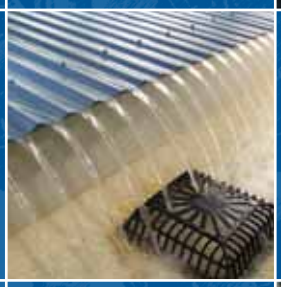
Envirozel

Annual Report 2009



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

CHIEF FINANCIAL OFFICER and COMPANY SECRETARY
I Wallace

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MELBOURNE. Vic. 3000
Telephone: (03) 9670 4545
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SHARE REGISTRY
Computershare Investor Services Pty Ltd
452 Johnston Street,
ABBOTSFORD. Vic. 3067
Telephone: 1300 137 328
Facsimile: 1300 137 341

AUDITORS
Bentleys Melbourne Partnership
114 William Street,
MELBOURNE. Vic. 3001

BANKERS
Commonwealth Bank of Australia

STOCK EXCHANGE LISTING
Australian Securities Exchange Limited
(Home Exchange – Melbourne)
ASX Code: EVZ

Chairman's Report

I am pleased to report to Shareholders that the Envirozel Group (EVZ) has performed solidly for the year to 30 June 2009. A year in which trading conditions were extremely difficult.

EVZ generated earnings before interest, tax and depreciation of $6.4m, compared to the prior year of $9.5m. Net Profit after tax and goodwill impairment was $2m (2008: $5m).

The decline in profitability is attributable to delays in contract approval and then contract commencement, coupled with a significant tightening of margins which are all as a result of the prevailing economic climate. In addition, during the year EVZ has competed against unstable industry pricing, but has been able to retain market share with operating revenue falling by only 9%.

Throughout these times, EVZ has continued to enhance its reputation of providing quality solutions and services to customers at competitive pricing in the steel, water and power arenas.

In particular during the year, EVZ has:

- Managed to retain its core skilled workforce to facilitate future growth when trading conditions return to normal.

- Retained its commitment to pay fully franked dividends to its loyal owners. The dividend payout ratio for the year at 51.5% is consistent with the prior year.

  A final dividend of 0.25 cents per share is payable on 6 November 2009.

- Improved its Occupational Health and Safety record with significant resources being invested to ensure the safety of our employees now and in the future.

- Committed to organic expansion by a significant investment in business development resources across all of EVZ's businesses. Whilst this additional cost has necessarily impacted the 2009 profit, the benefits will be seen in future years. Business development managers have been introduced into all the Group's businesses. Marketing strategies are being implemented which will ensure that the market expansion is undertaken in a coordinated and appropriate way.

  The year has been one of consolidation for the Company with the emphasis on efficiency and business development to ensure that EVZ maximises its organic growth opportunities.

- Recommenced looking at possible corporate activity either through merger or acquisition to maximize Shareholder value.

- In addition, a strategic decision has been made to expand our product and geographic base. As an example, 2009 witnessed our tank business, Brockman, move into servicing the NSW region and the Danum business completing the construction of an innovative conveyor system to remove the overburden from a major sand mining operation. We see significant opportunities in the mining and gas industries as the Australian Government's Carbon Pollution Reduction Scheme is rolled out.

- Reacted quickly and positively to the economic pressures imposed on it. As previously reported, EVZ's steel fabrication business, National Engineering, was severely affected by the global economic conditions which resulted in Directors impairing the carrying value of goodwill of that business by $1.45m.

  The National Engineering business rationalised staff and other costs and refocused on market opportunities. By 30 June 2009, National was operating at a breakeven position on a monthly basis, and since year end has been awarded a $4.7m contract with Grocon. This business now has significant forward orders ahead of it which should ensure that the business will make a positive contribution to the Group.

- Reduced, and will continue to reduce business risk related to customer and geographic concentration by focusing on a broadening of customer and market segment spread.

Your Directors and management are committed to improve the performance of the Company. EVZ has targeted improvements in both revenue and EBIT for the coming year on the back of improving market conditions. It will continue to service existing customers and seek new customers by providing the most appropriate engineering solutions, quality work, timely delivery and competitive pricing.

EVZ continues to comply with its banking covenant and will reduce existing debt levels in the 2010 year from internal cash flows.

Your Directors are seeking Shareholder approval to change the Company's name to EVZ Limited. We believe the existing name, Envirozel Limited, is not reflective of the engineering operations of the Group. Directors have decided to seek approval to use the Company's ASX code in its name given the Company is widely referred to as EVZ. The name change will also assist in the future branding of the Group's businesses.

I wish to thank our loyal staff, management and my fellow Directors for their efforts during the year. Your commitment has provided the platform for this Company to deliver future growth and enhanced wealth to our Shareholders.

Finally to our Shareholders, your ongoing commitment and loyalty to the EVZ cause is very much appreciated.

Director - M Findlay

CEO's Report

The financial year 2008/2009 was a very busy year and very much a case of "nose to the grindstone" as they say. As a group, we have achieved a lot by setting targets and working to those targets.

All group operations now have:

- Detailed Operational Budgets against which they measure their performance.
- Comprehensive Long Range Plans which not only set out ambitious growth targets but explain in detail how these targets will be achieved.
- A concise and consistent reporting format that provides accurate information on the individual business and group performance.
- Completed a detailed Business Risk Analysis and subsequently implemented actions to mitigate or eliminate any immediate threats.
- Business Development Managers are working with the General Managers to build a comprehensive marketing network.
- Detailed Safety Plans and improving Safety Performance.

These achievements have developed a strong and cohesive company ready to take on new challenges all of which are set out and constantly reviewed in our Strategy Plan.

The salient points, from a performance point of view for each Group business are as follows:

EVZ Brockman - *(steel)*

- Solid performance continued.
- Good level of forward orders and balance of project work and recurring work.
- Challenging growth targets.
- Tendering on jobs throughout the Eastern Seaboard and around to Adelaide.
- Several large project opportunities.

EVZ Danum - *(steel)*

- Very successful completion of the Myamyn Woodchip project. Project managed the $40m project and physically did $9m worth of work. Have now successfully negotiated an ongoing maintenance program.
- Leased a new facility to streamline the pipe spooling process.
- Exact Mining conveyor work successfully completed. Onsite installation work in progress and future opportunities being pursued in the South Australian mining region.

EVZ National - *(steel)*

- Successfully turned the business around with a pleasing volume of forward work and an increasing number of opportunities available.
- Working on progressively upgrading the Young facility to facilitate efficiencies. Continued work to eventually maximize the potential of this facility.
- Benefitting from 2 Business Development Managers.
- Awarded the 6 Star Bligh Street, Sydney structural steel contract from Grocon.

EVZ Syfon - *(water)*

- Forward order books in both Australia and Malaysia remain at record levels.
- Malaysian business continues to grow and has appointed a new General Manager.
- Recently completed a project in Vietnam and now undertaking a project in Cambodia.
- Awarded job for Rio Tinto in Western Australia and investigating the viability of opening an operation in Perth.

EVZ TSF - *(power)*

- Work continued throughout the year on the consolidation of TSF. We have significantly diversified the customer base for the Engineering business and have now been awarded several co-generation projects. TSF's expertise in this area is being recognised by a number of significant clients which is creating further opportunities in several locations.
- The forward order book is at a record level and Engineering has bid several large projects around the country.
- The TSF Maintenance business continues to grow profitably and is seeking to expand into Queensland.

Health Safety & Environment

All businesses have completed operational Safety Manuals which have been implemented at all sites.

It is gratifying that the level of all incidents (i.e. First Aid, MTI's and LTI's) have reduced sharply. Safety performance is monitored daily and reported monthly. This has resulted in heightened awareness of safety which is translated to the workforce.

Staffing

Despite the less than favourable trading terms over recent times, it is pleasing to note that we have been very successful at maintaining our skilled work base at all levels. This will hold us in good stead as the volume of work increases.

The Future

There is no doubt that the business environment is improving, however it won't be surprising if there are a few significant corrections along the way in what could still be classified as turbulent times. We will maintain our flexibility to deal with these issues should they eventuate and be ready to take advantage of any opportunities when they arrive.

To this end we are:

- Rebranding the business to more accurately reflect our services and divisionalise the Group to focus on specific customers and projects. These divisions will be able to draw on all appropriate company resources to provide a comprehensive offering for any given opportunity.
- Continuing to reinforce and expand our BDM network to achieve diversification and expansion of our services, Clients and geographic base.
- Actively seeking acquisition opportunities which enhance and expand our divisional offering but maintains the "specialist" advantage.
- Seeking out and securing larger projects in order to facilitate significant sustainable growth.

In closing, we have been through a period of consolidation and dealing with a difficult business environment. This phase has been successful and we are now ready to grow the business and develop a sustainable future.

CEO - Andrew Powis

The Directors present their report on the financial statements of the Company and economic entity for the year ended 30 June 2009. 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:

Maxwell FINDLAY
Gordon McKERN
Peter JONES
Keith FAGG
Graham BURNS

INFORMATION ON DIRECTORS

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

Maxwell Findlay

Appointed 14 May 2008 – Non-Executive Chairman.
Mr Findlay, age 63, 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 organization.

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: 1,345,000 ordinary shares

Gordon McKern OAM

Appointed 15 December 2003 – Non-Executive Deputy Chairman.
Mr McKern, age 74, 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 ordinary shares

Peter Jones

Appointed 29 March 2004 – Non-Executive Director.
Mr Jones, age 57, 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 ordinary shares

Keith Fagg

Appointed 20 December 2005 – Non-Executive Director.
Mr Fagg, age 54, 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: 1,694,169 ordinary shares

Graham Burns

Appointed 1 February 2008 – Non-Executive Director.
Mr Burns, age 54, has extensive managerial skills and experience in the property, retail and manufacturing sectors. He is currently the Chief Executive of Hunter Land which is a significant industrial developer in regional New South Wales.

Mr Burns is Chairman of the Remuneration Committee.

Interest in Shares: 4,500,000 ordinary shares

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):

DIRECTORS' MEETINGS

Total number of meetings held:		12
	No. Attended	No. Held Whilst a Director
M Findlay – Chairman	12	12
G McKern – Deputy Chairman	12	12
P Jones	11	12
K Fagg	11	12
G Burns	11	12

REMUNERATION COMMITTEE MEETINGS

Total number of meetings held:		4
	No. Attended	No. Held Whilst a Member
G Burns – Chairman	4	4
G McKern	4	4
M Findlay	4	4

AUDIT COMMITTEE MEETINGS

Total number of meetings held:		2
	No. Attended	No. Held Whilst a Member
P Jones – Chairman	2	2
K Fagg	2	2
M Findlay	2	2

There were no meetings of the Nomination Committee held during the year.

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.
- Design, manufacture, service and maintenance of large steel tanks for use in the water, petrochemical and chemical industries.
- Design, construction, on-site installation, maintenance and shutdown engineering services to mining, wood chip, 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 and impairment costs of $1,453,487 was a profit of $2,019,305 compared to a profit after income tax expense in 2008 of $5,004,760.

DIVIDENDS

Since the start of the financial year the Company has:

- Paid an interim fully franked dividend on 9 April 2009 of 0.25 cents per share.
- Declared a final fully franked dividend of 0.25 cents per share payable on 6 November 2009.

REVIEW OF ACTIVITIES

During the year under review the Company:

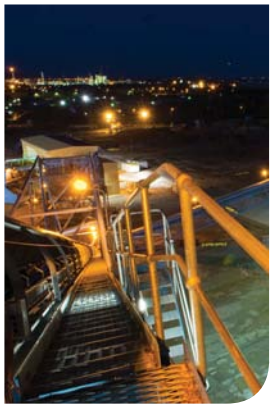
- Faced significantly difficult trading conditions resulting from the prevailing economic conditions.
- Maintained its relative revenue base despite significant price pressures which impacted on profit margins.
- Expanded its customer product and geographic base from an increased investment in business development across the entire EVZ Group businesses.
- Impaired the carrying value of the Goodwill attributable to National Engineering Pty Ltd at half year by $1,453,487. No further impairment was considered necessary at 30 June 2009.
- Completed several projects utilising the joint capabilities of a number of the Group businesses.
- Improved cash flow from operations during the year.
- Maintained its dividend payment ratio.

CHANGES IN STATE OF AFFAIRS

During the year the Company impaired the carrying value of Goodwill attributable to National Engineering Pty Ltd. The impairment was $1,453,487 (2008: $Nil).

SUBSEQUENT EVENTS

There have not been any matter 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 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 this 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 or 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 REGULATIONS

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 Directors and Officers in their capacity as Officers of the Company. The policy provides for confidentiality with respect to its premium.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that 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 current and prior year there were no non-audit services provided by the Company's Auditors.

AUDITOR'S 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 20 of this financial 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 remuneration with Shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of Envirozel Limited believe the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and Executives to govern and manage the economic entity, as well as create goal congruence between Directors, Executives and Shareholders.

Executive Remuneration

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

- The remuneration policy, setting the terms and conditions for Executive Officers, 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. There were no performance based incentives during the financial year.

The Remuneration Committee reviews Executive remuneration packages annually with reference to the economic entity's performance, each Executive's performance and comparable information from industry sectors and listed companies in similar industries.

The performance of each Executive is measured against criteria agreed with each Executive and is based predominantly on forecast growth of the economic entity's profits and shareholders' value. 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 Remuneration 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.

During the year to 30 June 2009 no incentives were paid to Executives of the economic entity (2008: $Nil).

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 Executives is valued at the cost to the Company and expensed.

Director Remuneration

The Board's policy is to remunerate Non-Executive Directors at appropriate market rates. The Remuneration Committee recommends the fee structure for Non-Executive Directors which will be determined by reference to market practice, duties performed, time, commitment and accountability. Director fees are reviewed annually by the Remuneration Committee.

The Remuneration Committee may seek independent advice in determining appropriate fee structures for Directors.

The maximum aggregate amount of fees payable 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.

All remuneration paid to Directors is valued at the cost to the Company and expensed.

Shares and options issued as part of remuneration

The Company has established the Envirozel Limited Division 13A Tax Exempt Share Plan which was approved at a General Meeting of Shareholders held on 27 March 2007. Participating employees are prohibited from selling or disposing of the shares granted to them until the third anniversary of the date on which the shares were granted or the date on which the employee has ceased employment.

During the year ended 30 June 2009 no shares were granted under the Tax Exempt Share Plan.

No other forms of shares or options were issued as part of remuneration during the year to 30 June 2009 (2008: $2,500).

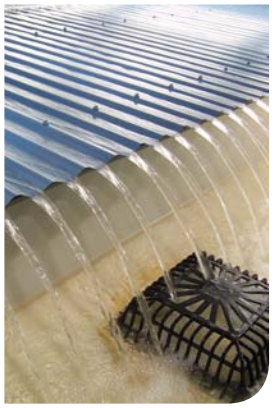
Performance based remuneration

During the year to 30 June 2009, there was no performance based remuneration.

Effective 1 July 2009, the Board of Directors has approved the introduction of a performance based remuneration scheme which will incentivise Executives to achieve significant growth in the performance of the economic entity. Potential incentives may be granted on Executives achieving specific key performance indicators specifically aligned to grow the ongoing performance of the economic entity and therefore shareholder wealth.

Company performance, Shareholder wealth and Directors' and Executives' remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders and Directors and Executives.



Details of remuneration for the year ended 30 June 2009

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

	Short Term Employee Benefits		Post Employment Benefits	
	Salary	Fees	Superanuation Contributions	Total
Directors 2009	$	$	$	$
M Findlay	-	126,875	-	126,875
G McKern	-	45,000	20,000	65,000
P Jones	-	45,000	-	45,000
K Fagg	-	-	45,000	45,000
G Burns	-	45,000	-	45,000
	-	**261,875**	**65,000**	**326,875**
Directors 2008				
M Findlay	-	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	-	18,750	-	18,750
G Coleman (resigned 31 May 2008)	-	41,270	-	41,270
	126,667	**147,520**	**112,500**	**386,687**

Key management personnel of the economic entity

		Short Term Employee Benefits		Post Employment Benefits	
	Salary	Share based Remuneration	Non cash benefits	Superanuation Contributions	Total
2009	$	$	$	$	$
A Powis (Chief Executive Officer)	189,496	-	11,738	98,240	299,474
I Wallace (Chief Financial Officer and Company Secretary)	161,000	-	22,467	40,000	223,467
A Bellgrove (General Manager Syfon Systems Group)	246,756	-	5,965	13,744	266,465
M Goddard (General Manager Brockman Engineering Pty Ltd)	132,788	-	17,735	99,477	250,000
V Juchima (General Manager Danum Engineering Pty Ltd)	254,803	-	-	27,109	281,912
N Chapman (General Manager National Engineering Pty Ltd) – commenced 1 July 2008	184,219	-	13,979	16,580	214,778
A Green (General Manager TSF Engineering Group)	230,747	-	-	20,642	251,389
	1,399,809	-	**71,884**	**315,792**	**1,787,485**
2008					
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 (General Manager Syfon Systems Group)	234,677	1,000	-	13,530	249,207
M Goddard (General Manager Brockman Engineering Pty Ltd)	113,421	1,000	21,330	91,064	226,815
V Juchima (General Manager Danum Engineering Pty Ltd)	246,039	1,000	-	27,109	274,148
D Williams (Managing Director National Engineering Pty Ltd) (resigned 31 August 2008)	140,002	1,000	26,693	100,000	267,695
A Green (General Manager TSF Engineering Group)	132,392	-	-	11,893	144,285
	1,184,973	**5,000**	**50,300**	**374,274**	**1,614,547**

Remuneration and other terms of employment for key Executives are formalized in employment service agreements. Each of these agreements may provide for the provision of other benefits including car allowances. The major provisions of the agreements relating to remuneration are set out below.

A Powis
Chief Executive Officer
- The agreement has no fixed term.

I Wallace
Chief Financial Officer and Company Secretary
- The agreement has no fixed term.

A Bellgrove
General Manager - Syfon Systems Pty Ltd
- The agreement has no fixed term.

M Goddard
General Manager - Brockman Engineering Pty Ltd
- The agreement has no fixed term.

V Juchima
General Manager - Danum Engineering Pty Ltd
- Term of agreement - 3 years from 1st January 2007.

N Chapman
General Manager - National Engineering Pty Ltd
- The agreement has no fixed term.

A Green
General Manager - TSF Engineering Pty Ltd
- The agreement has no fixed term.

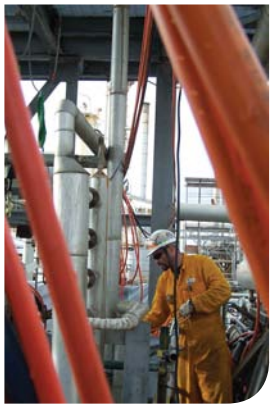
From 1 July 2009 all of the Executives noted above have the potential to receive incentives for achieving specific key performance indicators which specifically target significant growth in the economic entity.

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

Director - M Findlay

Signed at Melbourne this 24th day of September 2009.

Corporate Governance statement for the year ended 30 June 2009



The Board of Directors of Envirozel Limited has the duty to govern the business and the affairs of the Envirozel Limited Group of Companies. The management of the Group is the responsibility of the Chief Executive Officer and other Executives of the Envirozel Limited Group.

The Board of Directors represents the shareholders and other stakeholders and its primary responsibility is the protection and enhancement of long-term shareholder value.

This Corporate Governance Statement sets out the Corporate Governance practices followed by Envirozel during the financial year to 30 June 2009.

These practices substantially comply with the ASX Corporate Governance Council recommendations. Any specific non-compliance with those recommendations is detailed separately.

The Roles of the Board and Management

The responsibilities of the Envirozel Limited Board of Directors are:

- Overseeing the Group, including control and accountability systems.
- Appointing and removing the Chief Executive Officer.
- Where appropriate, ratifying the appointment and the removal of other senior Executives.
- Providing input into and final approval of management's development of corporate strategy and performance objectives, including annual budgets.
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance.
- Monitoring of all senior Executives' performance and implementation of strategy.
- Ensuring appropriate resources are available to senior Executives.
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- Approving and monitoring financial and other reporting.

It is the role of the Chief Executive Officer and senior Executives to manage the economic entity in accordance with the direction and delegations of the Board.

In assisting in fulfilling its responsibilities the Board has established the following Committees:

- Nomination Committee
- Audit Committee
- Remuneration Committee

The names and qualifications of those directors appointed to these Committees and their attendance at meetings of those Committees are included in the Directors' Report.

Composition of the Board

The skills, experience and expertise relevant to each Director at the date of this annual report and their term of office are detailed in the Directors' Report.

The names of Independent Directors of the Company are:

M Findlay (Chairman)
G McKern (Deputy Chairman)
P Jones
K Fagg
G Burns

When determining whether a Non-Executive Director is Independent, the Director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the Director or any entity or individual directly or indirectly associated with the Director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director; and
- none of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

Independent Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

During 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.

A Nomination Committee has been established to support and advise the Board in relation to the selection and appointment of Directors and the ongoing evaluation and review of the performance of the Board.

Ethical and Responsible Decision Making

Envirozel Limited endorses the need for all Directors, Executives, Managers and employees to maintain a high standard of behavior and business ethics in their daily business activities.

The Directors have established a formal Code of Conduct that sets the standards for ethical behavior for Directors and all employees.

Envirozel Limited also has a share trading policy which regulates Directors and employees trading in the Company's securities.

The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for the Company's share price to affect this information.

Safeguard Integrity in Financial Reporting

Envirozel Limited has established an Audit Committee which has a formal charter under which it operates. There are three members of the Audit Committee and all members are Independent Directors of the Company. Mr Peter Jones is the Chairman of the Audit Committee.

The Audit Committee has the responsibility to monitor significant areas of potential business, commercial and legal risk and to monitor the effectiveness of internal controls and information systems.

The Audit Committee has received attestation from the Chief Executive Officer and Chief Financial Officer that:

- Financial statements are founded on sound systems of risk management and internal compliance and controls which supports risk policies adopted by the Board.
- The economic entity's risk management internal compliance and control systems are operating effectively as they relate to financial risk.

Timely and Balanced Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating 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:

- A reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
- 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.

Respect the 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:

- 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;
- Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
- Making it easy for Shareholders to participate in General Meetings of the Company; and
- 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, email address and has a website, which will be updated regularly with ASX announcements and other relevant information.

Remuneration Policies

Envirozel Limited has established a Remuneration Committee which has a formal charter under which it operates.

The primary responsibilities of the Remuneration Committee are:

- Establish appropriate Remuneration Policies for Directors, the CEO and other senior Executives which are effective in attracting and/or retaining the best Directors and Executives to monitor and manage the Envirozel Group, whilst ensuring goal congruence between Shareholders, Directors and Executives.
- Ensuring appropriate disclosure of remuneration in line with the Corporations Act, ASX Listing Rules and Corporate Governance guidelines.

There are three members of the Remuneration Committee and all are Independent Directors of the Company. Mr Graham Burns is the Chairman of the Remuneration Committee. Details of the experience of these Directors and their attendance at Committee meetings is disclosed in the Directors' Report.

The Remuneration Policy, which sets the terms and conditions for the Chief Executive Officer and other senior Executives, was developed by the Remuneration Committee after seeking professional advice from independent consultants and approved by the Board. All Executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Remuneration Committee reviews executive packages annually by reference to company performance, executive performance, comparable information from competitors and other listed companies and independent advice. The performance of executives is measured against criteria agreed yearly which is based on the forecast growth of the Company's profits and Shareholder value. The policy is designed to attract the highest caliber executives and reward them for performance which results in long-term growth in shareholder value.

Executives will also be entitled to participate in the employee share and options arrangements.

The amount of remuneration for all Directors and senior Executives, including all monetary and non-monetary components, are detailed in the Directors' Report. All remuneration paid is valued at the cost to the Company and expensed. Shares given to Executives are valued as the difference between the market price of those shares and the amount paid by the Executive. Options are valued using the Black-Scholes methodology.

The payment of any bonuses, and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses and other incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving bonuses and other incentives and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

There are no schemes for retirement benefits other than statutory superannuation.

Bentleys
Thinking ahead

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys

BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS

G. Hill

GORDON ROBERTSON
PARTNER

Dated in Melbourne on this 23rd day of September 2009

Quality Endorsed Company

Chartered Accountants and Business Advisors
A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership.
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GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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Financial Statements

Envirozel Limited and Controlled Entities

ABN 87 010 550 357

Income Statements
for the year ended 30 June 2009

	Notes	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Revenue	2(a)	80,178,539	88,140,861	4,404,563	6,791,552
Expenses:					
Marketing expenses		(1,056,986)	(548,361)	(87,778)	(135,970)
Cost of sales		(62,944,886)	(66,992,194)	-	-
Corporate and administration		(10,704,307)	(11,434,647)	(1,535,329)	(1,733,076)
Finance costs		(1,268,487)	(1,247,954)	(1,108,707)	(1,225,871)
Business development costs		(14,180)	(759,679)	-	(545,461)
Share based payments		-	(305,383)	-	(305,383)
Impairment expense		(1,453,487)	-	(1,453,487)	-
Profit before income tax		2,736,206	6,852,643	219,262	2,845,791
Income tax expense/(benefit)	3	716,901	1,847,883	(127,453)	(837,611)
Profit from continuing operations		2,019,305	5,004,760	346,715	3,683,402
Profit from discontinued operations		-	-	-	-
Profit for the year		2,019,305	5,004,760	346,715	3,683,402
Profit attributable to minority interest		-	-	-	-
Profit attributable to members of the parent entity	16	**2,019,305**	**5,004,760**	**346,715**	**3,683,402**

		Cents per share	Cents per share	Cents per share	Cents per share
Overall operations					
Basic earnings per share	17	0.97	2.46	0.17	1.81
Diluted earnings per share	17	0.97	2.46	0.17	1.81
Continuing operations					
Basic earnings per share	17	0.97	2.46	0.17	1.81
Diluted earnings per share	17	0.97	2.46	0.17	1.81

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

Balance Sheets
as at 30 June 2009

	Notes	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	22	6,095,348	3,138,980	384,547	150,095
Trade and other receivables	4	18,710,419	18,706,149	145,308	216,474
Inventories	5	3,004,499	2,179,571	-	-
Financial assets	6	11,715	-	11,715	-
TOTAL CURRENT ASSETS		27,821,981	24,024,700	541,570	366,569
NON-CURRENT ASSETS					
Trade and other receivables	4	256,585	714,290	37,746,652	38,754,001
Financial assets	6	-	11,433	3,735,154	3,746,587
Plant and equipment	7	6,270,209	6,063,293	41,611	57,478
Deferred tax assets	8	2,211,431	1,994,387	999,177	1,158,935
Intangible assets	9	29,342,776	30,796,263	-	-
TOTAL NON-CURRENT ASSETS		38,081,001	39,579,666	42,522,594	43,717,001
TOTAL ASSETS		**65,902,982**	**63,604,366**	**43,064,164**	**44,083,570**
CURRENT LIABILITIES					
Trade and other payables	10	13,853,124	12,088,879	829,787	406,931
Current tax liabilities	8	(4,717)	1,511,823	(114,156)	1,335,123
Short-term borrowings	11	2,175,400	99,283	1,750,000	-
TOTAL CURRENT LIABILITIES		16,023,807	13,699,985	2,465,631	1,742,054
NON-CURRENT LIABILITIES					
Long-term borrowings	12	11,667,892	12,691,202	11,500,000	12,550,000
Deferred tax liabilities	8	9,048	3,576	-	-
Other long-term provisions	13	60,756	96,260	-	-
TOTAL NON-CURRENT LIABILITIES		11,737,696	12,791,038	11,500,000	12,550,000
TOTAL LIABILITIES		**27,761,503**	**26,491,023**	**13,965,631**	**14,292,054**
NET ASSETS		**38,141,479**	**37,113,343**	**29,098,533**	**29,791,516**
EQUITY					
Issued capital	14	46,023,159	46,023,159	46,023,159	46,023,159
Reserves	16	213,998	165,469	198,700	198,700
Accumulated losses	16	(8,095,678)	(9,075,285)	(17,123,326)	(16,430,343)
TOTAL EQUITY		**38,141,479**	**37,113,343**	**29,098,533**	**29,791,516**

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

Statement of Changes in Equity for the year ended 30 June 2009

ECONOMIC ENTITY	Issued Capital $	Accumulated Losses $	Capital Reserves $	Foreign Currency Translation Reserve $	Total $
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**
Balance at 1 July 2008	46,023,159	(9,075,285)	198,700	(33,231)	37,113,343
Shares issued during the year	-	-	-	-	-
Profit attributable to members of parent entity	-	2,019,305	-	-	2,019,305
Adjustments from translation of foreign controlled entities	-	-	-	48,529	48,529
Sub-total	46,023,159	(7,055,980)	198,700	15,298	39,181,177
Dividends paid or provided	-	(1,039,698)	-	-	(1,039,698)
Balance at 30 June 2009	**46,023,159**	**(8,095,678)**	**198,700**	**15,298**	**38,141,479**

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

Statement of Changes in Equity for the year ended 30 June 2009

PARENT ENTITY	Issued Capital $	Accumulated Losses $	Capital Reserves $	Total $
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**
Balance at 1 July 2008	46,023,159	(16,430,343)	198,700	29,791,516
Shares issued during the year	-	-	-	-
Profit attributable to members of parent entity	-	346,715	-	346,715
Sub-total	46,023,159	(16,083,628)	198,700	30,138,231
Dividends paid or provided	-	(1,039,698)	-	(1,039,698)
Balance at 30 June 2009	**46,023,159**	**(17,123,326)**	**198,700**	**29,098,533**

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 2009

	Notes	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers (inclusive of GST)		87,954,770	88,400,421	3,310,942	3,946,644
Payments to Suppliers & Employees (inclusive of GST)		(80,824,874)	(85,766,367)	(1,865,965)	(2,167,572)
Dividends received		-	-	2,050,000	5,303,402
Income tax paid		(2,470,587)	(1,207,506)	(2,339,648)	(1,192,304)
Interest received		185,811	460,320	9,563	38,310
Finance costs		(1,268,487)	(1,247,954)	(1,108,707)	(1,225,871)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	22(ii)	**3,576,633**	**638,914**	**56,185**	**4,702,609**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for controlled entities		-	(21,641,555)	-	-
Loans to controlled entities		-	-	-	(21,641,555)
Proceeds from sale of plant and equipment		41,156	103,618	-	-
Purchase of plant and equipment		(1,194,379)	(1,203,172)	(1,884)	(68,228)
NET CASH FLOWS USED BY INVESTING ACTIVITIES		**(1,153,223)**	**(22,741,109)**	**(1,884)**	**(21,709,783)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid by Parent Entity		(519,849)	(2,310,916)	(519,849)	(2,310,916)
Proceeds from shares issued		-	12,001,300	-	12,001,300
Proceeds – Loans		700,000	11,300,000	700,000	11,300,000
Repayment of Loans		-	(4,950,000)	-	(4,950,000)
Proceeds from Lease Financing		144,979	121,419	-	-
Payments for Lease Financing		(85,153)	(46,520)	-	-
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**239,977**	**16,115,283**	**180,151**	**16,040,384**
NET INCREASE / (DECREASE) IN CASH HELD		2,663,387	(5,986,912)	234,452	(966,790)
Net cash balance acquired	32	-	822,984	-	-
Cash at beginning of financial year		3,111,196	8,275,124	150,095	1,116,885
CASH AT END OF FINANCIAL YEAR	22(i)	**5,774,583**	**3,111,196**	**384,547**	**150,095**

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

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.

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 issues 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 tax 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 expenses 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 where 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 probably 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.

(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 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 probably 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.

Depreciation

The depreciable amount of all fixed assets and capitalised lease assets, 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, 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 on a straight line basis over the period of the lease.

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

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.

Financial Liabilities

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

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. 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 the acquisitions of subsidiaries is included in intangible assets. 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.

(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 used 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) Good 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.

During the year, the carrying value of the goodwill of National Engineering was assessed given the current economic conditions. Following this assessment, the goodwill was impaired by $1,453,487 (Refer Note 9).

There was no impairment with respect to the remaining Goodwill of the economic entity.

No impairment has been recognised in respect of plant and equipment for the year ended 30 June 2009.

The financial report was authorised for issue on 24th September 2009 by the Board of Directors.

2. PROFIT	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(a) REVENUE				
Sales	79,765,253	87,513,967	-	-
Interest received or receivable from other persons	185,811	460,320	9,563	38,310
Sundry income	227,475	166,574	20,000	-
Dividends from controlled entities	-	-	2,050,000	5,303,242
Management fees from controlled entities	-	-	2,325,000	1,450,000
	80,178,539	**88,140,861**	**4,404,563**	**6,791,552**
(b) PROFIT FOR THE YEAR				
Expenses:				
Movement in employee benefits	113,507	(445,831)	(13,987)	25,134
Bad debts	3,022	4,715	-	-
Impairment – receivables	10,360	-	1,453,487	-
Impairment - inventories	62,910	-	-	-
Total employee costs	29,272,799	30,207,232	646,360	710,466
Foreign Exchange Losses	12,625	53,372	-	-
Losses on sale of plant and equipment	7,159	79,468	-	-
Operating lease payments	1,227,391	970,845	45,979	44,091
Finance costs – external	1,268,487	1,247,954	1,108,707	1,225,871
Depreciation of plant and equipment	951,685	805,937	17,751	14,955
Impairment - Goodwill	1,453,487	-	-	-

3. INCOME TAX

(a) The prima facie tax on profit before income tax is reconciled to income tax as follows:				
Profit before Income Tax	2,736,206	6,852,643	219,262	2,845,791
Income tax calculated at 30% (2008: 30%)	820,862	2,055,793	65,778	853,737
Tax effect of permanent differences	(129,307)	(123,185)	(175,000)	(1,586,143)
Under provision/(over provision) in prior years	(18,231)	(99,710)	(18,231)	(99,710)
Taxation expense - offshore subsidiary	43,577	20,480	-	-
Prior year tax losses not previously brought to account	-	(5,495)	-	(5,495)
Income tax expense/(benefit)	**716,901**	**1,847,883**	**(127,453)**	**(837,611)**
The applicable weighted average effective tax rates are as follows:	26%	27%	(58%)	(29%)
(b) The components of tax expense comprise:				
Current tax	1,099,840	1,961,977	(121,317)	(689,362)
Deferred tax	(364,708)	(8,889)	12,095	(43,044)
Under provision/(over provision) in prior years	(18,231)	(99,710)	(18,231)	(99,710)
Prior year tax losses not previously brought to account	-	(5,495)	-	(5,495)
	716,901	**1,847,883**	**(127,453)**	**(837,611)**

4. TRADE AND OTHER RECEIVABLES	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Current				
Trade receivables	16,517,864	14,709,698	-	-
Provision for impairment	(10,360)	-	-	-
Amounts due from customers for construction contracts (refer Note 31)	1,659,759	3,230,894	-	-
Retention receivables	274,345	309,019	-	-
Due from controlled entities	-	-	110,000	149,631
	18,441,608	18,249,611	110,000	149,631
Other debtors and prepayments	268,811	456,538	35,308	66,843
	18,710,419	**18,706,149**	**145,308**	**216,474**
Non-Current				
Due from controlled entities	-	-	39,200,139	38,754,001
Provision for impairment	-	-	(1,453,487)	-
	-	-	37,746,652	38,754,001
Other debtors and prepayments	-	542,638	-	-
Retention receivables	256,585	171,652	-	-
	256,585	**714,290**	**37,746,652**	**38,754,001**

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 days 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.

Amounts due from controlled entities are non-interest bearing and have no fixed repayment dates. The Directors' intention is that the receivables from related entities in the Parent entity is not currently due and payable.

There are no other balances other than those impaired within trade and other receivables that contain assets that are impaired. It is expected these balances will be received when due. Impaired assets are provided for in full.

During the year, the parent entity impaired a non-current receivable from a subsidiary, National Engineering Pty Ltd. The impairment recognised was $1,453,487.

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia and Asia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Australia	17,383,597	18,121,184	37,856,652	38,903,632
Asia	1,314,596	842,717	-	-
	18,698,193	**18,963,901**	**37,856,652**	**38,903,632**

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

	Gross amount	Past due and impaired	Past due not impaired (days overdue)			Within trading terms
			< 30 days	31 - 60 days	> 60 days	
Economic entity						
2009	$	$	$	$	$	$
Trade and term receivables	18,708,553	10,360	5,441,264	495,846	1,326,801	11,434,282
Other receivables	-	-	-	-	-	-
	18,708,553	10,360	5,441,264	495,846	1,326,801	11,434,282
2008						
Trade and term receivables	18,963,901	-	6,032,869	184,117	445,710	12,301,205
Other receivables	-	-	-	-	-	-
	18,963,901	-	6,032,869	184,117	445,710	12,301,205
Parent entity						
2009						
Trade and term receivables	-	-	-	-	-	-
Other receivables	39,310,139	1,453,487	-	-	-	37,856,652
	39,310,139	1,453,487	-	-	-	37,856,652
2008						
Trade and term receivables	-	-	-	-	-	-
Other receivables	38,903,632	-	-	-	-	38,903,632
	38,903,632	-	-	-	-	38,903,632

Neither the economic entity nor the parent entity holds any financial assets with terms that have been negotiated, but which would otherwise be past due or impaired.

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
5. INVENTORIES				
Current				
Raw materials and stores – at cost	2,159,217	1,816,852	-	-
Less provision for impairment	(212,910)	(150,000)	-	-
Work in progress – at cost	1,058,192	512,719	-	-
	3,004,499	**2,179,571**	-	-
6. FINANCIAL ASSETS				
Current assets				
Funds on deposit	11,715	-	11,715	-
	11,715	-	**11,715**	-
Non-current assets				
Investment in controlled entities – at cost (Note 29)	-	-	3,735,154	3,735,154
Funds on deposit	-	11,433	-	11,433
	-	**11,433**	**3,735,154**	**3,746,587**

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

7. PLANT AND EQUIPMENT				
Plant and equipment				
At cost	8,659,810	7,512,994	76,732	74,848
Accumulated depreciation	(2,389,601)	(1,449,701)	(35,121)	(17,370)
	6,270,209	**6,063,293**	**41,611**	**57,478**
Movement in carrying amounts				
Carrying amount – opening balance	6,063,293	5,439,545	57,478	4,205
Additions	1,194,379	1,203,172	1,884	68,228
Disposals	(48,315)	(183,086)	-	-
Depreciation	(951,685)	(805,937)	(17,751)	(14,955)
Exchange rate adjustment	12,537	(6,346)	-	-
Fixed assets acquired on acquisition of controlled entities	-	415,945	-	-
Carrying amount – closing balance	**6,270,209**	**6,063,293**	**41,611**	**57,478**

8. TAX ASSETS AND LIABILITIES

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
TAX ASSETS				
NON-CURRENT				
Deferred tax assets	**2,211,431**	**1,994,387**	**999,177**	**1,158,935**
Deferred tax assets comprise:				
Provisions	1,203,885	730,679	27,437	31,633
Other	54,657	163,155	18,851	26,749
Un-recouped tax losses	952,889	1,100,553	952,889	1,100,553
	2,211,431	**1,994,387**	**999,177**	**1,158,935**

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

Provisions				
Opening balance	730,679	789,007	31,633	-
Credited to income account	473,206	(133,750)	(4,196)	31,633
Deferred tax assets acquired	-	75,422	-	-
	1,203,885	730,679	27,437	31,633
Other				
Opening balance	163,155	20,516	26,749	15,339
Credited to income account	(108,498)	142,639	(7,898)	11,410
	54,657	163,155	18,851	26,749
Unrecouped tax losses				
Opening balance	1,100,553	1,370,750	1,100,553	1,370,750
Tax losses recouped	(150,082)	(275,692)	(150,082)	(275,692)
Prior year adjustment	2,418	-	2,418	-
Deferred tax assets not previously recognised	-	5,495	-	5,495
	952,889	1,100,553	952,889	1,100,553
Closing balance	2,211,431	1,994,387	999,177	1,158,935

TAX LIABILITIES				
CURRENT				
Income Tax	**(4,717)**	**1,511,823**	**(114,156)**	**1,335,123**
NON-CURRENT				
Provision for Deferred Tax	**9,048**	**3,576**	**-**	**-**
Opening balance	3,576	3,817	-	-
Additional provisions raised during year	5,100	-	-	-
Exchange rate movement	372	(241)	-	-
Closing balance	**9,048**	**3,576**	**-**	**-**

9. INTANGIBLE ASSETS	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Goodwill on consolidation	3,282,532	3,282,532	-	-
Less Impairment	-	-	-	-
	3,282,532	3,282,532	-	-
Goodwill on acquisition	27,513,731	27,513,731	-	-
Less Impairment	(1,453,487)	-	-	-
	26,060,244	27,513,731	-	-
	29,342,776	**30,796,263**	-	-

Movements in carrying amounts

	Economic Entity 2009 $	Economic Entity 2008 $
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	27,513,731	11,487,335
Acquisitions through business combinations	-	16,026,396
Impairment	(1,453,487)	-
Closing balance	26,060,244	27,513,731

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 businesses 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.

Goodwill is allocated to cash-generating units which are based on the group's individual businesses. All businesses operate in the engineering services segment.

Roof Drainage – Syfon Systems	3,282,532	3,282,532
Tank Construction – Brockman Engineering	674,229	674,229
Engineering Services – Danum Engineering	8,115,249	8,115,249
Power – TSF Engineering	15,817,280	15,817,280
Steel Fabrication – National Engineering	2,906,973	2,906,973
Impairment	(1,453,487)	-
	29,342,776	30,796,263

During the year, the carrying value of the goodwill of National Engineering was assessed given the current economic conditions. Following this assessment, the goodwill was impaired by $1,453,487.

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 projects over a maximum five year period. The cash flows are discounted using the yield of five year government bonds adjusted for appropriate risk factors at the beginning of the budget period.

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

	2009	2008
Growth rates	5% - 10%	7.50%
Discount rates	6.72% - 8.22%	6.82%

Management has based the value-in-use calculations on budgets for each relevant business. These budgets use estimated 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 businesses operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular business.

Sensitivity analysis has shown that only adverse material changes in underlying assumptions will impact the value in use calculations. The Directors do not foresee these adverse material changes eventuating.

10. TRADE AND OTHER PAYABLES	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Current – unsecured				
Trade payables	7,490,257	5,883,051	68,253	120,198
Sundry payables and accrued expense	3,354,671	3,866,492	150,230	181,291
Employee benefits	2,488,347	2,339,336	91,455	105,442
Dividend payable	519,849	-	519,849	-
	13,853,124	**12,088,879**	**829,787**	**406,931**

11. BORROWINGS

Short-term borrowings				
Bank Loans – secured	1,750,000	-	1,750,000	-
Bank Overdraft	320,765	27,784	-	-
Lease Liabilities (Note 24) – secured	104,635	71,499	-	-
	2,175,400	**99,283**	**1,750,000**	-

Also refer to Note 12 for details of relevant security of Bank borrowings. At 30 June 2009 the economic entity has $125,000 in undrawn commercial bill facilities (2008: $2,700,000).

12. BORROWINGS

Long-term borrowings				
Bank Loans – secured	11,500,000	12,550,000	11,500,000	12,550,000
Lease Liabilities (Note 24) – secured	167,892	141,202	-	-
	11,667,892	**12,691,202**	**11,500,000**	**12,550,000**

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 an unlimited guarantee from Envirozel Limited's Australian controlled entities: Syfon Systems Pty Ltd, Brockman Engineering Pty Ltd, NuSource Water Pty Ltd, Danum Engineering Pty Ltd, National Engineering Pty Ltd, TSF Engineering Pty Ltd and TSF Maintenance Services Pty Ltd. Covenants within Bank borrowings require the Company to maintain a debt service coverage ratio equal to or greater than 1.7. Also refer to Note 21 for quantification of assets secured by Australian entities.

13. OTHER LONG-TERM PROVISIONS	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Non-current				
Employee benefits	**60,756**	**96,260**	-	-
Movement:				
Opening balance	96,260	96,467	-	-
Provisions utilised during year	(35,504)	(207)	-	-
Closing balance	**60,756**	**96,260**	-	-

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 measure and recognition criteria relating to employee benefits are disclosed in Note 1(k).

14. ISSUED CAPITAL

Issued and Paid up:				
207,348,755 ordinary shares (2008: 207,348,755 ordinary shares)	45,720,208	45,720,208	45,720,208	45,720,208
590,659 fully paid employee shares (2008: 590,659 ordinary shares)	302,951	302,951	302,951	302,951
	46,023,159	**46,023,159**	**46,023,159**	**46,023,159**

(a) Issued and fully paid up ordinary shares

There was no movement in issued capital during the year to 30 June 2009. The movement in issued capital for the prior year was as follows:

	Economic Entity $	Parent $
Issued and fully paid up ordinary shares		
Opening balance	33,430,541	33,430,541
Shares Issued During the year		
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 – 30 June 2008	**45,720,208**	**45,720,208**

	No.	No.
Opening balance	181,558,894	181,558,894
Shares Issued During the year		
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 – 30 June 2008	**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

Shares issued under the Envirozel Limited Division 13A Tax Exempt Share 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 granted and the date on which the employee has ceased employment.

There were no employee shares issued during the year ended 30 June 2009. In 2008, 590,659 employee shares were issued.

(c) Share options

There are no share options on issue at 30 June 2009 (2008: Nil).

(d) Capital Management

Management controls the capital of the economic entity in order to maintain a good debt to equity ratio, provide shareholders with adequate returns and ensure the economic entity can fund its operations and continue as a going concern. The economic entity'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 economic entity's capital by assessing the economic entity'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's 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 2009 the economic entity's gearing ratio was 17% (2008: 21%).

15. DIVIDENDS	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Interim fully franked ordinary dividend of 0.25 cents per share (2008: 0.5 cents per share) franked at the tax rate of 30% - Paid - 9 April 2009	519,849	1,037,303	519,849	1,037,303
Final fully franked ordinary dividend of 0.25 cents per share (2008: 0.75 cents per share) franked at the tax rate of 30% - Payable – 6 November 2009	519,849	1,559,548	519,849	1,559,548
	1,039,698	**2,596,851**	**1,039,698**	**2,596,851**
Balance of Franking Account	**1,286,341**	**94,571**	**1,286,341**	**94,571**

16. RESERVES AND ACCUMULATED LOSSES	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(a) Accumulated Losses				
Accumulated losses at the beginning of the financial year	(9,075,285)	(11,483,194)	(16,430,343)	(17,516,894)
Net Profit	2,019,305	5,004,760	346,715	3,683,402
	(7,055,980)	(6,478,434)	(16,083,628)	(13,833,492)
Dividends paid/declared	(1,039,698)	(2,596,851)	(1,039,698)	(2,596,851)
Accumulated losses at the end of the financial year	**(8,095,678)**	**(9,075,285)**	**(17,123,326)**	**(16,430,343)**
(b) Reserves				
Capital Reserve				
Reserve at beginning of year	198,700	198,700	198,700	198,700
Movement for year	-	-	-	-
	198,700	**198,700**	**198,700**	**198,700**
Foreign Currency Translation Reserve				
Reserve at beginning of year	(33,231)	(4,068)	-	-
Movement for year	48,529	(29,163)	-	-
Reserve at end of year	**15,298**	**(33,231)**	-	-
	213,998	**165,469**	**198,700**	**198,700**

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

17. EARNINGS PER SHARE	Economic Entity 2009 No.	Economic Entity 2008 No.	Parent Entity 2009 No.	Parent Entity 2008 No.
(a) Weighted average number of ordinary shares outstanding during the year used in calculation of Basic Earnings per Share	207,939,414	203,215,315	207,939,414	203,215,315
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of Diluted Earnings per Share	207,939,414	203,215,315	207,939,414	203,215,315

18. KEY MANAGEMENT PERSONNEL

Names and positions of Directors and key management personnel in office at any time during the financial year are:

Mr M Findlay	Non-Executive Chairman
Mr G McKern	Non-Executive Deputy Director
Mr P Jones	Non-Executive Director
Mr K Fagg	Non-Executive Director
Mr G Burns	Non-Executive Director
Mr A Powis	Chief Executive Officer
Mr I Wallace	Chief Financial Officer and Company Secretary
Mr A Bellgrove	General Manager of Syfon Systems Group
Mr M Goddard	General Manager of Brockman Engineering
Mr V Juchima	General Manager of Danum Engineering
Mr N Chapman	General Manager of National Engineering
Mr A Green	General Manager of TSF Engineering Group

Remuneration of key management personnel is:

	Economic Entity 2009 $	Economic Entity 2008 $
Short term employee benefits	1,733,568	1,509,460
Share based payments	-	5,000
Post employment benefits	380,792	486,774
	2,114,360	**2,001,234**

Also refer to disclosures in Note 20.

The number of ordinary shares held by each key management personnel of the Group during the financial year is as follows:

30 June 2009	Balance at beginning of year	Granted as Remuneration	Other Changes	Balance at end of year
M Findlay	152,549	-	1,192,451	1,345,000
G McKern	8,193,993	-	-	8,193,993
P Jones	7,713,748	-	-	7,713,748
K Fagg	1,394,169	-	300,000	1,694,169
G Burns	1,200,000	-	2,746,606	3,946,606
A Powis	8,571,949	-	-	8,571,949
I Wallace	20,208	-	52,000	72,208
M Goddard	421,949	-	-	421,949
V Juchima	3,287,603	-	-	3,287,603
N Chapman	-	-	-	-
A Bellgrove	4,401,949	-	-	4,401,949
A Green	-	-	32,000	32,000
	35,358,117	-	**4,323,057**	**39,681,174**

30 June 2008	Balance at beginning of year	Granted as Remuneration	Other Changes	Balance at end of year
M Findlay	-	-	152,549	152,549
G McKern	8,023,818	-	170,175	8,193,993
P Jones	7,300,000	-	413,748	7,713,748
K Fagg	1,100,000	-	294,169	1,394,169
G Burns	-	-	1,200,000	1,200,000
A Powis	8,570,000	1,949	-	8,571,949
I Wallace	-	-	20,208	20,208
M Goddard	420,000	1,949	-	421,949
V Juchima	2,600,000	1,949	685,654	3,287,603
A Bellgrove	4,400,000	1,949	-	4,401,949
A Green	-	-	-	-
	32,413,818	**7,796**	**2,936,503**	**35,358,117**

Subsequent to balance date the Directors have acquired a further 553,394 shares.

19. AUDITORS REMUNERATION	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Remuneration paid/payable to Auditors for:				
- audit or review of financial report	158,394	158,552	158,394	158,552
- taxation services	-	-	-	-
	158,394	**158,552**	**158,394**	**158,552**

20. RELATED PARTY DISCLOSURES

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

Mr M Findlay
Mr G McKern
Mr P Jones
Mr K Fagg
Mr G Burns

(b) Transactions with Director related entities

- Consulting fees of $104,375 (2008: $Nil) were paid and $35,000 (2008: $12,500) is payable to M Findlay.
- Consulting fees of $77,500 were paid and $Nil (2008: $12,500) is payable to G McKern. In the prior year, Mr McKern was an Executive Director.
- Consulting fees of $45,000 (2008: $22,500) were paid and $22,500 ($2008: $22,500) is payable to K Fagg.
- Consulting fees of $45,000 (2008: $52,500) were paid and $11,250 (2008: $11,250) is payable to Mr P Jones.
- Consulting fees of $45,000 (2008: $7,500) were paid and $11,250 (2008: $11,250) is payable to G Burns.

21. SEGMENT REPORTING

Primary Reporting

The economic entity has determined that all business operations in the Envirozel Limited economic entity operate in the Engineering Services Industry segment. In making this determination, the economic entity has amended its segment reporting disclosure compared to the previous annual report.

Secondary Reporting

Geographical Segment	Australia 2009 $	Australia 2008 $	Asia 2009 $	Asia 2008 $	Economic Entity 2009 $	Economic Entity 2008 $
External Segment Revenue	**77,859,594**	**86,295,443**	**2,318,945**	**1,845,418**	**80,178,539**	**88,140,861**
Segment assets by location of assets	**62,537,781**	**61,700,155**	**3,365,201**	**1,904,211**	**65,902,982**	**63,604,366**
Acquisition of non-current assets	**1,168,586**	**17,672,866**	**25,793**	**48,069**	**1,194,379**	**17,720,935**

22. STATEMENT OF CASH FLOWS	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(i) Cash balances comprise:				
Cash on Hand	6,095,348	3,138,980	384,547	150,095
Bank Overdraft	(320,765)	(27,784)	-	-
Closing Cash Balance	**5,774,583**	**3,111,196**	**384,547**	**150,095**
(ii) Reconciliation of the Operating Profit after Tax to Net Cash flows from Operations:				
Operating profit after Tax	2,019,305	5,004,760	346,715	3,683,402
Gain/loss on sale of plant and equipment	7,159	79,468	-	-
Depreciation - plant & equipment	951,685	805,937	17,751	14,955
Share based payments	-	305,383	-	305,383
Foreign Currency Translation	35,992	(22,817)	-	-
Impairment - Goodwill	1,453,487	-	1,453,487	-
Impairment - receivables	10,360	-	-	-
Impairment – inventories	62,910	-	-	-
Changes in assets and liabilities adjusted for effects of acquisition/disposal of operations during financial year				
Increase/(Decrease) in provisions for employee entitlements	113,507	(445,831)	(13,987)	105,442
(Increase)/Decrease in inventories	(887,838)	416,663	-	-
(Increase)/Decrease in trade and other receivables	442,793	(4,342,876)	70,884	75,519
(Increase)/Decrease in receivables from controlled entities	-	-	(446,138)	(73,123)
(Increase)/Decrease in deferred tax assets	(217,044)	261,308	159,758	227,154
Increase/(Decrease) in payables	1,095,385	(1,781,429)	(83,006)	(9,913)
Increase/(Decrease) in current tax payable	(1,516,540)	358,589	(1,449,279)	373,790
Increase/(Decrease) in deferred tax liabilities	5,472	(241)	-	-
Net Cash provided/(used) by Operating Activities	**3,576,633**	**638,914**	**56,185**	**4,702,609**

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 2009 (2008: $5,550,000). Of this total facility, $1,939,157 (2008: $1,915,705), remains unused and available for the controlled entities use as at 30 June 2009. 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 totaling $2,000,000 available to them as at 30 June 2009 (2008: $2,000,000). Of the total available facilities, $1,679,235 (2008: $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.

For further details on commercial bill facilities also refer to Note 11 and Note 12.

24. LEASE COMMITMENTS

	Economic Entity 2009 $	Economic Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Leases are payable as follows:				
Not later than 12 months	120,365	85,380	-	-
Later than 12 months but not later than 2 years	80,075	82,475	-	-
Later than 2 years but not later than 5 years	105,322	71,482	-	-
	305,762	239,337	-	-
Future lease finance charges	(33,235)	(26,636)	-	
	272,527	**212,701**	-	-
Lease liabilities recognised in the statement of financial position:				
Current	104,635	71,499	-	-
Non-current	167,892	141,202	-	-
Total Lease liability	**272,527**	**212,701**	-	-

The weighted average interest rate implicit in these leases is 10.92% pa (2008: 8.11% pa).
Leases pertain to various plant, equipment and motor vehicles.

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	1,108,380	957,520	46,596	44,544
Between 12 months but not later than 5 years	2,142,246	3,056,262	-	46,326
	3,250,626	4,013,782	46,596	90,870
Plant and equipment				
Not later than 12 months	119,233	83,440	1,536	-
Between 12 months but not later than 5 years	217,377	229,432	5,760	-
	336,610	312,872	7,296	-
Total commitments not recognised in the financial statements	**3,587,236**	**4,326,654**	**53,892**	**90,870**

Property leases and plant and equipment leases are non-cancellable with a maximum five year term, with rent payable in advance. Property leases have contingent rental provisions within the lease agreement which 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 leases may be extended for further terms.

26. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2009 (2008: Nil).

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, bank 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 treasuring risk. Currency and interest rate exposures are reviewed regularly to ensure any risk associated with these exposures is minimized.

(ii) Financial Risks

The main risks the economic entity 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 economic entity'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 32% (2008: 34%) of the total bank loans outstanding at 30 June 2009.
- Foreign currency risk
  The economic entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Economic Entity's measurement currency. The economic entity monitors its foreign exchange exposure on a regular basis.
- Liquidity risk
  The economic entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves 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 economic entity'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 economic entity intends to hold fixed rate, assets and liabilities to maturity.

	Floating Interest Rate	Fixed Interest		Non Interest Bearing	Total
		1 year or less	1-5 years	More than 5 years		
	$	$	$	$	$	$
2009						
Financial Assets						
Cash and cash equivalents	6,095,348	-	-	-	-	6,095,348
Trade and other receivables	-	-	-	-	18,967,004	18,967,004
Financial assets	11,715	-	-	-	-	11,715
	6,107,063	-	-	-	18,967,004	25,074,067
Weighted average interest rate	4%	-	-	-	-	-
Financial Liabilities						
Trade and other payables	-	-	-	-	11,360,060	11,360,060
Borrowings	9,320,765	-	4,250,000	-	-	13,570,765
Lease liabilities	-	104,635	167,892	-	-	272,527
	9,320,765	104,635	4,417,892	-	11,360,060	25,203,352
Weighted average interest rate	6.15%	10.92%	9.14%	-	-	-
Net Financial Assets (Liabilities)	**(3,213,702)**	**(104,635)**	**(4,417,892)**	-	**7,606,944**	**(129,285)**
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	10.53%	8.11%	9.04%	-	-	-
Net Financial Assets (Liabilities)	**(5,177,371)**	**(71,499)**	**(4,391,202)**	-	**8,159,073**	**(1,480,999)**

	Economic Entity 2009 $	Economic Entity 2008 $
Reconciliation of Net Financials Assets/(Liabilities) to Net Assets		
Net Financial Assets/(Liabilities)	(129,285)	(1,480,999)
Add/(subtract) Non-financial assets and liabilities		
Inventories	3,004,499	2,179,571
Plant and equipment	6,270,209	6,063,293
Intangible assets	29,342,776	30,796,263
Deferred tax assets	2,211,431	1,994,387
Provisions	(2,558,151)	(2,439,172)
Net Assets	**38,141,479**	**37,113,343**

(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 approximate their carrying value. Management are of the opinion that all current liabilities will be paid within a six month period. Non current liabilities will be paid between one to five years after balance date.

(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

There were no share based payments in the year to 30 June 2009. In 2008, 590,659 employee shares were issued at a cost of $302,951.

29. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings 2009	Equity Holdings 2008	Cost of Parent Entity's Investment 2009 $	Cost of Parent Entity's Investment 2008 $
Syfon Systems Pty Ltd	Australia	Ordinary	100%	100%	3,700,650	3,700,650
Syfon Systems Sdn Bhd	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%	100%	-	-
TSF Maintenance Services Pty Ltd	Australia	Ordinary	100%	100%	-	-
Syfon Systems Pte Ltd	Singapore	Ordinary	100%	100%	-	-
ACN 119 296 340 Pty Ltd	Australia	Ordinary	100%	100%	-	-
Cellular Beams Pty Ltd	Australia	Ordinary	100%	100%	-	-
					3,735,154	**3,735,154**

ACN 129 296 340 Pty Ltd and Cellular Beams Pty Ltd did not trade during the year.

30. SUBSEQUENT EVENTS

There have not been any matters or circumstances, other than that 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 this financial year.

31. CONSTRUCTION CONTRACTS	Economic Entity 2009 $	Economic Entity 2008 $	Parent 2009 $	Parent 2008 $
Aggregate amount of contract revenue recognised during the financial year	44,076,646	55,844,966	-	-
Aggregate of contract costs incurred and profits recognised (including losses recognised) to date on contracts in progress	32,173,641	47,334,928	-	-
Progress Billings	(30,513,882)	(44,104,034)	-	-
Amounts due from customers for contract work in progress	1,659,759	3,230,894	-	-
Total receivable from customers for contract work in progress as included in Note 4	12,748,725	8,296,595	-	-
Retention Receivables as included in Note 4	530,930	480,671	-	-

32. ACQUISITION OF BUSINESSES

Acquisition of Business

There were no acquisitions during the year ended 30 June 2009. During the prior year, the Economic Entity acquired the business and certain net assets from TSF Engineering. The acquisition was effective 1 September 2007.

Details of the prior year acquisitions are as follows:

	2009 $	2008 $
Consideration is comprised of:		
Deferred consideration	-	-
Shares issued	-	-
Outflow of cash	-	15,026,250
Cash Acquired	-	(822,984)
Consideration	-	**14,203,266**
Fair Value of net assets acquired:		
Trade and other receivables	-	5,148,279
Inventories and work in progress	-	(3,411,366)
Other current assets	-	577
Property, plant and equipment	-	415,945
Deferred tax assets	-	75,422
Trade and other payables	-	(3,591,466)
Employee entitlements	-	(251,405)
Lease payables	-	-
Goodwill on acquisition	-	15,817,280

33. CHANGES IN ACCOUNTING POLICY

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

(i) AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009).

These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

Envirozel Ltd. will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

(ii) AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009).

AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

(iii) AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009).

The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

(iv) AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009).

The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.

(v) AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009).

This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

(vi) AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009).

These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.

(vii) AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6:

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

(viii) AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009).

This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.

(ix) AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009).

This amendment requires that non-current assets held for distribution to owners to be measured at the lower of carrying value and fair value less costs to distribute.

(x) AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009).

Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the Group.

(xi) AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008).

Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the Group.

(xii) AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009).

This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

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
Danum Engineering Pty Ltd
is 17 Seaforth Street, North Shore, Geelong, Vic. 3214

The principal place of business of
Brockman Engineering Pty Ltd
is 340 Forest Road, Corio, Vic. 3214

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

The principal place of business of
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 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 2009 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

Director - M Findlay

Signed at Melbourne this 24th day of September 2009.

Bentleys
Thinking ahead

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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 2009, 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 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

Quality Endorsed Company

Chartered Accountants and Business Advisors
A member of Bentleys, an association of independent accounting firms in Australia.
The member firms of the Bentleys association are affiliated only and not in partnership.
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GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Bentleys
Thinking ahead

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Envirozel Limited on 23 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Envirozel Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Envirozel Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS

GORDON ROBERTSON
PARTNER

Dated in Melbourne on this 24th day of September 2009

Praxity
ASSOCIATE
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Additional shareholders information as at 31 August 2009

1. Substantial Shareholders

Tiga Trading Pty Ltd	16,141,258 Ordinary Shares

2. Distribution of Shareholding

Range of Holding	No. of Shareholders Ordinary Shares
1 - 1,000	304
1,001 - 5,000	960
5,001 - 10,000	438
10,001 - 100,000	1,086
100,001 and over	204
	2,992

Number of shareholders with less than marketable parcel of $500 at $0.23 per unit	764

3. Names of the 20 largest shareholders

	Shares held	% Holding
1. ANZ Nominees Limited (Cash Income A/C)	16,475,496	7.92
2. Cameron Richard Pty Ltd (Superannuation Fund A/C)	6,863,412	3.30
3. Merrill Lynch (Australia) Nominees Pty Ltd (Berndale A/C)	5,100,000	2.45
4. Smithley Super Pty Ltd (Smith Super Fund A/C)	4,809,842	2.31
5. Mr Gordon James McKern, Mrs Anita Mary McKern	4,800,000	2.31
6. Powis Enterprises Pty Ltd (Powis Super Fund A/C)	4,744,552	2.28
7. CJ Arms Superannuation Fund Pty Ltd (CJ Arms Super Fund A/C)	4,570,178	2.20
8. Airlie Beach Holdings Pty Limited (Burns Family A/C)	4,500,000	2.16
9. Adam Bellgrove (Ingodwi Family A/C)	4,400,000	2.12
10. Linwierik Super Pty Ltd (Linton Super Fund A/C)	4,088,137	1.97
11. Mr Ian George Mansbridge	4,010,000	1.93
12. Powis Enterprises Pty Ltd (Powis Family A/C)	3,825,448	1.84
13. HSBC Custody Nominees (Australia) Limited	3,805,441	1.83
14. Lost Ark Nominees Pty Ltd (MYA Super A/C)	3,500,000	1.68
15. McKern Superannuation Fund Pty Ltd (McKern S/F A/C)	3,393,993	1.63
16. Mr Vaz Juchima & Mrs Helen Ann Juchima	3,285,654	1.58
17. Pegmont Mines Limited	2,850,000	1.37
18. DIP Holdings Pty Ltd	2,600,000	1.25
19. Lost Ark Nominees Pty Ltd (ONMBPSF A/C)	2,357,129	1.13
20. Dr Trudy Ann Marsden	2,000,000	0.96
	91,979,282	44.23

Additional shareholders information as at 31 August 2009

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, Victoria, 3000
Telephone Number: (03) 9670 4545
Facsimile Number: (03) 9670 6670
Email: corporate@envirozel.com

A register of securities is kept at Computershare Investor Services Pty Ltd,
452 Johnston Street, Abbotsford, Victoria, 3067.
Telephone Number: 1300 137 328

7. Stock Exchange Listing

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

Envirozel Limited
Level 7, 410 Collins Street, Melbourne, Victoria 3000.
PH: 61 (0) 3 9670 4545 FAX: 61 (0) 3 9670 6670
www.envirozel.com