ENVIROMISSION LIMITED
AND CONTROLLED ENTITIES

ABN: 52 094 963 238

Financial Report For The Year Ended
30 June 2011

ENVIROMISSION LIMITED AND CONTROLLED ENTITIES
ABN 52 094 238

CORPORATE DIRECTORY

Board of Directors

Roger Davey (Chairman)
David N Galbally QC
Andrew Draffin (Appointed on 27/6/2011)
Guoxiang Ma (alternate, Yue Tang) (Resigned on 29/11/2010)

Company Secretary

Andrew Draffin

Registered Office

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3 Raglan Street
South Melbourne, Victoria
Telephone: (03) 9670 3766
Facsimile: (03) 9670 3691
Email: admin@enviromission.com.au
Web Page: www.enviromission.com.au

Auditors

MSI Ragg Weir
Chartered Accountants
Level 2
108 Power Street
Hawthorn, Victoria

Share Registry

Computershare Investor Services
452 Johnson Street
Abbottsford Vic 3067
Telephone: (03) 9415 5000

Bankers

National Australia Bank Limited
Ground Level
330 Collins Street
Melbourne, Victoria

ASX Home Branch

Australian Stock Exchange Limited
2 The Esplande
Perth, Western Australia

Solicitors

DLA Piper Australia
Level 21, 140 William Street
Melbourne VIC 3000
Telephone: (03) 9274 5000

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CONTENTS **Page**

ENVIROMISSION LIMITED ABN: 52 094 963 238 AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Your directors present their report together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2011.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:
• Development of Solar Tower renewable energy technology in the United States of America and global markets.

Operating Results and Review of Operations for the year

Operating Results

The consolidated loss of the consolidated group amounted to $1,168,726 (2010 - $4,956,491) after providing for income tax and eliminating non-controlling equity interests. This represented an 64% decrease in loss on the result reported for the year ended 30 June 2010.

Review of Operations

The last reporting period has concluded with EnviroMission firmly established in delivery mode of the world's first large-scale solar thermal updraft power station in the United States.

EnviroMission's Australian Solar Tower concept is being developed in the southwest region of Arizona at sites earmarked in La Paz County.

Two land applications have also been filed with the Arizona State Land Department to develop two 200MW Solar Tower power stations.

EnviroMission's 100% owned subsidiary EnviroMission (USA) Inc, based in Phoenix, provides on the ground management and facilitation of EnviroMission's Solar Tower development objectives and has delivered many positive development outcomes and milestones over the last year.

EnviroMission has adopted a policy to capitalise all expenditure directly attributable to the development of the La Paz Solar Tower in Arizona.

The development phase is identified to have commenced when the agreement was reached with the Southern California Public Power Authority (SCPPA) to purchase output from EnviroMission's La Paz Solar Tower development.

As a result of the SCPPA agreement, all identifiable expenditure incurred after that date will be capitalised in line with the EnviroMission's policy resulting in an intangible asset that will be subject to continual impairment testing in accordance with AASB 136.

EnviroMission in Australia maintains a lead role in decision making and negotiations associated with development, finance, corporate governance, market licence management, marketing, communications, investor relations and coordination of work with executive project engineers in Australia. EnviroMission (USA) Inc actively manages the day to day development operation out of Phoenix.

Executive Chairman, Roger Davey, led a development delegation to Arizona in November 2010, meeting with capital finance principals, key statutory and government officials including representatives from the Arizona State Land Department, the Arizona Corporations Commission, the Greater Phoenix Economic Council, and the City of Phoenix Community and Economic Development Department.

EnviroMission's *development push* in Arizona can be signified by progress in the area of land applications and key filings, including the filing of notice of intent to lodge an application for a Certificate of Environmental Compatibility ('CEC') with the Arizona Power Plant and Transmission Line Siting Committee ('Line Siting Committee') for a 400MW Solar Tower development in the La Paz area.

A Certificate of Environmental Compatibility is a 'critical and all encompassing' permit for any power station development in the State of Arizona and is seen as a primary first step in the plant siting process.

Solar Tower development in La Paz is set to benefit from new rules passed by the Arizona Corporation Commission (ACC) that aims to promote renewable energy, including solar power, in the State of Arizona.

Under the rules, utilities in Arizona are now required to provide an Integrated Resources Plan (IRP) to account for all environmental costs associated with various fuel resources, including water.

In the past power station viability in Arizona tended to be considered in terms of economic viability to favour developments that benefit from previously commercialised technology, regardless of their environmental drawbacks.

Now Arizona's push to create a level playing field in energy utility planning supports solar entrants such as EnviroMission and places pressure on fossil fuel generators to cost fuel stock, including water, for the first time.

EnviroMission appointed Arup, a globally represented independent firm of designers, planners, engineers, consultants and technical specialists with experience with complex engineering and environmental challenges, to provide the executive engineering services for Solar Tower development and site specific Front End Engineering and Design (FEED).

In the United States EnviroMission has contracted Hensel Phelps to deliver the site specific project schedule and Guaranteed Maximum Price for EnviroMission's Solar Tower development in La Paz, Arizona.

Subject to mutual agreement of the project schedule and Guaranteed Maximum Price, Hensel Phelps will be contracted to deliver the Construction Phase Services for the first 200MW Solar Tower power station development in La Paz, Arizona.

Hensel Phelps has assigned a dedicated team to EnviroMission's La Paz development, with the full support of the Hensel Phelps board, to commit all corporate resources to support the successful completion of the project and to assume all pre-construction expenditures through to the close of project financing.

Hensel Phelps construction services expertise has delivered major projects including the renovation of the Pentagon, rocket launch facilities at Cape Canaveral and Vandenberg Air Force Base, numerous hospitality, healthcare, industrial, commercial and transportation projects (including San Jose and Denver International Airports and the Phoenix Sky Train at Phoenix Sky Harbor Airport) as well as American Embassy projects in Berlin, Germany and Cape Town, South Africa.

Hensel Phelps is an employee owned construction management, design builder and general contracting company, established in the United States in 1937 with over 2,100 employees today and annual construction revenues exceeding US $3 Billion, and bonding capacity that exceeds US $5 Billion.

Over the period EnviroMission also signed leading US construction consultancy, Faithful+Gould (a division of the Atkins Group), to provide local project management and integrated commercial services for theSolar Tower development in Arizona.

The appointment of Faithful+Gould will support EnviroMission's executive project manager, Arup in Australia, with on the ground expertise and presence in Phoenix.

Faithful+Gould is one of the world's leading total solutions providers for the built environment. For more than 60 years the Faithfull+Gould has provided project and cost management services on construction and engineering projects across the globe.

Headquartered in New York City, Faithful+Gould employs more than 500 specialist staff in 20 cities throughout the U.S. Overall, the company has 2,000 employees located in Asia Pacific, Europe, the Middle East and India, the United Kingdom, and the United States with a revenue in excess of $320 million.

EnviroMission is in detailed negotiations with two investment companies that have agreed, in principle, to provide project finance for the first of two 200MW Solar Tower power stations to be constructed at La Paz, Arizona.

A third investment company is currently negotiating the provision of project finance through to financial close.

The financial period ended 30 June 2011 represented a year of consolidation and solid progress for Solar Tower power station development in the United States that has underscored very favorable discussions with potential partners, developers and joint venture participants out of India, China and the Middle East to provide the board with confidence that the current development strategy satisfies actual and potential development opportunities for global Solar Tower development.

Financial Position

The net liabilities of the consolidated group have decreased by $141,246 from 30 June 2010 to $1,465,979 in 2011.

The consolidated group has reduced its borrowings by $35,046 from 30 June 2010 to $228,140 in 2011.

The directors of the Group remain confident that further capital can be raised in both Australian and US markets to meet the debts of the Group when they fall due and pursue the successful development of solar towers, insuring that the Group can fund its operation and continue as a going concern. The successful completion of these future capital raisings will restore the net asset position of the Group.

Significant Changes in State of Affairs

In the opinion of the Directors, there have been no other significant changes in the Group's state of affairs or principal activities during the twelve months to 30 June 2011.

Dividends Paid or Recommended

No dividends were paid or declared during the financial year.

Events after the Reporting Period

The directors are not aware of any other significant events that have occured after balance date.

Information on Directors

Roger C Davey	—	Executive Chairman, Chief Executive Officer
Qualifications	—	B.Bus, CPA, CFTP
Experience	—	Mr Davey is the executive director and Chief Executive Officer of the Company, Mr Davey has extensive working knowledge of, and experience in, commodity and financial risk management. Mr Davey holds qualifications of Bachelor of Business (Economics/Accounting), Member of Certified Practising Accountants, Member of the Securities Institute of Australia and Member of the Finance and Treasury Association Limited. Mr Davey was a director of Australia's largest stockbroking firm, McIntosh Securities Ltd (now Merrill Lynch) and he was responsible for the creation and development of financial futures operations as managing director of McIntosh Risk Management Ltd. He was also a director of the Sydney Futures Exchange Ltd and Bain Refco Commodities Ltd, a large brokerage house owned by Refco Inc, of the USA and Deutsche Bank AG. Mr Davey was responsible for the creation and development of the clearing services offered by Deutsche Bank Australia. He has also been a director and Chief Financial Officer of companies listed in Australia, USA and Canada, one with a triple listing on the Vancouver Stock Exchange, NASDAQ and the ASX.

Interest in Shares	—	51,247,679
Interest in Options	—	17,500,000
Directorships held in other listed entities during the three years prior to the current year	—	Nil
David N Galbally QC	—	Non-Executive Director
Qualifications	—	B Juris LLB
Experience	—	Mr Galbally has extensive experience in areas of criminal law, white collar crime, corporate law media and sports law. David adds a depth of experience in corporate governance and due diligence processes to the board of EnviroMission. Mr Galbally is an accredited mediator and also has wide ranging experience in environmental and Occupational Health and Safety matters. Mr Galbally was a partner in the legal firm of Galbally & O'Bryan from 1977 to 1983, appointed Queens Council in 1996 and partner in the firm Browne and Co from 2000 to 2009. He is currently a partner with Madwicks Lawyers since 2010. Service to the community is highlighted by Mr Galbally's board appointments that include patron of Mental Health Council of Australia and the Epilepsy Foundation, honorary chair of the board of the Royal Children's Hospital for Hormone Research and President of Alzheimer's.
Interest in Shares	—	1,150,000
Interest in Options	—	4,000,000
Directorships held in other listed entities during the three years prior to the current year	—	GNV Limited
Andrew J Draffin	—	Chief Financial Officer (Appointed on 27/6/2011) and Company Secretary
Qualifications	—	B.Bus, CA
Experience	—	Andrew Draffin is a partner of the accounting firm Draffin Walker & Co. He holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants in Australia. Andrew is a director and Chief Financial Officer of both listed and private companies across a broad range of industries. His focus is on financial reporting, treasury management, management accounting and corporate services, areas where he has over 15 years experience.
Interest in Shares	—	5,687,428
Interest in Options	—	1,880,000
Directorships held in other listed entities during the three years prior to the current year	—	MRI Holdings Limited
Guoxiang Ma	—	Non-Executive Director (Resigned on 29/11/2010)
Experience	—	Mr Guoxiang Ma is the founding Chairman of Shanghai Xiang Jiang Industrial Co. Ltd., since 1994. Shanghai Jiang has been involved in the property development and building sector since inception. Mr Ma is also chairman of Sunshine Energy (Aust) Pty Ltd an investor in EnviroMission that will form an important link in the development of Solar Tower power stations in China.
Interest in Shares	—	14,663,276
Interest in Options	—	-
Directorships held in other listed entities during the three years prior to the current year	—	Nil
Yue Tang	—	Alternate to Guoxiang Ma (Resigned on 29/11/2010)
Experience	—	Mr Tang is a director and secretary of Sunshine Energy (Aust) Pty Ltd and Shanghai Xiang Jiang Industrial Co Ltd. Mr Tang is an engineer with experience in semiconductor research associated with solar power generation.
Interest in Shares	—	14,663,276
Interest in Options	—	-
Directorships held in other listed entities during the three years prior to the current year	—	Nil

Company Secretary

Mr Andrew Draffin was appointed on 2 March 2009.

Meetings of Directors

During the financial year, 3 meetings of directors (including committees of directors) were held.
Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Roger C Davey	3	3
David N Galbally QC	3	3
Guoxiang Ma	1	-
Yue Tang	1	-
Andrew J Draffin	-	-

Indemnifying Officers or Auditor

During or since the end of the financial year, the company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

Options

At the date of this report, the unissued ordinary shares of EnviroMission Limited under option are as follows

Grant Date	Date of expiry	Exercise price	Number under option
21/10/2010	1/02/2012	$0.07	2,548,589
17/06/2010	1/02/2012	$0.14	3,524,968
17/06/2010	15/09/2014	$0.10	32,000,000
17/06/2010	15/09/2014	$0.20	19,000,000
17/06/2010	15/09/2014	$0.05	3,684,648
02/09/2011	15/09/2014	$0.06	2,750,000
15/09/2011	15/09/2014	$0.06	833,333
			64,341,538

Shareholder approval will be sought for all the options listed above at the Company's next Annual General Meeting, details of which will be disclosed in the Notice of Meeting outlining the reasoning for issue.

Options holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2011, no ordinary shares of EnviroMission Limited were issued on the exercise of options granted. No further shares have been issued since year end. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

No non-audit services were provided by the Company's auditors during the financial year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 12 of the Annual Report.

REMUNERATION REPORT

Remuneration policy

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

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy is required to be developed by the Board after seeking professional advice from independent external consultants.
- Performance incentives are generally only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Chairman determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year.

In determining whether or not a KPI has been achieved, EnviroMission Limited bases the assessment on audited figures.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	2007	2008	2009	2010	2011
	$	$	$	$	$
Revenue	15,990	108,943	14,050	(98,286)	259,574
Net Loss	(1,929,081)	(1,666,848)	(11,634,372)	(4,956,491)	(1,168,726)
Share Price at Year-end	0.16	0.05	0.05	0.02	0.02
Dividends Paid	-	-	-	-	-

Performance Conditions Linked to Remuneration

The remuneration of Directors and Key Management Personnel are not linked to the performance of the share price or earnings of the Company.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the five Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2011 and any change during the year
Group Key Management Personnel	
Roger C Davey	Director, EnviroMission (USA) Inc & SolarMission Technologies Inc
David N Galbally QC	Director, EnviroMission (USA) Inc
Christopher J Davey	President, EnviroMission (USA) Inc
Guoxiang Ma	Director (Resigned on 29/11/2010)
Yue Tang	Alternate Director for Mr Ma (Resigned on 29/11/2010)
Kim Forte	Communications Manager & Director of EnviroMission (USA) Inc
Andrew J Draffin	Director, Company Secretary & Chief Financial Officer (Appointed on 27/6/2011)
David Rodli	Director, EnviroMission (USA) Inc & SolarMission Technologies Inc
George Horvath	Director, SolarMission Technologies Inc
Bill Willey	Director, SolarMission Technologies Inc

	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
	Non-salary cash based incentives $	**Shares/ Units $**	**Options/ Rights $**	**Fixed Salary/Fees $**	**Total $**
Group Key Management Personnel					
Roger C Davey	-	-	-	335,602	335,602
David N Galbally QC	-	-	-	20,000	20,000
Christopher J Davey	-	150,000	-	33,935	183,935
Guoxiang Ma	-	-	-	-	-
Yue Tang	-	-	-	-	-
Kim Forte	-	50,000	-	154,603	204,603
Andrew J Draffin	-	47,000	-	-	47,000
David Rodli	-	-	-	-	-
George Horvath	-	-	-	4,040	4,040
Bill Willey	-	-	-	4,040	4,040
	-	247,000	-	552,220	799,220

Amounts reported for Mr Davey, Mr Galbally, Mr Ma, Mr Horvath, Mr Willey & Ms Forte remain unpaid at 30 June 2011 and at the date of this report. Accounting and financial services are provided by Draffin Walker Pty Ltd (refer to note 21 for further details).

Remuneration Details for the Year Ended 30 June 2011

The following table of payments and benefits details, in respect to the financial year, the components of remuneration for each member of the key management personnel for the Consolidated Group:-

Table of Benefits and Payments for the year ended 30 June 2011

	Short-term benefits				Equity-settled share-based payments		
2011	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Shares/Units $	Options/Rights $	**Total $**
Group Key Management Personnel							
Roger C Davey	335,602	-	-	-	-	-	335,602
David N Galbally QC	20,000	-	-	-	-	-	20,000
Christopher J Davey	33,935	-	-	-	150,000	-	183,935
Guoxiang Ma	-	-	-	-	-	-	-
Yue Tang	-	-	-	-	-	-	-
Kim Forte	154,603	-	-	-	50,000	-	204,603
Andrew J Draffin	-	-	-	-	47,000	-	47,000
	544,140	-	-	-	247,000	-	791,140

	Short-term benefits				Equity-settled share-based payments		
2010	Salary, Fees and Leave	Profit Share and bonuses	Non-monetary $	Other $	Shares/Units $	Options/Rights $	**Total $**
Group Key Management Personnel							
Roger C Davey	343,004	-	-	-	-	-	343,004
David N Galbally QC	10,000	-	-	-	-	-	10,000
Christopher J Davey	232,346	-	-	-	-	-	232,346
Guoxiang Ma	10,000	-	-	-	-	-	10,000
Yue Tang	-	-	-	-	-	-	-
Kim Forte	212,004	-	-	-	-	-	212,004
Andrew J Draffin	41,895	-	-	-	20,000	-	61,895
	849,249	-	-	-	20,000	-	869,249

CORPORATE GOVERNANCE STATEMENT

The Board of directors of the Company have adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the board carries out its duties and obligations on behalf of the shareholders.

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

The Company has complied with the ASX Best Practice Recommendations except for the circumstances included on pages 10-11 which sets out the ASX Best Practice Recommendations with which the Company has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out on the following pages.

The Board of Directors

Role of the Board

The primary responsibilities of the board are set out in a written policy and include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of those goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

Board performance review

The performance of all directors is assessed through review by the board as a whole of a director's attendance at and involvement in board meetings, their performance and other matters identified by the board or other directors. Significant issues are actioned by the board. Due to the board's assessment of the effectiveness of these processes, the board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the board during the reporting period; however the board conducts a review of the performance of the Company against its objectives on an ongoing basis.

Board composition

The Directors' Report contains details of the directors' skill, experience and education as set out on page 2 & 3. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

At 30 June 2011, the board comprises an executive Chairman, one non independent non-executive director and one independent non-executive director.

The board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders.

Retirement and re-election of directors

The Constitution of the Company requires directors, to retire from office after serving three years service. Directors who have been appointed by the Board during the year are required to retire from office at the next Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of directors

The board has reviewed the position and association of each of the three directors in office at the date of this report and considers that one of the directors is independent. In considering whether a director is independent, the board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the board considers relevant. The board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The board considers that Mr Galbally meets the criteria in Principle 2. Mr Galbally has no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent. Mr Davey and Mr Draffin are directors of a company contracted to provide services to the Company and as such are not considered independent.

Independent professional advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Directors' remuneration

Details of the Company's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.
Non-executive directors may be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by fixed remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract. Remuneration is not determined by individual performance.

The Company does not provide any equity-based remuneration to directors.

Ethical Standards

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Chairman as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the Consolidated Groups assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences. The Company's Code of Conduct is available on the Company's website.

Trading in the Company's securities by directors and employees of the Company

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Chairman must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

Audit Committee

Having regard to the number of members currently comprising the Company's board, the board does not consider it appropriate to delegate these responsibilities to a sub-committee of the board, however meetings are held regularly during the year between Mr Andrew Draffin, and the Company's auditor to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The audit will be rotated as is statutorily required, and the selection of auditor will be based upon industry experience, cost effectiveness and overall potential to provide pro-active assistance to the Company within the bounds of auditor independence requirements.

Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairman, who in consultation with the board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

Shareholders

The board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Company's continuous disclosure policy, including half-year reviewed accounts, year end audited accounts and an annual report;
- the board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is required to attend the Annual General Meeting to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

Managing Business Risk

The Consolidated Group maintains policies and practices designed to identify and manage significant business risks, including:

- regular financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the board.

The board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The board may consult with the Company's external auditor on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The board receives regular reports about the financial condition and operating results of the Consolidated Group. The Board believes that:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

The Chief Executive Officer and the Company Secretary have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Internal controls

Procedures have been established by the board that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the board perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with board requirements; and
- conduct a detailed review of the published accounts.

Environmental Regulation

The Consolidated Group is not subject to any environmental regulations.

ASX BEST PRACTICE RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.1: The majority of the board should be independent directors.
Of the three directors only one is considered independent.

Recommendation 2.2: The Chairman should be an independent director.
The Chairman is a major shareholder of the company and hence is not considered independent.

Recommendation 2.3: The roles of the chairman and chief executive officer should not be exercised by the same individual
The role of the chief executive officer is held by Mr Davey who is also the chairman.

Recommendation 2.4: The board should establish a Nomination Committee.
The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 2.6: The Company should provide the information indicated in the Guide to reporting on Principle 2
One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 2* is *"the names of members of the nomination committee and their attendance at meetings of the committee"*. As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a nomination committee and therefore this information has not been included in the annual report or otherwise made publicly available. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 2* by the inclusion of information in this statement, but has not otherwise made the information publicly available.

Recommendation 4.1: The Board should establish an Audit Committee.
The functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditor regularly during the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

Recommendation 4.2: Structure of the Audit Committee so that it consists of:

- *only Non-Executive Directors;*
- *a majority of Independent Directors;*
- *an independent Chairperson, who is not chairman of the board;*
- *at least three members.*

As mentioned under Recommendation 4.1, the Board does not consider it appropriate for the Company to establish a sub-committee of the board, therefore the structuring requirements of the Audit Committee are not applicable.

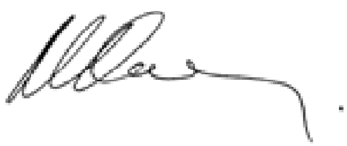
Recommendation 4.3: The Audit Committee should have a formal charter.
As stated above, the functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditor regularly during the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto. In doing so, the Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Best Practice Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 4.4: Provide the information indicated in "Guide to reporting on Principle 4".
The *Guide to reporting on Principle 4* requires that the corporate governance section of the annual report include "*details of the names and qualifications of those appointed to the audit committee*". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish an audit committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the audit committee, details of the Company's directors and their attendance at Board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the "*Guide to reporting on Principle 4*".

Recommendation 8.1: The Board should establish a Remuneration Committee.
The functions to be performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 8.3: Provide the information indicated in "Guide to reporting on Principle 8".
One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 8* is "*the names of members of the remuneration committee and their attendance at meetings of the committee*". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a remuneration committee and therefore this information has not been included in the annual report. However as the board fulfils the role of the remuneration committee, details of the Company's directors and their attendance at board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the "*Guide to reporting on Principle 8*".

This Report of the Directors', incorporating the Remuneration Report, is signed in accordance with a resolution of the board of Directors.



Director ....
Roger Davey

Dated: 30 September 2011

msi RAGG WEIR
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF ENVIROMISSION LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

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

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

I.L. JENKINS
Partner

Melbourne: 30th September 2011

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 $	2010 $
Continuing operations			
Revenue	3	(81,119)	(61,118)
Other income	3	340,693	(37,168)
Employee benefits expense		(63,737)	(71,766)
Impairment write-downs		-	(2,546,523)
Corporate costs		(195,823)	(204,183)
Occupancy costs		(74,394)	(92,689)
Travel costs		(17,606)	(30,087)
Contracting & consulting costs		(778,246)	(918,501)
Borrowing & financing facility costs		(150,000)	-
Other expenses from ordinary activities		(108,503)	(126,635)
Audit fees		(30,500)	(32,500)
Doubtful debts		-	(311,683)
Depreciation and amortisation expense		(5,613)	(516,478)
Finance costs		(3,878)	(7,160)
Loss before income tax	4	(1,168,726)	(4,956,491)
Income tax expense	5	-	-
Loss from continuing operations		(1,168,726)	(4,956,491)
Loss attributable to non-controlling interest		-	-
Loss attributable to members of parent entity	4	(1,168,726)	(4,956,491)
From continuing and discontinued operations			
Basic earnings per share (cents)	8	(0.35)	(1.57)
Diluted earnings per share (cents)	8	(0.34)	(1.34)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Loss for the year		(1,168,726)	(4,956,491)
Other comprehensive income:			
Exchange differences on translating foreign controlled entities	5b	304,195	47,359
Other comprehensive income for the year, net of tax		304,195	47,359
Total comprehensive income for the year		(864,531)	(4,909,132)
Total comprehensive income attributable to:			
Members of the parent entity		-	-
		(864,531)	(4,909,132)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group 2011 $	2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,046	20,461
Trade and other receivables	10	77,387	39,701
Other current assets	14	20,000	-
TOTAL CURRENT ASSETS		100,433	60,162
NON-CURRENT ASSETS			
Property, plant and equipment	12	2,460	7,495
Intangible assets	13	995,622	400,000
Other non-current assets	14	8,696	8,241
TOTAL NON-CURRENT ASSETS		1,006,778	415,736
TOTAL ASSETS		1,107,211	475,898
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	725,925	295,087
TOTAL CURRENT LIABILITIES		725,925	295,087
NON-CURRENT LIABILITIES			
Trade and other payables	15	1,619,125	1,524,851
Borrowings	16	228,140	263,186
TOTAL NON-CURRENT LIABILITIES		1,847,265	1,788,037
TOTAL LIABILITIES		2,573,190	2,083,124
NET ASSETS/ (LIABILITIES)		(1,465,979)	(1,607,226)
EQUITY			
Issued capital	17	31,220,811	30,215,034
Reserves	23	427,688	123,493
Accumulated losses		(33,114,478)	(31,945,752)
Parent interest		(1,465,979)	(1,607,225)
Non-controlling interest		-	-
TOTAL EQUITY		(1,465,979)	(1,607,225)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Note	Share Capital	Accumulated losses	Foreign Currency Translation Reserve	Total
Consolidated Group		$	$	$	$
Balance at 1 July 2009		29,355,492	(26,989,261)	76,134	2,442,365
Shares issued during the year		859,542	-	-	859,542
Loss attributable to members of parent entity		-	(4,956,491)	-	(4,956,491)
Adjustments from translation of foreign controlled entities	23	-	-	47,359	47,359
Sub-total		30,215,034	(31,945,752)	123,493	(1,607,225)
Dividends paid or provided for		-	-	-	-
Balance at 30 June 2010		30,215,034	(31,945,752)	123,493	(1,607,225)
Balance at 1 July 2010		30,215,034	(31,945,752)	123,493	(1,607,225)
Shares issued during the year		1,005,777			1,005,777
Loss attributable to members of parent entity			(1,168,726)		(1,168,726)
Adjustments from translation of foreign controlled entities	23			304,195	304,195
Sub-total		31,220,811	(33,114,478)	427,688	(1,465,979)
Dividends paid or provided for					
Balance at 30 June 2011		31,220,811	(33,114,478)	427,688	(1,465,979)

The accompanying notes form part of these financial statements.

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Interest received		1,380	46
Refund of deposit		101,004	-
Payments to suppliers and employees		(13,502)	(918,725)
Finance costs		-	(2,419)
Income tax paid		-	-
Net cash provided by/(used in) operating activities	19a	88,882	(921,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	(32,533)
Purchase of property, plant and equipment		(1,200)	(1,595)
Payments for intangible assets		(595,622)	-
Net cash provided by/(used in) investing activities		(596,822)	(34,128)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		400,749	742,542
Proceeds from borrowings		93,244	150,000
Amounts advanced to related entities		-	(273,458)
Proceeds from borrowings - related parties		-	310,410
Net cash provided by/(used in) financing activities		493,993	929,494
Net increase(decrease) in cash held		(13,947)	(25,732)
Cash and cash equivalents at beginning of financial year		20,461	47,035
Effect of exchange rates on cash holdings in foreign currencies		(3,468)	(842)
Cash and cash equivalents at end of financial year	9	3,046	20,461

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of EnviroMission Limited and Controlled Entities (the "consolidated group" or "group").
The separate financial statements of the parent entity, EnviroMission Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.
The financial statements were authorised for issue on 30 September 2011 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

The financial report was authorised for issue on 30 September 2011 by the directors of the company.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by EnviroMission Limited at the end of the reporting period. A controlled entity is any entity over which EnviroMission Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 11 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:
(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

(b) Income Tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

(c) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

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

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

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

Depreciation

The depreciable amount of all fixed assets and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	**Depreciation Rate**
Plant and equipment	34%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each 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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) 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 amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

The Group designates certain derivatives as either:

i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
ii. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts would be assessed using a probability weighted discounted cash flow approach. The probability would be based on:
– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition

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

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

(f) Other Intangibles

Trademarks & Licences

Trademarks and licences are recognised at cost of acquisition. Trademarks and licences have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks and licences are amortised over their useful life ranging from 20 to 25 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

The Company has adopted a policy whereby it will capitalise all costs directly attributable to the Development of the La Paz Solar Tower technology in Arizona. The development phase of the La Paz Solar Power Tower was reached in conjunction with the agreement reached with the Southern California Public Power Authority therefore expenditure incurred after this date will be capitalised in line with the Company's policy. The Intagible Asset created will be subject to continual impairment testing in accordance with AASB 136.

During the financial year ended 30 June 2011 the Company has made significant advances in developing the Intellectual Property associated with the licence and rights held by the Company and its Subsidiaries. Further the directors sought and gained an independent valuation to value the intellectual property and licences as they are currently owned by and held by the Company and its Subsidiaries. The independent assessment placed a value of $60,000,000 on the said Intellectual Property and development rights held through the global licence. The valuation was conducted using a relief from royalties approach that included a probability adjusted net present value of likely future cash flows, based on revenue projections supported by the Power Purchase Agreement with the Southern California Public Power Authority reached during the reporting period.

The value of the Intellectual Property and licences is dependent on the ability of the Company to generate income from the asset. No income has been earned from these assets to 30 June 2011 given that they are in the development stage however not withstanding it has an agreement to supply to the Southern California Public Power Authority and its members.

The Company is restricted from recording these assets at their re-valued amount by AASB 138. The standard restricts the Intellectual Property from being re-valued after its initial recognition in the absence of an active market.

(g) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investment in associates are shown at Note 11.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

— assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
— income and expenses are translated at average exchange rates for the period; and
— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(i) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled.

(j) Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(l) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.
Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Borrowing Costs

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) Comparative Figures

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(p) Critical Accounting Estimates and Judgments

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

Key Estimates

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Judgements

(i) Provision for Impairment of Receivables

Loans to subsidiaries and controlled entities were included in receivables of the Parent Entity at balance date. There is an inherent uncertainty that these amounts will not be collectable when called, therefore a provision for impairment was made against these receivables.

(q) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

— *AASB 9: Financial Instruments [December 2010] (applicable for annual reporting periods commencing on or after 1 January 2013).*

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments . The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

— *AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).*

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a 'related party' to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

— *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)*

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

— *AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).*

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

— *AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).*

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

— *AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)*

This standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian Accounting Standard financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

— *AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).*

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

— *AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).*

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards; and AASB 7: Financial Instruments: Disclosures; establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

— *AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).*

This standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

This Standard is not expected to impact the Group.

— *AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).*

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

— *AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).*

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

— *AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).*

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9; and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7].

This Standard is not expected to impact the Group.

(r) Going Concern

The financial statements have been prepared on a going concern basis. The Company's present activities will be funded by existing working capital. Short term need over and above exisiting resources will be met by placement and new share issues as and when required. As noted in the Directors' report the Company is in negotiations with various entities to raise substantial capital for the Consolidated Group's . The successful completion of the future capital raisings will restore the Consolidated Group's net asset position.

Note 2 **Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Accounting Standards.

	2011 $	2010 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,576	14,823
Trade and other receivables	71,489	32,406
Prepayments	20,000	-
TOTAL CURRENT ASSETS	94,065	47,229
NON-CURRENT ASSETS		
Other financial assets	115	115
Property, plant and equipment	1,077	3,607
Intangible assets	925,251	400,000
Other non-current assets	8,696	8,241
TOTAL CURRENT ASSETS	935,139	411,963
TOTAL ASSETS	1,029,204	459,192
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	683,643	75,758
Borrowings	-	-
TOTAL CURRENT LIABILITIES	683,643	75,758
NON-CURRENT LIABILITIES		
Trade and other payables	797,464	666,206
Borrowings	179,232	154,164
TOTAL NON-CURRENT LIABILITIES	976,696	820,370
TOTAL LIABILITIES	1,660,339	896,128
NET ASSETS	(631,135)	(436,936)
EQUITY		
Issued Capital	31,220,811	30,215,034
General reserve		-
Retained earnings	(31,851,946)	(30,651,970)
Parent Interest	(631,135)	(436,936)
Non-controlling interest	-	-
TOTAL EQUITY	(631,135)	(436,936)
STATEMENT OF COMPREHENSIVE INCOME		
Loss for the year	(1,199,977)	(4,205,872)
Total comprehensive income	(1,199,977)	(4,205,872)

Guarantees

EnviroMission Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contractual commitments

At 30 June 2011 EnviroMission Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2010: Nil).

Note 3 Revenue and Other Income

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) Revenue from continuing operations		
Sales revenue		
— sale of goods	-	-
— provision of services	-	-
	-	-
Other revenue		
— Interest received	1,449	103
— Refund of deposit	101,051	-
— Unrealised foreign exchange gain/(loss)	(193,910)	(61,397)
— Realised foreign exchange gain/(loss)	10,291	176
	(81,119)	(61,118)
Total revenue	(81,119)	(61,118)
Other income		
— Loss on disposal of non-current investments	-	(37,168)
— gain on investments and derivatives	-	-
— loss on revaluation of investment in parent entity	(3,069)	-
— other income	343,762	-
Total other income	340,693	(37,168)
Interest revenue from:		
— Financial Institutions	1,449	103
Total interest revenue on financial assets not at fair value through profit or loss	1,449	103

Note 4 Loss for the Year

	Consolidated Group 2011 $	Consolidated Group 2010 $
Loss before income tax from continuing operations includes the following specific expenses:		
(a) Expenses		
Interest expense on financial liabilities not at fair value through profit or loss:	3,878	7,160
Foreign currency translation losses	183,619	61,221
Depreciation on property, plant & equipment	5,613	8,864
Amortisation - licence	-	507,614
Impairment of licence	-	2,546,523
Employee benefits expense	63,737	71,766
Bad and doubtful debts:		
— other	-	311,683
Total bad and doubtful debts	-	311,683

Note 5 **Income Tax Expense**

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)		
— consolidated group	(350,618)	(1,486,947)
— parent entity		
Add:		
Tax effect of:		
— non-deductible depreciation and amortisation	-	-
— other non-allowable items	4,555	1,613
— write-downs to recoverable amounts	-	794,444
— Non-deductible expenses	108,781	23,983
— Provision for doubtful debts	27,723	-
	(209,560)	(666,907)
Less:		
Tax effect of:		
— Deductible black hole expenditure	92,082	84,779
— Write-downs to recoverable amounts	121,827	-
— Income tax losses carried forward not taken up as a	(423,469)	(751,686)
Income tax attributable to entity	-	-
Future income tax benefits not brought to account as tax	7,399,137	6,975,668
The applicable weighted average effective tax rates are as follows:	0.0%	0.0%

(b) Tax effects relating to each component of other comprehensive income:

		2011			2010		
Consolidated Group	**Note**	**Before-tax amount $**	**Tax (expense) benefit $**	**Net-of-tax amount $**	**Before-tax amount $**	**Tax (expense) benefit $**	**Net-of-tax amount $**
Exchange differences on translating foreign controlled		304,195	-	304,195	47,359	-	47,359
		304,195	-	304,195	47,359	-	47,359

Note 6 **Interests of Key Management Personnel (KMP)**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	Consolidated Group 2011 $	Consolidated Group 2010 $
Short-term employee benefits	544,140	849,249
Share-based payments	247,000	20,000
	791,140	869,249

KMP Options and Rights Holdings

44,500,000 options were issued to Key Management Personnel of Company during the year. These options were approved for issue by shareholders of the Company at its last AGM. 3,332,289 options were issued to Key Management Personnel as a result of debt conversions, issued in compliance with ASX Listing Rule 7.4 and will be ratified at the next AGM of the Company.

KMP Shareholdings

The number of ordinary shares in EnviroMission Limited held by each KMP of the Group during the financial year is as follows:

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Roger C Davey	51,247,679	-	-	-	51,247,679
David N Galbally QC	1,150,000	-	-	-	1,150,000
Christopher J Davey	22,866,001	-	-	2,142,858	25,008,859
Guoxiang Ma	14,663,276	-	-	-	14,663,276
Kim Forte	10,304,200	-	-	714,286	11,018,486
David Rodli	11,688,000	-	-	-	11,688,000
George Horvath	2,899,200	-	-	-	2,899,200
Bill Wiley	2,899,200	-	-	-	2,899,200
Andrew Draffin	1,880,000	-	-	3,807,428	5,687,428
	119,597,556	-	-	6,664,572	126,262,128

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Roger C Davey	51,247,679	-	-	-	51,247,679
David N Galbally QC	1,150,000	-	-	-	1,150,000
Christopher J Davey	22,866,001	-	-	-	22,866,001
Guoxiang Ma	14,663,276	-	-	-	14,663,276
Kim Forte	10,304,200	-	-	-	10,304,200
David Rodli	11,688,000	-	-	-	11,688,000
George Horvath	2,899,200	-	-	-	2,899,200
Bill Wiley	2,899,200	-	-	-	2,899,200
Andrew Draffin	-	-	-	1,880,000	1,880,000
	117,717,556	-	-	1,880,000	119,597,556

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 21: Related Party Transactions.

Note 7 Auditors' Remuneration

	Consolidated Group 2011 $	2010 $
Remuneration of the auditor of the parent entity for:		
— auditing or reviewing the financial report	30,500	32,500
— taxation services	-	-

Note 8 Earnings per Share

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) Reconciliation of earnings to profit or loss		
Profit	(1,168,726)	(4,956,491)
Profit attributable to non-controlling equity interest	-	-
Earnings used to calculate basic EPS	(1,168,726)	(4,956,491)
Earnings used in the calculation of dilutive EPS	(1,168,726)	(4,956,491)
(b) Reconciliation of earnings to profit or loss from continuing operations		
Loss from continuing operations	(1,168,726)	(4,956,491)
Profit attributable to non-controlling equity interest in respect of continuing operations	-	-
Earnings used to calculate basic EPS from continuing operations	(1,168,726)	(4,956,491)
Dividends on converting preference shares	-	-
Earnings used in the calculation of dilutive EPS from continuing operations	(1,168,726)	(4,956,491)
	No.	No.
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	335,085,618	316,212,035
Weighted average number of dilutive options outstanding	3,999,254	53,747,666
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	339,084,872	369,959,701

Note 9 Cash and Cash Equivalents

	Consolidated Group 2011 $	Consolidated Group 2010 $
Cash at bank and in hand	3,046	20,461
Short-term bank deposits	-	-
	3,046	20,461

The effective interest rate on short-term bank deposits was 1.25% (2010: 1.25%).

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2011	2010
Cash and cash equivalents	3,046	20,461
Bank overdrafts	-	-
	3,046	20,461

Note 10 Trade and Other Receivables

	Consolidated Group 2011 $	Consolidated Group 2010 $
CURRENT		
GST receivable	71,489	32,406
	71,489	32,406
Other receivables	5,898	7,295
Amounts receivable from:		
— other non-related parties	-	311,683
— provision for impairment - non related parties	-	(311,683)
Total current trade and other receivables	77,387	39,701

(a) **Provision For Impairment of Receivables**

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

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 01.07.09	Charge for the Year	Amounts Written Back	Closing Balance 30.06.10
Consolidated Group	**$**	**$**	**$**	**$**
(i) Current trade receivables	-	311,683	-	311,683
	-	311,683	-	311,683

	Opening Balance 01.07.10	Charge for the Year	Amounts Written Back	Closing Balance 30.06.11
Consolidated Group	$	$	$	$
(i) Current trade receivables	311,683	-	(311,683)	-
	311,683	-	(311,683)	-

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has significant credit risk exposures in Australia and the United States of America given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting period in those regions is as follows:

	Consolidated Group 2011	2010
AUD	**$**	**$**
Australia	71,489	32,406
United States of America	5,898	7,295
	77,387	39,701

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

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue) <30	31-60	61-90	>90	Within initial trade terms
2011	$	$	$	$	$	$	$
Trade and term receivables	71,489	-	-	-	-	-	71,489
Other receivables	5,898	-	-	-	-	5,898	-
Total	77,387	-	-	-	-	5,898	71,489

Consolidated Group	Gross Amount	Past due and impaired	Past due but not impaired (days overdue) <30	31-60	61-90	>90	Within initial trade terms
2010	$	$	$	$	$	$	$
Trade and term receivables	32,406	-	-	32,406	-	-	-
Other receivables	318,979	311,683	-	7,295	-	-	-
Total	351,385	311,683	-	39,701	-	-	-

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

	Note	Consolidated Group 2011	2010
(b) **Financial Assets Classified as Loans and Receivables**	**Note**	**$**	**$**
Trade and other Receivables			
— Total current		77,387	39,701
— Total non-current		-	-
Financial assets	22	77,387	39,701

Note 11 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)* 2011	2010
Subsidiaries of EnviroMission Limited:			
SolarMission Limited	Australia	100%	100%
Pure Solar Power (IP) Pty Ltd	Australia	100%	100%
EnviroMission USA Inc	United States of Amerca	100%	100%
SolarMission Technologies Inc	United States of America	58.92%	58.92%

* Percentage of voting power is in proportion to ownership

Note 12 Property, Plant and Equipment

	Consolidated Group 2011 $	2010 $
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	163,752	163,594
Accumulated depreciation	(161,292)	(156,099)
Accumulated impairment losses	-	-
	2,460	7,495

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment $	Total $
Consolidated Group:		
Balance at 1 July 2009	14,764	14,764
Additions	1,595	1,595
Disposals	-	-
Depreciation expense	(8,864)	(8,864)
Balance at 30 June 2010	7,495	7,495
Additions	1,200	1,200
Disposals	-	-
Depreciation expense	(5,613)	(5,613)
Foreign exchange loss	(622)	(622)
Balance at 30 June 2011	2,460	2,460

Note 13 Intangible Assets

	Consolidated Group 2011 $	Consolidated Group 2010 $
Goodwill		
Cost	5,919,752	5,919,752
Accumulated impaired losses	(5,919,752)	(5,919,752)
Net carrying value	-	-
Trademarks and licences		
Cost	10,552,284	10,552,284
Accumulated amortisation and impairment	(10,152,284)	(10,152,284)
Net carrying value	400,000	400,000
Development costs		
Cost	595,622	-
Accumulated amortisation and impairment	-	-
Net carrying value	595,622	-
Total intangibles	995,622	400,000

Consolidated Group:

	Development Costs $	Trademarks & Licences $	Total $
Year ended 30 June 2010			
Balance at the beginning of year	-	3,454,237	3,454,237
Additions	-	-	-
Disposals	-	-	-
Amortisation charge	-	(507,614)	(507,614)
Impairment losses	-	(2,546,623)	(2,546,623)
	-	400,000	400,000
Year ended 30 June 2011			
Balance at the beginning of year	-	400,000	400,000
Additions	595,622	-	595,622
Disposals	-	-	-
Amortisation charge		-	-
Impairment losses		-	-
Closing value at 30 June 2011	595,622	400,000	995,622

The Company has adopted a policy whereby it will capitalise all costs directly attributable to the Development of the La Paz Solar Tower technology in Arizona. The development phase of the La Paz Solar Power Tower was reached in conjunction with the agreement reached with the Southern California Public Power Authority therefore expenditure incurred after this date will be capitalised in line with the Company's policy. The Intagible Asset created will be subject to continual impairment testing in accordance with AASB 136.

During the financial year ended 30 June 2011 the Company has made significant advances in developing the Intellectual Property associated with the licence and rights held by the Company and its Subsidiaries. Further the directors sought and gained an independent valuation to value the intellectual property and licences as they are currently owned by and held by the Company and its Subsidiaries. The independent assessment placed a value of $60,000,000 on the said Intellectual Property and development rights held through the global licence. The valuation was conducted using a relief from royalties approach that included a probability adjusted net present value of likely future cash flows, based on revenue projections supported by the Power Purchase Agreement with the Southern California Public Power Authority reached during the reporting period.

The value of the Intellectual Property and licences is dependent on the ability of the Company to generate income from the asset. No income has been earned from these assets to 30 June 2011 given that they are in the development stage however not withstanding it has an agreement to supply to the Southern California Public Power Authority and its members.

The Company is restricted from recording these assets at their re-valued amount by AASB 138. The standard restricts the Intellectual Property from being re-valued after its initial recognition in the absence of an active market.

Note 14 Other Assets

	Consolidated Group 2011 $	Consolidated Group 2010 $
CURRENT		
Prepayments	20,000	-
	20,000	-
NON-CURRENT		
Rental bond deposit	8,696	8,241
	8,696	8,241

Note 15 Trade and Other Payables

	Note	Consolidated Group 2011 $	2010 $
CURRENT			
Unsecured liabilities			
Trade payables		691,673	107,257
Sundry payables and accrued expenses		34,252	187,830
		725,925	295,087
NON-CURRENT			
Unsecured liabilities			
Sundry payables and accrued expenses		155,957	720,516
Trade payables		1,463,168	804,335
	22	1,619,125	1,524,851

	Consolidated Group 2011 $	2010 $
(a) Financial liabilities at amortised cost classified as trade and other payables		
Trade and other payables		
— Total current	725,925	295,087
— Total non-current	1,619,125	1,524,851
	2,345,050	1,819,938
Less construction contract advances and payables		
Less annual leave entitlements		
Financial liabilities as trade and other payables	2,345,050	1,819,938

(b) Non-Current sundry and trade payables are largely amounts due to directors or associates of the Consolidated Group. Each individual or entity has agreed in writing to forgo their claim in the immediate future. Settlement of these debts will occur by way of an equity debt conversion requiring shareholder approval. Alternatively they will be settled at the completion of any future capital raising surrounding the development the solar tower and after all current creditors have been paid out.

Note 16 Borrowings

	Note	Consolidated Group 2011 $	2010 $
NON-CURRENT			
Unsecured liabilities		228,140	263,186
Total borrowings	22	228,140	263,186

Note 17 Issued Capital

	Consolidated Group 2011 $	Consolidated Group 2010 $
348,444,792 (2010: 324,928,382) fully paid ordinary shares	31,220,811	30,215,034
	31,220,811	30,215,034

The company has authorised share capital amounting to 348,444,792 ordinary shares.

(a) Ordinary Shares

	Consolidated Group 2011 No.	Consolidated Group 2010 No.
At the beginning of the reporting period	324,928,382	306,819,400
Shares issued during the year		
— 12/08/2009	-	989,281
— 14/09/2009	-	1,247,178
— 29/09/2009	-	719,660
— 14/10/2009	-	2,012,002
— 20/10/2009	-	1,475,280
— 26/10/2009	-	4,460,000
— 22/02/2010	-	1,880,000
— 16/04/2010	-	2,325,581
— 20/05/2010	-	3,000,000
— 21/10/2010	5,097,178	-
— 10/11/2010	7,049,935	-
— 14/01/2011	4,000,000	-
— 17/06/2011	7,369,297	-
At the end of the reporting period	348,444,792	324,928,382

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

60,758,205 options were issued during the reporting period. Refer to the Directors Report for details on issue, price and expiry.

(c) Capital Management

Management control the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern. As noted in the Directors' report the Company is in negotiations with various entities to raise substantial capital for the Group. The successful completion of these future capital raisings will restore the net asset position of the Company.

The Group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Total borrowings	15, 16	2,573,190	2,083,125
Less cash and cash equivalents	9	(3,046)	(20,461)
Net debt		2,570,144	2,062,663
Total equity		1,465,979	1,607,225
Total debt/(capital)		4,036,123	3,669,888
Gearing ratio		64%	56%

Note 18 Operating Segments

Segment Information
Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

Geographical Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Geographical location:						
Australia	(183,530)	(61,119)	503,838	459,077	9,773	11,848
United States of America	99,344	(37,168)	78,123	16,822	1,384	3,888
	(84,186)	(98,287)	581,961	475,899	11,157	15,736

The consolidated group has one business segment being the development of solar towers as a source of renewable energy. It operates in two geographical segments, Australia and the United States of America. The consolidated group also holds exclusive licences to development solar towers worldwide.

Note 19 Cash Flow Information

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	(1,168,726)	(4,956,491)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Amortisation	-	507,614
Depreciation	5,613	8,864
Foreign exchange loss/(gain)	156,927	61,221
Equity issues for services provided	605,028	7,455
Net (gain)/loss on disposal of investments	-	37,168
Impairment write-downs to recoverable amount	-	2,546,523
Net (gain)/loss on revaluation of investment in associate	3,069	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(38,141)	319,979
Increase/(decrease) in trade payables and accruals	525,112	546,569
Cash flow from operations	88,882	(921,098)

Note 20 Events After the Reporting Period

The directors are not aware of any other significant events that have occured after balance date.

Note 21 Related Party Transactions

The Group's main related parties are as follows:

Transactions with related parties:
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.
The following transactions occurred with related parties:

	Consolidated Group 2011 $	Consolidated Group 2010 $
(a) Director related Company		
Remuneration paid to Mr Davey is paid to Canterbury Mint Pty Ltd, a Company of which Mr Davey is a director and shareholder.	335,602	343,004
Remuneration paid to Mr Andrew Draffin is paid to Draffin Walker & Co., a Company of which Mr Draffin is a director and shareholder.	47,000	41,895
(b) Key Management Personnel		
Remuneration paid to Ms Forte is paid to Kim Forte Consulting , a business of which Ms Forte is a director and shareholder.	204,603	212,004

Note 22 Financial Risk Management

The group’s financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Financial Assets			
Cash and cash equivalents	9	3,046	20,461
Loans and receivables	10b	77,387	39,701
Total Financial Assets		80,433	60,162
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	15	2,345,050	1,819,938
— Borrowings	16	228,140	263,186
Total Financial Liabilities		2,573,190	2,083,125

Financial Risk Management Policies

Risk management policies are established to identify and analyse the risks faced by the consolidated group, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management polices and systems are reviewed regularly to reflect changes in market conditions and the consolidated groups activities. The consolidated group through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group has significant credit risk exposures to Australia and the the United States of America given the substantial operations in those regions. Details with respect to credit risk of Trade and Other Receivables is provided in Note 10.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Consolidated Group	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Borrowings	-	-	228,140	263,186	-	-	228,140	263,186
Trade and other payables (excl. est. annual leave)	725,925	295,086	1,619,125	1,524,851	-	-	2,345,050	1,819,937
Total contractual outflows	725,925	295,086	1,847,265	1,788,037	-	-	2,573,190	2,083,123
Less bank overdrafts							-	-
Total expected outflows	725,925	295,086	1,847,265	1,788,037	-	-	2,573,190	2,083,123
	Within 1 Year		**1 to 5 years**		**Over 5 years**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Consolidated Group	$	$	$	$	$	$	$	$
Financial Assets - cash flows realisable								
Cash and cash equivalents	3,046	20,461	-	-	-	-	3,046	20,461
Trade, term and loans receivables	97,387	39,701	-	-	-	-	97,387	39,701
Total anticipated inflows	100,433	60,162	-	-	-	-	100,433	60,162
Net (outflow) / inflow on financial instruments	(625,492)	(234,924)	(1,847,265)	(1,788,037)	-	-	(2,472,757)	(2,022,961)

c. Market Risk

i. Interest rate risk

Interest rate risk is managed using fixed rate debt where practical. At 30 June 2011 approximately 20% of group debt is fixed at 10%pa and 21% of the group debt is fixed at 8%pa. The remaining debt is interest free.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instruments fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Due to instruments held by overseas operations, fluctuation in US Dollars may impact on the Group's financial results unless those exposures are appropriately hedged.

The Australian dollar equivalent of foreign currency balances included in the accounts which are not effectively hedged are as follows:

	2011 $	2010 $
	Consolidated Group	
United States Dollars		
Cash and cash equivalents	470	5,638
Current trade & other receivables	5,898	7,295
Non-current other financial assets	-	-
Current trade & other payables	(42,281)	(219,429)
Non-current trade & other payables	(870,670)	(967,670)
	(906,584)	(1,174,166)

The following significant exchange rates were applied during the year:	Average rate		Spot rate	
	2011	2010	2011	2010
$1AUD				
United States	0.990	0.882	1.060	0.857

iii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
Year ended 30 June 2011	**Profit $**	**Equity $**
+/- 100 basis points in interest rates	(24)	-
+/- 10% in $A/$US	(18,362)	42,769

	Consolidated Group	
Year ended 30 June 2010	**Profit $**	**Equity $**
+/- 100 basis points in interest rates	(71)	-
+/- 10% in $A/$US	(611)	12,349

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

	Footnote	2011		2010	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
Consolidated Group		$	$	$	$
Financial assets					
Cash and cash equivalents	(i)	3,046	3,046	20,461	20,461
Trade and other receivables	(i)	77,387	77,387	47,942	47,942
Total financial assets		80,433	80,433	68,403	68,403
Financial liabilities					
Trade and other payables	(i)	2,345,050	2,345,050	1,819,938	1,819,938
Borrowings	(i)	228,140	228,140	263,186	263,186
Total financial liabilities		2,573,190	2,573,190	2,083,124	2,083,124

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables, trade and other payables and borrowings are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for annual leave, which is outside the scope of AASB 139.

Note 23 Reserves

a. *Foreign Currency Translation Reserve*

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary. Refer to the Changes in Equity section on page 16 for further details of movement for the reporting period.

Note 24 Economic Dependency

All subsidiaries and controlled entities are dependent on the Parent Company, EnviroMission Limited.

Note 25 Company Details

The registered office of the company is:
EnviroMission Limited
Ground Floor
3 Raglan Street
South Melbourne VIC 3000

The principal places of business are:
EnviroMission Limited
Ground Floor
3 Raglan Street
South Melbourne VIC 3000

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 13 to 41, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and International Financial Reporting Standards (IFRS); and
   (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Chief Finance 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 Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view; and

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.

Director ....
Roger Davey

Dated: 30 September 2011

msi RAGG WEIR
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ENVIROMISSION LIMITED

We have audited the accompanying financial report of Enviromission Limited ("the company") and controlled entities (the consolidated group), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENVIROMISSION LIMITED

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Enviromission Limited and controlled entities is in accordance with the Corporations Act 2001, including:
   - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

Report to the Remuneration Report

We have audited the remuneration report included on pages 4 to 6 of the director's report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

Inherent Uncertainty regarding continuation as a Going Concern

As disclosed in Note 1(q), the financial statements have been prepared on a going concern basis. The ability of the Company and consolidated group to continue as a going concern is dependent upon it continuing to secure sufficient funding from capital raisings by placement and new share issues for it to fund its ongoing activities. If the above capital raisings are not sufficient and the company and consolidated group is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may be different to those stated in the financial statements.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

I.L. JENKINS
Partner

Melbourne: 30th September, 2011

ENVIROMISSION LIMITED ABN: 52 094 963 238
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 31 August 2011:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	Number Ordinary	Number Redeemable
1 – 1,000	11,073	-
1,001 – 5,000	1,220,926	-
5,001 – 10,000	2,757,670	-
10,001 – 100,000	24,115,916	-
100,001 – and over	320,339,207	-
	348,444,792	-

b. The number of shareholdings held in less than marketable parcels is 852.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number Ordinary	Number Preference
National Nominees Limited	43,670,310	-
Mr Charles Wells	43,386,186	-
Canterbury Mint Pty Ltd	28,000,000	-
ORCA Strategies Pty Ltd	21,275,071	-
Canterbury Mint Pty Ltd <Canterbury Mint S/Fund A/C)	15,273,406	

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

– These shares have no voting rights.

e. **20 Largest Shareholders — Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	National Nominees Limited	43,670,310	12.34%
2.	Mr Charles Wells	43,386,186	12.26%
3.	Canterbury Mint Pty Ltd	28,000,000	7.91%
4.	ORCA Strategies Pty Ltd	21,275,071	6.01%
5.	Canterbury Mint Pty Ltd <Canterbury Mint S/Fund A/C)	15,273,406	4.32%
6.	Sunshine Energy (AUST) Pty Ltd	10,714,286	3.03%
7.	Mrs Kim Elizabeth Forte	10,139,200	2.86%
8.	Andelou Pty Ltd	9,559,867	2.70%
9.	Merrill Lynch (Australia) Nominees Pty Ltd	7,582,665	2.14%
10.	Mr David Rodli	6,004,566	1.70%
11.	Mrs Kathleen Anne Marie Graves	4,800,539	1.36%
12.	Draffin Walker Pty Ltd	4,687,428	1.32%
13.	Sunshine Energy (AUST) Pty Ltd	3,948,990	1.12%
14.	Charles Jason Wells	3,745,750	1.06%
15.	Mr William Carlin	3,338,721	0.94%
16.	Mr Roger Davey	3,280,000	0.93%
17.	Mr George Horvath	2,899,200	0.82%
18.	Mr William Maurice Wiley	2,899,200	0.82%
19.	Solarmission Technologies Inc	2,759,904	0.78%
20.	Mr Lee Wilford Tanner	2,624,934	0.74%
		230,590,223	65.16%

2. The name of the company secretary is Andrew Draffin.

3. The address of the principal registered office in Australia is Ground Floor, 3 Raglan Street, South Melbourne, Victoria 3000. Telephone: 03 9693 5666.

4. Registers of securities are held at the following addresses

   Computershare Investors Services Pty Limited
   Yarra Falls
   452 Johnson Street, Abbotsford
   Victoria 3067

5. **Stock Exchange Listing**
   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Options over Unissued Shares**
   A total of 63,508,205 options are on issue at the date of this report. The options are not listed for quotation.

7. **Other Disclosures**
   N/A