C)
10	Cogent Nominees Pty Ltd
11	Mr Ian George Mansbridge
12	Linwierik Super Pty Ltd Linton Super Fund A/C
13	ANZ Nominees Limited Cash Income A/C
14	Powis Enterprises Pty Ltd Powis Super Fund A/C
15	Napadan Investments Pty Ltd
16	RBC Dexia Investor Services Australia Nominees Pty Ltd BKCUST A/C
17	McKern Superannuation Fund Pty Ltd S/F A/C
18	DIP Holdings Pty Ltd
19	Lost Ark Nominees Pty Ltd MYA Super A/C
20	Invia Custodian Pty Ltd WAM Capital Limited A/C

Shares held

% Holding

9,940,092	4.91
6,456,737	3.19
6,070,178	3.00
5,907,891	2.92
5,070,000	2.51
4,800,000	2.37
4,500,000	2.22
4,433,448	2.19
4,400,000	2.18
4,356,608	2.15
4,010,000	1.98
3,954,963	1.96
3,824,978	1.89
3,500,000	1.73
3,285,654	1.62
3,253,634	1.61
3,223,818	1.59
2,600,000	1.29
2,500,000	1.24
2,453,730	1.21
88,541,731	43.76

Additional Shareholder Information

As At 31 August 2007

4. Voting Rights

A registered holder of shares in the Company may attend general meetings of the Company in person or by proxy and on a poll may exercise one vote for each share held. There are no voting rights attached to options for ordinary shares until the options have been exercised.

5. Unlisted Options

There are unlisted options on issue, which may be exercised into fully paid ordinary shares on the following terms:

600,000	options exercisable at 11.05 cents on or before 31 December 2007
---------	--

6. General

The name of the Company Secretary is Ian Wallace.

The address of the principal registered office is:

Level 7, 410 Collins Street

MELBOURNE, VIC 3000

Telephone: +61 3 9670 4545

Facsimile: +61 3 9670 6670

A register of securities is kept at

Computershare Investor Services Pty Ltd

452 Johnston Street

ABBOTSFORD, VIC 3067

Telephone: 1300 137 328

7. Stock Exchange Listing

The company's ordinary securities are listed on the Australian Securities Exchange Limited.

