



Envirozel

FY08

Annual Report

Envirozel Limited and Controlled Entities

ABN 87 010 550 357

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Corporate Directory

DIRECTORS

M Findlay (Non-Executive Chairman)
G McKern (Non-Executive Deputy Chairman)
P Jones (Non-Executive Director)
K Fagg (Non-Executive Director)
G Burns (Non-Executive Director)

CHIEF EXECUTIVE OFFICER

A Powis

COMPANY SECRETARY and CHIEF FINANCIAL OFFICER

I Wallace

REGISTERED & PRINCIPAL OFFICE

Level 7, 410 Collins St
Melbourne, VIC 3000
T: +61 3 9670 4545
F: +61 3 9670 6670

SHARE REGISTRY

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

AUDITORS

Bentleys Melbourne Partnership
114 William Street
MELBOURNE, VIC 3000

BANKERS

Commonwealth Bank of Australia

STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
(Home Exchange - Melbourne)
ASX Code: EVZ



Chairman's Report

The Company has closed the financial year 2007/2008 with significant growth in both revenue and profit from the previous year. The EBIT of \$8.7m was a 40% increase over the previous year's figure of \$6.2m and revenue increased from \$48.3m to \$88.1m over the same period. This growth is not reflected in the NPAT line because the Company recognised a tax expense of \$1.845m compared to the previous year where tax losses were brought to account.

It is important to recognise that most of this growth eventuated from the inclusion of full year results from Danum Engineering, National Engineering and some ten months contribution from TSF Engineering. We achieved very little growth from the existing businesses during the year and it is clear that if EVZ is to progress, we must ensure that we optimise integration opportunities across the five businesses and that systems and cultures are developed to ensure that each business grows organically.

Over the last three months, a clear strategy has been developed to ensure initially a consolidation period and then plans for organic growth within the existing business. Acquisitions will only be pursued which are complementary to our existing operations or as part of a subsidiary roll up.

There have been a number of changes and achievements during the year which will better position the Company for growth in the next stage of its development:

- The appointment of Mr Andrew Powis as CEO and Mr Ian Wallace as CFO.
- With the resignation of Mr Geoff Coleman from the Board, two new external directors were appointed, Mr Graham Burns as a Non-Executive Director and my own appointment as Non-Executive Chairman after Mr Gordon McKern stepped down to become Deputy Chairman.
- The development for the first time of Business Plans for all business units.
- The establishment of additional branches which has increased our geographical business spread;
 - Syfon Systems – 1 branch in Brisbane and 1 in Singapore, and we have had several project wins in both areas.
 - TSF Engineering – 1 branch in Brisbane.
 - Brockman Engineering – has expanded its business opportunities in both NSW and Queensland.

There will be a further pursuit of business on a national scale to take advantage of growth opportunities including the resource, oil and gas industry sectors.

- Acquisition of TSF Engineering which, in the short term, has not performed as expected, however, it is projected to provide good growth opportunities from the second half of 2008/2009.



- There has been a consolidation throughout the Group to strengthen the safety culture across all of the operating units.
- We are committing Business Development resources in the operating divisions to become much more active in promoting the EVZ products and skill sets.

There are many other exciting changes occurring throughout the Company, which after a period of consolidation will provide a strong platform of growth.

The share price has reduced which reflects, in part, the overall stock market sentiment, but also a less than expected performance from the two latest acquisitions namely National Engineering and TSF Engineering. A significant amount of restructuring has occurred to ensure both businesses achieve their full potential.

In the short time since my appointment as Chairman, I have been delighted with the commitment and dedication of the Management Team in supporting change to ensure the ongoing growth and success of EVZ. The Board has also been totally committed to ensuring that EVZ is well positioned to provide increased shareholder value. I would also like to thank Geoff Coleman, who retired as a Director during the year, for his significant contribution to EVZ. The efforts of the whole team are greatly appreciated.

To our shareholders, thank you for supporting us through this period of consolidation, and you can be assured that your Board and Management Team are totally committed to ensuring that the exciting opportunities available to EVZ are achieved.

A stylized, handwritten signature in black ink, appearing to read 'Max Findlay'.

Max Findlay

Non-Executive Chairman

CEOs Report



2007-2008 has been a challenging year for Envirozel which has necessitated a number of changes within the Group which I believe will produce long term benefits to shareholders. However, with the prevailing market conditions and reduced risk appetite of the Investment Community, it will take time to see the benefit of these changes and the subsequent reflection in the share price.

The appointment of myself as CEO and Ian Wallace as CFO has provided specific focus on operational and managerial functions within the group. In particular, a comprehensive Management Team comprising the CEO, CFO and MD's of the subsidiary companies has now been formed to guide and drive the Company. Primary issues that have and are being addressed and acted upon include:

- Development of long range Business Plans and Budgets.
- Improved standardised reporting formats to provide timely and concise business performance information measured against approved Budgets.
- Business development and cross-selling opportunities between the subsidiary companies and clients has resulted in a number of multiple bid opportunities on relevant projects. To this end, a Group Capability Matrix is being finalised to enhance future project opportunities.
- An ongoing analysis of business risks impacting the Group is being undertaken.
- Workforce resources are being managed to limit labour shortages and retain work within the Group wherever possible.
- The Group has further enhanced its commitment to OHS&E as a result of the Group Strategic Safety Review. Many new initiatives and resources are now shared and reviewed between all companies on a regular basis.

Company Highlights

Key highlights from both a Corporate and operating business point of view are:

- Syfon Systems continued with a strong performance and has successfully opened a new office in Brisbane (which it shares with TSF Engineering). This move had an immediate impact and resulted in the receipt of a number of orders that might otherwise have gone to competitors.

Syfon Singapore has now been established and has subsequently received a number of orders including the Convention Centre Building which forms part of the Marina Bay Sands project, which is currently the most prestigious project in Singapore.

Syfon's forward order books, both in Australia and Malaysia (includes Singapore) continues to be strong, however, tighter margins are becoming more evident particularly in NSW.

- Brockman Engineering has also performed well and has a strong forward order book which includes the renewal of the Shell Corio Refinery contract for a period of 2½ years with a 1 year option. Brockman are also pushing interstate and have successfully secured a new project in Moree, Northern NSW. Although the Brockman result was strong, the second half results were adversely impacted by the delay in awarding work on a number of projects and we see this trend continuing.
- Danum Engineering under the circumstances, performed well, but obviously on a diminished work load. The loss of the Shell Maintenance Contract significantly influenced their second half result. The Shell contract represented 70% of Danum's revenue and EBIT base. In the long run Danum will benefit, as it has been forced to significantly diversify its customer base and geographic targets. The business has already replaced approximately 50% of the Shell work and is forecasting a steady performance this year, although margins remain tight.
- National Engineering had a difficult year and continues to feel the impact of the International credit squeeze due to its heavy reliance on retail projects, many of which have either been cancelled or delayed. The price of structural steel has increased by approximately 80% in the last 6 months which has resulted in a number of projects being re-designed to use structural concrete. We foresee these conditions continuing for the current year and have reacted by reducing the current workforce in Young, NSW by approximately 25%. We have also appointed a new MD to re-focus the business and address fundamental business principles.

Despite this negativity, there still appears to be many potential projects and we are in the process of appointing a new BDM, who will assist National Engineering to diversify their customer base.

- Cellular Beams. The Company has also recently entered into an exclusive licence agreement for Australia to manufacture and distribute "cellular" steel beams. A cellular beam is the modern version of the traditional 'castellated' beam. When a steel beam is "cellularised" it results in a beam approximately 40-60% deeper and therefore stronger than its parent section for the same weight.

CEOs Report (Continued)

In the current market of ever increasing steel prices, Builders and Engineers can achieve significant savings by utilising this technology. Whilst this technology will not have a significant impact in the new financial year, it is expected to impact on the construction market in the coming years. This technology has provided the EVZ Group with another significant niche market opportunity.

- TSF Engineering & TSF Maintenance. As previously reported on a number of occasions, the acquisition of TSF has been our most difficult to date. The process finally resulted in the removal and replacement of all the senior management positions in TSF except for the Manager of TSF Maintenance. This process was obviously traumatic, but has resulted in a substantially stronger organisation now equipped to grow into the future.

At the time of acquisition, TSF Engineering had a good forward order book. TSF's customers have now accepted that the new management team are well in control of the company and have the skill and expertise to grow the business.

Although this work maintained the business through its management transition phase, this work proved to be less profitable than expected.

Significant expansion of the previous customer base (which was heavily reliant on Telstra work) is also being targeted (and progressively achieved) to minimise risk exposure. Telstra embargos have impacted on TSF Engineering's results for the first two months of this year. However, the future for TSF Engineering is very positive, particularly in the emerging areas of co-generation and tri-generation power supply systems.

- The story with respect to TSF Maintenance is very pleasing. This business has effectively doubled its workload at double its previous charge out rate. Although this is a small business, we intend to expand on this opportunity to provide a recurring revenue base.

Health, Safety & Environment

During the year, all subsidiary companies were subjected to a Strategic Safety Audit. Although all of the businesses are required to comply with high levels of OHS&E standards on the various job sites, it became obvious that there were a number of differences between the various Company Safety policies at their own premises. A specialist has now been commissioned to prepare an umbrella framework and standardised reporting procedures which will encompass all companies in the Group and future acquisitions.

A high level of performance, compliance and achievement of a safe working environment sits at the core of our business success.

Our People

The strength of our Company is reliant on the quality and reliability of our employees. It is pleasing to note that in these times of tight labour supply for both blue and white collar workers, that we have successfully retained a consistent team of skilled people throughout the Company. This is even more significant when you take into account the diversity of our various businesses, and the new opportunities that are being pursued to expand and secure our future. None of this could have been achieved without the expertise and dedication of each of the subsidiary company MD's.

The Way Forward

We have now developed and adopted a comprehensive Strategic Plan to take us forward over the next 5 years. The salient points are as follows:

- Continue to integrate and consolidate the existing businesses. Target significant organic growth by expanding our customer base and product offering by developing a proactive (as opposed to reactive) approach to our existing and new customers. To achieve this, Business Development Managers are being employed in all companies and we will develop and diversify our customer base and product offering via a comprehensive Business Development Management Team.
- The acquisition of "bolt on" businesses will remain as a focus; however, we will ensure that any such businesses are complementary and compatible with the existing businesses.
- The current business/market climate would appear to be an excellent opportunity for strategic roll-ups and it is our intention to proceed down this path. There are many companies in a similar position to EVZ with similar offerings. It is our intention to build a national base for our "steel" based companies which will provide geographic diversity. This geographic diversity is a perfect base for Syfon Systems, TSF Engineering and Cellular Beams to build from as each of these companies has a unique niche market offering.

In closing, we are in tough and interesting times that present many opportunities. We are building a solid reliable business to capitalise on these various opportunities that will produce solid results in the medium to long term.



Andrew D Powis

CEO

Directors' Report

The Directors present their report on the financial statements of the Company and economic entity for the year ended 30 June 2008. 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:

Max FINDLAY (appointed 14 May 2008)

Gordon McKERN

Peter JONES

Keith FAGG

Graham BURNS (appointed 1 February 2008)

Geoff COLEMAN (resigned 31 May 2008)

INFORMATION ON DIRECTORS

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



Max Findlay

Appointed to the Board 14 May 2008 – Non-Executive Director
Appointed 1 July 2008 – Non-Executive Chairman.

Mr Findlay was the Managing Director of Programmed Maintenance Services Limited from 1988 to 2008 and accumulated significant and relevant experience in the strategy, planning, management and marketing of a growing industrial organisation.

Mr Findlay has a Bachelor of Economics and is a Fellow of the Australian Institute of Company Directors. Mr Findlay is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Interest in Shares 245,000



Gordon McKern

Appointed to the Board 15 December 2003 – Non-Executive Director
Appointed 1 July 2008 – Non-Executive Deputy Chairman.

Mr McKern has extensive experience in the water and steel industries. Mr. McKern was the previous Chairman of the Coliban Water Authority and has been a key participant in the Victorian Government's restructuring of local governments.

Mr McKern is a Fellow of the Australian Institute of Company Directors. Mr McKern is a member of the Nomination Committee and Remuneration Committee.

Interest in Shares 8,193,993



Peter Jones

Appointed to the Board 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.

Interest in Shares 7,713,748



Keith Fagg

Appointed to the Board 20 December 2005 - Non-Executive Director.

Mr Fagg owns and operates the Fagg's Mitre 10 business, one of the largest in Australia in the Mitre 10 Group. Mr Fagg has wide-ranging managerial skills. Mr Fagg is a member of the Audit Committee.

Interest in Shares 1,494,169



Graham Burns

Appointed to the Board 1 February 2008 – Non-Executive Director

Mr Burns has extensive managerial skills and experience in the property, retail and manufacturing sectors. He is currently the Chief Executive of Hunter Land which is the largest industrial developer in the Hunter Region of New South Wales.

Mr Burns is Chairman of the Remuneration Committee.

Interest in Shares 1,200,000

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	
	No. Attended	No. Held Whilst a director	No. Attended	No. Held Whilst a member
M Findlay - Chairman (appointed 14 May 2008)	2	2	0	0
G McKern - Deputy Chairman	12	13	0	0
P Jones	13	13	3	3
K Fagg	13	13	3	3
G Burns (appointed 1 February 2008)	5	6	Not applicable	Not applicable
G Coleman (resigned 31 May 2008)	11	12	2	3

REMUNERATION COMMITTEE MEETINGS

Total number of meetings held:	4	
	No. Attended	No. Held Whilst a member
M Findlay (appointed 14 May 2008)	0	0
G McKern	1	1
P Jones	3	3
K Fagg	3	3
G Burns (appointed 1 February 2008)	0	1
G Coleman (resigned 31 May 2008)	4	4

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 syfonic roof drainage systems to major buildings including airports, shopping centres and sporting venues throughout Australia and south-east Asia.
- Manufacture, service and maintenance of large steel tanks for use in the water, petrochemical and chemical industries,
- Construction, on-site installation, maintenance and shutdown engineering services to petrochemical, aluminium, glass, cement, defence and agriculture industries.
- Design, installation and maintenance of base and back up power generation equipment, communications equipment and marine installations.
- Fabrication and erection of structural steelwork, for large commercial, industrial and retail projects.

OPERATING RESULTS

The operating result for the economic entity for the year after income tax expense was a profit of \$5,004,760 compared to a profit after income tax expense in 2007 of \$5,959,653. The 2007 comparative included the benefit of previously unrecognised carry forward tax losses.

DIVIDENDS

Since the start of the financial year the company paid an interim fully franked dividend on 9 January 2008 of 0.5 cents per share. On 30 May 2008 the company paid a final fully franked dividend of 0.75 cents per share.

REVIEW OF ACTIVITIES

During the year under review the Company:

- Set the foundations for its next stage of growth with the appointment of a Chief Executive Officer, a Chief Financial Officer and the appointment of a Non-Executive Chairman with significant experience in the strategy, planning, management and marketing of a growing industrial organisation.
- Established a comprehensive strategy for organic growth across existing businesses, including geographic expansion and acquisitions complementary to existing operations.
- Completed the acquisition of the TSF Engineering business. This acquisition was the most difficult of all of EVZ's acquisitions which reduced the impact of this business on Group results for the year. However, TSF Engineering has been fully integrated into the EVZ Group and will be a significant contributor to the Company in coming years.
- The syfonic roof drainage business, Syfon Systems, opened an office in Brisbane (also shared with TSF Engineering) which had an immediate impact with the winning of a number of additional Queensland based contracts.
- Syfon Systems successfully established a presence in the Singapore market and has since won several contracts in the region.
- Now has a presence along the Australian eastern seaboard, Malaysia and Singapore and will continue to seek suitable markets for its products and services and for acquisition opportunities throughout Australia and other Asian regions.
- Entered into an exclusive Australian licence agreement to manufacture and distribute "cellular" steel beams. This technology has provided the EVZ Group with another significant niche market opportunity.
- Commenced paying Dividends for the first time in its history.
- 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 TSF Engineering, through its subsidiary TSF Engineering Pty Ltd. TSF Engineering designs, installs and maintains base and back up power generation equipment, communications equipment and marine installations.

SUBSEQUENT EVENTS

There have not been any matters or circumstances, other than those referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have 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

There are no share options.

ENVIRONMENTAL REGULATION

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

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.



Directors' Report (Continued)

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that any provision of 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 do 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board

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, Bentleys Melbourne Partnership. This is included on page 15 of this financial report.



Directors' Report (Continued)

Remuneration Report

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Envirozel Limited, and for 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 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 caliber 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. Option based remuneration is 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

The Company has established the Envirozel Limited Division 13A Tax Exempt Share Plan which has been approved at a General Meeting of shareholders held on 27 March 2007. During the year employees participated in the plan. Participating employees were entitled to acquire the equivalent of \$1000 in ordinary shares in the company. These vested ordinary shares were issued at a weighted average market price of \$0.513. A total of 590,547 ordinary shares were issued under this plan. Participating employees are prohibited from selling or disposing of these shares unless and until the third anniversary of the date on which the shares were granted and the date on which the employee has ceased employment.

There were no further shares or options issued as part of remuneration during the year to 30 June 2008.

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, Directors and Executives.

Directors' Report (Continued)

Remuneration Report (Continued)

Details of remuneration for the year ended 30 June 2008

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

Directors 2008	Salary \$	Fees \$	Non-Cash Benefits \$	Superannuation Contributions \$	Total \$
M Findlay (appointed 14 May 2008)	-	12,500	-	-	12,500
G McKern	126,667	-	-	90,000	216,667
P Jones	-	52,500	-	-	52,500
K Fagg	-	22,500	-	22,500	45,000
G Burns (appointed 1 February 2008)	-	18,750	-	-	18,750
G Coleman (resigned 31 May 2008)	-	41,270	-	-	41,270
	126,667	147,520	-	112,500	386,687

2007

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

Key management personnel of the economic entity

2008	Salary \$	Share based remuneration \$	Non-Cash Benefits \$	Superannuation Contributions \$	Total \$
A Powis - (Chief Executive Officer)	165,181	1,000	2,277	95,409	263,867
I Wallace - (Chief Financial Officer and Company Secretary)	153,261	-	-	35,269	188,530
A Bellgrove - (Managing Director Syfon Systems Pty Ltd)	234,677	1,000	-	13,530	249,207
M Goddard - (Managing Director Brockman Engineering Pty Ltd)	113,421	1,000	21,330	91,064	226,815
V Juchima - (Managing Director Danum Engineering Pty Ltd)	246,039	1,000	-	27,109	274,148
D Williams - (Managing Director National Engineering Pty Ltd)	140,002	1,000	26,693	100,000	267,695
A Green - (Managing Director TSF Engineering Pty Ltd - commenced 15 November 2007)	132,392	-	-	11,893	144,285
	1,184,973	5,000	50,300	374,274	1,614,547

2007

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
	972,299	-	65,035	245,362	1,282,696

Directors' Report (Continued)

Remuneration Report (Continued)

Details of remuneration for the year ended 30 June 2008 (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

Chief Executive Officer

- The agreement has no fixed term. There are no incentive terms within the agreement.

I Wallace

Chief Financial Officer and Company Secretary

- The agreement has no fixed term. There are no incentive terms within the agreement.

A Bellgrove

Managing Director - Syfon Systems Pty Ltd

- The agreement has no fixed term. There were no incentive terms within the agreement.

M Goddard

Managing Director - Brockman Engineering Pty Ltd

- The agreement has no fixed term. There are no incentive terms within the agreement.

V Juchima

Managing Director - Danum Engineering Pty Ltd

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

D Williams

Managing Director - National Engineering Pty Ltd

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

A Green

Managing Director - TSF Engineering Pty Ltd

- The agreement has no fixed term. There are no incentive terms within the agreement.

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



Director – M Findlay

Signed at Melbourne this 26th day of September 2008

Corporate Governance Statement

For the year ended 30 June 2008

The Board of Directors has adopted a set of Corporate Governance Practices and a Code of Conduct in line with 'Best Practice Recommendations' released by the Australian Securities Exchange adapted where appropriate for the size, complexity and operations of the Company and its controlled entities. The ongoing relevance and effectiveness of this framework is periodically reviewed to reflect changing circumstances and ways of improving the practices.

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 it is 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. Ensuring the health, safety and well-being of Directors, Officers, Employees and Contractors.
3. Strategy formulation.
4. Overseeing planning activities.
5. Shareholder liaison.
6. Monitoring, compliance and risk management.
7. Monitoring Group finances and exposures.
8. Monitoring Group human resource matters.
9. Delegation of appropriate authority to Management.
10. Determining appropriate remuneration policy.
11. Nomination of additional Directors.

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 five Directors, of which four 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.

During the period to 29 February 2008, the Board believed it was appropriate to have an Executive Chairman who had expertise crucial to the growth and development of the economic entity. From 1 March 2008, the Chairman became a Non-Executive Chairman with the appointment of a Chief Executive Officer. However, from 1 July 2008, the Board considers it is now at an appropriate stage of its growth to appoint an Independent Director as the Non-Executive Chairman.

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 has now established a Nomination Committee, comprised of the Chairman and Deputy Chairman. This committee will 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), M Findlay and K Fagg. Their qualifications are detailed in the Directors' Report. The Audit Committee considers the financial reports with Management and the external Auditors prior to recommending the reports to the full Board of Directors.

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

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 ASX 'Listing Rules' the Company immediately notifies the ASX of relevant information concerning the Company. Information which falls into the ASX 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.

Corporate Governance Statement (Continued)

For the year ended 30 June 2008

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 has a 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 Chief Executive Officer and Chief Financial Officer have 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

Following completion of the financial 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 Burns (Chairman), M Findlay and G McKern. The Remuneration Committee is responsible for:

1. Setting the remuneration and conditions of service of all Executive and Non-Executive Directors and Senior Executive Officers.
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 Executive Officers in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders.

Senior Executive Officers 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.

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.



Bentleys Melbourne Partnership

ABN 47 075 804 075
Audit & Assurance Services

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au
www.melb.bentleys.com.au

**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 2008 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 MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS**

**MARTIN FENSOME
PARTNER**

Dated in Melbourne on this 25 day of September 2008

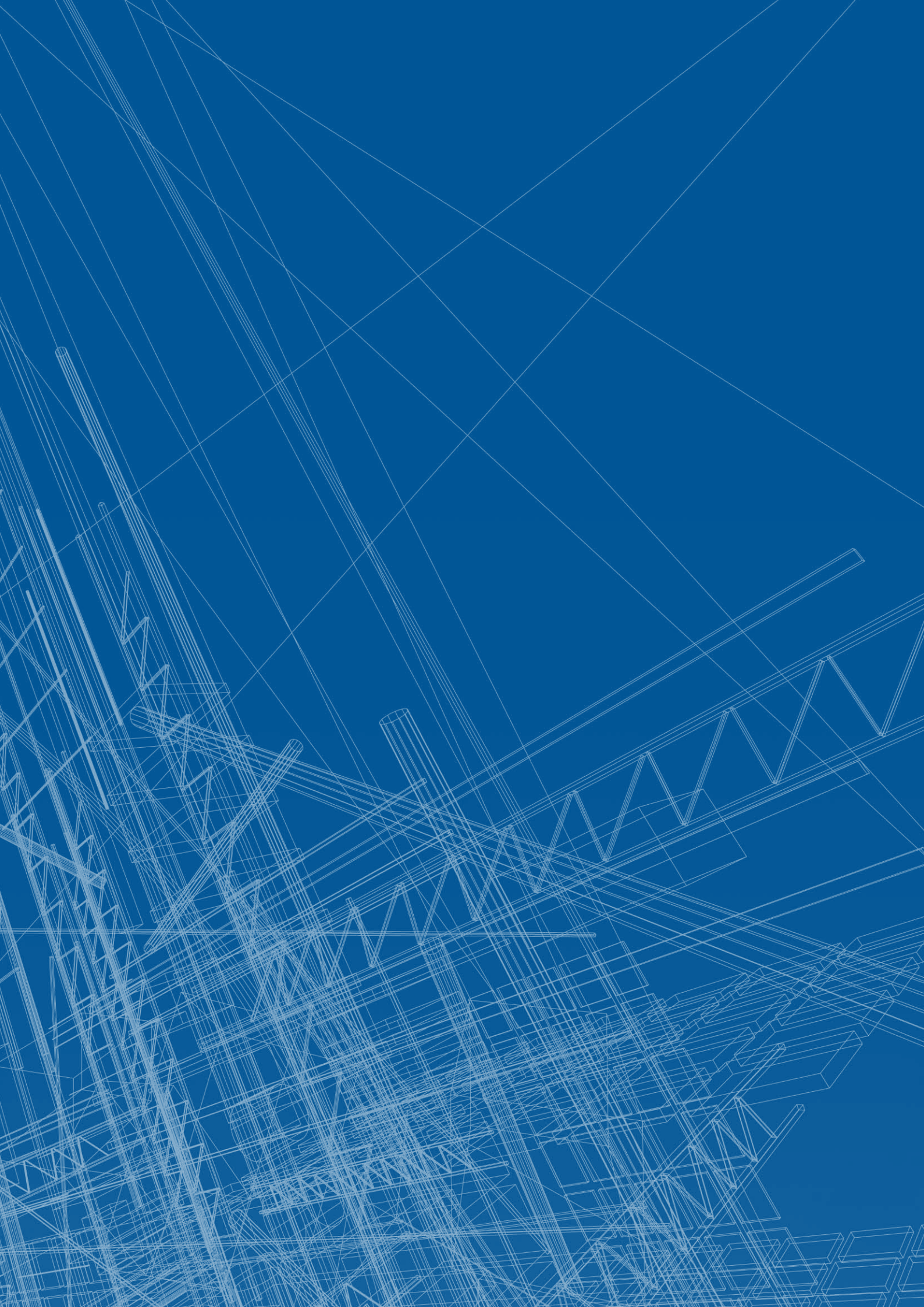


Chartered Accountants and Business Advisors

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Financial Statements

Envirozel Limited
and Controlled Entities

ABN 87 010 550 357

Income Statements

For the year ended 30 June 2008

	Notes	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
Revenue	2(a)	88,140,861	48,362,408	6,791,552	846,371
Other income	2(b)	-	237,600	-	237,600
Expenses:					
Marketing expense		(548,361)	(454,302)	(135,970)	(71,788)
Cost of sales		(66,992,194)	(36,218,761)	-	-
Corporate and administration		(11,434,647)	(5,264,256)	(1,733,076)	(973,321)
Finance costs		(1,247,954)	(518,275)	(1,225,871)	(483,464)
Business development costs		(759,679)	(643,942)	(545,461)	(114,405)
Share based payments		(305,383)	-	(305,383)	-
Profit/(loss) before income tax		6,852,643	5,500,472	2,845,791	(559,007)
Income tax expense/(benefit)	3	1,847,883	(459,181)	(837,611)	(2,362,503)
Profit from continuing operations		5,004,760	5,959,653	3,683,402	1,803,496
Profit from discontinued operations		-	-	-	-
Profit for the year		5,004,760	5,959,653	3,683,402	1,803,496
Profit attributable to minority interest		-	-	-	-
Profit attributable to members of the parent entity	16	5,004,760	5,959,653	3,683,402	1,803,496
		Cents per share	Cents per share	Cents per share	Cents per share
Overall operations					
Basic earnings per share	17	2.46	3.56	1.81	1.08
Diluted earnings per share	17	2.46	3.55	1.81	1.08
Continuing operations					
Basic earnings per share	17	2.46	3.56	1.81	1.08
Diluted earnings per share	17	2.46	3.55	1.81	1.08

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

Balance Sheets

As at 30 June 2008

	Notes	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
CURRENT ASSETS					
Cash and cash equivalents	22	3,138,980	8,275,124	150,095	1,116,885
Trade and other receivables	4	18,706,149	13,017,676	216,474	278,426
Inventories	5	2,179,571	2,566,334	-	-
TOTAL CURRENT ASSETS		24,024,700	23,859,134	366,569	1,395,311
NON-CURRENT ASSETS					
Trade and other receivables	4	714,290	338,730	38,754,001	23,445,512
Financial Assets	6	11,433	25,000	3,746,587	3,760,154
Plant and Equipment	7	6,063,293	5,439,545	57,478	4,205
Deferred Tax Assets	8	1,994,387	2,180,273	1,158,935	1,386,089
Intangible Assets	9	30,796,263	14,769,867	-	-
TOTAL NON-CURRENT ASSETS		39,579,666	22,753,415	43,717,001	28,595,960
TOTAL ASSETS		63,604,366	46,612,549	44,083,570	29,991,271
CURRENT LIABILITIES					
Trade and other payables	10	12,088,879	17,071,151	406,931	6,717,591
Current tax liabilities	8	1,511,823	961,333	1,335,123	961,333
Short-term borrowings	11	99,283	304,938	-	250,000
TOTAL CURRENT LIABILITIES		13,699,985	18,337,422	1,742,054	7,928,924
NON-CURRENT LIABILITIES					
Long-term borrowings	12	12,691,202	6,032,864	12,550,000	5,950,000
Deferred tax liabilities	8	3,576	3,817	-	-
Other long term provisions	13	96,260	96,467	-	-
TOTAL NON-CURRENT LIABILITIES		12,791,038	6,133,148	12,550,000	5,950,000
TOTAL LIABILITIES		26,491,023	24,470,570	14,292,054	13,878,924
NET ASSETS		37,113,343	22,141,979	29,791,516	16,112,347
EQUITY					
Issued Capital	14	46,023,159	33,430,541	46,023,159	33,430,541
Reserves	16	165,469	194,632	198,700	198,700
Accumulated losses	16	(9,075,285)	(11,483,194)	(16,430,343)	(17,516,894)
TOTAL EQUITY		37,113,343	22,141,979	29,791,516	16,112,347

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

Statements of Changes In Equity

For the year ended 30 June 2008

Economic Entity

	Issued Capital \$	Accumulated Losses \$	Capital Reserves \$	Foreign Currency Translation Reserve \$	Total \$
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	-	-	-	-	-
Balance at 30 June 2007	33,430,541	(11,483,194)	198,700	(4,068)	22,141,979
Balance at 1 July 2007	33,430,541	(11,483,194)	198,700	(4,068)	22,141,979
Shares issued during the year	12,592,618	-	-	-	12,592,618
Profit attributable to members of parent entity	-	5,004,760	-	-	5,004,760
Adjustments from translation of foreign controlled entities	-	-	-	(29,163)	(29,163)
Sub-total	46,023,159	(6,478,434)	198,700	(33,231)	39,710,194
Dividends paid or provided	-	(2,596,851)	-	-	(2,596,851)
Balance at 30 June 2008	46,023,159	(9,075,285)	198,700	(33,231)	37,113,343

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

Statement of Changes In Equity (Continued)

For the year ended 30 June 2008

Parent Entity

	Issued Capital \$	Accumulated Losses \$	Capital Reserves \$	Total \$
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	-	-	-	-
Balance at 30 June 2007	33,430,541	(17,516,894)	198,700	16,112,347
Balance at 1 July 2007	33,430,541	(17,516,894)	198,700	16,112,347
Shares issued during the year	12,592,618	-	-	12,592,618
Profit attributable to members of parent entity	-	3,683,402	-	3,683,402
Sub-total	46,023,159	(13,833,492)	198,700	32,388,367
Dividends paid or provided	-	(2,596,851)	-	(2,596,851)
Balance at 30 June 2008	46,023,159	(16,430,343)	198,700	29,791,516

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 2008

	Notes	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		88,400,421	50,082,633	3,946,644	3,175,000
Payments to Suppliers & Employees (inclusive of GST)		(85,766,367)	(42,544,686)	(2,167,572)	(1,004,642)
Dividends received		-	-	5,303,402	-
Income tax paid		(1,207,506)	(17,696)	(1,192,304)	-
Interest received		460,320	158,587	38,310	55,275
Finance costs		(1,247,954)	(518,275)	(1,225,871)	(483,464)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	22(ii)	638,914	7,160,563	4,702,609	1,742,169
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for controlled entities		(21,641,555)	(11,232,056)	-	-
Loans to controlled entities		-	-	(21,641,555)	(11,232,056)
Proceeds from sale of plant and equipment		103,618	14,091	-	-
Purchase of plant and equipment		(1,203,172)	(439,417)	(68,228)	(4,602)
NET CASH FLOWS USED BY INVESTING ACTIVITIES		(22,741,109)	(11,657,382)	(21,709,783)	(11,236,658)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends Paid by Parent Entity		(2,310,916)	-	(2,310,916)	-
Proceeds from Shares Issued		12,001,300	7,851,173	12,001,300	7,851,173
Proceeds - Loans		11,300,000	5,200,000	11,300,000	5,200,000
Repayment of Loans		(4,950,000)	(3,100,000)	(4,950,000)	(3,100,000)
Proceeds from Lease Financing		121,419	95,480	-	-
Payments for Lease Financing		(46,520)	(32,179)	-	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		16,115,283	10,014,474	16,040,384	9,951,173
NET INCREASE /(DECREASE) IN CASH HELD		(5,986,912)	5,517,655	(966,790)	456,684
Net Cash Balance Acquired	32	822,984	1,029,069	-	-
Cash at beginning of financial year		8,275,124	1,728,400	1,116,885	660,201
CASH AT END OF FINANCIAL YEAR	22(i)	3,111,196	8,275,124	150,095	1,116,885

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 2008

1. Summary of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Envirozel Limited and controlled entities ('Economic Entity' or 'Group'), and the separate financial statements and notes of Envirozel Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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 29 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.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

1. Summary of Significant Accounting Policies (Continued)

(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.

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 buildings 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 and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

1. Summary of Significant Accounting Policies (Continued)

(g) Financial Instruments (Continued)

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 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.

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.

The group operates an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense with a corresponding increase to an equity account. The shares issued under the employee share scheme vest immediately.

(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.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

1. Summary of Significant Accounting Policies (Continued)

(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, including management fees charged to controlled entities, is recognised upon the delivery of the service to the customers or controlled entity.

(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 the income statement 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.

(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 2008.

The financial report was authorised for issue on 26 September 2008 by the Board of Directors.

2. Profit

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
(a) REVENUE				
Sales	87,513,967	48,147,725	-	-
Interest Received or Receivable	460,320	158,587	38,310	55,275
Sundry Income	166,574	56,096	-	5,796
Dividends from controlled entities	-	-	5,303,242	-
Management Fees from controlled entities	-	-	1,450,000	785,300
	88,140,861	48,362,408	6,791,552	846,371
(b) OTHER INCOME				
Gain on sale of Investments	-	237,600	-	237,600
	-	237,600	-	237,600
(c) PROFIT FOR THE YEAR				
Expenses:				
Movement in Employee Benefits	(445,831)	200,533	25,134	-
Bad Debts	4,715	82,000	-	-
Operating Lease Payments	970,845	380,421	44,091	24,985
Finance Costs - External	1,247,954	518,275	1,225,871	483,464
Depreciation of Plant & Equipment	805,937	396,109	14,955	3,599

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
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	6,852,643	5,500,472	2,845,791	(559,007)
Income tax calculated at 30% (2007: 30%)	2,055,793	1,650,142	853,737	(167,702)
Tax effect of permanent differences	(123,185)	70,206	(1,586,143)	2,424
Under provision/(over provision) in prior years	(99,710)	-	(99,710)	-
Taxation paid by offshore subsidiary	20,480	17,696	-	-
Deferred tax assets not previously brought to account	-	(7,538)	-	(7,538)
Prior year tax losses not previously brought to account	(5,495)	(2,189,687)	(5,495)	(2,189,687)
Income Tax Expense/(Benefit)	1,847,883	(459,181)	(837,611)	(2,362,503)
<i>The applicable weighted average effective tax rates are as follows:</i>	27%	(8%)	(29%)	423%
(b) The components of tax expense comprise:				
Current tax	1,961,977	1,797,966	(689,362)	(157,478)
Deferred tax	(8,889)	(59,922)	(43,044)	(7,800)
Deferred tax assets not previously brought to account	-	(7,538)	-	(7,538)
Under provision/(over provision) in prior years	(99,710)	-	(99,710)	-
Prior year tax losses not previously brought to account	(5,495)	(2,189,687)	(5,495)	(2,189,687)
	1,847,883	(459,181)	(837,611)	(2,362,503)
4. Trade and Other Receivables				
Current				
Trade Receivables	14,709,698	9,705,649	-	-
Amounts due from Customers for Construction Contracts (refer note 31)	3,230,894	2,296,220	-	-
Retention Receivables	309,019	326,347	-	-
Due from Controlled Entities	-	-	149,631	-
	18,249,611	12,328,216	149,631	-
Other Debtors and Prepayments	456,538	689,460	66,843	278,426
	18,706,149	13,017,676	216,474	278,426
Non Current				
Due from Controlled Entities	-	-	38,754,001	23,445,512
Other Debtors and Prepayments	542,638	-	-	-
Retention Receivables	171,652	338,730	-	-
	714,290	338,730	38,754,001	23,445,512

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 certain construction contracts. The monies are received after a contracted period of time has elapsed following completion of the construction.

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

There are no balances within trade and other receivables that contain assets that are not impaired. It is expected these balances will be received when due. Impaired assets are provided for in full.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
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5. Inventories

Current

Raw Materials and Stores – at cost	1,666,852	1,506,834	-	-
Work In Progress – at cost	512,719	1,059,500	-	-
	2,179,571	2,566,334	-	-

6. Financial Assets

Non-Current Assets

Investment in Controlled Entities (Note 29)	-	-	3,735,154	3,735,154
Funds on Deposit	11,433	25,000	11,433	25,000
	11,433	25,000	3,746,587	3,760,154

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

7. Plant and Equipment

Plant and Equipment

At Cost	7,512,994	6,072,188	74,848	7,617
Accumulated Depreciation	(1,449,701)	(632,643)	(17,370)	(3,412)
	6,063,293	5,439,545	57,478	4,205

Movement in carrying amounts

Carrying amount – Opening Balance	5,439,545	2,093,057	4,205	3,202
Additions	1,203,172	439,417	68,228	4,602
Disposals	(183,086)	(50,155)	-	-
Depreciation	(805,937)	(396,109)	(14,955)	(3,599)
Exchange Rate Adjustment	(6,346)	(5,345)	-	-
Fixed Assets acquired on acquisition of controlled entities	415,945	3,358,680	-	-
Carrying amount – Closing Balance	6,063,293	5,439,545	57,478	4,205

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

8. Tax Assets and Liabilities

TAX ASSETS

NON-CURRENT

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
Deferred tax assets	1,994,387	2,180,273	1,158,935	1,386,089
Deferred tax assets comprise:				
Provisions	730,679	789,007	31,633	-
Other	163,155	20,516	26,749	15,339
Un-recouped tax losses	1,100,553	1,370,750	1,100,553	1,370,750
	1,994,387	2,180,273	1,158,935	1,386,089

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

Provisions

Opening balance	789,007	299,420	-	-
Credited to income account	(133,750)	60,161	31,633	-
Deferred tax assets acquired	75,422	429,426	-	-
	730,679	789,007	31,633	-

Other

Opening balance	20,516	13,217	15,339	-
Credited to income account	142,639	(239)	11,410	7,801
Deferred tax assets not previously recognised	-	7,538	-	7,538
	163,155	20,516	26,749	15,339

Unrecouped tax losses

Opening balance	1,370,750	-	1,370,750	-
Tax losses recouped	(275,692)	(818,937)	(275,692)	(818,937)
Deferred tax assets not previously recognised	5,495	2,189,687	5,495	2,189,687
	1,100,553	1,370,750	1,100,553	1,370,750

Closing balance

	1,994,387	2,180,273	1,158,935	1,386,089
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TAX LIABILITIES

CURRENT

Income Tax	1,511,823	961,333	1,335,123	961,333
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NON-CURRENT

Provision for Deferred Tax	3,576	3,817	-	-
Opening balance	3,817	4,098	-	-
Additional Provisions raised during year	-	-	-	-
Exchange rate movement	(241)	(281)	-	-
Closing balance	3,576	3,817	-	-

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
9. Intangible Assets				
Goodwill on Consolidation	3,282,532	3,282,532	-	-
Goodwill on Acquisition	27,513,731	11,487,335	-	-
	30,796,263	14,769,867	-	-

Movements in carrying amounts

	Economic Entity 2008 \$	Economic Entity 2007 \$
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	11,487,335	674,229
Acquisitions through business combinations	16,026,396	10,813,106
Closing balance	27,513,731	11,487,335

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	23,932,529	8,114,871
Steel Fabrication	2,906,973	2,698,235
Total	30,796,263	14,769,867

The Group has incurred further costs relating to acquisitions which have been taken directly to goodwill. These costs were incurred within 12 months of the relevant acquisition. With respect to the Engineering Services segment, during the measurement period the Group retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of acquisition date and, if known would have affected the measurement of the amounts recognised as of that date.

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 maximum seven 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:

	2008	2007
Growth Rate	7.5%	3%
Discount Rate	6.82%	6.46%

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 2008

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
10. Trade and Other Payables				
Current - unsecured				
Trade payables	5,883,051	6,670,295	120,198	161,337
Sundry payables and accrued expenses	3,866,492	7,867,301	181,291	6,556,254
Employee benefits	2,339,336	2,533,555	105,442	-
	12,088,879	17,071,151	406,931	6,717,591

Included in the prior year Sundry payables and accrued expenses is an amount of \$1,300,000, which represented 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 the prior year Sundry payables and accrued expenses is an amount of \$5,106,189, which represented 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	-	250,000
Bank Overdraft	27,784	-	-	-
Lease Liabilities (Note 24) - Secured	71,499	54,938	-	-
	99,283	304,938	-	250,000

12. Borrowings

Long-term borrowings

Bank Loans - Secured	12,550,000	5,950,000	12,550,000	5,950,000
Lease Liabilities (Note 24) - Secured	141,202	82,864	-	-
	12,691,202	6,032,864	12,550,000	5,950,000

Bank Loans are in the form of Commercial Bank Bill facilities. Of the total drawn facility, \$4,250,000 has a fixed interest rate. The balance is at variable interest rates.

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, National Engineering Pty Ltd and TSF Engineering Pty Ltd. Covenants within bank borrowings require the company to maintain a debt service coverage ratio equal to or greater than 1.7.

13. Other Long Term Provisions

Non-Current

Employee Benefits	96,260	96,467	-	-
Movement				
Opening balance	96,467	22,910	-	-
Additional Provisions raised during year	(207)	73,557	-	-
Closing balance	96,260	96,467	-	-

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 are disclosed in note 1.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
14. Issued Capital				
Issued and Paid Up				
207,348,755 ordinary shares (2007: 181,558,894 ordinary shares)	45,720,208	33,430,541	45,720,208	33,430,541
590,659 fully paid employee shares (2007: Nil ordinary shares)	302,951	-	302,951	-
	46,023,159	33,430,541	46,023,159	33,430,541

	Economic Entity 2008 \$	Parent 2008 \$
(a) Issued and Fully Paid Up		
Opening balance	33,430,541	33,430,541
<u>Shares Issued During the year</u>		
2 July 2007	335,000	335,000
30 August 2007	9,600,000	9,600,000
5 September 2007	2,002,500	2,002,500
15 November 2007	66,300	66,300
9 January 2008	285,867	285,867
Closing balance	45,720,208	45,720,208
	2008 No.	2008 No.
Opening balance	181,558,894	181,558,894
<u>Shares Issued During the year</u>		
2 July 2007	705,694	705,694
30 August 2007	20,000,000	20,000,000
5 September 2007	4,005,000	4,005,000
15 November 2007	600,000	600,000
9 January 2008	479,167	479,167
Closing balance	207,348,755	207,348,755

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) Fully paid employee shares

During the year the Company issued fully paid ordinary shares under the Envirozel Limited Division 13A Tax Exempt Share Plan. Shares issued to each participating employee under this plan rank equally with all other ordinary issued shares in all respects including voting rights and entitlement to participate in dividends, future rights and bonus issues. The participating employee must not sell or dispose of the employee shares until the earlier of the third anniversary of the date on which the shares were allocated and the date on which the employee has ceased employment.

(c) Share Options:

The following table shows the movement in options to subscribe for ordinary shares in the Company for the year ended 30 June 2008.

Opening Options on issue	Class	Expiry Date	Ordinary Shares Entitlements	Exercise Price	Exercised During Year	Lapsed / Cancelled	Options Not Yet Exercised
600,000	ordinary	31/12/2007	600,000	\$0.1105	600,000	-	-
600,000					600,000	-	-

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

14. Issued Capital (Continued)

(d) Capital Management:

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements. Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The economic entity gearing ratio is represented as net debt as a percentage of total capital and is determined as follows:

- Net debt is total bank borrowings less cash and cash equivalents,
- Total capital is total equity and net debt.

As at 30 June 2008 the economic entity's gearing ratio was 21% (2007: 17%).

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
15. Dividends				
Interim fully franked ordinary dividend of 0.5 cents per share (2007: Nil) franked at the tax rate of 30%	1,037,303	-	1,037,303	-
Final fully franked ordinary dividend of 0.75 cents per share (2007: Nil) franked at the tax rate of 30%	1,559,548	-	1,559,548	-
	2,596,851	-	2,596,851	-
Balance of Franking Account	94,571	-	94,571	-

16. Reserves and Accumulated Losses

(a) Accumulated Losses

Accumulated losses at the beginning of the financial year	(11,483,194)	(17,442,847)	(17,516,894)	(19,320,390)
Net Profit	5,004,760	5,959,653	3,683,402	1,803,496
	(6,478,434)	(11,483,194)	(13,833,492)	(17,516,894)
Dividends paid/declared	(2,596,851)	-	(2,596,851)	-
Accumulated losses at the end of the financial year	(9,075,285)	(11,483,194)	(16,430,343)	(17,516,894)

(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	(4,068)	24,243	-	-
Movement for year	(29,163)	(28,311)	-	-
Reserve at end of year	(33,231)	(4,068)	-	-
	165,469	194,632	198,700	198,700

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

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

	Economic Entity 2008 No.	Economic Entity 2007 No.	Parent 2008 No.	Parent 2007 No.
17. Earnings Per Share				
(a) Weighted average number of ordinary shares outstanding during the year used in calculation of Basic Earnings Per Share	203,215,315	167,350,405	203,215,315	167,350,405
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of Diluted Earnings Per Share	203,215,315	167,950,405	203,215,315	167,950,405

18. Key Management Personnel

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Mr M Findlay	Non-Executive Chairman. Appointed as Non-Executive Director 14 May 2008
Mr G McKern	Non-Executive Deputy Chairman. Held position of Executive Chairman to 29 February 2008 and Non-Executive Chairman from 29 February 2008 to 30 June 2008.
Mr P Jones	Non-Executive Director
Mr K Fagg	Non-Executive Director
Mr G Burns	Non-Executive Director. Appointed 1 February 2008
Mr G Coleman	Non-Executive Director. Resigned 31 May 2008
Mr A Powis	Chief Executive Officer
Mr I Wallace	Chief Financial Officer
Mr A Bellgrove	Managing Director of Syfon Systems Group
Mr M Goddard	Managing Director of Brockman Engineering
Mr V Juchima	Managing Director of Danum Engineering
Mr D Williams	Managing Director of National Engineering. Resigned 31 August 2008.
Mr N Chapman	Managing Director of National Engineering. Appointed 1 September 2008.
Mr A Green	Managing Director of TSF Engineering Group

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
19. Auditors Remuneration				
Remuneration paid/payable to Auditors for:				
- audit or review of financial report	158,552	97,686	158,552	97,686
- taxation services	-	-	-	-
	158,552	97,686	158,552	97,686

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

20. Related Party Disclosures

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

Mr M Findlay (appointed 14 May 2008)
Mr G McKern
Mr P Jones
Mr K Fagg
Mr G Burns (appointed 1 February 2008)
Mr G Coleman (resigned 31 May 2008)

(b) Transactions with director related entities

- Consulting fees of \$Nil (2007: \$Nil) were paid and \$12,500 (2007: \$Nil) is payable to M Findlay.
- Consulting fees of \$22,500 (2007: \$62,917) were paid and \$22,500 (2007: \$ Nil) is payable to K Fagg.
- Consulting fees of \$52,500 (2007: \$40,000) were paid and \$11,250 (2007: \$11,250) is payable to Stuart Andrew Pty Ltd, a company in which Mr P Jones has a beneficial interest.
- As at 30 June 2008, accrued remuneration payable to Gordon McKern was \$12,500 (2007: \$50,000).
- Consulting fees of \$7,500 (2007: \$Nil) were paid and \$11,250 (2007: \$Nil) is payable to G Burns.
- Consulting fees of \$52,520 (2007: \$42,916) were paid and \$Nil (2007: \$11,250) is payable to G Coleman

(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 as at 30 June 2008 was as follows:

	Parent 2008 No.	Parent 2007 No.
Ordinary Shares	18,654,459	18,265,485

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

On Market acquisitions	2,183,828 shares
Dividend Reinvestment Plan	79,195 shares

During the year Mr Coleman ceased to be a Director. At the date of his resignation Mr Coleman held 1,874,049 shares in Envirozel Ltd.

Subsequent to balance date the Directors have acquired a further 192,451 shares from market acquisitions.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

21. Segment Reporting

Primary Reporting

Business Segments	Roof Drainage 2008 \$	Roof Drainage 2007 \$	Tank Construction 2008 \$	Tank Construction 2007 \$	Engineering Services 2008 \$	Engineering Services 2007 \$	Steel Fabrication 2008 \$	Steel Fabrication 2007 \$
REVENUE								
Revenue - external	11,071,658	11,145,640	19,038,645	18,561,855	43,113,370	17,635,043	14,878,879	958,480
Total revenue	11,071,658	11,145,640	19,038,645	18,561,855	43,113,370	17,635,043	14,878,879	958,480
Depreciation and Amortisation	122,734	88,257	165,493	141,470	283,731	147,418	219,024	15,365
Impairment Costs	-	-	-	-	-	-	-	-
RESULT								
Segment Result pre tax	2,314,469	2,171,582	2,106,503	2,802,214	4,512,519	1,726,895	338,479	(38,475)
Net Profit								
ASSETS								
Segment Assets	5,991,707	6,361,476	7,969,832	7,943,209	37,660,145	20,355,532	7,707,018	6,916,253
LIABILITIES								
Segment Liabilities	1,693,430	1,757,572	5,857,257	5,881,338	35,072,206	19,146,870	7,750,307	6,943,185
ACQUISITION OF NON CURRENT ASSETS	333,135	222,501	393,413	176,696	16,423,794	10,360,340	502,365	4,273,286

Business Segments	Water Treatment 2008 \$	Water Treatment 2007 \$	Corporate 2008 \$	Corporate 2007 \$	Eliminations 2008 \$	Eliminations 2007 \$	Economic Entity 2008 \$	Economic Entity 2007 \$
REVENUE								
Revenue - external	-	319	38,309	61,071	-	-	88,140,861	48,362,408
Total revenue	-	319	38,309	61,071	-	-	88,140,861	48,362,408
Depreciation and Amortisation	-	-	14,955	3,599	-	-	805,937	396,109
Impairment Costs	-	-	-	-	-	-	-	-
RESULT								
Segment Result	(235,334)	(479,737)	-	-			9,036,636	6,182,479
Unallocated Corporate Expenses			(2,183,993)	(682,007)			(2,183,993)	(682,007)
Profit from ordinary activities							6,852,643	5,500,472
Income Tax Expenses							1,847,883	(459,181)
Net Profit							5,004,760	5,959,653
ASSETS								
Segment Assets	182,865	55,277	44,083,570	28,053,524	(39,990,771)	(23,072,722)	63,604,366	46,612,549
LIABILITIES								
Segment Liabilities	1,277,310	1,258,909	14,292,054	11,941,177	(39,451,541)	(22,458,481)	26,491,023	24,470,570
ACQUISITION OF NON CURRENT ASSETS	-	-	68,228	4,602	-	-	17,720,935	15,037,425

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

21. Segment Reporting (Continued)

Secondary Reporting

Geographical Segment	Australia 2008 \$	Australia 2007 \$	Malaysia 2008 \$	Malaysia 2007 \$	Economic Entity 2008 \$	Economic Entity 2007 \$
External Segment Revenue	86,295,443	46,550,862	1,845,418	1,811,546	88,140,861	48,362,408
Segment assets by location of assets	61,700,155	45,280,270	1,904,211	1,332,279	63,604,366	46,612,549
Acquisition of non current assets	17,672,866	14,977,449	48,069	59,976	17,720,935	15,037,425

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
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22. Statement Of Cash Flows

(i) Cash balances comprise:

Cash on Hand	3,138,980	8,275,124	150,095	1,116,885
Bank overdraft	(27,784)	-	-	-
Closing Cash Balance	3,111,196	8,275,124	150,095	1,116,885

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

Operating profit after Tax	5,004,760	5,959,653	3,683,402	1,803,496
Gain/loss on sale of property, plant and equipment	79,468	36,064	-	-
Depreciation				
- plant and equipment	805,937	396,109	14,955	3,599
Share based payments	305,383	-	305,383	-
Foreign Currency Translation	(22,817)	(22,966)	-	-

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

Increase / (Decrease) in provisions for employee entitlements	(445,831)	200,533	105,442	-
(Increase) / Decrease in inventories	416,663	(142,220)	-	-
(Increase) / Decrease in trade and other receivables	(4,342,876)	(3,664,087)	75,519	(95,229)
(Increase) / Decrease in receivables from controlled entities	-	-	(73,123)	312,253
(Increase) / Decrease in deferred tax assets	261,308	(1,438,210)	227,154	(1,386,089)
Increase / (Decrease) in payables	(1,781,429)	4,878,996	(9,913)	142,806
Increase / (Decrease) in current tax payable	358,589	956,972	373,790	961,333
Increase / (Decrease) in deferred tax liabilities	(241)	(281)	-	-

Net Cash provided/(used) by Operating Activities	638,914	7,160,563	4,702,609	1,742,169
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Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

23. Standby Arrangements and Unused Credit Facilities

Controlled entities in the economic entity have Contingent Liability Bank Guarantee facilities totalling \$5,550,000 available to them as at 30 June 2008 (2007: \$3,550,000). Of this total facility, \$1,915,705 (2007: \$1,558,495), remain unused and available for the controlled entities use as at 30 June 2008. The facilities are secured by a registered equitable mortgage over the assets and undertakings of all Australian companies in the economic entity.

Controlled entities in the economic entity have Bank Overdraft facilities totalling \$2,000,000 available to them as at 30 June 2008 (2007: \$1,000,000). Of the total available facilities, \$1,972,216 remains unused and available for use. The facilities are secured by registered equitable mortgages over the assets and undertakings of all Australian companies in the economic entity.

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
24. Lease Commitments				
Leases are payable as follows:				
Not later than 12 months	85,380	64,477	-	-
Later than 12 months but not later than 2 years	82,475	33,097	-	-
Later than 2 years but not later than 5 years	71,482	60,453	-	-
	239,337	158,027	-	-
Future lease finance charges	(26,636)	(20,225)	-	-
	212,701	137,802	-	-
Lease liabilities recognised in the statement of financial position:				
Current	71,499	54,938	-	-
Non-current	141,202	82,864	-	-
Total Lease liability	212,701	137,802	-	-

The weighted average interest rate implicit in these leases is 8.11% pa (2007: 7.91% pa).

25. Operating Lease Commitments

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

Property

Not later than 12 months	957,520	661,832	44,544	43,243
Between 12 months but not later than 5 years	3,056,262	2,406,805	46,326	88,224
	4,013,782	3,068,637	90,870	131,467

Plant and equipment

Not later than 12 months	83,440	31,036	-	-
Between 12 months but not later than 5 years	229,432	52,284	-	-
	312,872	83,320	-	-
Total commitments not recognised in the financial statements	4,326,654	3,151,957	90,870	131,467

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.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

26. Contingent Liabilities

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

27. 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. Fixed interest bank loans account for 34% of the total bank loans outstanding at 30 June 2008.

- 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 2008

27. Financial Instruments (Continued)

(a) Interest Rate Risk Exposures (continued)

	Floating Interest Rate	1 year or less	Fixed Interest 1-5 years	More than 5 years	Non Interest Bearing	Total
2008	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	3,138,980	-	-	-	-	3,138,980
Trade and other receivables	-	-	-	-	19,420,439	19,420,439
Financial assets	11,433	-	-	-	-	11,433
	3,150,413	-	-	-	19,420,439	22,570,852
Weighted average Interest rate	6.1%	-	-	-	-	-
Financial Liabilities						
Trade and other payables	-	-	-	-	11,261,366	11,261,366
Borrowings	8,327,784	-	4,250,000	-	-	12,577,784
Lease Liabilities	-	71,499	141,202	-	-	212,701
	8,327,784	71,499	4,391,202	-	11,261,366	24,051,851
Weighted average Interest rate	8.28%	8.11%	6.86%	-	-	-
Net Financial Assets (Liabilities)	(5,177,371)	(71,499)	(4,391,202)	-	8,159,073	(1,480,999)

	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)

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

27. Financial Instruments (Continued)

	Economic Entity 2008 \$	Economic Entity 2007 \$
(a) Interest Rate Risk Exposures (Continued)		
Reconciliation of net Financials Assets/(Liabilities) to Net Assets		
Net Financial Assets/(Liabilities)	(1,480,999)	(180,201)
Add/(subtract) Non-Financial assets and liabilities		
Inventories	2,179,571	2,566,334
Plant and equipment	6,063,293	5,439,545
Intangible assets	30,796,263	14,769,867
Deferred Tax assets	1,994,387	2,180,273
Provisions	(2,439,172)	(2,633,839)
Net Assets	37,113,343	22,141,979

(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.

(c) Sensitivity Analysis

The group has performed sensitivity analysis relating to its exposure to interest rate risk. The sensitivity analysis has demonstrated that the Group does not have a significant exposure to changes in interest rates.

The Group believes it has minimal external foreign currency risk at balance date.

28. Share Based Payments

The Company has established the Envirozel Limited Division 13A Tax Exempt Share Plan which had been approved at a General Meeting of Shareholders held on 27 March 2007. During the year employees participated in the plan. Participating employees were entitled to acquire the equivalent of \$1,000 in ordinary shares in the company. These vested ordinary shares were issued at a weighted average market price of \$0.513. A total of 590,547 ordinary shares were issued under this plan. Participating employees are prohibited from selling or disposing of these shares unless and until the third anniversary of the date on which the shares were granted and the date on which the employee has ceased employment.

29. Investment in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings		Cost of Parent Entity's Investment	
			2008	2007	2008 \$	2007 \$
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%	100%	-	-
National Engineering Pty Ltd	Australia	Ordinary	100%	100%	-	-
TSF Engineering Pty Ltd	Australia	Ordinary	100%	-	-	-
TSF Maintenance Services Pty Ltd	Australia	Ordinary	100%	-	-	-
ACN 119 296 340 Pty Ltd	Australia	Ordinary	100%	-	-	-
Cellular Beams Pty Ltd	Australia	Ordinary	100%	-	-	-
					3,735,154	3,735,154

ACN 129 296 340 Pty Ltd was incorporated on 18 January 2008. The Company did not trade during the year. Cellular Beams Pty Ltd was incorporated on 7 May 2008. The Company did not trade during the year.

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

30. Subsequent Events

There has not been any matter or circumstance, 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.

31. Construction Contracts

	Economic Entity 2008 \$	Economic Entity 2007 \$	Parent 2008 \$	Parent 2007 \$
Aggregate amount of contract revenue recognised during the financial year	55,844,966	19,050,872	-	-
Aggregate of contract costs incurred and profits recognised (including losses recognised) to date on contracts in progress	47,334,928	15,096,096	-	-
Progress Billings	(44,104,034)	(12,799,876)	-	-
Amounts due from customers for contract work in progress	3,230,894	2,296,220	-	-
Total receivable from customers for contract work in progress as included in note 4	8,296,595	5,704,711	-	-
Retention Receivables as included in note 4	480,671	665,077	-	-

32. Acquisition / Disposal of Businesses

a) Acquisition of Business

During the year the Economic Entity acquired the business and certain net assets from TSF Engineering. The acquisition was effective 1 September 2007.

During the prior 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.

Details of the acquisitions are as follows:

	2008 \$	2007 \$
Consideration is comprised of:		
Deferred consideration	-	6,409,100
Shares Issued	-	1,300,000
Outflow of cash	15,026,250	11,232,056
Cash Acquired	(822,984)	(1,029,069)
Consideration	14,203,266	17,912,087
Fair Value of net assets acquired:		
Trade and other receivables	5,148,279	3,143,213
Inventories and Work In Progress	(3,411,366)	1,302,995
Other current assets	577	1,379,237
Property, plant and equipment	415,945	3,358,680
Deferred tax assets	75,422	429,426
Trade and other payables	(3,591,466)	(1,029,118)
Employee Entitlements	(251,405)	(1,431,420)
Lease Payables	-	(54,032)
Goodwill on acquisition	15,817,280	10,813,106

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

33. Changes 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
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral		
	AASB 102	Inventories		
	AASB 107	Cash Flow Statements		
	AASB 119	Employee Benefits		
	AASB 127	Consolidated and Separate Financial Statements		
	AASB 134	Interim Financial Reporting		
	AASB 136	Impairment of Assets		
	AASB 1023	General Insurance Contracts		
AASB 8 Operating Segments	AASB 1038	Life Insurance Contracts	1.1.2009	1.7.2009
	AASB 114	Segment Reporting		
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements		
	AASB 107	Cash Flow Statements		
	AASB 111	Construction Contracts		
	AASB 116	Property, Plant and Equipment		
	AASB 138	Intangible Assets		
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	1.1.2009	1.7.2009

Notes To and Forming Part of the Accounts

For the year ended 30 June 2008

34. 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 **Danum Engineering Pty Ltd** is
17 Seaforth Street
North Shore
GEE LONG, 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 **TSF Engineering Pty Ltd** is
1 Prosperity Parade
WARRIEWOOD, NSW 2102

The principal place of business of **TSF Maintenance Services Pty Ltd** is
1 Prosperity Parade
WARRIEWOOD, NSW 2102

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 2008 and of their performance for the year ended on that date; and
 - (ii) Comply with Accounting Standards and the Corporations Regulations 2001;
2. The Chief Executive Officer and Chief Financial Officer 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



M Findlay - Director

Signed at Melbourne this 26th day of September 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENVIROZEL LIMITED

We have audited the accompanying financial report of Envirozel Limited, which comprises the balance sheet as at 30 June 2008, 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 and 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 control 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 judgment, 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 and the remuneration disclosures in the directors' report.

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

Additional Shareholder Information

As at 31 August 2008

1. Substantial Shareholders

Not Applicable

2. Distribution of Shareholding

Range of Holding	No. of Shareholders Ordinary Shares
1 - 1,000	308
1,001 - 5,000	698
5,001 - 10,000	467
10,001 - 100,000	1,108
100,001 and over	210
	2,791
Number of shareholder with less than marketable parcel of \$500 at \$0.23 per unit	588

3. Names of the 20 largest shareholders

	Shares held	% Holding
1 Cogent Nominees Pty Ltd	9,989,978	4.82
2 ANZ Nominees Limited Cash Income A/C	8,689,767	4.19
3 Cameron Richard Pty Ltd (Superannuation Fund A/C)	6,863,412	3.31
4 Powis Enterprises Pty Ltd Powis Family A/C	5,070,000	2.45
5 Merrill Lynch (Australia) Nominees Pty Ltd Berndale A/C	5,000,000	2.41
6 Smithley Super Pty Ltd Smith Super Fund A/C	4,809,842	2.32
7 Mr Gordon James McKern Mrs Anita Mary McKern	4,800,000	2.31
8 CJ Arms Superannuation Fund Pty Ltd CJ Arms Super Fund A/C	4,570,178	2.20
9 HSBC Custody Nominees (Australia) Limited	4,568,828	2.20
10 Adam Bellgrove (Ingodwi Family A/C)	4,400,000	2.12
11 Linwierik Super Pty Ltd Linton Super Fund A/C	4,088,137	1.97
12 Mr Ian George Mansbridge	4,010,000	1.93
13 Powis Enterprises Pty Ltd Powis Super Fund A/C	3,500,000	1.69
14 McKern Superannuation Fund Pty Ltd S/F A/C	3,293,993	1.59
15 Napadan Investments Pty Ltd	3,285,654	1.58
16 Lost Ark Nominees Pty Ltd MYA Super A/C	3,151,076	1.52
17 DIP Holdings Pty Ltd	2,600,000	1.25
18 Pegmont Mines Limited	2,400,000	1.16
19 Queensland Investment Corporation	2,363,708	1.14
20 Dr Trudy Ann Marsden	2,000,000	0.96
	89,454,573	43.12

Additional Shareholder Information

As at 31 August 2008

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 no unlisted options on issue.

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

T: +61 3 9670 4545

F: +61 3 9670 6670

A register of securities is kept at

Computershare Investor Services Pty Ltd,

452 Johnston Street

ABBOTSFORD, VIC 3067

T: 1300 137 328

7. Stock Exchange Listing

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

