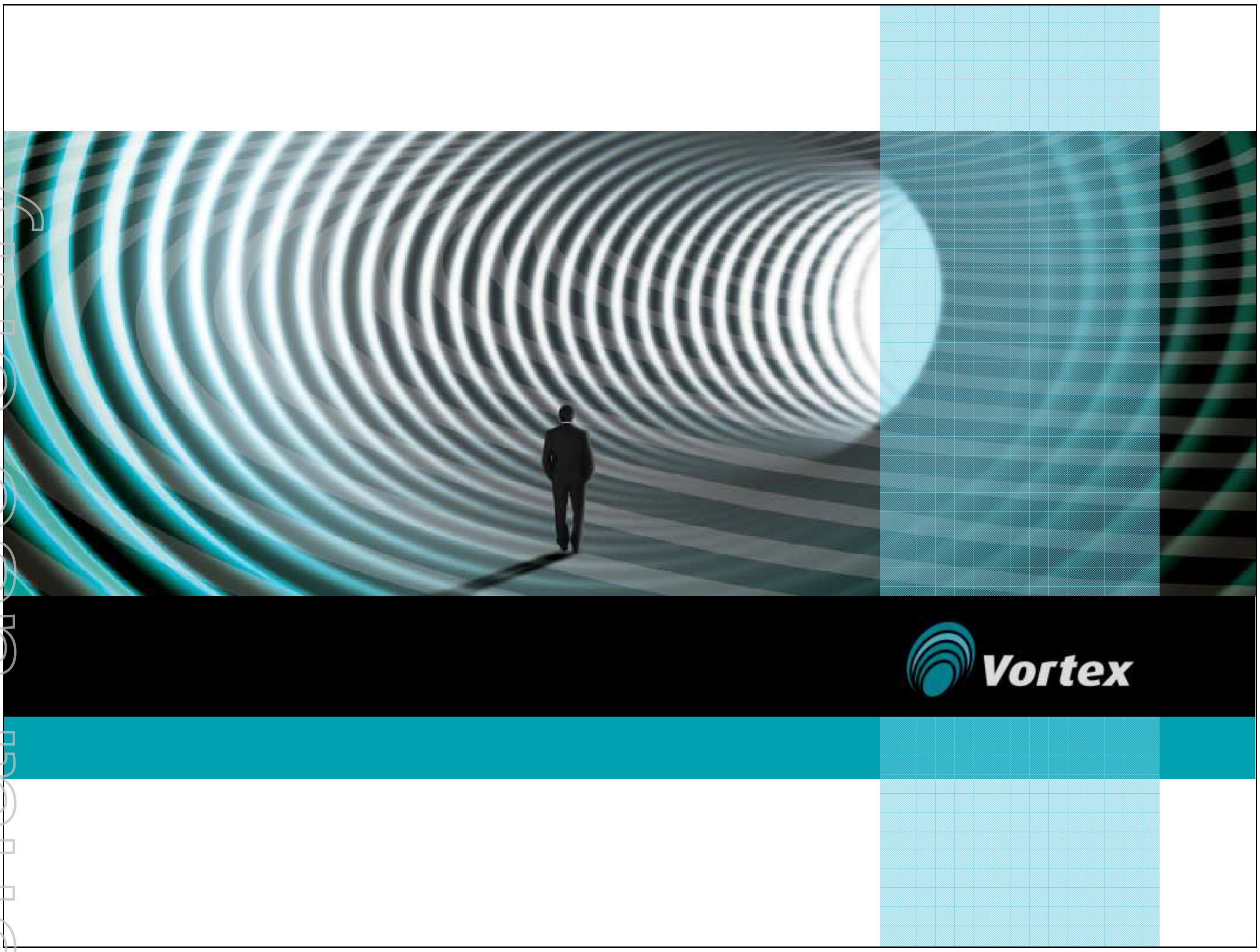

ANNUAL REPORT 2008

Vortex Pipes Limited

(formerly ShieldLiner Limited)
ACN 096 870 978

VORTEX PIPES LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 June 2008

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VORTEX PIPES LIMITED

CORPORATE DIRECTORY

Directors

James McDonald FAICD (Chairman)

Trevor Gosatti

Antony Zuiderwyk B.Eng

Mark Bernard Jenkins

John Townley Phillips

Company Secretary

Trevor Gosatti

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Perth, Western Australia

National Australia Bank
226 Main Street
Osborne Park, Western Australia

VORTEX PIPES LIMITED

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Mr James Kenneth McDonald - Chairman
Mr Trevor Adriano Gosatti
Mr Antony Martin Zuiderwyk
Mr Mark Bernard Jenkins (appointed 1 July 2008)
Mr John Townley Phillips (appointed 1 July 2008)
Mr William Julian Land (retired 30 June 2008)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal continuing activities of the Group during the year have been:

(a) continued development of the ShieldLiner™ System incorporating:
   - i) associated research into materials and applications;
   - ii) seeking additional intellectual property protection for enhancements and refinements made to the ShieldLiner™ System; and
   - iii) the preparation of longer term project and business plans to further develop and commercially exploit the business of ShieldLiner Limited.

(b) commencing and operating pipe relining and various associated trenchless technology contracting activities incorporated in the subsidiary Premium Pipe Services Pty. Ltd.

(c) operate a composite pipe business incorporating:
   - i) operation of an exclusive Australian and NZ distributorship of Glass Reinforced Epoxy pipes manufactured by Fiber Glass Systems Inc of San Antonio, Texas, and
   - ii) development of a new composite pipe technology through the QuickPipes joint venture with Quickstep Technologies.

Dividends – Vortex Pipes Limited

No dividend has been declared or paid since incorporation and the Directors do not recommend the payment of a dividend.

Review of Operations

The year to 30 June 2008 has been a busy period for Vortex Pipes Limited. Operations in that period include:

- continued to develop and refine the ShieldLiner™ System in accordance with the milestones and time lines agreed under the Commercial Ready Grant programme;
- successfully demonstrated the ShieldLiner™ System using epoxy resin;
- obtained potable water approval for a fibreglass and epoxy resin matrix for the ShieldLiner™ System;
- reached a commercial settlement to remove future royalties;
- obtained the granting of its first generation patent application in Australia;
- completed pipe relining and pipe bursting works at various locations, including works on a contract with the City of Kalgoorlie-Boulder using the Saertex ultra violet light cured fibreglass system;
- obtained an exclusive agency for the Whirlwind waterless pipe cleaning technology;
- continued the restructuring of the Glass Reinforced Epoxy pipes division;
- obtained its first order of substance to supply glass reinforced epoxy pipe to Strategic Marine for a Floating Dock Facility for the Australian Marine Complex;
- announced a Joint Venture with Quickstep to develop high end composite pipes;
- changed the name of the company to Vortex Pipes Limited and associated branding; and
- obtained approval for a Placement to raise $1 million for working capital.

Additional comments on each of these developments are incorporated below and have been the subject of comprehensive announcements lodged with the Australian Stock Exchange Limited (“ASX”). Copies of all ASX announcements are included under the Investor Section of the Company’s web site which can be found at www.Vortex Pipes.com.

Commercial Ready Grant & Development Program

The Company continued to progress the AusIndustry Commercial Ready Grant program to support the further development and commercialisation of the ShieldLiner™ System for lining, repairing and sealing both gravity and pressure pipelines insitu without surface disruption. The program is well past the halfway stage of development.

The new modular tooling program ("Mk3 pipe tool") and the new Mk3 control rig and exit system were completed during the period.

The modular tooling program is designed to enable the same central core of the tooling package to be utilised with different sealing and add-on mechanisms so that it can be used on pipes with diameters ranging from 300mm to 600mm. In previously developing the technologies, test programs have been undertaken with a tooling system capable of only lining 300mm pipes and as such the modular tooling program opens up the capacity for end users of the system to line different pipe sizes within the capital cost constraints of a single tooling package.

Successful test runs had previously been completed on 300mm and 450mm diameter pipes.

Evolution of the Modular Tooling

Work had commenced on the expected 600mm diameter tool in the previous period and testing on the DN600 tool has been concluded successfully during this half with excellent results.

Roller Bend (600mm)

Pressure Chamber and Reel

Work also progressed on the Mk3 pressure chamber and a number of materials for the most critical component, the roller seals, were evaluated. Testing commenced on the most promising material using the "Mk1 pressure chamber" as a test rig. While the design and drawings for the full Mk3 pressure chamber system were well advanced the key focus remained on achieving the required sealing performance of the roller seals. This development is now completed, further simplifying the site footprint for the ShieldLiner™ System.

This development continues in accordance with the timeframe envisaged in the Company's approved Commercial Ready Grant although, as expected in any R&D development, some adjustments to the program have been made to accommodate advances in the technology. The program will complete in the next financial year.

Successfully Demonstrated the ShieldLiner™ System Using Epoxy Resin

As part of the development program the Company successfully demonstrated its ShieldLiner™ System using epoxy resin in its in house testing facilities during the period. The company completed several trials using epoxy resin and had encouraging results in all trials. The successful trials were an important milestone in the development of the ShieldLiner™ System.

Previously the Company had only trialled the ShieldLiner™ System using vinyl ester resins to demonstrate its unique pipe lining technology. These resin systems may be used in the sewer or drainage pipe refurbishment markets where the barriers to entry are lower but there are more competing technologies than the potable water markets. The use of epoxy resin using the ShieldLiner™ System is one of the milestones in our research and development program towards a commercial outcome, particularly in looking at potable water solutions.

Several in-house tests have been performed on the finished epoxy and fiberglass liners after factory trials. The liners are tested for gap spanning and are pressure tested to compare results with other liners. Extremely encouraging results continue to be demonstrated by these tests and show encouragement for future pressure pipe capabilities.

Liner being pressure tested

Obtained Potable Water Approval for Fibreglass and Resin Matrix

In May 2008, the Company successfully demonstrated compliance with AS/NZS 4020:2005 – Testing of Products for Use in Contact with Drinking Water, using its ShieldLiner™ System. The Company had previously submitted an epoxy resin and fibreglass liner sample as produced by the ShieldLiner™ System with the Australian Water Quality Centre, in South Australia, for testing to the relevant standard. The samples submitted demonstrated compliance with this Standard, which is required for use of products in drinking (potable) water solutions.

The successful compliance with this standard is another important milestone in the development of the ShieldLiner™ System and the approval of our epoxy resin and fibreglass matrix for drinking water systems is a further step towards providing a comprehensive potable water pipe relining solution.

The potable water market is seen as a large market place where few technical solutions exist for the refurbishment of high pressure large diameter pipes. The AS/NZS 4020:2005 potable water approval of our epoxy resin/fibreglass material using the ShieldLiner™ System is another milestone towards a commercial outcome for the ShieldLiner™ System as a solution for relining large diameter water pipes in the future.

Commercial Settlement for Future Royalties

The Company reached a commercial agreement with SORD Technologies Ltd. ("SORD") to remove all future potential royalty liabilities attached to the ShieldLiner™ System technologies during the period.

Pursuant to an Option Deed – Transfer and Cross-Licence of Technology Assets ("the Option Deed") entered into between SORD and Vortex on 29 January 2002 SORD granted Vortex an option to acquire the ShieldLiner Technology the subject of PCT/AU01/00563 and all other intellectual property in connection with the ShieldLiner Technology. Vortex on 4 February 2002 exercised its option pursuant to the Option Deed and is now the owner of the ShieldLiner Technology the subject of PCT/AU01/00563, as well as all other intellectual property in connection with the ShieldLiner Technology. The Option Deed included a royalty of 4% of revenues received by Vortex once its cumulative gross revenues reach $2,500,000.

The commercial agreement made between Vortex and SORD Technologies now removes that royalty obligation going forward through a once only payment of $150,000 in lieu of any future royalty payments. The agreement also clarifies cross-licensing arrangements between the companies as set out in the Option Deed.

Granting of First Generation Patent Application in Australia

The Company was pleased to announce that during the period its patent attorneys informed the company that its first generation patent application in Australia (Australian Patent No. 2001258038) has been granted for the ShieldLiner technology.

The granting of this patent is positive recognition of the company's development of its pipe relining technology to date. The company continues, through its patent attorneys, to pursue its claims with the second generation patent applications in Australia and various other strategic countries.

Premium Pipe Services Pty Ltd – Lining Works Completed

PPS has invested in state of the art plant and equipment and is successfully installing the UV light cured fibreglass CIPP liner in Western Australia. The company is currently the Australian and New Zealand agent for the Saertex multicom product which is a resin impregnated fibreglass cured in place pipe liner for rehabilitating pipes. The product is primarily for rehabilitating non pressure sewer and drainage pipes. The liner is installed in the pipe to be rehabilitated and then cured using an ultra-violet light train which travels inside the pipe. The UV light fully cures the pipe to provide a new fully structural close-fit pipe inside of the old pipe.

This is the fastest and most environmentally friendly method presently being used in the world market. The UV cured fibreglass product is regarded as one of the best quality products on the world market and the Board considers that this is complementary to Vortex and its technology focus.

UV Light Train

UV Light Curing Liner

During the period the works for the previously announced pipe relining and pipe bursting works for the City of Kalgoorlie-Boulder were completed. Premium Pipe Services Pty Ltd, a subsidiary of Vortex Pipes Limited was awarded a contract with the City of Kalgoorlie-Boulder for Sewer Replacement Works in May 2007. These works did not commence until October 2007. The original tender called for several sections of existing sewer (approximately 1.5 km) within the Kalgoorlie and Boulder townsites to be replaced with new PVC pipe. The existing vitreous clay pipes were subject to regular blockages due to tree root infestation and required upgrading.

During the tender process Premium Pipe Services provided an option to reline the existing pipe using the Saertex-liner system. The ultraviolet cured fibreglass pipe has proved to be an outstanding system for the relining of the old sewer pipes in Kalgoorlie. In addition the company successfully pipe burst four sewer lines where the size of the sewer pipe was required to be up-sized from a 150mm pipe to a 225mm pipe. It is expected that additional pipe bursting works may also be required this year in other fields and Vortex is looking to expand its range of services in this area also.

The successful completion of the Contract with the City of Kalgoorlie-Boulder was highlighted with the project being nominated for a CCF Earth Award in Category One (up to $1 million in value) in Western Australia.

The company also successfully lined a small number of pipes for the Water Corporation of WA and several local government councils in Perth using the Saertex product and the UV light curing technology.

As we have said previously, we believe that strategically the growth of PPS will assist with the commercial roll out and eventual acceptance of the ShieldLiner technology and various other technologies that we may acquire for the future. We are seeking to obtain further relining contracts for the future and PPS is actively planning to expand its operations nationally.

Glass Reinforced Epoxy Pipes - Fiber Glass Systems Distributorship – Contract Award

After the previous acquisition of this business, a strategic decision was made during the period to focus on the sale and supply of GRE Pipes and move away from the riskier installation aspects of that business.

We commenced pricing and tendering on many large projects for supply only of GRE pipe and fittings, and where installation is required, we have set up strategic arrangements with companies that install composite pipes to complete this requirement. There are many large oil and gas and mining projects on the planning table to be completed over the next few years in Australia and New

Zealand, and we see the investment in this composite pipe business as being very well placed to service the supply of composite pipes that will be required in many of these projects.

In February 2008, Premium Pipe Services Pty. Ltd. was awarded a contract with Strategic Marine Pty Ltd to supply and install glass reinforced epoxy (”GRE”) pipes for part of a floating dock facility.

Strategic Marine Pty Ltd is a Western Australian shipbuilder that has won the contract to build the floating dock for the Australian Marine Complex at Henderson, Western Australia. As part of that project, glass reinforced epoxy pipes are required as part of the dewatering system. These pipes have advantages because of their non-corrosive qualities.

The value of the Purchase Order is in excess of $1.4 million. The works are expected to be completed by late 2008.

The order is important as it is the first substantial GRE order the company has received since acquiring the distributorship and restructuring its focus. A number of other quotations have also been provided for supply of large quantities of GRE pipes for various projects.

<u>Agency with Whirlwind Utilities</u>

The company reached agreement with UK based Whirlwind Utilities Ltd for the exclusive use of the Whirlwind™ technology for cleaning pipes in Australia and New Zealand and the Australian resources industry on a global basis in April.

The patented Whirlwind technology was developed by Whirlwind Utilities to clean potable water mains in the United Kingdom, prior to being relined and rehabilitated. It has been successfully deployed in the UK water industry through contractors and directly with water authorities.

Vortex is in discussions with water authorities in Western Australia and on the east coast to negotiate deployment of the initial unit and a launch contract. The initial unit is expected to be available in Australia by later this year and deployed shortly thereafter.

The Whirlwind technology is a unique pipe cleaning system that creates a constant velocity of air flow within the pipe (a “whirlwind”), before a controlled feed of aggregate or cutting agent is introduced, to provide a uniform cleaning pattern along the pipeline being cleaned. The turbulent nature of the air flow causes the aggregate to be thrown against the pipe wall, impinging and dislodging the undesired matter (such as tubercles, sludge, silt) that has accumulated in the pipe. The air flow then carries the aggregate along the pipeline until it is collected in a receival chamber at the end of the pipe section.

It is more cost efficient than traditional methods and its use of controlled air flows instead of water is attracting particular interest from eastern states based utilities that, in the face of severe water restrictions, are searching for waterless based cleaning systems.

The company is also very keen to introduce the technology to the resources sector. Initial investigations have demonstrated that Whirlwind can be effectively used across a wide variety of situations in the oil and gas industries, resources processing industries and in chemical industries.

<u>“QuickPipes” Joint Venture with Quickstep Technologies</u>

Vortex Pipes Ltd. and international advanced composites group Quickstep Holdings Ltd announced in May 2008 that they had joined forces to develop and market a new generation of high-strength, corrosion resistant pipes to be manufactured using Quickstep’s patented composites manufacturing process. The two companies have finalised a Joint Venture agreement, bringing together their respective strengths in composite manufacturing technology and pipe-lining and manufacturing solutions to deliver a ‘next generation’ product that offers significant competitive advantages to infrastructure groups and asset managers over existing alternatives.

The Joint Venture project, which will operate under the name “QuickPipes”, will commence work immediately focused on the development of a range of high-end composite pressure pipes suitable for a broad range of applications in the infrastructure, mining and oil and gas sectors.

The Joint Venture is initially established on a 80:20 (Vortex: Quickstep) basis, with Quickstep contributing its technology and know-how, as well as a suitable Quickstep QS20 composites production machine. Vortex will contribute its composites pipe-lining and manufacturing technology, industry contacts and know-how in the specialised fields of pipe cleaning, pipe rehabilitation and fibreglass pipe provisioning. Vortex will be responsible for stage 1 funding of the Joint Venture.

"Melded" join of carbon fibre pipe (below)

The application of advanced composite technology in pipe manufacturing was becoming increasingly prevalent, as infrastructure asset owners recognised the improved 'whole-of-life' cost of these products. There are increasing enquiries from customers interested in alternatives to traditional steel pipe, who face large cost increases due to the increasing raw material costs. While the industry is currently dominated by steel pipes due to their historical manufacturing base, there is an increasing move towards composite pipe products due to their improving cost viability, reduced maintenance costs and longer lifespan.

The portability of Quickstep's manufacturing equipment could also be a significant benefit for QuickPipes. Currently, customers are shipping fully completed pipes which are large and require a considerable amount of space when being transported – most of which is just vacant space within the pipe. As Quickstep's machines are potentially portable, the ability to ship Quickstep's manufacturing equipment closer to the site and manufacture the pipes when and where they are required would save customers a substantial amount in logistics and transportation costs, further enhancing the attractiveness of QuickPipes products.

The first stage of the Joint Venture will explore the use of the Quickstep Process to cure various pipes using a range of fibres and resins. The proving of the improved pipe properties expected using this process will allow detailed market research on the large potential for this product worldwide. This will be followed by the construction of the first QuickPipes manufacturing plant. The expected investment for Stage 1 of the project is up to $750,000.

It is expected that QuickPipes could produce early cash flow for the Joint Venture by the end of 2008/09 through the development and production of niche fittings for existing markets, and could produce commercial-ready lengths of finished pipe by the last quarter of 2009.

<u>Change of Name to Vortex Pipes Limited – Marketing Strategies</u>

Shareholders at the Annual General Meeting on the 20th November 2007 approved the change of corporate name from ShieldLiner Limited to Vortex Pipes Limited. The change was subsequently approved by ASIC in December. The company changed to Vortex Pipes Limited (Code: VTX) on the Australian Stock Exchange on the 24th December 2007.

The change of corporate name to Vortex will allow the entity to better brand its multiple service and product offerings into the future in an appropriate manner, without confusion with the ShieldLiner™ System technology, which is a unique pipe relining technology. The ShieldLiner™ System will continue as a product brand under the Vortex master brand. Vortex will also offer many other product and service brands in related pipe rehabilitation, pipe cleaning and new composite pipe technologies.

Vortex

A new web site for Vortex was unveiled in the second quarter of 2008 and the Company produced and issued a newsletter to shareholders and stakeholders to keep them better informed of the company's activities. It is planned to regularly provide these to investors and stakeholders.

The Company has continued to promote its progress and its brand over the last year. All products were displayed at the 2008 Australasian No-Dig Exhibition held in Sydney in early March. The exhibition and conference is the centrepiece for the Australasian Society for Trench-less Technology and was well attended.

Representatives of the company also attended the JEC Composites Exhibition in Paris showcasing a proof of concept piece of the "QuickPipes" pipe product. This was well received at the exhibition.

The company through PPS has also been involved in the exhibition for the Australian Pipeline Industry Association held at the Gold Coast last October, showcasing the composite pipes and fittings of FGS.

The Company will continue to develop its branding and its technology based focus on composite pipes (both new and rehabilitation) and pipe related services.

Capital Raising - Placement

The Company announced a placement for $1,000,000 on 18th April 2008 through the proposed issue of 13,333,333 shares. The placement was offered to clients of Indian Ocean Capital Pty Ltd. The funds were to be used for working capital. Shareholders formally approved the issue at a meeting held on 30 May 2008 (see also note 27 to the financial statements).

Finances

Revenue increased for the Group to $2,829,080 (up 67.8%) principally due to the inclusion of Premium Pipe Services Pty Ltd operations for the full 12 month period compared to only 6 months in the previous year.

The Group made an operating loss for the year of $1,947,996 (up 30% from last year). Losses increased mainly due to:

- an increase in staff wages and salaries and related on-costs
- the payment of a once only royalty to settle a future potential liability associated with the ShieldLiner system
- a general overall increase in operating costs.

Entities that are controlled by the Group made a net loss of $956,000 during the period.

Non Executive Director Resignation

Mr Julian Land, who had been a Non Executive Director prior to and since the company listed on the ASX in August 2004, resigned on 30 June 2008. The Company recognises the efforts of Mr Land who was a founding director of ShieldLiner Limited and thanks him for his contribution.

Conclusion

During this period Vortex Pipes Ltd. has made solid progress on both on the ShieldLiner technology front and also with the completion of first major contracts in the PPS business and the winning of the first major contract for the GRE business. The Company has also sought to introduce new technologies that will differentiate the business in the marketplace. Over the next twelve months, the Company will look to generate positive cash flows.

The Directors would like to formally acknowledge and thank all the employees, consultants and contractors who have assisted with the Company's development throughout the period. It has been a team effort and the efforts of all involved are to be commended and are certainly appreciated by the Directors.

It is envisaged the Group will further develop the ShieldLiner™ System and pursue both licensing and contracting opportunities for the use of the ShieldLiner™ System both domestically and internationally. The Group will also pursue expanded markets for the use of GRE pipe and the full array of PPS service offerings.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group other than as referred to elsewhere in this Annual Report and in the accounts and notes thereto.

Likely Developments

It is envisaged the Group will further develop the ShieldLiner™ System and pursue both licensing and contracting opportunities for the use of the ShieldLiner™ System both domestically and internationally. The Group will also pursue expanded markets for the use of GRE pipe and the full array of PPS service offerings.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Information on Directors at the date of this report

MB Jenkins BCom (UWA), Grad Dip (Bus) Non-executive Chairman Age 44

Experience and expertise
Over 20 years consulting, operational/financial management and business development experience in professional Chartered Accountancy firms, investment banking, government agencies and public companies. He was also Australia's Investment Commissioner based in London.

Other current public company directorships
Non-executive director of Fulcrum Equity Limited (appointed September 2002) and non-executive Chairman of Quickstep Holdings Limited (appointed July 2005)

Former public company directorships in last 3 years
None

Special responsibilities
Chairman of the Board
Member of remuneration committee and the audit and risk committee.

Interests in shares and options
2,690,151 ordinary shares in the company
1,000,000 options over ordinary shares in the company

TA Gosatti Managing Director - executive Age 46

Experience and expertise
Managing Director of Premium Corporation Pty Ltd and extensive experience in civil contracting operations. Managing Director of Premium Pipe Services Pty Ltd, a 100% owned controlled entity.

Other current public company directorships
None

Former public company directorships in last 3 years
None

Special responsibilities
Managing Director
Member of remuneration committee and patent committee.

Interests in shares and options
6,170,919 ordinary shares in the company
400,000 options over ordinary shares in the company

AM Zuiderwyk B.Eng Non-executive director Age 49

Experience and expertise
Previously General Manager, Operations of Alinta Limited's asset management business and in that role was in charge of a team of approximately 800 people undertaking maintenance, management and works activities associated with gas pipe lines and gas and electricity distribution networks throughout Australia.

Other current public company directorships
None

Former public company directorships in last 3 years
None

Special responsibilities
Member of remuneration committee and the audit and risk committee.

Interests in shares and options
73,855 ordinary shares in the company
200,000 options over ordinary shares in the company

JT Phillips BE, MEng Sc Non-executive director Age 68

Experience and expertise
40 years experience as a civil engineer on major infrastructure works. Was a member of the Board of GHD Engineers for 25 years and Chairman for 5 years. President of the Institution of Engineers WA and the Chief Executive Officer of the Construction Contractors Association.

Other current public company directorships
None
Former public company directorships in last 3 years
None

Special responsibilities
Member of remuneration committee and the audit and risk committee.

Interests in shares and options
1,066,667 ordinary shares in the company

JK McDonald FAICD Non Executive Director Age 68

Experience and expertise
Retired in 2005 as Managing Director and CEO of the Australian Pipe Line Trust. Prior to this role he held senior management positions within the pipeline division of the Australian Gaslight Company.

Other current public company directorships
Non-executive director of three other public companies: Hastings Fund Management Ltd (director since 1 July 2007), Pearlstreet Ltd (director since October 2006), WDS Ltd (director since September 2006)

Former public company directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options
763,636 ordinary shares in the company
300,000 options over ordinary shares in the company

Company secretary

The company secretary at the end of the financial year was Mr GJ Nairn FCA. Mr Nairn has worked for Vortex Pipes Limited for 2 years and was appointed to the position of company secretary in June 2007. He is also the Chief Financial Officer for the company and its controlled entities. Mr Nairn resigned as company secretary on 15 September 2008 and has been replaced by Mr Trevor Gosatti.

Directors' Meetings

The Directors holding office during the year and the number of Directors' meetings and Directors' committee meetings held and attended by Directors during their term of office were as follows:

	Board Meetings		Audit and Risk Committee		Patent Committee		Remuneration	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
AM Zuiderwyk	9	9	2	2			1	1
WJ Land	9	9			0	0	1	1
TA Gosatti	9	9			0	0	1	1
JK McDonald	9	9	2	2			1	1

Environmental Regulation

The Group's activities to date have not been subject to any particular and significant environmental regulation under Laws of either the Commonwealth or a State or Territory.

Subsequent Events

There have not been any matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of affairs of the Group in financial years subsequent to this financial period.

Remuneration report

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration (audited)
B Details of remuneration (audited)
C Service agreements (audited)
D Share-based compensation (audited)
E Additional information (unaudited)

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures.* These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Company. Broadly, the Company's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest calibre. Further, the policy incorporates the following key criteria of good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive remuneration
- transparency
- capital management.

The executive directors receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals do, however, have the ability to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options given to directors and employees are valued using the Black-Scholes methodology.

As part of each executive director's remuneration package there is a performance based bonus component that is linked to key performance indicators (KPI's) included in the annual business plan. The KPI's target areas that the board believes are critical for the future development and growth of the company. These include, but are not restricted to, the achievement of research and development milestones, improved financial performance, and identification of potential acquisitions that will complement the activities of the Company and provide shareholder wealth from profitable trading activities. Performance in relation to the KPI's is assessed annually, with bonuses being awarded depending on the assessed level of achievement of the goals and objectives.

Non-Executive Directors

Non-executive directors receive a fixed monthly fee of $1,000 (including superannuation) each for their services, except for the non-executive Chairman who receives $1,500 (including superannuation). Total remuneration for all non-executive directors, last voted upon by shareholders at the 2006 annual general meeting, is not to exceed $200,000 per annum. The Company does not have any scheme relating to retirement benefits for non-executive directors.

Executive pay

The executive pay and reward framework is comprised solely, at this stage, of base pay and benefits, including superannuation.

B Details of remuneration (audited)

The remuneration of each director and key management employee is shown below. The key management personnel of the Group and the parent entity include the directors as per pages 6 and 7 above and GJ Nairn (Chief Financial Officer and Company Secretary of each entity in the Group) and MB Morris (General Manager of Premium Pipe Services Pty Ltd).

	Short-term benefits			Post employment benefits	Termination benefit	Share-based payment	
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation		Options	Total
2008							
Non-executive directors							
WJ Land	11,009	-	-	991	-	-	12,000
AM Zuiderwyk	11,009	-	-	991	-	2,086	14,086
JK McDonald	18,000	-	-	-	-	-	18,000
Executive directors							
TA Gosatti	147,800	-	-	12,222	-	-	160,022
Other key management personnel							
GJ Nairn	120,000	-	-	10,800	-	-	130,800
MB Morris	83,280	-	-	6,431	-	-	89,711
Totals	391,098	-	-	31,435	-	2,086	424,619
2007							
Non-executive directors							
TA Gosatti	5,502	-	-	498	-	-	6,000
WJ Land	11,921	-	-	1,079	-	-	13,000
AM Zuiderwyk	11,253	-	-	747	-	-	12,000
JK McDonald	16,512	-	-	1,488	-	3,085	21,085
Executive directors							
JW Hassen	84,257	-	-	101,352	230,877	-	416,486
TA Gosatti	73,554	-	-	6,048	-	1,546	81,148
Other key management personnel							
GJ Nairn	10,923	-	-	983	-	-	11,906
Totals	213,922	-	-	112,195	230,877	4,631	561,625

Notes to remuneration table:

1. TA Gosatti was a non-executive director until the acquisition of Premium Pipe Services Pty Ltd on 31 December 2006 at which time he became an executive director.
2. GJ Nairn was appointed Chief Financial Officer on 28 May 2007 and Company Secretary on 28 June 2007.
3. All of the remuneration payable to JK McDonald in 2008 was at his direction paid to his family company .
4. Pursuant to Mr Hassen's employment contract, Mr Hassen was paid a termination benefit equivalent to one and a half times his annual base salary upon leaving the Company.
5. $nil ($3,000 in 2007) of the remuneration payable to Mr Zuiderwyk in 2007 was at his direction paid to his employer.

C Service agreements (audited)

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in individual contracts of employment. The principal components of this contract of employment are as follows:

<u>TA Gosatti –Managing Director</u>

- Term of agreement – on-going commencing 1 January 2007

- Base salary, inclusive of superannuation, for the year ending 30 June 2009 of $200,000
- Eligible to receive a discretionary performance linked bonus on the achievement of targets and other objectives as stipulated by the Board of Directors

GJ Nairn – Chief Financial Officer and Company Secretary

- Term of agreement – on-going commencing 28 May 2007
- Base salary, inclusive of superannuation, for the year ending 30 June 2009 of $163,500
- Eligible to participate in the Vortex Pipes Employee Share Option Plan

MB Morris – General Manager, Premium Pipe Services Pty Ltd

- Term of agreement – on-going commencing 3 December 2007
- Base salary, inclusive of superannuation, for the year ending 30 June 2009 of $155,000
- Eligible to participate in the Vortex Pipes Employee Share Option Plan

D Share-based compensation (audited)

Options issued as part of remuneration for the year ended 30 June 2008

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between directors, employees and shareholders.
Options over ordinary shares in the company provided as remuneration to key management personnel, including directors, are set out below.

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
TA Gosatti	-	200,000	-	200,000
AM Zuiderwyk	200,000	-	200,000	-
WJ Land	-	-	-	-
JK McDonald - Note 1	-	-	-	300,000
GJ Nairn	-	-	-	-
MB Morris	-	-	-	-

1. The Board of Directors granted 300,000 options to Mr JK McDonald during 2006. These were approved by shareholders at the 2006 Annual General Meeting held on 30 November 2006 and vested on that date.

E Additional information – unaudited

There is no additional information that is required to be disclosed in respect of the year ended 30 June 2008.

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number of options
5 August 2004	5 August 2009	30 cents	200,000
5 August 2004	5 August 2009	30 cents	200,000
18 February 2005	18 February 2010	30 cents	150,000
31 December 2005	31 December 2010	30 cents	20,000
30 November 2006	5 August 2009	30 cents	250,000
30 November 2006	5 August 2009	35 cents	250,000
20 November 2007	5 August 2009	30 cents	100,000
20 November 2007	5 August 2009	35 cents	100,000
31 May 2008	31 May 2011	20 cents	1,000,000
			2,270,000

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Shares Issued on Exercise of Options

There were no shares issued during the operating period pursuant to the exercise of options.

Indemnification of Officers

The Company has indemnified the Directors (as named above) and all executive officers of the Company and of any related body corporate against any liability incurred as a Director, secretary or executive officer to the maximum extent permitted by the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred as an officer.

Proceedings on behalf of the company

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

The only amount paid to the external auditors for non-audit services during the year was $1,500 in respect of audit services on the annual Commercial Ready Grant financial report.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 16.

Appreciation

The Directors would like to formally acknowledge and thank all the employees, consultants, contractors and major shareholders who have assisted with the Company's technology development throughout the period.

It has been an extremely busy year and we continue to make good progress with the development and commercialisation of the ShieldLiner™ System.

We remain convinced that the Group's technology meets a major need in the global market and that valuable alliances with players in key markets will be formed in due course. The continued build up of proprietary knowledge and technology within the Group is significant and we are looking forward to pursuing emerging commercialisation and appropriate acquisition opportunities during 2009.

In conclusion the Directors are of the view the Group is now well placed to further refine and commercialise its technologies and the Directors look forward to the coming year with optimism.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Board

JK McDonald
Director

TA Gosatti
Director

Perth
17 September 2008

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Vortex Pipes Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of 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.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA

Dated 17 day of September 2008

Total Financial Solutions

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VORTEX PIPES LIMITED

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board and the Company recognise that the Company's shareholders, employees, regulatory bodies, customers and the community expect a high standard of accountability, performance and ethical behaviour and the Board acknowledges its responsibilities for and commitment to best practice in corporate governance.

On 31 March 2003, the Australian Stock Exchange Corporate Governance Council ("the Council") released a document incorporating 10 recommended core corporate governance principles which apply to listed companies. Following the Company's public listing on 10 August 2004 it assumed an obligation to report on these principles and disclose why, if any, they are not followed. In keeping with the principle that corporate governance should be transparent to all stakeholders and other interested parties, the Company, in accordance with the Council recommended practice, has posted information on its corporate governance practices to its web site, www.vortexpipes.com.

Following an extensive review and public consultation the Council has updated its first release and released a second edition of the Corporate Governance Principles and Recommendations (Revised Principles) on 2 August 2007. The Company is presently reviewing these updated recommendations and will make the necessary changes to its adopted Corporate Governance Standards during the year ending 30 June 2009.

The Company's main corporate governance practices which were in place for the entire financial year are summarised below.

ASX CGC 1 – Lay solid foundations for management and oversight

The Council states that the Company should recognise and publish the respective roles and responsibilities of board and management.

The Board of Directors is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has established a framework for the management of the Company including an overall framework of internal control, risk management and ethical standards. This framework is expressed in a Board Charter which is posted on the Company's website www.vortexpipes.com and in a statement of delegation of authority to senior management.

ASX CGC 2 – Structure the board to add value

The Council states that the Company should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating Directors. Board membership is reviewed regularly to ensure the Board has an appropriate mix of qualifications, skills and experience. Candidates appointed by the Board must stand for election at the first General Meeting of shareholders following their appointment. The Board of the Company currently comprises of a non-executive Chairman, three non-executive directors and the Managing Director.

Details of Directors (Mr McDonald, Mr Gosatti, Mr Jenkins, Mr Phillips and Mr Zuiderwyk) are set out in the Directors' Report. Mr Gosatti is a major shareholder or a representative of major shareholders and as such may not necessarily be considered an independent director. Notwithstanding this fact, the Company complies with ASX Corporate Governance Principle 2.1 which recommends that a company's board comprise a majority of independent directors.

The Company's Managing Director (CEO) has the responsibility for guiding management in effectively carrying out tasks and achieving job task objectives. The Company has a very small number of senior executives and management, and there are regular formal and informal opportunities for management to interact with board members.

The full Board meets on a regular basis with a comprehensive set of board papers issued before the meeting for consideration and discussion. The Board as a whole makes decisions on important Company issues.

The Board has established three committees to provide specific oversight:

1. Audit and Risk Committee

The role of the audit and risk committee is set out in a charter and its responsibilities include reviewing all published accounts of the group, reviewing the scope and independence of external audits, monitoring and assessing the systems for internal compliance and control, legal compliance and risk management, and advising on the appointment, performance and remuneration of the external auditors.

Mr Jenkins, Mr Phillips and Mr Zuiderwyk form the audit and risk committee. The external auditors attend all audit and risk committee meetings, together with the Group's CFO.

2. Remuneration Committee

The role of the remuneration committee is to design and ensure appropriate remuneration policies are in place to meet the needs of the Company and to enhance corporate and individual performance. The remuneration committee is responsible for reviewing:

- executive remuneration and incentive policies
- the remuneration packages of senior management
- the Company's recruitment, retention and termination policies and procedures for senior management
- superannuation arrangements
- the performance management system operating within the Company and its effectiveness
- the remuneration framework for Directors

Mr McDonald and Mr Gosatti form the remuneration committee. Messrs Zuiderwyk and Land join the committee in place of Mr Gosatti when issues related to the CEO are considered.

3. Intellectual Property Committee

The principal role of the intellectual property committee is to oversee the Company's patent portfolio from a strategic perspective having regard to the key features of the Company's novel technology, any competitive patent positions, and the cost-effectiveness and cost-management of the various elements of the Company's portfolio.

Mr Gosatti is the sole director on the intellectual property committee. The Company's external patent attorney, the inventor Mr Neil Graham, a third party intellectual property manager and a consultant providing patent administration services also serve on the intellectual property committee.

ASX CGC 3 – Promote ethical and responsible decision-making

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision-making by all employees (including directors). The Code embraces the values of honesty, integrity, accountability, equality and striving to enhance the reputation and performance of the Company. In summary the over-riding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole
- treat other stakeholders fairly and without discrimination
- respect confidentiality and do not misuse Company information or assets
- conduct themselves in accordance with both the letter and spirit of the law
- maintain a safe working environment.

A copy of the Company's Code of Conduct is available on the Company's website.

The Company has also formulated a Company policy for directors, executives and employees concerning dealings in Company securities. This policy is as follows:

Company policy and the Corporations Act 2001, prohibits directors and employees from buying and selling or otherwise dealing in securities of the Company whilst in possession of price sensitive information that, in accordance with the Corporations Act 2001, has not been made public or is otherwise not generally available.

In accordance with good practice and to assist in the avoidance of any inadvertent breach of the Corporations Act 2001, the policy of the Company in relation to dealings by Directors and employees in securities of the Company is as follows:

A Director or employee may only purchase, transfer, or otherwise deal in securities of the Company during a 30 day period commencing three days after:

a) The release of the Company's annual report to the ASX;

b) The release of the Company's half yearly financial report to the ASX;

c) The release of a quarterly report by the Company to the ASX pursuant to Listing Rule 4.7B;

d) The annual general meeting of the Company; or

e) The release of a Company prospectus.

Each director and employee is required to satisfy themselves that any dealings in securities of the Company which they undertake is not in breach of the Corporations Act 2001.

This policy has been incorporated into a set of Guidelines for Trading in Company Shares, which are posted on the Company's website.

ASX CGC 4 – Safeguard integrity in financial reporting

The Council states that the Company should have a structure to independently verify and safeguard such integrity.

The Chief Executive Officer and the Chief Financial Officer are required to state to the Board in writing that the financial statements of the Company present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards and the appropriate disclosure of all information required by statute.

The Board has established an audit committee which operates under a charter approved by the Board. Its role and its responsibilities include reviewing all published accounts of the group; reviewing the scope and independence of external audits; monitoring and assessing the systems for internal compliance and control, legal compliance and risk management; and advising on the appointment, performance and remuneration of the external auditors. The charter of the audit committee is posted on the Company's website.

The Company's auditor is WHK Horwath, appointed in 2002. Consistent with ASX CGC 6 WHK Horwath attends, and is available to answer questions at, the Company's Annual General Meeting.

The signing off of the annual accounts is a matter considered by the whole Board together with the external auditor.

ASX CGC 5 – Make timely and balanced disclosure

The Council states that the Company should make timely and balanced disclosure of all material matters concerning the Company.

In the Company's current stage of development, matters of critical importance arise regularly. The Chief Executive Officer will discuss significant issues with board members and jointly will make a decision on the timely release of factual and balanced information concerning the Company's activities. To maintain consistency, the Board has approved a Continuous Disclosure Policy, which is available on the Company's website, and which covers announcements to the ASX, prevention of selective or inadvertent disclosure, conduct of investor and analysts' briefings, and media communications.

ASX CGC 6 – Respect the rights of shareholders

The Council states that the Company should facilitate the effective exercise of these rights.

The Company recognises the important role of communicating with shareholders, and has for several years regularly informed shareholders about current and proposed activities. In the financial year the Board approved a Shareholder Communication Plan which is available on the Company's website. Communication is also made available to shareholders via the Company's website.

The Company will ensure that the Annual General Meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

ASX CGC 7 – Recognise and manage risk

The Council states that the Company should establish a sound system of risk oversight and management and internal control.

The Chief Executive Officer is responsible to the Board for the Company's system of internal control and risk management. The audit committee assists the Board in monitoring this role.

Consistent with the requirements of ASX CGC 4&7, the Chief Executive Officer and the Chief Financial Officer are required to state to the Board in writing that the financial statements of the Company present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards and the appropriate disclosure of all information required by statute. Additionally, the Chief Executive Officer and the Chief Financial Officer are required to state in writing that this statement is founded on a sound system of risk management and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

A risk management policy has been approved by the Board and posted to the Company's website.

In fulfilling their duties, the Directors may obtain independent professional advice at the Company's expense.

ASX CGC 8 – Encourage enhanced performance

The Council states that the Company should fairly review and actively encourage enhanced Board and management effectiveness.

A Performance Evaluation Policy has been approved by the Board and is posted to the Company's website. The remuneration committee assesses that the framework and the processes used for conducting evaluations are appropriate and then makes recommendations to the Board.

ASX CGC 9 – Remunerate fairly and responsibly

The Council states that the Company should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Board has approved a remuneration policy, and this is posted on the Company's website. The remuneration committee assesses that the policy has been followed, and in particular assesses Chief Executive Officer performance and incentive payments, and makes recommendations to the Board.

Disclosure of Director and senior executive remuneration is contained in the annual report as required by the Corporations Act 2001. The fees payable to non-executive directors is currently capped at A$200,000 per annum in total.

ASX CGC 10 – Recognise the legitimate interests of stakeholders

The Council recommends a Company Code of Conduct be established, which has been done (see ASX CGC 3 above).

INDEPENDENT AUDIT REPORT TO MEMBERS OF VORTEX PIPES LIMITED AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Vortex Pipes Limited (the company) and Vortex Pipes Limited and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of Vortex Pipes Limited and Vortex Pipes Limited and its Controlled Entities is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

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A WHK Group firm

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 30 June 2008.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 Vortex Pipes Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA
Dated this 17th day of September 2008

VORTEX PIPES LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 June 2008

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 24 to 49 are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and
    (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the financial year ended on that date of the Company and consolidated group;

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

    (a) the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
    (c) the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

JK McDonald
Director

TA Gosatti
Director

Perth
17 September 2008

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

INCOME STATEMENT
For the year ended 30 June 2008

	Note	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent entity 2008 $	Parent entity 2007 $
Revenue	2	2,829,080	1,685,543	594,287	494,586
Cost of sales of goods		1,650,559	1,288,834	-	-
Change in inventories of materials and work in progress		671,211	(149,244)	(3,607)	(3,028)
Research and development costs, materials and consultants		157,143	245,278	157,143	245,278
Core technology, patent costs and intangibles amortisation		110,467	73,390	70,467	53,390
Directors' fees, salaries, superannuation and consulting costs		215,220	537,810	215,220	456,178
Staff wages, salaries and superannuation		1,293,109	1,040,216	628,218	563,658
Depreciation expense		279,334	139,120	24,638	39,983
Public company costs, fees, share registry, shareholder costs		47,028	27,187	47,028	27,187
Occupancy costs		135,953	67,340	131,408	49,731
Legal fees		2,246	22,624	2,246	22,624
Audit fees		34,500	19,500	34,500	19,500
Insurances		121,066	58,777	39,355	20,331
Interest expense		71,771	16,884	7,106	7,037
Loss on disposal of non-current assets		-	10,904	-	9,752
Other expenses from ordinary activities		489,826	224,938	325,388	95,045
Royalty expense		150,000	-	150,000	
Share of net losses of associate		-	6,044	-	6,044
		5,429,433	3,629,602	1,829,110	1,612,710
Loss before income tax		(2,600,353)	(1,944,059)	(1,234,823)	(1,118,124)
Income tax benefit	4	652,355	446,045	243,071	199,548
Loss for the year		(1,947,998)	(1,498,014)	(991,752)	(918,576)
Loss attributable to minority equity interest		2	-	-	-
Loss attributable to members of the parent entity	3	(1,947,996)	(1,498,014)	(991,752)	(918,576)
Basic loss per share (cents per share)	14	($0.0302)	($0.0400)	($0.0153)	($0.0245)
Diluted loss per share (cents per share)	14	($0.0302)	($0.0400)	($0.0153)	($0.0245)

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

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

BALANCE SHEET
As at 30 June 2008

		Consolidated Group		Parent entity	
		2008	2007	2008	2007
	Note	$	$	$	$
Current Assets					
Cash and cash equivalents	5	148,648	3,464,167	34,336	3,374,371
Inventories	6	178,488	849,699	21,358	17,751
Trade and other receivables	7	632,897	798,255	2,470,889	804,413
Total Current Assets		960,033	5,112,121	2,526,583	4,196,535
Non-Current Assets					
Plant and equipment	8	1,263,167	1,114,467	39,667	56,393
Other financial assets	16	-	-	1,162,370	1,162,362
Intangible assets	9	1,032,006	1,066,228	606,633	600,855
Deferred tax assets	4	704,172	294,888	-	-
Total Non-Current Assets		2,999,345	2,475,583	1,808,670	1,819,610
Total Assets		3,959,378	7,587,704	4,335,253	6,016,145
Current Liabilities					
Trade and other payables	10	611,684	2,085,750	379,920	991,353
Financial liabilities	11	378,928	1,438,598	-	800,000
Short term provisions	12	44,868	43,431	37,220	16,536
Total Current Liabilities		1,035,480	3,567,779	417,140	1,807,889
Non-Current Liabilities					
Borrowings	11	533,934	388,318	-	-
Long term provisions	12	30,293	18,748	22,760	15,959
Deferred Tax Liabilities	4	115,651	131,082	115,651	131,082
Total Non-Current Liabilities		679,878	538,148	138,411	147,041
Total Liabilities		1,715,358	4,105,927	555,551	1,954,930
Net Assets		2,244,020	3,481,777	3,779,702	4,061,215
Equity					
Issued capital	13	6,691,628	5,994,738	6,691,628	5,994,738
Option Premium Reserve		121,374	108,025	121,374	108,025
Accumulated Losses		(4,568,982)	(2,620,986)	(3,033,300)	(2,041,548)
Parent interest		2,244,020	3,481,777	3,779,702	4,061,215
Minority equity interest		-	-	-	-
Total Equity		2,244,020	3,481,777	3,779,702	4,061,215

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2008

Parent entity

	Share Capital $	Option Premium Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2006	3,346,049	48,394	(1,122,972)	2,271,471
Shares issued – 25,454,545 shares at 11 cents	2,800,000	-	-	2,800,000
Options issued – 5,500,000 options at 1 cent; 12,727,273 options for free	-	55,000	-	55,000
Share issue expenses	(216,159)	-	-	(216,159)
Deferred tax credit attributable to share issue expenses recognised directly in equity	64,848	-	-	64,848
Loss attributable to members of the Company	-	-	(918,576)	(918,576)
Option reserve - share based payment	-	4,631	-	4,631
Balance at 30 June 2007	5,994,738	108,025	(2,041,548)	4,061,215
Shares issued – 10,000,000 shares at 7.5 cents	750,000	-	-	750,000
Share issue expenses	(75,873)	-	-	(75,873)
Deferred tax credit attributable to share issue expenses recognised directly in equity	22,763	-	-	22,763
Loss attributable to members of the Company	-	-	(991,752)	(991,752)
Option reserve - share based payments	-	13,349	-	13,349
Balance at 30 June 2008	6,691,628	121,374	(3,033,300)	3,779,702

Consolidated Group

	Share Capital $	Option Premium Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2006	3,346,049	48,394	(1,122,972)	2,271,471
Shares issued – 25,454,545 shares at 11 cents	2,800,000	-	-	2,800,000
Options issued – 5,500,000 options at 1 cent; 12,727,273 options for free	-	55,000	-	55,000
Share issue expenses	(216,159)	-	-	(216,159)
Deferred tax credit attributable to share issue expenses recognised directly in equity	64,848	-	-	64,848
Loss attributable to members of the Company	-	-	(1,498,014)	(1,498,014)
Option reserve - share based payment	-	4,631	-	4,631
Balance at 30 June 2007	5,994,738	108,025	(2,620,986)	3,481,777
Shares issued – 10,000,000 shares at 7.5 cents	750,000	-	-	750,000
Share issue expenses	(75,873)	-	-	(75,873)
Deferred tax credit attributable to share issue expenses recognised directly in equity	22,763	-	-	22,763
Loss attributable to members of the Company	-	-	(1,947,996)	(1,947,996)
Option reserve - share based payment	-	13,349	-	13,349
Balance at 30 June 2008	6,691,628	121,374	(4,568,982)	2,244,020

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

VORTEX PIPES LIMITED ABN 80 096 870 978 AND CONTROLLED ENTITIES

CASH FLOW STATEMENT
For the year ended 30 June 2008

		Consolidated Group		Parent entity	
	Note	2008 $	2007 $	2008 $	2007 $
Cash Flows from Operating Activities					
Receipts from customers		2,848,807	1,292,447	550,024	481,552
Payments to suppliers and employees		(5,581,545)	(2,166,549)	(2,198,177)	(841,426)
R&D tax concession refunds received		259,440	328,774	259,440	328,774
Interest received		51,795	50,821	51,795	50,821
Interest paid		(71,771)	(15,951)	(7,106)	(7,037)
Net cash provided by (used in) operating activities	17	(2,493,274)	(510,458)	(1,344,024)	12,684
Cash Flows from Investing Activities					
Purchase of plant and equipment		(144,474)	(102,393)	(7,913)	(20,643)
Proceeds on disposal of plant and equipment		-	82,205	-	17,370
Purchase of investments		-	-	(8)	-
Payments in respect of patent costs capitalised		(76,245)	(51,609)	(76,245)	(51,609)
Net cash (used in) investing activities		(220,719)	(71,797)	(84,166)	(54,882)
Cash Flows from Financing Activities					
Proceeds from issues of shares		750,000	2,855,000	750,000	2,855,000
Payment of share issue expenses		(75,873)	(216,159)	(75,873)	(216,159)
Proceeds from loans		-	80,000	-	-
Loans advanced to controlled entities		-	-	(1,707,922)	(413,143)
Repayment of loans		(1,275,663)	(7,733)	(878,050)	-
Net cash provided by (used in) financing activities		(601,536)	2,711,108	(1,911,845)	2,225,698
Net Increase/ (Decrease) In Cash Held		(3,315,529)	2,128,853	(3,340,035)	2,183,500
Cash at the beginning of the period		3,464,167	1,190,871	3,374,371	1,190,871
Cash from acquisition of subsidiary		10	144,443	-	-
Cash at the end of the period	5	148,648	3,464,167	34,336	3,374,371

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

1. Statement of Significant Accounting Policies

The following is a summary of the material accounting policies adopted in the preparation of the financial report. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Vortex Pipes Limited as an individual parent entity ("Parent Entity") and the consolidated group comprising Vortex Pipes Limited and its controlled entities ("Consolidated Group" or "Group").

a) Basis of preparation

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

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated group and parent entity financial statements and notes comply with International Financial Reporting Standards.

These financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been adopted. Cost is based on the fair values of the consideration given in exchange for assets.

b) Going Concern

These financial statements have been prepared on the going concern basis of accounting which assumes that the economic entity will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of its business activities.

The economic entity's ability to continue as a going concern is contingent upon the successful completion of R&D activities and the commercial exploitation of the ShieldLiner™ System, continuing to successfully tender for new contracting projects and pipe supply contracts, the ability of the economic entity to continue to raise funds from equity issues in the market, the continued support of trade creditors and the conversion of trade receivables to cash within normal trading terms. In the event that the above matters do not eventuate, the support of trade creditors is not forthcoming and trade receivables are not converted into cash within normal trading terms, the going concern basis of accounting may not be appropriate and the economic entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Vortex Pipes Limited as at 30 June 2008 and the results of all controlled entities for the year then ended.

Controlled entities are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of controlled entities by the Group. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities are consistent with those of the parent entity.

Minority interests, being that portion of the profit or loss and net assets of controlled entities attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

d) Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated group financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

1. Statement of Significant Accounting Policies (Continued)

(d) Income Tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

e) Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its technical and commercial feasibility, be completed and generate future economic benefits and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

f) Plant, equipment, vehicles and other fixed assets

Plant, equipment, vehicles and other fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant, equipment, vehicles and other fixed assets. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment - 5 to 15 years
- Motor vehicles - 5 years
- Furniture, fittings and office equipment – 5 to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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 (note 1(n)).

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

g) Inventories

Lining materials and resins

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

Construction 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 fixed and variable costs relating to specific contacts.

1. Statement of Significant Accounting Policies (Continued)

h) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired controlled entity at the date of acquisition. Goodwill on acquisitions of controlled entities is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (if any).

Goodwill is allocated to the Group's sole cash-generating unit for the purpose of impairment testing.

Patents, trademarks, core technologies and licences

Patents, trademarks, core technologies and licences are recorded at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

i) 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.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit and loss are expensed to profit and 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 and loss.

Classification and Subsequent Measurement

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 subsequently measured at amounts due less provision for doubtful debts.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

j) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

1. Statement of Significant Accounting Policies (Continued)

k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. All revenue is stated net of the amount of goods and services tax (GST).

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are rendered.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Construction and installation contracts

Revenue from construction and installation contracts is recognised using the percentage of completion method, based primarily on contract costs incurred to date, compared to estimated overall contract costs.

Where a loss is expected to occur it is recognised immediately and is made for both work in progress completed to date and for future work on the contract.

m) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise.

n) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

1. Statement of Significant Accounting Policies (Continued)

o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the ATO are classified as operating cash flows.

p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement, as interest expense, over the period of the borrowing using the effective interest method.

q) Share-based payments

The Company has an employee share option scheme and has also issued options to certain of the directors. The fair value of options is recognised as an employee benefit expense in the income statement over the vesting period or immediately vesting conditions are satisfied, with a corresponding credit to the Option Premium Reserve. Fair value is determined utilising the Black Scholes option pricing model and assumptions as noted in the financial statements at the end of the period in which the options were granted.

The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

r) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The Group does not have any finance leases.

s) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

t) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) Earnings per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

		Consolidated Group		Parent entity	
		2008	2007	2008	2007
		$	$	$	$
2.	**Revenue**				
	Operating Activities				
	Sales	2,424,240	1,197,415	189,447	6,458
	Interest received	51,795	50,821	51,795	50,821
	Government grants received	353,045	437,307	353,045	437,307
	Total Revenue	2,829,080	1,685,543	594,287	494,586
3.	**Loss from ordinary activities before income tax expense has been determined after:**				
(a)	**Expenses**				
	Research and development expenditure	590,557	730,982	590,557	730,982
	Remuneration of auditors of the Company				
	- Auditing the financial statements	33,000	19,500	33,000	19,500
	- Other services	1,500	-	1,500	-
	Operating lease – minimum lease payments	100,008	41,670	100,008	41,670
	Increase in employee provisions	12,982	30,948	27,485	4,784
4.	**Income Tax**				
	The prima facie income tax expense (benefit) on the loss from ordinary activities reconciles to the income tax expense in the financial statements as follows:				
(a)	Loss from ordinary activities	(2,600,353)	(1,944,059)	(1,234,823)	(1,118,124)
	Income tax (benefit) calculated at 30% of operating loss	(780,106)	(583,218)	(370,447)	(335,437)
	Future income tax benefit attributable to tax losses not brought to account	129,032	125,099	128,843	125,099
	Tax effect of permanent items – non-deductible expenses	643	10,685	457	9,401
	Tax effect of permanent items – R&D tax concession	(5,929)	-	(5,929)	-
	Tax effect of permanent items –non-deductible cost of employee options	4,005	1,389	4,005	1,389
	Income tax credit attributable to operating loss	(652,355)	(446,045)	(243,071)	(199,548)
	This is represented by:				
	Deferred tax	(401,953)	(186,605)	7,331	59,892
	Taxation rebate for research and development expenditures (see note 7)	(250,402)	(259,440)	(250,402)	(259,440)
		(652,355)	(446,045)	(243,071)	(199,548)
(b)	Non-current liability - Deferred tax liability				
	The balance comprises temporary differences attributable to:				
	Amounts recognised in profit and loss				
	Technology and patent costs	223,990	210,257	181,990	180,257
	Prepayments	30,897	35,097	29,031	34,361
		254,887	245,354	211,021	214,618
	Set -off of deferred tax assets pursuant to set-off provisions (below)	(139,236)	(114,272)	(95,370)	(83,536)
	Net deferred tax liability	115,651	131,082	115,651	131,082

		Consolidated Group 2008 $	Consolidated Group 2007 $	Parent entity 2008 $	Parent entity 2007 $
4.	**Income Tax (continued)**				
(b)	Non-current liability - Deferred tax liability (continued)				
	Movements:				
	Opening balance at 1 July	131,082	136,038	131,082	136,038
	Charged to the income statement	7,331	59,892	7,331	59,892
	Credited to equity	(22,762)	(64,848)	(22,762)	(64,848)
	Closing balance at 30 June	115,651	131,082	115,651	131,082
	Deferred tax liabilities to be settled after more than 12 months	115,651	131,082	115,651	131,082
	Deferred tax liabilities to be settled within 12 months		-		-
		115,651	131,082	115,651	131,082
(c)	Non-current asset – Deferred tax asset				
	The balance comprises temporary differences attributable to:				
	Amounts recognised in profit and loss				
	Accrued expenses	19,523	41,546	6,900	6,565
	Employee benefits	33,833	25,178	26,248	9,748
	Other	122	183	-	-
	Tax losses	726,424	273,104	-	-
		779,902	340,011	33,148	16,313
	Amounts recognised directly in equity				
	Share issue expenses	63,506	69,149	62,222	67,223
		843,408	409,160	95,370	83,536
	Set -off of deferred tax assets pursuant to set-off provisions	(139,236)	(114,272)	(95,370)	(83,536)
	Net deferred tax asset	704,172	294,888	-	-

The future income tax benefits attributable to tax losses not brought to account amounting to Group and parent entity $254,131 (2007 - $125,099) will only be obtained if the Company derives assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised, conditions for deductibility imposed by the law are complied with, and no changes in tax legislation adversely affect the realisation of the benefit from the tax losses.

		Consolidated Group 2008 $	Consolidated Group 2007 $	Parent entity 2008 $	Parent entity 2007 $
5	**Cash and cash equivalents**				
	Cash at bank	148,648	3,464,167	34,336	3,374,371
6.	**Inventories**				
	Materials on hand, at cost	84,728	193,866	21,358	17,751
	Work in progress	93,760	655,833	-	-
		178,488	849,699	21,358	17,751

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	$	$	$	$
7. Trade and other receivables				
Current				
Trade debtors	273,409	408,815	-	8,286
Sundry debtors and prepayments	109,086	130,000	99,422	123,544
Taxation rebate for research and development expenditures	250,402	259,440	250,402	259,440
Amount owing by controlled entities	-	-	2,121,065	413,143
	632,897	798,255	2,470,889	804,413
8. Plant and Equipment				
Plant and equipment at cost	1,170,753	932,094	90,011	83,816
Accumulated depreciation	(331,662)	(127,915)	(74,865)	(65,010)
	839,091	804,179	15,146	18,806
Motor vehicles at cost	483,553	296,603	26,818	26,818
Accumulated depreciation	(87,985)	(31,651)	(18,647)	(15,923)
	395,568	264,952	8,171	10,895
Office equipment at cost	61,502	60,710	48,182	47,865
Accumulated depreciation	(48,719)	(36,503)	(40,095)	(33,049)
	12,783	24,207	8,087	14,816
Office furniture at cost	29,378	27,745	18,214	16,814
Accumulated depreciation	(13,653)	(6,616)	(9,951)	(4,938)
	15,725	21,129	8,263	11,876
	1,263,167	1,114,467	39,667	56,393

Movement in Carrying Amounts:

Consolidated Group

	Plant & Equip	Motor Vehicles	Office Furniture	Office Equipment	Capital WIP	Total
Balance at 1 July 2006	40,251	34,768	2,376	25,459	6,166	109,020
Additions	432,720	104,393	15,729	7,018	-	559,860
Additions – acquisition of entity	431,194	234,716	7,851	10,221	-	683,982
Disposals	(20,657)	(71,132)	-	(1,320)	(6,166)	(99,275)
Depreciation expense	(79,329)	(37,793)	(4,827)	(17,171)	-	(139,120)
Carrying amount at 30 June 2007	804,179	264,952	21,129	24,207	-	1,114,467
Additions	238,659	186,950	2,108	317	-	428,034
Disposals	-	-	-	-	-	-
Depreciation expense	(203,747)	(56,335)	(7,512)	(11,740)	-	(279,334)
Carrying amount at 30 June 2008	839,091	395,567	15,725	12,784	-	1,263,167

8. Plant and Equipment (continued)

	Plant & Equip	Motor Vehicles	Office Furniture	Office Equipment	Capital WIP	Total
Balance at 1 July 2006	40,251	34,768	2,376	25,459	6,166	109,020
Additions	3,600	-	12,649	4,394	-	20,643
Disposals	(9,751)	(16,050)	-	(1,320)	(6,166)	(33,287)
Depreciation expense	(15,294)	(7,823)	(3,149)	(13,717)	-	(39,983)
Carrying amount at 30 June 2007	18,806	10,895	11,876	14,816	-	56,393
Additions	6,195	-	1,400	318	-	7,913
Disposals	-	-	-	-	-	-
Depreciation expense	(9,855)	(2,724)	(5,014)	(7,046)	-	(24,638)
Carrying amount at 30 June 2008	15,146	8,171	8,262	8,088	-	39,667

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	$	$	$	$
9. Intangible Assets				
Technology rights at cost	500,000	500,000	500,000	500,000
Capitalised patent expenditure at cost	442,343	366,098	442,343	366,098
Accumulated Amortisation – technology rights and capitalised patent expenditure	(335,710)	(265,243)	(335,710)	(265,243)
Licence and know-how at cost	360,100	360,100	-	-
Accumulated Amortisation - licence	(60,000)	(20,000)	-	-
Goodwill at cost	125,273	125,273	-	-
	1,032,006	1,066,228	606,633	600,855
Movement in carrying amount				
Opening net book amount at 1 July	1,066,228	614,891	600,855	614,891
Additions	76,245	524,727	76,245	39,354
Amortisation charge	(110,467)	(73,390)	(70,467)	(53,390)
Closing net book amount at 30 June	1,032,006	1,066,228	606,633	600,855

The recovery of the carrying value of the technologies is dependent upon profit earned from licensing and/or sales of the technologies. The carrying value of the Vortex Pipes technology is reviewed annually to ensure the carrying value is not in excess of its recoverable amount. The technology rights and patent expenditure have a remaining amortisation period of 13 years.

Intangible assets, other than goodwill, have finite useful lives. Goodwill has an infinite life.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	$	$	$	$
10. Trade and other payables				
Current				
Unsecured trade creditors	314,870	1,289,020	168,997	338,579
Sundry creditors and accruals	296,814	337,662	210,921	193,706
Share issue over-subscription refunds	-	381,018	-	381,018
Amount owing to SORD Technologies Limited – secured	-	78,050	-	78,050
	611,684	2,085,750	379,920	991,353
11. Financial liabilities				
Current - secured				
Alinta Asset Management (2) Pty Ltd	-	400,000	-	400,000
Gosatti Corporation Pty Ltd	-	400,000	-	400,000
Hire purchase loans – due within one year	123,385	67,665	-	-
	123,385	867,665	-	800,000
Current - unsecured				
Alinta Asset Management (2) Pty Ltd	254,746	490,000	-	-
Chartag Pty Ltd	797	80,933	-	-
	378,928	1,438,598	-	800,000
Non current - secured				
Hire purchase loans – due within one to five years	533,934	388,318	-	-

(a) Assets pledged as security

The loans from Alinta Asset Management (2) Pty Ltd and Gosatti Corporation Pty Ltd represented the amounts owing for the acquisition, by the parent entity, of the shares that they owned in Premium Pipe Services Pty Ltd. These loans were secured by registered charges over the shares that the Company holds in Premium Pipe Services Pty Ltd. These loans were repaid in full during the current year.

The hire purchase loans are secured over the plant and equipment and motor vehicles which are the subject of the hire purchase agreements.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

- Plant & Equipment	394,455	355,331	-	-
- Motor vehicles	260,848	95,871	-	-
- Other financial assets	-	1,162,362	-	1,162,362
Total assets pledged as security	655,303	1,613,564	-	1,162,362

(b) Alinta Asset Management (2) Pty Ltd

The unsecured loan bears interest at 8%p.a. (2007 – nil interest) and is repayable by 30 June 2009. This loan was originally repayable on 31 December 2007 and has been extended until 30 June 2009.

(c) Chartag Pty Ltd

This loan has no fixed date of repayment and has a variable interest rate aligned to market rate (current market rate of 8.07%) (2007 – 8.07%).

(d) Financing arrangements

There are no unused lines of credit available for use by the Group or parent entity at balance date.

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	$	$	$	$
12. Provisions				
Current				
Provision for holiday pay	44,868	43,431	37,220	16,536
Non-Current				
Provision for long leave entitlements	30,293	18,748	22,760	15,959
13. Issued Capital				
72,749,545 fully paid ordinary shares (2007- 62,749,545)	6,691,628	5,994,738	6,691,628	5,994,738
Movements in number of issued shares:				
At beginning of reporting period	62,749,545	37,295,000	62,749,545	37,295,000
Issued during the year for cash	10,000,000	25,454,545	10,000,000	25,454,545
At reporting date	72,749,545	62,749,545	72,749,545	62,749,545

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Information relating to the Vortex Pipes Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 18(e)(i).

	Consolidated Group 2008	Consolidated Group 2007	Parent entity 2008	Parent entity 2007
14. Loss per Share				
Weighted average number of shares used as denominator for basic loss per share calculations	64,452,970	37,434,477	64,452,970	37,434,477

At both 30 June 2008 and 30 June 2007 there were no dilutive potential ordinary shares and therefore no diluted earnings per share calculations. At 30 June 2008 the 2,270,000 options on issue were “out of the money” and therefore no diluted earnings per share calculations as at that date are required.

15. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2008 %	Equity holding 2007 %
Premium Pipe Services Pty Ltd	Australia	Ordinary	100	100
QuickPipes Pty Ltd	Australia	Ordinary	80	-

QuickPipes Pty Ltd was acquired during the year – refer note 16 for details of the acquisition.

16. Business combination

(a) Summary of acquisition

On 8 May 2008, the parent entity acquired 80% of the share capital of QuickPipes Pty Ltd on the incorporation of that company (2007 – on 31 December 2006, the parent entity acquired the remaining 66.67% of the issued capital of Premium Pipe Services Pty Ltd that it did not previously own).

The acquired business contributed revenues of $nil and a net loss of $630 to the Group for the period from 8 May 2008 to 30 June 2008 (2007 – the acquired business contributed revenues of $1,190,957 and a net loss of $579,438 to the Group for the period from 1 January 2007 to 30 June 2007).

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Consolidated Group		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Purchase consideration:				
- Equity accounted cost at 31 December 2006	-	362,362	-	362,362
- Loan from Gosatti Corporation	-	400,000	-	400,000
- Loan from Alinta Asset Management	-	400,000	-	400,000
- Cash	8	-	8	-
	8	1,162,362	8	1,162,362

(b) Assets and liabilities acquired

	Consolidated Group 2008 $	Consolidated Group 2007 $
Cash and cash equivalents	10	144,443
Receivables	-	258,296
Inventories	-	352,755
Plant and equipment	-	683,982
Licence and know-how	-	360,100
Deferred tax asset	-	48,391
Payables	-	(297,205)
Borrowings	-	(490,000)
Employee benefit liabilities, including superannuation	-	(23,673)
Net identifiable assets acquired	10	1,037,089
Goodwill on consolidation	-	125,273
Minority equity interest in acquisition	(2)	
	8	1,162,362

17. Cash Flow Information

Reconciliation of cash flows from operations with loss from ordinary activities after income tax

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent entity 2008 $	Parent entity 2007 $
Loss from ordinary activities	(1,947,998)	(1,498,014)	(991,752)	(918,576)
Non-cash flows in loss				
Depreciation	279,334	139,120	24,638	39,983
Amortisation of patent and technology rights and intangibles	110,467	73,390	70,467	53,390
Loss on disposal of plant & equipment	-	17,070	-	15,918
Share of loss of equity associate	-	6,044	-	6,044
Transfer to option reserve	13,349	4,631	13,349	4,631
Changes in assets and liabilities:				
(Increase)/decrease in current receivables	165,358	(186,022)	41,448	(37,332)
(Increase)/decrease in inventories	671,211	(482,221)	(3,607)	(3,028)
Increase/(decrease) in provision for deferred tax	(401,953)	(186,605)	7,330	59,892
Increase /(decrease) in current payables	(1,396,024)	1,577,379	(533,382)	786,978
Increase in employee leave provisions	12,982	24,770	27,485	4,784
Net cash provided by (used in) operating activities	(2,493,274)	(510,458)	(1,344,024)	12,684

17. Cash Flow Information (continued)

a) Non-cash investing and financing activities

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent entity 2008 $	Parent entity 2007 $
Acquisition of plant and equipment and motor vehicles by means of hire purchase agreements	283,560	457,466	-	-

18. Key management personnel disclosures

(a) Directors

The following persons were directors of Vortex Pipes Limited during the financial year:

(i) Chairman – non-executive
JK McDonald

(ii) Executive director
TA Gosatti, Managing Director

(iii) Non-executive directors
WJ Land (until his retirement on 30 June 2008)
AM Zuiderwyk

(b) Other key management personnel

The following person also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

GJ Nairn – Chief Financial Officer and Company Secretary – employed by Vortex Pipes Limited
MB Morris – General Manager of Premium Pipe Services Pty Ltd – employed by Premium Pipe Services Pty Ltd

(c) Loans to key management personnel

There have not been any loans made to directors or other key management personnel of the Company, including their personally related parties.

(d) Key management personnel compensation

	Consolidated Group 2008 $	Consolidated Group 2007 $	Parent entity 2008 $	Parent entity 2007 $
Short-term employee benefits	391,098	213,922	307,818	213,922
Post-employment benefits	31,435	112,195	25,004	112,195
Termination benefits	-	230,877	-	230,877
Share-based payments	2,086	4,631	2,086	4,631
	424,619	561,625	334,908	561,625

The Company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 11 to 13.

18. Key management personnel disclosures (Continued)

(e) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration
Details of options provided as remuneration, together with the terms and conditions of the options, can be found in section D of the remuneration report on page 13.

Options to employees are granted under the Vortex Pipes Employee Share Option Plan which was approved by shareholders on 18 December 2003. Options are granted under the plan for no consideration.

Options to directors are approved by shareholders before issue and are granted for no consideration.

(ii) Option holdings
The numbers of options over ordinary shares in the Company held during the financial year by each director of Vortex Pipes Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008 Name	Balance at the start of the year	Issued during the year as compensation	Exercised during the year	Options lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Vortex Pipes Limited						
JK McDonald	481,818	-	-	(181,818)	300,000	300,000
TA Gosatti	627,274	-	-	(227,274)	400,000	400,000
WJ Land	313,636	-	-	(113,636)	200,000	200,000
AM Zuiderwyk	22,727	200,000	-	(22,727)	200,000	200,000
Other key management personnel of the Group						
GJ Nairn	100,000	-	-	(100,000)	-	-
MB Morris	-	-	-	-	-	-

No options are vested and unexercisable at year end.

2007 Name	Balance at the start of the year	Issued during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Vortex Pipes Limited						
JK McDonald	-	300,000	-	181,818	481,818	481,818
TA Gosatti	200,000	200,000	-	227,274	627,274	627,274
WJ Land	200,000	-	-	113,636	313,636	313,636
AM Zuiderwyk	-	-	-	22,727	22,727	22,727
JW Hassen	800,000	-	-	(800,000)	-	-
Other key management personnel of the Group						
GJ Nairn	-	-	-	100,000	100,000	100,000

There were no ordinary shares issued during the financial year as a result of the exercise of remuneration options (2007: nil).

18. Key management personnel disclosures (Continued)

(iii) Share holdings

The number of ordinary shares in the company held during the financial year by each director and other key management employees of the Company, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at 30 June 2007	Changes during the year	Balance at 30 June 2008	Balance at 30 June 2006	Changes during the year	Balance at 30 June 2007
Directors of Vortex Pipes Limited						
JK McDonald	463,636	300,000	763,636	100,000	363,636	463,636
TA Gosatti	2,154,906	4,016,013	6,170,919	1,700,360	454,546	2,154,906
WJ Land	277,273	(40,908)	236,365	50,000	227,273	277,273
AM Zuiderwyk	73,855	-	73,855	28,400	45,455	73,855
JW Hassen	-	-	-	3,583,000	(3,583,000)	-
Other key management personnel of the Group						
GJ Nairn	240,000	200,000	440,000	-	240,000	240,000
MB Morris	-	-	-	-	-	-

In addition it is noted that Mr Gosatti has been allotted 3,333,333 ordinary shares since the end of the financial year pursuant to a resolution approved by shareholders at the General Meeting held on 30 May 2008.

(f) Other transactions with key management personnel

A former director, Mr JW Hassen, purchased a motor vehicle and a computer from the Parent Entity. These transactions were undertaken at market values and were settled immediately.

A director, AM Zuiderwyk, was a director of National Power Services Pty Ltd which rented office and workshop facilities to the Parent Entity on normal terms and conditions.

A director, TA Gosatti, is a director of Chartag Pty Ltd which rented a heavy vehicle and sold plant and equipment to Premium Pipe Services Pty Ltd. These transactions were undertaken at market rates on normal terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Company:

	Consolidated Group		Parent entity	
	2008 $	2007 $	2008 $	2007 $
Amounts recognised as expense				
Rent of office building	-	8,320	-	8,320
Equipment hire	27,054	-	-	-
Amounts recognised as proceeds on disposal of non-current assets				
Sale of motor vehicle and computer	-	17,370	-	17,370
Aggregate amounts of assets and liabilities at balance date relating to the above types of other transactions with key management personnel of the Company:				
Current liabilities	16,640	16,640	16,640	16,640
Non-current assets	22,185	-	-	-

19. Contingent Liabilities

Pursuant to an Option Deed – Transfer and Cross-Licence of Technology Assets between Sord Technologies Limited ("STL") and Vortex Pipes Limited ("VTX") dated 29 January 2002 ("Option Deed"), STL granted VTX the option to purchase the ShieldLiner™ technologies. The Option Deed provided that if the option was exercised, the consideration payable by VTX to STL for the purchase of the ShieldLiner™ Technologies was $500,000, plus a royalty of 4% of revenues received by VTX once its cumulative gross revenues reach $2,500,000 following settlement of the transfer of the ShieldLiner™ technologies. The option was exercised by VTX on 4 February 2002. During the year ended 30 June 2008, the Company paid an amount of $150,000 to STL to discharge all and any future liability that may result from the exercise of the Option Deed. Consequently, no contingent liability exists at 30 June 2008. .

20. Commitments

	Consolidated Group		Parent entity	
	2008 $	2007 $	2008 $	2007 $
The Parent entity leases office and warehouse space under a non-cancellable operating lease expiring within one year				
Commitments for minimum lease payments in relation to this lease are as follows:				
Within one year	58,338	100,008	58,338	100,008
Later than one year but not later than five years	-	58,338	-	58,338

The property lease was a non-cancellable lease with a two year term, with rent payable monthly in advance. There are no contingent rentals and no option presently exists to extend the term.

21. Financial Risk Management

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to controlled entities and hire purchase loans.

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

Derivatives are used by the group, albeit sparingly, for hedging purposes and only include forward exchange contracts. The group does not speculate in the trading of derivative instruments. The group does not apply hedge accounting.

i Treasury Risk Management

A committee consisting of the chief executive officer and the chief financial officer meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of current economic conditions and forecasts.

The overall risk management strategy seeks to minimise potential adverse effects on financial performance. The committee operates under policies approved by the board of directors which are reviewed on a regular basis. These include the use of forward exchange contracts, credit risk policies and future cash requirements.

ii Financial Risk Exposures and Management

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

21. Financial Risk Management (continued)

Interest Rate Risk

The group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, was restricted to the rate of interest being earned on cash deposits and paid on the loan from Alinta Asset Management (2) Pty Ltd. The interest rate risk on call cash balances was 5.00% - 8.00% (2007 – 5.85%) and on the loan from Alinta Asset Management (2) Pty Ltd was 8.00%. All other financial assets and financial liabilities were non-interest bearing. The Group does not have a material exposure to interest rate fluctuations.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than Australian Dollars. The group enters into forward exchange contracts to buy specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of these contracts is to protect the group against unfavourable exchange rate movements for contracted purchases undertaken in foreign currencies.

At 30 June 2008 the consolidated group had commitments to buy 186,696 United States Dollars at a rate of 0.9502 and a maturity date of 28 July 2008 (parent entity – nil) (2007 – nil for both group and parent entity).

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and closely controlling expenditure commitments.

Credit Risk

The Company has adopted the policy of only dealing with counter parties it believes to be creditworthy as a means of mitigating the risk of financial loss from defaults. The Company makes adequate provisions where necessary.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for doubtful debts, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

b. Financial Instruments

Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, together with management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 Year		Fixed Interest Rate Maturing 1 to 5 Years		Non-interest Bearing Within 1 Year		Total	
Consolidated Group	2008 %	2007 %	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Financial Assets												
Cash	6.3	5.77	148,648	3,464,167							148,648	3,464,167
Receivables									529,907	681,268	529,907	681,268
Total financial assets			148,648	3,464,167					529,907	681,268	678,555	4,145,435
Financial Liabilities												
Trade and sundry payables									611,684	2,085,750	611,684	2,085,750
Hire purchase liabilities	10.3	9.37			185,101	111,706	596,636	432,552			781,737	544,258
Other loans	8.0	8.07			255,543	80,933				1,290,000	255,543	1,370,933
Total financial liabilities					440,644	192,639	596,636	432,552	611,684	3,375,750	1,648,964	4,000,941

21. Financial Risk Management (continued)

Parent Entity	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 Year		Fixed Interest Rate Maturing 1 to 5 Years		Non-interest Bearing Within 1 Year		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets												
Cash	5.66	5.77	34,336	3,374,371							34,336	3,374,371
Receivables									253,053	276,734	253,053	276,734
Related parties									2,121,065	413,143	2,121,065	413,143
Total financial assets			34,336	3,374,371					2,374,118	689,877	2,408,454	4,064,248
Financial Liabilities												
Trade and sundry payables									379,920	991,353	379,920	991,353
Other loans										800,000		800,000
Total financial liabilities									379,920	1,791,353	379,920	1,791,353

c) Impairment losses

None of the group's receivables are considered to be impaired and hence, no impairment allowance is considered necessary. The ageing of the group's trade receivables at the reporting date was as follows:

	Consolidated Group		**Parent entity**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Not past due	190,612	304,543	-	8,286
Past due 0-30 days	76,200	4,432	-	-
Past due 31-120 days	6,201	99,840	-	-
Past due 121days to one year	396	-	-	-
			-	-
	273,409	408,815	-	8,286

d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

	Consolidated Group		Parent entity	
	2008	2007	2008	2007
	$	$	$	$
22. Related party transactions				
(a) Parent entity				
The parent entity within the Group is Vortex Pipes Limited.				
(b) Controlled entities				
Interests in controlled entities are set out in note 15.				
(b) Key management personnel				
Disclosures relating to key management personnel are set out in note 18.				
(c) Transactions with related parties				
The following transactions occurred with related parties:				
Sales of goods and services	-		-	-
Recharges to controlled entities	-	-	134,649	42,663
Other transactions				
Purchase of shares - Alinta Asset Management (2) Pty Ltd	-	400,000	-	400,000
Purchase of shares – Gosatti Corporation Pty Ltd	-	400,000	-	400,000
Net expenses and cash advances paid on behalf of/to controlled entities	-	-	1,582,417	413,143
Recharges from controlled entities	-	-	9,144	-
Loan from Chartag Pty Ltd	33,460	80,000	-	-
Loan repayments to Chartag Pty Ltd	115,000	-	-	-
Interest payable to Chartag Pty Ltd	1,404	933	-	-
(d) Outstanding balances arising from transactions with related parties				
Current receivable – controlled entities	-	-	2,121,065	413,143
Current payable - Chartag Pty Ltd	797	80,933	-	-
Current payable - Alinta Asset Management (2) Pty Ltd	-	400,000	-	400,000
Current payable - Gosatti Corporation Pty Ltd	-	400,000	-	400,000

(e) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of the amounts owing by the controlled entities.

Refer to note 11 for details of the terms and conditions attached to the amounts owing to Gosatti Corporation Pty Ltd, Alinta Asset Management (2) Pty Ltd and Chartag Pty Ltd.

23. Standby Arrangements and Credit Facilities

The Company has no access to any credit standby arrangements.

24. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable in the circumstances. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

Carrying value of Technology rights and capitalised patent expenditure
The Company tests annually whether the carrying value of Technology rights and capitalised patent expenditure has suffered any impairment, in accordance with the accounting policy stated in notes 1(e) and 1(n). As research and development activities are still being undertaken, the ultimate success or otherwise of the technology is uncertain. The company has determined the recoverable amount of these capitalised expenditures on the basis that the technology will be successful. In the event that the technology was not successful, the Company would need to write off as non-recoverable the carrying value at that time.

25. Segment information

The consolidated group and the parent entity operates in one business segment, namely the trenchless technology industry, and in one geographical segment being Australia.

26. Share-based payments

The following share-based payment arrangements existed at 30 June 2008:

On 5 August 2004, 600,000 share options were issued to directors to take up ordinary shares at an exercise price of 30 cents each. The options are exercisable on or before 5 August 2009. The options hold no voting or dividend rights. At reporting date, 400,000 of these options have lapsed.

On 5 August 2004, 600,000 share options were issued to directors to take up ordinary shares at an exercise price of 35 cents each. The options are exercisable on or before 5 August 2009. The options hold no voting or dividend rights. At reporting date, 400,000 of these options have lapsed.

On 18 February 2005, 200,000 share options were issued to employees under the Vortex Pipes Employee Share Option Plan to take up ordinary shares at an exercise price of 30 cents each. The options are exercisable on or before 18 February 2010. The options hold no voting or dividend rights. At reporting date, 50,000 of these options have lapsed.

On 31 December 2005, 20,000 share options were issued to an employee under the Vortex Pipes Employee Share Option Plan to take up ordinary shares at an exercise price of 30 cents each. The options are exercisable on or before 31 December 2010. The options hold no voting or dividend rights.

On 30 November 2006, 250,000 share options were issued to directors to take up ordinary shares at an exercise price of 30 cents each. The options are exercisable on or before 5 August 2009. The options hold no voting or dividend rights.

On 30 November 2006, 250,000 share options were issued to directors to take up ordinary shares at an exercise price of 35 cents each. The options are exercisable on or before 5 August 2009. The options hold no voting or dividend rights.

On 20 November 2007, 100,000 share options were issued to a director to take up ordinary shares at an exercise price of 30 cents each. The options are exercisable on or before 5 August 2009. The options hold no voting or dividend rights.

On 20 November 2007, 100,000 share options were issued to a director to take up ordinary shares at an exercise price of 35 cents each. The options are exercisable on or before 5 August 2009. The options hold no voting or dividend rights.

On 31 May 2008, 1,000,000 share options were issued to a service provider to take up ordinary shares at an exercise price of 20 cents each. The options are exercisable on or before 31 May 2011. The options hold no voting or dividend rights.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

26. Share-based payments (continued)

	Consolidated Group				Parent entity			
	2008		2007		2008		2007	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at the beginning of the year	1,920,000	0.322	1,420,000	0.321	1,920,000	0.322	1,420,000	0.321
Granted	1,200,000	0.2208	500,000	0.325	1,200,000	0.2208	500,000	0.325
Forfeited	(850,000)	0.3235	-	-	(850,000)	0.3235	-	-
Expired	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-	-
Outstanding and exercisable at year end	2,270,000	0.268	1,920,000	0.322	2,270,000	0.268	1,920,000	0.322

There were no options exercised during the year ended 30 June 2008 (2007 – nil).

The options outstanding at 30 June 2008 had a weighted average exercise price of $0.268 and a weighted average remaining contractual life of 1.94 years. Exercise prices range from $0.20 to $0.35 in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was $0.012. This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.2208
Weighted average life of the option	2.6 years
Weighted average underlying share price	$0.0938
Expected share price volatility	50.0%
Risk free interest rate	6.50%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

Included under directors' fees, salaries, superannuation and consulting costs in the income statement is $2,086 relating solely to equity-settled share-based payment transactions. In addition, included under other expenses from ordinary activities in the income statement is $11,263 relating solely to equity-settled share-based payment transactions.

27. Events after the Balance Sheet Date

At a general meeting of shareholders held on 30 May 2008, shareholders approved the issue of 3,333,333 ordinary shares in the company to Mr Trevor Gosatti for consideration of $250,000. Subsequent to 30 June 2008, an amount of $230,000 has been received in respect of this issue. However, these funds were received after the date specified for allotment of the shares. Accordingly, the company has received advice that these funds are to be considered an interest free loan pending the obtainment of a new shareholder approval at the next general meeting of shareholders.

28. Change in Accounting Policy

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

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 102 Inventories AASB 107 Cash Flow Statements AASB 119 Employee Benefits AASB 127 Consolidated and Separate Financial Statements AASB 134 Interim Financial Reporting AASB 136 Impairment of Assets	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1.1.2009	1.7.2009
AASB 8 Operating Segments	AASB 114 Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements AASB 107 Cash Flow Statements AASB 111 Construction Contracts AASB 116 Property, Plant and Equipment AASB 138 Intangible Assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1.1.2009	1.7.2009
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above	1.1.2009	1.7.2009

VORTEX PIPES LIMITED
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AUSTRALIAN STOCK EXCHANGE LIMITED ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is detailed below. All information relating to shareholders is reflected as at 17 September 2008.

Number of Holders of Equity Securities

72,749,545 fully paid ordinary shares are held by 600 individual shareholders.

All issued ordinary shares carry one vote per share and the right to dividends.

212 shareholders holding a total of 1,661,334 shares held less than marketable parcels.

2,270,000 unlisted options are held by 7 individual option holders. The options do not have any voting rights or rights to dividends. Refer to Note 26 and the Directors' Report for further details.

Distribution of Holders of Equity Securities

Holders of Fully Paid Ordinary Shares

	Number of Shareholders	Number of Fully Paid Ordinary Shares	Percentage of Issued Capital
1 - 1,000	6	406	-
1,001 - 5,000	31	101,739	0.14%
5,001 - 10,000	154	1,315,929	1.81%
10,001 - 100,000	305	12,523,147	17.21%
100,001 and over	104	58,808,324	80.84%
	600	72,749,545	100.00%

Holders of Options

	Number of Option Holders	Number of Options	Percentage of Options on Issue
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	1	20,000	0.88%
100,001 and over	6	2,250,000	99.12%
	7	2,270,000	100.00%

Substantial Shareholders

Name	Number of Fully Paid Ordinary Shares	Percentage of issued Capital
Golden Rivers Mining Pty Ltd	11,690,020	16.07
Gosatti Corporation Pty Ltd	4,500,183	6.19
	16,190,203	22.26%

Restricted Securities

There are no restricted securities.

VORTEX PIPES LIMITED
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AUSTRALIAN STOCK EXCHANGE LIMITED ADDITIONAL INFORMATION

20 Largest Holders of Fully Paid Ordinary Shares

Name	Number of Fully Paid Ordinary Shares	Percentage of issued Capital
Golden Rivers Mining Pty Ltd	11,690,020	16.07
Gosatti Corporation Pty Ltd	4,500,183	6.19
Perizia Investments Pty Ltd	2,762,280	3.80
London Wall Investments Pty Ltd<Jenkins Family Fund>	2,196,969	3.02
CS Fourth Nominees Pty Ltd<Unpaid A/C>	2,000,000	2.75
Gerald Wells	1,911,500	2.63
Nicholas Michael Noble	1,693,125	2.33
Sord Technologies Limited	1,602,037	2.20
CS Fourth Nominees Pty Ltd<Actions A/C>	1,350,000	1.86
Sumajo Nominees Pty Ltd	1,066,667	1.47
Mercury Anetac Cap Pty Ltd	1,001,060	1.38
PA & NT Porter	936,667	1.29
Chartag Pty Ltd	930,736	1.28
S & H Piviali	900,000	1.24
Jo Patoir	800,000	1.10
Kapiri Holdings Pty Ltd	799,750	1.10
Stephanie Anne Harrower	704,545	.97
TT Nicholls Pty Ltd	700,000	.96
GJ Rishworth & A Irawati<GJ Rishworth Super Fund>	695,150	.96
Merlene Monica Prowse	653,920	.90
	38,894,609	53.46

Holders of Options

Name	Number of Options	Percentage of Options on Issue
London Wall Investments Pty Ltd<Jenkins Family Fund>	1,000,000	44.05
TA Gosatti	400,000	17.62
JK McDonald	300,000	13.22
WJ Land	200,000	8.81
AM Zuiderwyk	200,000	8.81
Brian Maxwell Hassen	150,000	6.61
Luca Amato	20,000	0.88
	2,270,000	100.00