

ENVOY COMMUNICATIONS GROUP INC  
Form 20-F  
December 24, 2008

As filed with the Securities and Exchange Commission on December 24, 2008

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 20-F**

o **Registration statement pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934**  
**OR**

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
*For the fiscal year ended September 30, 2008*

**OR**

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
*For the transition period from \_\_\_\_\_ to \_\_\_\_\_*

**OR**

o **Shell company report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**  
*Date of event requiring this shell company report \_\_\_\_\_*

**Commission file number 0-30082  
ENVOY CAPITAL GROUP INC.**

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)  
Ontario, Canada

(Jurisdiction of incorporation or organization)  
172 John Street, Toronto, Ontario, Canada M5T 1X5

(Address of principal executive offices)  
Andrew Patient, Tel. 416-593-3725 Fax 416-593-4434, 172 John Street, Toronto Ontario, Canada M5T 1X5

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

**COMMON SHARES**

(Title of Class)  
The Nasdaq Capital Market

(Name of each exchange on which registered)  
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**NONE**

(Title of Class)

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: At September 30, 2008, there were 8,585,636 common shares outstanding.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES:  NO:

If this report is an annual or transition report, indicate by check mark if the Registrant is not required to file reports pursuant to 13 or 15 (d) of the Securities Exchange Act of 1934. YES:  NO:

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES:  NO:

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer:

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17:  Item 18:

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES:  NO:

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The certifications are exhibits, not part of body.

References in this annual report to the Company and Envoy mean Envoy Capital Group Inc. and its subsidiaries, unless otherwise specified.

The Company presents its consolidated financial statements in Canadian dollars. In this annual report, except where otherwise indicated, all dollar amounts are expressed in Canadian dollars. References to \$ are to Canadian dollars, references to U.S. are to United States dollars and references to £ are to British pounds. See Selected Financial Data in Item 3 of this Form 20-F.

**Special Note Regarding Forward-Looking Statements**

This annual report on Form 20-F contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including statements relating to Envoy's outlook or future economic performance, anticipated profitability, revenues, commissions and fees, expenses and other financial items, and Envoy's plans and expectations relating to its business and prospects. The words expect, anticipate, estimate, may, will, should, intend, believe, and similar expressions, are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by Envoy in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause Envoy's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors described in Item 3.D Risk Factors. These factors should be considered carefully, and readers should not place undue reliance on Envoy's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**PART I****Item 1: Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2: Offer Statistics and Expected Timetable**

Not applicable.

**Item 3: Key Information****A. Selected Financial Data<sup>1</sup>**

The following tables sets forth selected financial data for Envoy for the fiscal years indicated below and should be read in conjunction with the more detailed audited consolidated financial statements and the related notes thereto (the Consolidated Financial Statements ) appearing under Item 17 in this Form 20-F and the discussion under Item 5 Operating and Financial Review and Prospects herein. The selected consolidated financial data does not include statements of operations data or balance sheet data of any acquired operations prior to their respective acquisition effective dates. The Company's historical results are not necessarily indicative of the results that may be expected for any future period.

**Fiscal Years Ended****September 30**

(all amounts in thousands except  
per share data)

**2008**                      **2007**                      **2006<sup>(2)</sup>**                      **2005<sup>(3)</sup>**                      **2004<sup>(4)</sup>**

**Statement of Operations Data:**

Net Revenue	\$ 11,260	\$ 17,551	\$ 9,672	\$ 19,567	\$ 15,838
(Loss) Earnings From Continuing Operations <sup>(5)</sup>	(10,158)	2,641	(5,392)	3,074	(4,781)
Earnings From Discontinued Operations		375	7,528	2,868	1,674
(Loss) Earnings From Continuing Operations Basic Earnings Per Share	(1.11)	0.20	(0.27)	0.14	(0.28)
Earnings (Loss) From Continuing Operations Diluted Earnings Per Share	(1.11)	0.20	(0.27)	0.14	(0.28)
Net (Loss) Earnings <sup>(5)</sup>	(10,158)	3,017	2,136	5,942	(3,106)
Net (Loss) Earnings Per Share Basic	(1.11)	0.23	0.10	0.27	(0.18)
Net Earnings (Loss) Earnings Per Share Diluted <sup>(5)</sup>	(1.11)	0.23	0.10	0.27	(0.18)

4

1 The Consolidated Financial Statements of Envoy have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ( Canadian GAAP ) which vary in certain significant respects from U.S. Generally Accepted Accounting Principles ( U.S. GAAP ). Reconciliation to U.S. GAAP for fiscal 2008, 2007 and 2006 is set forth in Note 22 to the Notes to the Consolidated Financial Statements. The following would be the adjustments under U.S. GAAP to the information provided above as an increase (decrease) to:

Net Revenue
2008 \$4,255,
2007 (\$5,148),
2006 \$nil, 2005
\$nil and 2004
\$nil; Earnings

(loss) from  
continuing  
operations 2008  
\$1,686, 2007  
(\$1,240), 2006  
\$nil, 2005 \$344  
and 2004  
(\$464);

Earnings  
(loss) from  
continuing  
operations  
earnings per  
share basic 2008  
\$0.18, 2007  
(\$0.09), 2006  
\$nil, 2005 \$0.01  
and 2004  
(\$0.03);

Earnings  
(loss) from  
continuing  
operations  
earnings per  
share diluted  
2008 \$0.18,  
2007 (\$0.09),  
2006 \$nil, 2005  
\$0.01 and 2004  
(\$0.03); Net

earnings  
(loss) 2008  
\$4,490, 2007  
(\$1,240), 2006  
(\$2,700), 2005  
\$344 and 2004  
\$(464); and Net

earnings  
(loss) per share  
basic 2008  
\$0.49, 2007  
(\$0.09), 2006  
(\$0.13), 2005  
\$0.01 and 2004  
\$(0.03); Net

earnings  
(loss) per share  
diluted 2008  
\$0.49, 2007  
(\$0.09), 2006  
(\$0.13), 2005

\$0.01 and 2004  
\$(0.03).

At a meeting held on August 14, 2003, the Company's shareholders approved the consolidation of the Company's common shares on the basis to be determined by its board of directors (not to exceed a ratio of 1 for 10). On January 15, 2005, the Company's board of directors approved the consolidation of the common shares (a reverse stock split) on the basis of a 1 for 5 ratio. On January 21, 2005 the Company filed Articles of Amendment consolidating its common shares on the basis of 1 new common share for every 5 common shares outstanding. Outstanding shares and earnings per share figures for all periods presented have been adjusted to give effect to the share consolidation. Information on the number of shares outstanding, and stock options are disclosed on a post-consolidation basis.

As at September 30 (all amounts in thousands)	2008	2007	2006 <sup>(2)</sup>	2005 <sup>(3)</sup>	2004 <sup>(4)</sup>
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**Balance Sheet Data:**

Current Assets	\$ 28,823	\$ 38,832	\$ 68,701	\$ 44,759	\$ 59,432
Total Assets <sup>(7)</sup>	36,482	50,792	81,274	84,057	88,880
Total Debt <sup>(6)</sup>	70	157	252	361	659
Shareholders' Equity <sup>(5)</sup>	32,159	45,157	75,047	73,555	76,891
Retained (Deficit) Earnings <sup>(8)</sup>	(7,064)	3,094	(40,266)	(42,403)	(48,344)

<sup>2</sup> The exchange rate utilized with respect to the Statement of Operations Data for the fiscal year ended September 30, 2006 of Watt Gilchrist Limited ( Gilchrist ) and Parker Williams Design Limited ( PWD ) is £1.00 to \$2.0571 and with respect to the Balance Sheet Data of Gilchrist and PWD is £1.00 to \$2.1044. Except as set forth in footnotes 5, 6 and 7, no other acquisitions by Envoy



materially affect  
the  
comparability of  
the information  
in the Selected  
Financial Data.

- 3 The exchange  
rate utilized  
with respect to  
the Statement of  
Operations Data  
for the fiscal  
year ended  
September 30,  
2005 of Watt  
Gilchrist  
Limited  
( Gilchrist ) is  
£1.00 to  
\$2.2641 and  
with respect to  
the Balance  
Sheet Data of  
Gilchrist is  
£1.00 to  
\$2.0648. The  
exchange rate  
utilized with  
respect to the  
Statements of  
Operations Data  
for the fiscal  
year ended  
September

30, 2005 of Parker Williams Design Limited ( PWD ) is £1.00 to \$2.2428. The exchange rate utilized with respect to the Balance Sheet Data of PWD is £1.00 to \$2.0648. Except as set forth in footnotes 5, 6 and 7, no other acquisitions by Envoy materially affect the comparability of the information in the Selected Financial Data.

- 4 The exchange rate utilized with respect to the Statement of Operations Data for the fiscal year ended September 30, 2004 of Gilchrist is £1.00 to \$2.3759 and with respect to the Balance Sheet Data of Gilchrist is £1.00 to \$2.2878. Except as set forth in footnotes 5, 6 and 7, no other acquisitions by Envoy materially affect the

comparability of  
the information  
in the Selected  
Financial Data.

- 5 As reflected in  
Note 22 to the  
Consolidated  
Financial  
Statements, the  
net (loss)  
earnings from  
continuing  
operations for  
the fiscal years  
ended  
September 30,  
2008, 2007,  
2006, 2005 and  
2004 were  
(\$8,472),  
\$1,401,  
(\$5,392), \$3,418  
and (\$5,245),  
respectively  
under U.S.  
GAAP. The net  
(loss) earnings  
for the fiscal  
years ended  
September 30,  
2008, 2007,  
2006, 2005 and  
2004 were  
(\$5,668),  
\$1,777, (\$564),  
\$6,286 and  
(\$3,571),  
respectively  
under U.S.  
GAAP. The  
diluted net  
(loss) earnings  
per share for the  
years ended  
September 30,  
2008, 2007,  
2006, 2005 and  
2004 were  
(\$0.62), \$0.14,  
(\$0.03), \$0.28

and (\$0.21),  
respectively  
under U.S.  
GAAP.

As described above,  
on January 21, 2005,  
Envoy filed Articles  
of Amendment  
consolidating its  
common shares on  
the basis of 1 new  
common share for  
every 5 common  
shares outstanding.  
Outstanding shares  
and earnings per  
share figures for all  
periods presented  
have been adjusted  
to give effect to the  
share consolidation.

<sup>6</sup> Total debt  
includes both  
the current and  
long term  
portion of debt.

<sup>7</sup> As reflected in  
Note 22 to the  
Consolidated  
Financial  
Statements, the  
shareholders  
equity as at  
September 30,  
2008, 2007,  
2006, 2005 and  
2004 was  
\$32,589,  
\$41,140,  
\$72,589,  
\$73,550 and  
\$77,066,  
respectively  
under U.S.  
GAAP. Total  
assets as of  
September 30,  
2008 under U.S.

GAAP would exclude fair value adjustments of \$472. In addition, total assets as of September 30, 2007, 2006, 2005 and 2004 under U.S. GAAP would include the unrealized gain on private equities of \$1,147, \$nil, \$nil and \$nil, respectively, include the unrealized gain (loss) on securities for sale of \$nil, \$242, (\$6) and \$174, respectively, exclude capitalized incorporation costs of \$66, \$nil, \$nil, and \$nil, respectively, and it would exclude cash held in escrow relating to the sale of the UK operations of \$2,803, \$2,700, \$nil and \$nil, respectively.

8 Retained earnings as of September 30, 2008, 2007, 2006, 2005 and 2004, excludes the cumulative

foreign currency  
translation  
adjustment of  
\$nil, (\$77),  
(\$51), (\$2,153)  
and 74,  
respectively.  
See Note 2(f) in  
the Notes to  
Consolidated  
Financial  
Statements of  
Envoy.

Envoy has never paid any dividends on its common shares and does not anticipate that it will pay any cash dividends on its common shares in the foreseeable future. Any decision to pay dividends in the future will be at the discretion of Envoy's board of directors, after taking into account such factors as Envoy's financial condition, operating results, current and anticipated cash needs and plans for expansion.

*Exchange Rates:*

On December 15, 2008, the noon buying rate for Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was \$1.00 U.S. to \$1.2352. The following table sets forth for the periods indicated certain information regarding the exchange rates of Canadian dollars into U.S. currency. The rate of exchange means the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

**Fiscal Year Ended September 30,**

	2008	2007	2006	2005	2004
Average *	\$1.0101	\$1.0885	\$1.1151	\$1.2171	\$1.2034

\* The Average rate means the average rates each period, calculated by using the average of the exchange rates on the last day of each month during the fiscal period.

**For the Month Ended**

	November 2008	October 2008	September 2008	August 2008	July 2008	June 2008
High	\$1.2952	\$1.2995	\$1.0821	\$1.0716	\$1.0274	\$1.0320
Low	\$1.1477	\$1.0585	\$1.0298	\$1.0237	\$0.9975	\$0.9948

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

*Envoy's business, financial condition and results of operations could be materially adversely affected by any of the following risks. In addition, risk and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also materially and adversely affect its business.*

**Risks Related to Envoy's Business and Industry**

*The Company has a limited number of large clients.*

The Company receives a significant portion of its revenues from a limited number of large clients. The loss of any such clients could adversely impact the Company's prospects, business, financial condition and results of operations. The Company's results of operations and its business depend on its relationship with a limited number of large clients. Set forth below is the percentage of net revenue during the fiscal year

ended September 30, 2008 for each of the Company's clients that accounted for 10% or more of its net revenue:

**Fiscal Year Ended September 30, 2008**

**Client**

The Great Atlantic and Pacific Company	22%
Dubai Maritime City Retail Development LLC	19%
McDonald's Restaurants of Canada Limited	15%
Meijer, Inc.	12%
Wal-Mart Canada Corp.	10%

The Company expects its reliance on a limited number of clients will continue in the future.

There can be no assurance that the Company will be able to maintain its historical rate of growth or its current level of revenue derived from any client in the future.

***The Company is dependent on its key personnel.***

The Company's success depends in part upon its ability to hire and retain key senior management and skilled technical, client service and creative personnel able to create and maintain solid relationships with clients. An inability to hire or retain qualified personnel could have a material adverse effect on the Company.

***The Company is exposed to the risks of doing business internationally.***

The Company's operations are subject to a number of risks inherent in operating in different countries. These include, but are not limited to risks regarding:

currency exchange rate fluctuations;

restrictions on repatriation of earnings; and

changes in the political or economic conditions of a specific country or region, particularly in emerging markets.

The occurrence of any of these events or conditions could adversely affect the Company's ability to increase or maintain its operations in various countries.

***Currency exchange rate fluctuations could adversely affect the Company's results of operations.***

The Company is subject to currency risk through its activities in the United States, Middle East and Europe.

Unfavourable changes in the exchange rate may affect the operating results of the Company. The Company does not actively use derivative instruments to reduce its exposure to foreign currency risk. However, dependent on the nature, amount and timing of foreign currency receipts and payments, the Company may from time to time enter into foreign currency contracts to mitigate the associated risks.

***Market rate fluctuations could adversely affect the Company's results of operations.***

The Company is subject to market risk through the risk of loss of value in Envoy's portfolios resulting from changes in interest rates, foreign exchange rates, credit spreads, and equity



prices. The Company is required to mark to market its held-for-trading investments at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which would have a significant unfavourable effect on the Company's financial position

***The Company may be unsuccessful in evaluating material risks involved in completed and future investments.***

The Company regularly reviews investment opportunities and as part of the review, the Company conducts business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction. Despite the Company's efforts, it may be unsuccessful in ascertaining or evaluating all such risks. As a result, it might not realize the intended advantages of any given investment and may not identify all of the risks relating to the investment. If the Company fails to realize the expected benefits from one or more investments, or does not identify all of the risks associated with a particular investment, the Company's business, results of operations and financial condition could be adversely affected.

***The Company is subject to credit risk.***

The Company manages its credit risk with respect to accounts receivable by acting as an agent for its customers, by dealing primarily with large creditworthy customers and by billing whenever possible in advance of rendering services or making commitments. The Company had one customer who represented 32% of accounts receivable as at September 30, 2008, and one customer who represented 19% of accounts receivable as at September 30, 2007. Should the Company fail to efficiently manage its outstanding accounts receivable, the Company's results of operations may be adversely affected.

Certain of the Company's financial assets, including cash and cash equivalents are exposed to the risk of financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company may, from time to time, invest in debt obligations. The Company is also exposed, in the normal course of business, to credit risk from the sale of its investments and advances to investee companies.

***The Company may need to raise additional capital to grow its business, which it may not be able to do.***

The Company's future liquidity and capital requirements are difficult to predict because they depend on numerous factors, including the success of its existing services, attracting and maintaining clients, as well as competing market developments. As a result, the Company may not be able to generate sufficient cash from its operations to meet additional working capital requirements, support additional capital expenditures or take advantage of investment or acquisition opportunities. Accordingly, the Company may need to raise additional capital in the future.

The Company's ability to obtain additional financing will be subject to a number of factors, including market conditions and its operating performance. These factors may make the timing, amount, terms and conditions of additional financing unattractive for the Company. If the Company raises additional funds by selling equity securities, the relative equity ownership

of its existing investors could be diluted or the new investors could obtain terms more favorable than previous investors. If the Company raises additional funds through debt financing, it might incur significant borrowing costs. If the Company is unable to raise additional funds when needed, or on terms acceptable to it, the Company's ability to operate and grow its business could be impeded.

***The Company is subject to recessionary economic cycles.***

The marketing and communications industry is cyclical and as a result it is subject to downturns in general economic conditions and changes in client business and marketing budgets. Such downturns in the economic cycle may have material adverse effects on the Company's business, results of operations and financial condition.

***The Company may be subject to certain regulations that could restrict the Company's activities.***

From time to time, governments, government agencies and industry self-regulatory bodies in Canada, the United States, the European Union and other countries in which the Company operates have adopted statutes, regulations and rulings that directly or indirectly affect the activities of the Company and its clients. For further discussion of such regulations, see the discussion in the *Government Regulations* section under Item 4.B. Though the Company does not expect any existing or proposed regulations to materially adversely impact the Company's business, the Company is unable to estimate the effect on its future operations of the application of existing statutes or regulations or the extent or nature of future regulatory action.

***The Company competes for clients in a highly competitive industry, which may reduce market share and decrease profits.***

The marketing and communication services industry is highly competitive and fragmented. The Company's principal competitors are large multinational communications services companies, as well as regional and national branding and marketing services firms. Many of the Company's competitors have larger client bases and significantly greater financial, marketing, public relations, revenues and other resources than the Company does. There can be no assurance that the Company will be able to compete effectively against these companies, and the competition for clients against such current and future competitors may reduce the Company's market share and decrease profits.

***Risks related to the Company's common shares***

***Because the Company is a Canadian company, it may be difficult to enforce liabilities against the Company based solely upon the federal securities laws of the United States.***

The Company was organized under the laws of the Province of Ontario, and its principal executive offices are located in Toronto, Ontario. Many of its directors, controlling persons and officers are residents of Canada and a substantial portion of their assets and a majority of the Company's assets are located outside the United States. Consequently, it may be difficult to enforce against the Company or any of its directors, controlling persons, or officers, liabilities based solely upon the federal securities laws of the United States.

***The Company believes that it is a Passive Foreign Investment Company, which may have adverse tax consequences for the Company's shareholders in the United States.***

Under U.S. federal income tax laws, the Company believes that it is a passive foreign investment company ( PFIC ), which may have adverse tax consequences for the Company's shareholders in the United States. U.S. shareholders are urged to read the section titled "Certain United States Federal Income Tax Considerations" in Item 10 of this Form 20-F and to consult their tax advisors concerning the U.S. federal income tax consequences of holding the common shares of a PFIC.

**Item 4: Information on the Company**

Envoy's businesses include an international consumer and retail branding company and a merchant banking and financial services company.

Envoy conducts its branding services through its wholly-owned subsidiary, Watt International Inc. ( Watt International ), which is one of the world's leading brand strategy and design consultancies. Envoy provides consulting, branding, packaging and retail design services to clients in Canada, the United States, Mexico, United Arab Emirates, China and South America, as well as project work for clients in other countries around the globe. With two offices located in North America, Watt International's clients include: Meijer, Inc., The Great Atlantic and Pacific Company, Dubai Maritime City Retail Development LLC, McDonald's Restaurants of Canada Limited, and Wal-Mart Stores Inc. In 2008, the top three customers accounted for 22%, 19% and 15% of net revenue. In 2007, the top three customers accounted for 17%, 15% and 15% of net revenue. In 2007, one other customer accounted for 11% of net revenue. In 2008, two other customers accounted for 12% and 10% of net revenue, respectively.

Watt International subsists under the laws of the Province of Ontario.

In Fiscal 2006, Envoy's board of directors approved the creation of a merchant banking operation focused on providing financial services as well as equity and debt capital to small and mid-cap companies. Envoy Capital Group was officially launched in fiscal 2007.

The merchant banking division investments currently consist of a blend of professionally managed market diversified funds and direct investments in growth stage public companies. A certain portion of the portfolio is also invested in common shares of private companies. The merchant bank business earnings consist of both realized and unrealized gains in the market value of its investments, plus dividends and interest income.

The principal place of business of Envoy is 172 John Street, Toronto, Canada M5T 1X5. Envoy may be reached by telephone at (416) 593-1212 or facsimile at (416) 593 4434. Envoy's website is [www.envoy.to](http://www.envoy.to). Information contained on Envoy's website does not constitute a part of this Form 20-F.

**A. History and Development of the Company**

Envoy was incorporated under the laws of the Province of British Columbia, Canada as Potential Mines Ltd. in December 1973 and was continued under the laws of the Province

of Ontario, Canada in December 1997. At the Company's annual general meeting held on March 30, 2007 the shareholders voted to amend the corporation's articles of incorporation by changing its name to Envoy Capital Group Inc. Envoy's registered office is located at 172 John St., Toronto, Ontario, Canada M5T 1X5 (telephone 416/593-3725).

Since December 1997, Envoy has shifted the nature of its business to providing marketing, communications and consumer and retail branding services for promoting clients' products, services and business messages utilizing such media as print, broadcast and the Internet. Envoy has grown, in large part, through strategic acquisitions. Certain material transactions by Envoy since January 1, 2006 are described below.

Effective September 15, 2006, Envoy completed the sale of all of the shares of its wholly owned UK subsidiary ECGH, including the related business and assets of Gilchrist and PWD. The sale price of \$27 million was paid in cash. Pursuant to the terms and conditions of the sale purchase agreement, \$2.7 million was held in escrow to secure potential third party claims. In January, 2008, the Company received \$2,834,568, representing the withheld amount plus accrued interest.

On September 15, 2006, the Company announced its intention to repurchase its common shares under a substantial issuer bid in the form of a modified Dutch Auction tender offer. On January 25, 2007, pursuant to this Dutch Auction tender offer, the Company announced that it would take up and pay for the shares at a purchase price of US\$2.70 (CDN\$3.19) per share for a total purchase price of US\$24.4 million (CDN\$28.7 million). Costs relating to the offering totaled approximately \$1.5 million. On January 30, 2007, the Company took up and paid for 9,002,383 shares. Payment for the shares was made from available cash on hand.

#### **B. Business Overview**

##### *Services in the Envoy Group:*

Consumer and retail branding - Watt International, a wholly owned subsidiary of Envoy that management believes to be one of the world's leading brand strategy and design consultancies, provides the following services: strategic brand consulting, corporate identity and communications, retail branding and store design, and package design.

In Fiscal 2006, Envoy established a merchant banking organization focused on providing financial services as well as equity and debt capital to small and mid-cap companies. Envoy Capital Group was officially launched in fiscal 2007. The Merchant Bank division investments currently consist of a blend of professionally managed market diversified funds and direct investments in growth stage public companies. A certain portion of the portfolio is also invested in common shares of private companies. The Merchant Bank business earnings consist of both realized and unrealized gains in the market value of its investments, plus dividends and interest income.

##### *Our Strategic Direction:*

At the Company's annual general meeting held on March 30, 2007 the shareholders voted to amend the corporation's articles of incorporation by changing its name to Envoy Capital Group Inc. and removing the maximum number of common shares that the corporation is

authorized to issue. In addition, the shareholders also voted to reduce the stated capital of the corporation's common shares by \$40.3 million for the purpose of eliminating the deficit on the consolidated balance sheet of the corporation as at September 30, 2006.

On September 15, 2006, the Company announced its intention to repurchase its common shares under a substantial issuer bid in the form of a modified Dutch Auction tender offer. On January 25, 2007, pursuant to this Dutch Auction tender offer, the Company announced that it would take up and pay for the shares at a purchase price of US\$2.70 (CDN\$3.19) per share for a total purchase price of US\$24.4 million (CDN\$28.7 million). Costs relating to the offering totaled approximately \$1.5 million. On January 30, 2007, the Company took up and paid for 9,002,383 shares. Payment for the shares was made from available cash on hand.

On September 15, 2006, Envoy sold its wholly owned subsidiary ECGH, including related assets and business operations. Envoy believes that the sale of ECGH, which represented non-core holdings of Envoy, will enhance shareholder value.

On June 30, 2005, Envoy sold all the shares of its advertising business, John Street, to the management of John Street. During fiscal 2004, Envoy sold all the shares of its corporate event and corporate travel business. Envoy remains focused on the expansion and prosperity of its core business of consumer and retail branding. Watt International, its branding business, has proven successful at creating and executing private label programs and landmark store design, making Envoy a world authority in brand strategy and design for the retail sector.

*Industry Overview:*

Consumer and Retail Branding

In all areas of marketing and product design, companies are looking to extend their customer relationships and influence consumer behavior. Consumer and retail branding services encompass the entire customer experience, from product packaging to the retail environment, and are a key component of a company's marketing communications strategy.

The consumer and retail branding services sector is rapidly evolving into a global marketplace, as companies are increasingly looking for expertise in the development and maintenance of their brands on a global basis. Companies are looking to firms that can deliver a consistent message to consumers through packaging and retail design, regardless of geography.

Retail is the second largest industry in the United States and one of the largest industries worldwide. Unlike other, more volatile sectors, the retail industry continues to grow at a steady rate, particularly as developing countries achieve greater economic stability.

Watt International has continued to service clients in various segments of the market. During fiscal 2008, Watt International continued to focus its efforts to transform the business model to strategically driven operations and align itself with the market conditions to retain and service existing clients and to grow by providing innovative solutions in domestic and international markets.

*Government Regulations:*

The marketing communications industry is subject to extensive government regulation, both domestic and foreign, with respect to the truth in and fairness of advertising. There are also a number of U.S. federal and state laws and regulations directed at the advertising and marketing of specific products, such as food and drug products. In addition, there has been an increasing tendency on the part of businesses to resort to the judicial system, as well as industry self-regulatory procedures, to challenge comparative advertising of their competitors on the grounds that the advertising is false and deceptive. There can be no assurance Envoy will not be subject to claims against it or Envoy's clients by other companies or governmental agencies or that such claims, regardless of merit, would not have a material adverse effect on Envoy's future operating performance.

Merchant Banking

The financial services sector is experiencing a period of instability as forces of change with respect to globalization, regulatory changes, consolidations, and advances in technology change the entire context of financial services throughout the world.

Competition in the financial services sector is increasing both domestically and in the international marketplace. Within Canada, recent changes to federal law and regulation have opened up new opportunities for foreign banks to operate and encouraged the start up of new banks, offering more choice to consumers. New banks are arriving on the scene virtually every year. Some have established traditional branches, while others have focused on electronic channels, or specific products or market segments. Recent entrants have included both global competitors and domestic newcomers.

Envoy Capital Group is a merchant banking division of Envoy that focuses on providing financial services as well as equity and debt capital, to small and mid-cap companies. Envoy Capital Group's objective is to provide loans and equity investments of between \$500,000 and \$3,000,000 to publicly listed and private companies, operating in a variety of industries including media and marketing services, resources and real estate.

*Government Regulations:*

The banking and financial industry is one of the most regulated industries in the world. The Company is required to adhere to extensive rules and regulations governing both financial services and securities exchanges. Recent changes to federal law and regulation have opened up new opportunities for foreign banks to operate in Canada, encouraged the start up of new banks with new ownership rules, and given certain non-bank financial institutions direct access to the payments system. Many of the old barriers prohibiting financial institutions from competing in each other's business have disappeared over the past 15 years.

**C. Organizational Structure**

Envoy has operations in the United States and Canada. Envoy owns 100% of Watt International, its sole operating subsidiary.

#### **D. Property, Plants and Equipment**

Envoy currently operates offices in Toronto, Canada. The terms of our principal leases are as follows:

Envoy's principal executive offices consist of a four-story office building of approximately 20,000 square foot located at 172 John Street, Toronto, Ontario. These premises have been leased pursuant to a lease with a term that commenced on July 1, 1999 and expires in June 2009 at a current annual rent of \$206,670. In connection with the lease negotiation, the landlord advanced to Envoy \$750,000 as a loan, with an interest rate of 3.5% per annum to be repaid over 10 years. The leasehold improvements involved modernization of the facilities and other modifications expected to benefit both Envoy and the landlord. The principal balance of this loan at September 30, 2008 was \$69,599.

The offices of Envoy's wholly owned subsidiary, Watt International, consist of an office building of approximately 26,600 square feet located at 300 Bayview, Toronto, Ontario, Canada. The premises are leased pursuant to a lease with a current annual rent of \$466,836 that expires in March 2010.

In September 2006, Envoy sold all the shares of its United Kingdom subsidiaries, and has no further lease obligations in the United Kingdom.

#### **Item 4A: Unresolved Staff Comments**

Not applicable.

#### **Item 5: Operating and Financial Review and Prospects**

*The following discussion should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements of Envoy and the Notes relating thereto, included as item 17 in this Form 20-F. The information contained in this Item 5 refers to Financial Statements of Envoy, which are presented in Canadian dollars and are prepared in accordance with Canadian GAAP.*

*Canadian GAAP differs in certain significant respects from U.S. GAAP. Reconciliation to U.S. GAAP is set forth in Note 22 of the Notes to Consolidated Financial Statements. Historical results of operations, percentage relationships and any trends that may be inferred there from are not necessarily indicative of the operating results of any future period.*

#### **Overview**

##### ***Net Revenue***

The Company presents as net revenue fee income earned as compensation for its services, net of pass through costs. Further, the balance sheet reflects the following:

- (i) deferred revenue representing fees billed and collected in advance of such fees being earned;

- (ii) unbilled accounts receivable representing fees earned but not yet billed as well as well as reimbursable pass-through costs; and
- (iii) work in process represents costs incurred on projects for which revenue has not yet been recognized for accounting purposes.

Included in work in process are charges for staff time at standard cost and third party charges. The standard cost rate provides for the recovery of actual labour and overhead costs incurred.

Net revenue represents the Company's compensation for its non-agency services and is recognized only when collection of such net revenue is probable. The Company's non-agency projects are short-term in nature. Fees earned for non-agency services are recognized either upon the performance of the Company's services when the Company earns a per-diem fee, or in the case of a fixed fee, when the Company's services are substantially complete and accepted by the client. Fees earned but not yet billed are included in accounts receivable. Fees billed to clients in excess of fees recognized as net revenue are classified as deferred revenue.

Securities transactions are recorded on a trade-date basis. Changes in fair value of held-for-trading investments are reflected in the consolidated statements of operations and are calculated on an average cost basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

#### ***Operating Expenses***

Salaries and benefits, general and administrative expenses and occupancy costs represent our operating expenses. Salaries and benefits expenses include salaries, employee benefits, incentive compensation, contract labour and other payroll related costs, which are expensed as incurred. General and administrative costs include business development, office costs, technology, professional services and foreign exchange. Occupancy costs represent the costs of leasing and maintaining company premises.

#### ***Tax Matters***

With respect to Envoy's 2008 fiscal year, Envoy had tax loss carry forwards sufficient to cover its Canadian income tax liabilities and has approximately \$25.1 million in loss carry forwards. Details on income taxes are set forth in Note 14 of the Notes to Consolidated Financial Statements.

#### **A. Operating Results**

Net revenue from the continuing operations for the twelve months ended September 30, 2008 was \$11.3 million, compared to \$17.6 million for the twelve months ended September 30, 2007, a decrease of \$6.3 million. The decrease was a result of losses sustained on investments in the merchant banking segment. Investment losses for the twelve months ended September 30, 2008 were (\$4.3) million compared to gains of \$5.1 million in the same period last year. Salaries expense for the twelve months ended September 30, 2008, was \$12.8 million, compared to \$11.3 million in the twelve months ended September 30, 2007, a increase of \$1.5



million. The labour to net revenue ratio for the twelve months ended September 30, 2008 was 113.8%, compared to 64.5% in the twelve months ended September 30, 2007. The deterioration in the salary ratio was due to a decline in revenue base as a result of losses in the merchant banking segment.

Occupancy costs increased to \$0.6 million for the twelve months ended September 30, 2008, from \$0.5 million for the twelve months ended September 30, 2007 a decrease of \$0.1 million. The occupancy cost to net revenue ratio was 4.6% for the twelve months ended September 30, 2008 compared to 3.1% for the twelve months ended September 30, 2007, again, due to decline in total net revenue.

The Consolidated Financial Statements have been prepared by management in accordance with generally accepted accounting principles in Canada, which vary in certain significant respects from generally accepted accounting principles in the United States. A description of the significant differences, as applicable to the Company, is included in note 22 to the Consolidated Financial Statements.

**SELECTED ANNUAL INFORMATION**

	<b>Fiscal 2008</b>	Fiscal 2007	Fiscal 2006
<b>Net revenue</b>	<b>\$ 11.3 million</b>	\$ 17.6 million	\$ 9.7 million
<b>Net (loss) earnings:</b>			
From continuing operations	<b>(10.2) million</b>	2.6 million	(5.4) million
From discontinued operations		0.4 million	7.5 million
Total	<b>(10.2) million</b>	3.0 million	2.1 million
<b>Net (loss) earnings per share</b>			
<i>Total</i>			
Basic	<b>\$ (1.11)</b>	\$ 0.23	\$ 0.10
Diluted	<b>\$ (1.11)</b>	\$ 0.23	\$ 0.10
<i>From continuing operations</i>			
Basic	<b>\$ (1.11)</b>	\$ 0.20	\$ (0.27)
Diluted	<b>\$ (1.11)</b>	\$ 0.20	\$ (0.27)
<i>From discontinued operations</i>			
Basic	<b>\$ nil</b>	\$ 0.03	\$ 0.37
Diluted	<b>\$ nil</b>	\$ 0.03	\$ 0.37
As at:	<b>Sep 30, 2008</b>	Sep 30, 2007	Sep 30, 2006
<b>Total assets</b>	<b>\$ 36.5 million</b>	\$50.8 million	\$ 81.3 million
<b>Total long-term financial liabilities</b>	<b>\$ nil</b>	\$ 0.1 million	\$ 0.2 million
<b>Cash dividends declared</b>	<b>\$ nil</b>	\$ nil	\$ nil

**FISCAL YEAR ENDED SEPTEMBER 30, 2008, COMPARED TO FISCAL YEAR ENDED SEPTEMBER 30, 2007**

On a consolidated basis, the net loss for the year ended September 30, 2008 was (\$10.2) million compared to earnings of \$3.0 million for the year ended September 30, 2007. On a fully diluted per share basis the net loss for fiscal year 2008 was (\$1.11) per share compared to earnings of \$0.23 in fiscal 2007.

The comparative results for fiscal 2007 include a final adjustment to the gain on disposal of the UK and European operations. The amount is included as discontinued operations as a result of the sale of the ECG Holdings (UK) in fiscal 2006. Income from discontinued operations (net of taxes) amounted to approximately \$0.4 million.

**Consumer and Retail Branding Segment**

Net revenue for the Branding segment represents compensation for services rendered, net of any pass-through costs such as production costs incurred on behalf of clients in acting as agent for them.

The geographical breakdown of net revenue is as follows:

	Net revenue for the year ended September 30 (in millions)			
	2008	% of total	2007	% of total
By customer location:				
USA and South America	\$ 6.4	41%	\$ 6.4	52%
Canada	5.3	34%	4.1	33%
Middle East and Asia	3.8	25%	1.9	15%
	\$ 15.5	100%	\$ 12.4	100%

Net revenue for the year ended September 30, 2008 was \$15.5 million, compared to \$12.4 million for the year ended September 30, 2007, an increase of \$3.1 million. The main reason for the increase was significant international business wins.

Net revenue from the U.S. and South American based customers remained steady in fiscal 2008 with \$6.4 million generated both this year and last, whereas net revenue from Canadian customers increased by approximately \$1.2 million in fiscal 2008 as compared to the same period last year. Canadian revenue growth was a result of increased business with existing clients. Net revenue from the Middle East and Asia region increased \$1.9 million in fiscal 2008 as compared to fiscal 2007, primarily as a result of the net revenue from new projects in Dubai. Approximately one-half of the increase in net revenue for the Middle East region was a result of increased subcontractor work managed by the branding division, resulting in a similar increase in labour costs, as described below.

Operating expenses, excluding depreciation, for the twelve months ended September 30, 2008 were \$13.6 million compared with \$10.2 million for the twelve months ended September 30, 2007, an increase of \$3.4 million. Expressed as a percentage of revenue operating expenses were 87.4% this year compared to 82.6% last year.

Salaries and benefits expenses for the current fiscal year were \$11.0 million compared to \$8.0 million last year, an increase of \$3.0 million or 37.5%. The main reason for the increase in labour costs was the need to subcontract significant portions of the work in the Middle East region. Approximately \$1.2 million of net revenue in fiscal 2008 was subcontracted work, compared to almost none in fiscal 2007. Certain new business required that the Company act as lead consultant on the project and subcontract work that was outside its expertise. The result was an increase to both net revenue and labour. As margins are smaller on the subcontracted portion, labour costs as a percentage of revenue increased. Salaries and benefits expense as a percent of net revenue was 70.7% for the fiscal year 2008 compared to 64.8% for the same period last year. Salaries and benefits continue to be closely monitored to align costs with current and expected revenues.

General and administrative expenses were \$1.7 million for the twelve months ended September 30, 2008, compared to \$1.4 million for twelve months ended September 30, 2007, an increase of \$0.3 million. General and administrative expenses as a percent of net revenue were 11.2% for the current year compared to 11.5% last year. The Company continues to focus on ways to reduce or eliminate discretionary expenses while balancing the need to maintain the quality of its service while investing to grow its net revenue.

Occupancy costs for the twelve months ended September 30, 2008 and for the same period last year were \$0.8 million. Occupancy costs as a percent of net revenue were 5.4% this year compared to 6.2% last year.

Depreciation expense for the year ended September 30, 2008 and year ended September 30, 2007 was \$0.4 million.

Interest (income) expense was minimal for the twelve months ended September 30, 2008 and the comparative period last year.

Pre-tax earnings from the Branding segment were \$1.6 million in fiscal 2008 compared to \$1.8 million in fiscal 2007.

#### ***Merchant Banking Segment***

Investment income from Merchant Banking activities includes realized and unrealized gains and losses from the Company's investments plus interest and dividend income earned during the period. Envoy's Merchant banking activities were reported as a new operating segment in fiscal 2007.

The Merchant Banking segment experienced net investment losses of approximately (\$4.3) million for the twelve months ended September 30, 2008, compared to net investment gains of \$5.1 million for the twelve months ended September 30, 2007. A significant downturn in the markets beginning in June, 2008 resulted in considerable negative returns on the investment portfolio. Of the (\$4.3) million loss in fiscal 2008, approximately (\$3.8) million was sustained in the fourth quarter alone. Investment gains going forward will continue to be a function of general market and economic conditions as well as the success of individual securities selected for investment. Accordingly, the income generated from such investment activity is unlikely to be consistent from period to period.

For the twelve months ended September 30, 2008 the Company recognized losses attributable to the sale of marketable securities or adjustments to market value of (\$4.9) million. For the same period last year, the Company recognized gains of \$4.1 million. Interest and dividend income for the Merchant Banking segment for the fiscal year 2008 was approximately \$0.7 million, compared to \$1.1 million last year. Interest earned for the period was largely attributable to cash held in short term interest bearing corporate notes or discount securities.

For the twelve months ended September 30, 2008, the Company experienced a negative return of (12.2%) compared to last year when the Company generated a positive return of approximately 15.7% on its invested capital. Investment returns were significantly impacted by the deterioration of worldwide stock markets. Late in the third quarter of fiscal 2008, domestic, U.S. and international markets began a slide which continued through the end of the fiscal year and beyond. Management made a decision early in the downturn to preserve capital by divesting from much of its liquid holdings and was able to mitigate a good portion of the potential downside. In comparison to other widely-used benchmarks the Company outperformed, as the Dow Jones Industrial Average lost (23.1%) over the Company's fiscal year period, while the S&P 500 and TSX lost (24.9%) and (17.5%), respectively.

Operating expenses for the Merchant Banking business are comprised largely of salaries and benefits. Total operating expenses for the twelve months ended September 30, 2008 were approximately \$1.5 million, compared to \$1.9 million for the same period last year, as a result of lower management compensation.

Fiscal 2008 pre tax loss from the Merchant Banking segment totaled approximately (\$5.8) million, compared to earnings of \$3.3 million last year.

#### ***Corporate***

Corporate expenses include salaries and benefits for the accounting, financial and administrative functions of Envoy. In addition, the corporate expenses include the costs of regulatory compliance such as audit and legal expenses, board fees, listing fees and shareholder relations. Credit amounts generated by the corporate segment relate to a recovery in excess of actual costs as a result of subleasing excess space at the Company's corporate office. Due to the unpredictable nature of certain maintenance and operating costs, there is no assurance that recovered amounts will continue to be in excess of actual expenditures. For the twelve months ended September 30, 2008 these expenses, excluding depreciation, totaled approximately \$2.0 million, compared to approximately \$2.4 million in the prior year. In fiscal 2007, the Corporate segment of the Company's operations earned approximately \$0.4 million in interest revenue from cash set aside to fund the Company's substantial issuer bid, which closed in January 2007.

Approximately \$30 million was segregated for this purpose and held in secure cash investments bearing a nominal interest rate. As the substantial issuer bid was completed, it is not expected that additional interest income will be earned within the corporate segment.

**Income Taxes**

Given the current operating loss, along with the uncertainty surrounding investment markets going forward, the Company has increased its valuation allowance on its future tax assets. As a result of the valuation allowance, the current value of the tax asset reflects management's assessment of those timing differences and loss carryforwards which are more likely than not to be used in future periods. Income tax expense for the year was \$3.7 million. All of the expense is a result of a revaluation of the Company's future tax asset.

**Income from discontinued operations**

Income from discontinued operations represents income from Envoy's UK subsidiaries which were disposed of in the fourth quarter of fiscal 2006. The income from discontinued operations, net of income taxes and minority interests, for the fiscal year 2008 was \$nil and for the fiscal year 2007 was approximately \$0.4 million. Income from discontinued operations in fiscal 2007 represents the settlement of potential liabilities more favourably than expected.

Discontinued operations as detailed in note 21 to the Financial Statements as follows:

Fiscal year:	2008	2007	2006
Net revenue	\$	\$	\$ 21,432,172
Operating expenses			17,460,973
Interest income			(60,327)
Depreciation			1,294,822
Income tax expense			582,122
Earnings from discontinued operations (excluding gain on sale)			2,154,582
Minority interest			347,599
Gain on sale of discontinued operations		375,514	5,721,229
Earnings from discontinued operations	\$	\$ 375,514	\$ 7,528,212

**Net earnings (loss)**

Net loss for the twelve months ended September 30, 2008 was (\$10.2) million, compared to earnings of \$3.0 million for the twelve months ended September 30, 2007. On a per share basis the net loss in the current year was (\$1.11) per share compared to earnings of \$0.23 last year.

The earnings per share calculations are based on fully diluted weighted average shares outstanding of 9,122,688 this year compared to 13,155,910 last year.

**THREE MONTHS ENDED SEPTEMBER 30, 2008, COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2007**

On a consolidated basis, the net loss for the fourth quarter of fiscal 2008 was (\$8.3) million, compared to net earnings of \$0.4 million for the fourth quarter of fiscal 2007.

The comparative results for the fourth quarter of fiscal 2007 include a final adjustment to the gain on disposition of the UK and European operations. The amount is included as discontinued operations as a result of the sale of ECG Holdings (UK) in fiscal 2006. Income from discontinued operations was nil in fiscal 2008. From continuing operations, fully diluted net loss per share for this year's fourth quarter was (\$0.95), compared to \$nil last year. Earnings from discontinued operations in the fourth quarter of fiscal 2008 were \$nil compared to \$0.04 per fully diluted share in the fourth quarter of fiscal 2007.

***Consumer and Retail Branding Segment***

Net revenue for the Branding segment represents compensation for services rendered, net of any pass-through costs such as production costs incurred on behalf of clients in acting as agent for them.

The breakdown of net revenue is as follows:

	Net revenue for the three months ended September 30 (in millions)			
	2008	% of total	2007	% of total
By customer location:				
USA and South America	\$ 1.5	44%	\$ 2.2	65%
Canada	1.3	37%	0.9	26%
Middle East and Asia	0.7	19%	0.3	9%
	\$ 3.5	100%	\$ 3.4	100%

Net revenue for the three months ended September 30, 2008 was \$3.5 million, compared to \$3.4 million for the three months ended September 30, 2007, an increase of \$0.1 million. The principal reason for the increase in net revenue from last year to this year was new business wins in the Middle East region. New developments continue to be built and the Company has positioned itself well in the region.

Net revenue from U.S. and South American customers decreased by approximately \$0.7 million for the fourth quarter of fiscal 2008 as compared to the same period last year, while net revenue from the Canadian based customers increased by \$0.4 million. Net revenue from the Middle East and Asia region increased \$0.4 million.

Operating expenses, excluding depreciation, for the fourth quarter of 2008 were \$3.4 million, compared to \$3.0 million in the fourth quarter of fiscal 2007, mainly due to increased labour costs. Expressed as a percentage of revenue, operating expenses were 99.2% this year compared to 88.2% last year.

Salaries and benefits expenses for the fourth quarter of 2008 were \$2.9 million compared to \$2.6 million for the fourth quarter last year, an increase of \$0.3 million or 11.5%. Salaries

and benefits levels increased as a result of the increase in revenue, as well as an increase in subcontracted labour, as discussed in the full year results analysis. Salaries and benefits expense as a percent of net revenue was 83.1% for this year's fourth quarter compared to 74.9% for the same period last year.

General and administrative expenses were \$0.4 million in the current quarter compared to \$0.3 million in the same period last year. General and administrative expenses as a percent of net revenue were 11.1% for this year's fourth quarter compared to 8.4% in the same period last year.

Occupancy costs for both the current quarter and last year's comparable period were \$0.2 million. Occupancy costs as a percent of net revenue were 5.9% in the fourth quarter of fiscal 2008 compared to 4.7% in the same period last year.

Depreciation expense for the three months ended September 30, 2008 and three months ended September 30, 2007 was \$0.1 million.

There was a small amount of interest income for the three months ended September 30, 2008 and a small amount of interest expense for the same period last year.

Pre-tax losses from the Branding segment were (\$0.1) million in fiscal 2008 compared to pre-tax earnings of \$0.3 million in the fourth quarter of fiscal 2007.

#### ***Merchant Banking Segment***

For the fourth quarter ended September 30, 2008 the merchant banking segment experienced net investment losses of (\$3.8) million, compared to investment gains of \$1.0 million in the same period last year. The majority of the losses in the current quarter were due to downward adjustment to market value of its investments as at September 30, 2008 compared to their value at the end of the prior quarter. The business also realized losses on sale of some investments as part of the decision to rebalance its portfolio during the market downturn.

Operating expenses for the Merchant Banking business were comprised largely of salaries and benefits. Total operating expenses for the quarter were approximately \$0.2 million, compared to \$0.5 million for the same period last year.

During the fourth quarter of fiscal 2008 pre tax losses from the Merchant Banking business totaled approximately (\$4.0) million, compared to pre-tax earnings of \$0.5 million in the same period last year.

#### ***Corporate***

Corporate expenses include salaries and benefits for the accounting, financial and administrative functions of Envoy. In addition, the corporate expenses include the costs of regulatory compliance such as audit and legal expenses, board fees, listing fees and shareholder relations. During the current quarter these expenses totaled approximately \$0.5 million, compared to \$0.9 million for the same period last year.



***Income Taxes***

The income tax expense for the period was \$3.7 million. The reason for the disparity from the substantially enacted tax rate of 33% was an adjustment to the value of the future tax asset based on the Company's results for the fourth quarter along with the overall volatility in the market and economic uncertainty at year end. The current value of the future tax asset reflects management's assessment of those timing differences and loss carryforwards which are more likely than not to be used in future periods.

***Income from discontinued operations***

The income from discontinued operations, net of income taxes and minority interests, for the fourth quarter of fiscal 2008 was nil compared to \$0.4 million for the fourth quarter of fiscal 2007.

***Net (loss) earnings***

Net loss for the three months ended September 30, 2008 was (\$8.3) million, compared to earnings of \$0.4 million for the three months ended September 30, 2007. On a per share basis the net loss in the current quarter was (\$0.95) per share compared to earnings of \$0.04 last year. The earnings per share calculations are based on fully diluted weighted average shares outstanding of 8,688,245 for the current quarter compared to 9,747,620 in the same period last year.

**SUMMARY OF QUARTERLY RESULTS**

	<b>Q4 2008</b>	<b>Q3 2008</b>	<b>Q2 2008</b>	<b>Q1 2008</b>
<b>Net revenue</b>	(\$0.3) million	\$ 3.5 million	\$ 3.3 million	\$ 4.7 million
<b>Net earnings (loss):</b>				
From continuing operations	(\$8.25) million	(\$1.28) million	(\$0.98) million	\$0.36 million
Including discontinued operations	(\$8.25) million	(\$1.28) million	(\$0.98) million	\$0.36 million
<b>Net earnings per share</b>				
<i>From continuing operations</i>				
Basic	(\$0.95)	(\$0.14)	(\$0.10)	\$ 0.04
Diluted	(\$0.95)	(\$0.14)	(\$0.10)	\$ 0.04
<i>Including discontinued operations</i>				
Basic	(\$0.95)	(\$0.14)	(\$0.10)	\$ 0.04
Diluted	(\$0.95)	(\$0.14)	(\$0.10)	\$ 0.04
	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
<b>Net revenue</b>	\$ 4.5 million	\$ 4.3 million	\$ 3.8 million	\$ 5.0 million
<b>Net earnings (loss):</b>				
From continuing operations	(\$0.01) million	\$ 0.20 million	\$ 0.86 million	\$ 1.59 million
Including discontinued operations	\$ 0.36 million	\$ 0.20 million	\$ 0.86 million	\$ 1.59 million
<b>Net earnings (loss) per share</b>				
<i>From continuing operations</i>				
Basic	\$ 0.00	\$ 0.02	\$ 0.07	\$ 0.08
Diluted	\$ 0.00	\$ 0.02	\$ 0.07	\$ 0.08
<i>Including discontinued operations</i>				
Basic	\$ 0.04	\$ 0.02	\$ 0.07	\$ 0.08
Diluted	\$ 0.04	\$ 0.02	\$ 0.07	\$ 0.08

**RECONCILIATION TO U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

Summary of material adjustments to net earnings (loss) for the years ended September 30, 2008, 2007 and 2006 required to conform to US GAAP. Detailed information can be found in note 22 to the Financial Statements.

	<b>2008</b>	2007	2006
Net (loss) earnings Canadian GAAP	<b>\$ (10,158,145)</b>	\$ 3,016,719	\$ 2,136,186
Cash held in escrow 22(a)	<b>2,803,549</b>	(103,549)	(2,700,000)
Capitalized incorporation costs 22(f)	<b>66,339</b>	(66,339)	
Income recognized on reclassification of investments 22(g)		77,416	
Gains on privately-held securities 22(g)		(1,147,500)	
Fair value adjustment on restricted securities 22(g)	<b>1,619,615</b>		
Net (loss) earnings based on U.S. GAAP	<b>\$ (5,668,642)</b>	\$ 1,776,747	\$ (563,814)
Net (loss) earnings from continuing operations	<b>\$ (8,472,191)</b>	\$ 1,401,233	\$ (5,392,026)
Net earnings from discontinued operations (Notes 21)	<b>\$ 2,803,549</b>	\$ 375,514	\$ 4,828,212

The following adjustments are required in order to conform total assets based on Canadian GAAP to total assets based on U.S. GAAP:

	<b>2008</b>	2007
Total assets based on Canadian GAAP	<b>\$ 36,482,044</b>	\$ 50,792,314
Cash held in escrow 22(a)		(2,803,549)
Capitalized incorporation costs 22(f)		(66,339)
Investments held for trading 22(g)		(1,147,500)
Fair value adjustment on restricted securities 22(g)	<b>472,115</b>	
Total assets based on U.S. GAAP	<b>\$ 36,954,159</b>	\$ 46,774,926

The following adjustments are required in order to conform shareholders equity based on Canadian GAAP to shareholders equity based on U.S. GAAP:

	<b>2008</b>	2007
Shareholders equity based on Canadian GAAP	<b>\$ 32,159,321</b>	\$ 45,157,001
Cash held in escrow 22(a)		(2,803,549)
Capitalized incorporation costs 22(f)		(66,339)
Gains on privately-held securities 22(g)		(1,147,500)
Fair value adjustment on restricted securities 22(g)	<b>472,115</b>	
Shareholders equity based on U.S. GAAP	<b>\$ 32,631,436</b>	\$ 41,139,613

The Company's comprehensive income represents U.S. GAAP net earnings plus the results of certain changes in shareholders' equity during a period from non-owner sources that are not reflected in the consolidated statements of operations.

	2008	2007	2006
Net (loss) earnings for the year in accordance with U.S. GAAP	\$ (5,668,642)	\$ 1,776,747	\$ (563,814)
Unrealized gain (loss) on available for sale securities arising during the year			242,378
Less: reclassification adjustment for gains realized in net income		(242,378)	5,859
Change in cumulative translation adjustment account	76,519	(25,514)	2,101,995
	\$ (5,592,123)	\$ 1,508,855	\$ 1,786,418

### B. Liquidity and Capital Resources

As at September 30, 2008, Envoy had working capital of \$24.5 million, compared to September 30, 2007, when it had a working capital of \$33.3 million. Included in working capital is an investment portfolio of marketable securities, the current portion of which was \$17.7 million at September 30, 2008 and \$27.6 million at September 30, 2007. The principal reason for the decrease was the deterioration in market value of the investments.

Approximately \$2.0 million in cash was generated from operations during the twelve months ended September 30, 2008, compared to \$1.6 million for the twelve months ended September 30, 2007. The main source of funds was the sale of investments held for trading. The cash provided from continuing operations was used to finance an increase in accounts receivable due to the growth of the branding business. The accounts receivable balance at year end was particularly high due to several large invoices not collected until October 2008.

The Company used approximately \$2.9 million of working capital to repurchase 1,064,930 shares of the Company pursuant to the normal course issuer bid. A similar amount of funds was used to repurchase shares in fiscal 2007 under the previous normal course issuer bid.

The Company used funds not otherwise invested in the market to pay down its operating line of credit in fiscal 2008 in order to minimize interest charges. The revolving credit facility is available up to a maximum of \$2.0 million, and was almost fully utilized at September 30, 2007. At September 30, 2008, there were no borrowings under the credit facility.

During fiscal 2008, the Company reinvested the proceeds from loans receivable into capital assets to support the branding business. In the prior year, the Company used proceeds from

the sale of investments to fund its substantial issuer bid resulting in the repurchase of more than 40% of the outstanding shares.

Despite the current economic conditions, the Company has access to significant liquid capital resources and is not exposed to any investments with distressed credit.

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The significant accounting policies used by Envoy in preparing its Financial Statements are described in Note 2 to the Financial Statements and should be read to ensure a proper understanding and evaluation of the estimates and judgements made by management in preparing those Financial Statements. Envoy's Financial Statements are prepared in accordance with Canadian generally accepted accounting principles. Envoy also prepared a reconciliation to United States generally accepted accounting principles, which is included in Note 22 to the Financial Statements.

Inherent in the application of some of these policies is the judgment by management as to which of the various methods allowed under generally accepted accounting principles is the most appropriate to apply in the case of Envoy. As well, management must take appropriate estimates at the time the Financial Statements are prepared.

Although all of the policies identified in Note 2 to the Financial Statements are important in understanding the Financial Statements, the policies discussed below are considered by management to be central to understanding the Financial Statements, because of the higher level of measurement uncertainties involved in their application.

#### ***Goodwill***

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible and intangible assets acquired. Goodwill is carried at cost, less impairment losses if any.

The Company uses a two-step impairment test on an annual basis, or when significant business changes have occurred that may have had an adverse impact on the fair value of the goodwill. To determine whether impairment has occurred, the fair value of the reporting unit is compared to its carrying amounts, including goodwill. When the fair value is in excess of its carrying amount, the goodwill is not considered to be impaired, and the second step of the impairment test is not necessary.

When the carrying amount of the reporting unit as determined in the first step exceeds the fair value, then the fair value of the goodwill is determined in the same manner as followed on a business combination. An impairment loss is recognized when the carrying amount of the goodwill of a reporting unit exceeds its fair value. It is not reversed in the event that the fair value subsequently increases.

#### ***Income Taxes***

Envoy accounts for income taxes using the asset and liability method. Under this method, future income taxes are recognized at the enacted or substantially enacted tax rate expected to

be applicable at the anticipated date of the reversal for all significant temporary differences between the tax and accounting bases of assets and liabilities and for certain tax carryforward items. Future income tax assets and liabilities are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future operating results and future tax rates could vary materially, and accordingly the value of income tax assets and liabilities could change by material amounts.

**Revenue Recognition Branding segment**

The Company presents as net revenue its net commission and fee income earned as compensation for its services. Further, the balance sheet reflects the following:

- (i) deferred revenue representing fees billed and collected in advance of such fees being earned;
- (ii) unbilled accounts receivable representing fees earned but not yet billed as well as well as reimbursable pass-through costs; and
- (iii) work in process represents costs incurred on projects for which revenue has not yet been recognized for accounting purposes.

Included in work in process are charges for staff time at standard cost and third party charges. The standard cost rate provides for the recovery of actual labour and overhead costs incurred. The third party charges are for actual costs related to outsourced goods and services for specific projects.

The Company recognizes net revenue and profits for Consumer and Retail Branding on the completed contract basis, and accordingly revenue and profit are recognized only when the contract or contract milestone is substantially complete. Anticipated losses are provided for when the estimate of total costs on a contract indicates a loss.

Net revenue for the Consumer and Retail Branding segment represents compensation for services rendered, net of any pass-through costs such as production costs incurred on behalf of clients in acting as agent for them. In circumstances where the Company retains subcontractors, such as architects or engineers, to perform services as an agent to the Company, the revenue for such services is included in net revenue and the cost of the subcontractor's services is included in salaries and benefits expense or general and administrative expenses, as appropriate.

**Revenue Recognition Merchant banking segment**

Securities transactions are recorded on a trade-date basis. Changes in fair value of held-for-trading investments are reflected in the consolidated statements of operations. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

**Financial Instruments**

Effective October 1, 2006, the Company adopted Canadian Institute of Chartered Accountants Handbook Section 3855 Financial Instruments recognition and measurement

( CICA Section 3855 ) and Section 3861 Financial Instruments disclosure and presentation. CICA Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading ( HFT ), available-for-sale ( AFS ), held-to-maturity ( HTM ), or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value with the exception of loans and receivables, debt securities classified as HTM, and AFS financial assets that do not have quoted market prices in an active market. HFT financial assets are financial assets typically acquired for resale prior to maturity. They are measured at fair value at the balance sheet date. Interest and dividends earned, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in net revenue for the period.

HTM financial assets are those non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost.

AFS financial assets are those non-derivative financial assets that are designated as AFS, or that are not classified as loans and receivables, HTM investments or HFT. AFS financial assets are carried at fair value with unrealized gains and losses included in Other Comprehensive Income (OCI) until realized when the cumulative gain or loss is recognized in net income.

Loans and receivables are accounted for at amortized cost using the effective interest method.

At each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the consolidated financial statements.

(i) Publicly-traded investments:

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted market prices at the consolidated balance sheet dates or the closing price on the last day the security traded if there were no trades at the consolidated balance sheet dates.

Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer may be recorded at amounts discounted from market value. In determining whether a discount is appropriate for such investments, the Company considers the nature and length of the restriction, the business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.

(ii) Privately-held investments:

Securities in privately-held companies designated as HFT are recorded at fair value based on objective evidence including recent arm's length transactions between knowledgeable, willing parties, such as significant subsequent equity financing by an unrelated, professional investor, discounted cash flow analysis, operational results, forecasts and other developments since acquisition.

***Discontinued operations***

The results of operations of a business that has either been disposed of, or is held for sale, is reported as discontinued operations if the operations and cash flows of the component have been (or will be) eliminated from the Company's ongoing operations, and the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction. The results of discontinued operations, less applicable taxes are reported as a separate element of income or loss before extraordinary items for both current and prior periods.

***Recently Adopted Accounting Policies***

Effective October 1, 2007, the Company adopted prospectively the following Canadian Institute of Chartered Accountants Handbook (CICA Handbook) new accounting standards for interim and annual financial statements for fiscal years beginning on or after October 1, 2007:

- (i) CICA Handbook Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital including disclosures of any externally imposed capital requirements and the consequences of noncompliance;
- (ii) CICA Handbook Section 3862, Financial Instruments - Disclosure, which requires disclosure of information related to the significance of financial instruments to a company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed;
- (iii) CICA Handbook Section 3863, Financial Instruments - Presentation, which establishes standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have a material effect on the financial position or earnings of the Company.

**10. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

***Goodwill and Intangible Assets***

The CICA issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset. As a result, start-up costs must be expensed as incurred. Section 1000,



Financial Statement Concepts, was also amended to provide consistency with this new standard. These new standards are effective for years beginning on or after October 1, 2008. The Company is currently assessing the impact of these standards on its consolidated financial statements.

***International Financial Reporting Standards ( IFRS )***

On February 13, 2008 the Canadian Accounting Standards Board ( AcSB ) confirmed January 1, 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards (IFRS). The transition will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. The Company continues to monitor, and assess, the impact of the convergence of Canadian GAAP and IFRS.

***Fair Value Measurements ( SFAS 157 )***

FASB issued SFAS 157 which defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair values. This Standard applies under other accounting pronouncements where fair value is the relevant measurement attribute and as a result does not require any new fair value measurements. The Standard is applicable for fiscal years beginning after November 15, 2007. The Company is currently considering the impact of the adoption of this Standard but believes that the impact will not be significant.

***Fair Value Option for Financial Assets and Financial Liabilities ( SFAS 159 )***

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits companies to measure financial instruments and certain other items at fair value. The objective of this statement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related financial assets and financial liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement for accounting for financial instruments. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently considering the impact of the adoption of this Standard but believes that the impact will not be significant.

***FIN 141(R), Business Combinations and FAS 160, Noncontrolling Interests in Consolidated Financial Statements***

These Statements are effective for fiscal years beginning after December 15, 2008. FIN 141(R) requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. FAS160 requires all entities to report non-controlling (minority) interests in subsidiaries in the same way as equity in the consolidated financial statements. The impact of adopting these Standards is not expected to be material.

***FAS 161, Disclosures about Derivative Instruments and Hedging Activities.***

This standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 with early adoption encouraged. The impact of adopting this Standard is not expected to be material.

**FORWARD LOOKING STATEMENTS**

All statements in this annual report on Form 20-F that do not directly and exclusively relate to historical facts constitute forward-looking statements within the meaning of that term in Section 27A of the United States Securities Act of 1933, as amended (the 1933 Act), and Section 21E of the United States Securities Exchange Act of 1934, as amended (the Exchange Act). These statements represent Envoy's intentions, plans, expectations and beliefs, and are subject to risks, uncertainties and other factors, many of which are beyond the control of Envoy. These factors could cause actual results to differ materially from such forward-looking statements. These factors include but are not restricted to the timing and size of contracts, acquisitions and other corporate developments; the ability to attract and retain qualified employees; market competition in our industry; general economic and business conditions, foreign exchange and other risks identified in the MD&A, in this Annual Report or Form 20-F filed with the U.S. Securities and Exchange Commission (the SEC), or Envoy's Annual Information Form filed with the Canadian securities authorities. The words believe, estimate, expect, intend, anticipate, foresee, plan, and similar expressions in certain of such forward looking statements, which are valid only as of the date on which they are made. In particular, statements relating to future growth are forward looking statements. Envoy disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements

**C. Research and Development, Patents and Licenses, etc.**

Not applicable.

**D. Trend Information**

Not applicable.

**E. Off-Balance Sheet Arrangements**

None.

**F. Commitments and Contractual Commitments**

Set out below is a summary of the amounts due and committed under contractual cash obligations at September 30, 2008:

	Total	Due in year 1	Due in year 2	Due in year 3
Operating leases	\$ 1,088,837	\$ 769,670	\$ 317,647	\$ 1,520
Long term debt	69,599	69,599		
Total contractual cash obligations	\$ 1,158,436	\$ 839,269	\$ 317,647	\$ 1,520

**G. Safe Harbor**

See Special Note Regarding Forward-Looking Statements in the introduction to this Form 20-F.

**Item 6: Directors and Senior Management and Employees****A. Directors and Senior Management**

The following table sets forth certain information regarding the directors and senior managers of Envoy as of November 30, 2008. Each director is elected at the annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed.

Name Age	Positions Held with Envoy
Geoffrey B. Genovese 54	President, Chairman and Chief Executive Officer and Director
J. Joseph Leeder 54	Executive Vice President Mergers & Acquisitions and Chief Financial Officer
John H. Bailey 63	Executive Vice President, Corporate Secretary and Director
David Hull <sup>1 2 3</sup> 52	Director
Hugh Aird <sup>1 2 3</sup> 52	Director
David Parkes <sup>1 2 3</sup> 52	Director

<sup>1</sup> Member of the  
Audit  
Committee

<sup>2</sup> Member of the  
Compensation  
Committee

<sup>3</sup> Member of the  
Nominating and  
Corporate  
Governance  
Committee

The principal occupations, business experiences and positions for the past five years and, in certain cases, prior years of the directors and executive officers of Envoy are as follows:

**Geoffrey B. Genovese:** Mr. Genovese founded The Incentive Design Company Ltd. ( IDC ), a business and marketing communications company, in 1981. Envoy acquired IDC in July 1991. Mr. Genovese currently serves as Chairman, President and Chief Executive Officer of Envoy and Chief Executive Officer of Watt International. Mr. Genovese was appointed Chairman in September 2001. Mr. Genovese has been a Director of Envoy since July 1991.

**J. Joseph Leeder, CA:** Mr. Leeder joined Envoy in 1998 as Vice President and Chief Financial Officer. Prior to joining Envoy, Mr. Leeder was a partner of KPMG LLP in Canada, an accounting firm, and an Executive Vice President of KPMG Corporate Finance Inc., a subsidiary of KPMG LLP. Mr. Leeder left Envoy on May 30, 2003, and joined USC Forest Group as its Chief Financial Officer. Mr. Leeder rejoined Envoy as Vice President Mergers and Acquisitions on October 24, 2005, and became the Chief Financial Officer on January 1, 2006.

**John H. Bailey:** Mr. Bailey is a barrister and a solicitor who has been in private practice since 1973. Mr. Bailey earned a Bachelor of Commerce and a Bachelor of Laws degree from the University of Toronto, and a Master of Laws degree from York University. Mr. Bailey has been a Director of Envoy since April 1994, Corporate Secretary since August 1997, and Executive Vice-President since February 2004.

**David Hull:** Mr. Hull has been the President of Hull Life Insurance Agencies Inc. since May 1991. Hull Life Insurance Agencies Inc. specializes in estate planning and life and disability insurance. Prior thereto, Mr. Hull served as Executive Vice President of Hull Life Insurance Agencies Ltd. and Thomas I. Hull Insurance Ltd., members of The Hull Group of Companies. Mr. Hull has been a Director of Envoy since January 1995.

**Hugh Aird:** Mr. Aird has been the Vice-Chairman North America of Edelman Public Relations, since January, 2006. Prior to joining Edelman in 2006, Mr. Aird was the Director of Business Development of Blackmont Capital. Prior to joining Blackmont Capital in 2005, Mr. Aird was a Senior Relationship Manager at Morgan Stanley Canada. Mr. Aird was Vice President, Business Development, Mulvihill Capital Management Inc. Prior to joining Mulvihill Capital Management Inc. in 2001, Mr. Aird was Vice Chairman of Merrill Lynch Canada Inc. (formerly Midland Walwyn Capital Inc.). Mr. Aird first became a director of Envoy on August 20, 1997. As a result of personal commitments, Mr. Aird resigned as a director on April 1, 2003. On November 24, 2003, Mr. Aird was re-elected as a director of Envoy.

**David Parkes:** Mr. Parkes is currently working for his Consulting Company David Parkes & Assoc. Mr. Parkes was President and CEO of Freefone Inc. until 2005. Prior to joining Freefone Inc. in 2003, Mr. Parkes founded David Parkes & Assoc. in 2001. Mr. Parkes was President and CEO of Look Communications Inc. until 2001 and President and CEO of TeleSpectrum Canada Inc. until 1999. Mr. Parkes has been a Director of Envoy since October 2002. Mr. Parkes is a director of SelectCore Ltd., a prepaid telecommunications provider based in Ontario, Canada, and Mitec Telecom Inc., a Quebec, Canada based designer and manufacturer of radio and amplifier equipment.

The *Business Corporations Act* (Ontario) ( OBCA ) requires that at least 25% of Envoy's directors be Canadian residents. There are no arrangements or understandings between any director or executive officer of Envoy with major shareholders, customers or others, pursuant to which he or she was selected as such.

There are no family relationships between any of the persons named above.

### B. Compensation

The following table sets forth in, Canadian dollars all compensation for the fiscal year ended September 30, 2008 paid to the Chief Executive Officer of Envoy and the four other most highly compensated officers who served as executive officers of the Company (the Named Executive Officers ):

Name and Principal Position	Annual Compensation		Long-Term Compensation				
	Salary (\$)	Bonus	Other Annual (\$)	Option/SARs Granted (#)	Securities Restricted Shares Under or Restricted Share Units (\$)	Payouts LTIP Payouts (\$)	All Other Compensation (\$)
Geoffrey B. Genovese, Chairman, President and Chief Executive Officer	\$ 550,000		\$ 321,086 <sup>1</sup>				\$ 162,617 <sup>2</sup>
J. Joseph Leeder, Vice President, Mergers and Acquisitions and Chief Financial Officer	\$ 400,000		\$ 20,603				
John H. Bailey, Executive Vice President, and Secretary	\$ 300,000						
Colin Beaton Managing Director, Watt Retail Design Practice	\$ 260,691						
Patrick Rodmell, Managing Director, Watt International Inc.	\$ 331,923	\$ 75,000					

<sup>1</sup> Included in this amount is \$300,000 which was paid to a corporation related to Mr. Genovese

as an annual  
management  
fee.

- 2 Mr. Genovese  
received taxable  
benefits for life  
insurance  
premiums paid  
by the  
Corporation and  
a car allowance.

There were no options granted under the Stock Option Plan to the Named Executive Officers of the Company in the most recently completed fiscal year.

The following table sets forth options exercised under the Stock Option Plan to the Named Executive Officers of the Company in the most recently completed fiscal year and the value of unexercised options held by them as at the most recent fiscal year:

**Stock Options Exercised During 2008 Fiscal Year**

Name	Number of		Unexercised	Value of
	Shares	Aggregate	Options	Unexercised In
	Acquired	Value	at	the Money
	on	Realized	FY-End	Options at
	Exercise	(\$)	Exercisable/ Unexercisable	FY-End
			(#)	(\$)
Geoff Genovese	Nil	Nil	80,000/nil	nil/nil
Joseph Leeder	Nil	Nil	nil/nil	nil/nil
John H. Bailey	Nil	Nil	40,000/nil	nil/nil
Patrick Rodmell	13,333	\$ 23,466	15,000/nil	nil/nil
Colin Beaton	Nil	Nil	nil/nil	nil/nil

The Company does not provide any pension, retirement plan or other remuneration to its directors or officers that constitutes an expense to the Company, nor are there any plans or arrangements in respect of compensation received or that may be received by executive officers in the Company's most recently completed or current fiscal year to compensate such officers in the event of a termination of employment or a change in control of the Company.

*Employment Contracts and Termination Agreements:*

The Company and its subsidiary, Watt International, have entered into employment contracts with the Named Executive Officers.

Geoffrey B. Genovese has agreed to act as the Company's Chairman, President and Chief Executive Officer at an annual base salary of \$550,000, together with an annual bonus of up to 100% of salary and fees paid to Mr. Genovese's management company, based on pre-set specific performance criteria approved annually, in advance, by the Compensation Committee. This agreement provides for a severance payment equivalent to \$300,000 plus an amount equal to three times the total remuneration and other compensation paid to Genovese and his management company during the 12-month period preceding termination, if Mr. Genovese's employment is terminated, without cause, by the Company or if there is a change of control of the Company and Mr. Genovese elects to terminate his employment with the Company. In addition, if there is a change of control of the Company, Mr. Genovese is entitled to receive, at the sole discretion of the Compensation Committee of the Board of Directors, a one-time bonus of up to a maximum of \$1,000,000. An annual fee of \$300,000 is also payable to Mr. Genovese's management company pursuant to a management agreement with the Company. The management agreement is automatically renewable on September 30th of each year, unless terminated by either party.

Joseph J. Leeder has agreed to act as the Company's Executive Vice President, Mergers and Acquisitions and Chief Financial Officer at an annual base salary of \$400,000, together with



an annual bonus of up to 100% of salary, based on pre-set specific performance criteria approved annually, in advance, by the Compensation Committee. This agreement also provides for a severance payment equal to the greater of \$800,000 and two times the total remuneration and other compensation earned by Mr. Leeder during the twelve month fiscal period of the Corporation immediately preceding the date of termination, if Mr. Leeder's employment is terminated, without cause, by the Corporation. If there is a change of control (as defined) of the Corporation and Mr. Leeder elects to resign within twelve months of the date on which the change of control occurs, Mr. Leeder is entitled to receive a severance payment equal to the same amount to which he would have been entitled if his employment had been terminated by the Corporation, without cause.

John H. Bailey was appointed Executive Vice President of the Company on February 1, 2004. Pursuant to the terms of an agreement dated February 1, 2004 between the Company and Semper Consulting Inc. ( Semper ), Semper agreed to provide certain financial advisory services as well as general advice of a strategic nature, including the personal services of John H. Bailey. In consideration for these services, the Company has agreed to pay Semper an annual fee of \$300,000 and to reimburse Semper for all expenses incurred by it in the performance of its services. The agreement has a term ending on May 31, 2010, unless sooner terminated pursuant to the provisions thereof. If the Company terminates the agreement for any reason, other than cause, or if there is a change of control of the Company and Semper elects to terminate the agreement, Semper is entitled to receive a payment equal to three times the fees paid to Semper during the twelve-month period ending on the month immediately preceding the month in which the agreement is terminated. Semper is wholly-owned by the spouse of John H. Bailey.

Colin Beaton has agreed to act as the General Manager of Watt International Inc. (Dubai Branch) at an annual base compensation of AED \$910,900 (Cdn \$262,885), together with a discretionary cash bonus based on the performance of Watt International Inc. (Dubai Branch). This agreement provides for a severance payment equivalent to his base salary for a period of one hundred and twenty days, if his services are terminated by Watt International Inc. (Dubai Branch).

Patrick Rodmell has agreed to act as the President and CEO of Watt International Inc. at an annual base salary of \$350,000.00, together with an annual cash bonus based on the performance of Watt International Inc. This agreement provides for a severance payment equivalent to his base salary for a period of one year, if his employment is terminated, without cause, by Watt International Inc.

*Compensation of Directors:*

All non-executive directors of the Company or any of its affiliates are compensated for their services as directors and members of a committee through a combination of annual and meeting attendance fees. Messrs. Aird, Hull and Parkes are each entitled to receive an annual director's/committee member's fee of \$30,000. As the Lead Director, Mr. Aird receives an additional \$50,000 per year. A non-executive director receives an additional annual fee of \$10,000 for presiding over a committee of the Board (other than the Audit Committee). For his part, the Chairman of the Audit Committee receives an additional annual fee of \$40,000. In addition, each director receives an attendance fee of \$1,000 for each Board or committee meeting attended. No compensation is paid to the other directors who are also executive

officers, for their services as directors. Directors are also entitled to participate in the Company's Stock Option Plan. In the fiscal year ended September 30, 2008, Envoy paid approximately \$215,000 to John H. Bailey Professional Corporation for legal services provided to Envoy. John H. Bailey Professional Corporation is wholly-owned by John H. Bailey.

*Directors and Officers Liability Insurance:*

The Company maintains liability insurance for the benefit of the directors and officers of the Company and its subsidiaries against liability incurred by them in their respective capacities. The current annual policy limit is \$15,000,000. Under the policy, individual directors and officers are reimbursed for losses incurred in their capacities as such, subject to a deductible of \$250,000 for claims arising in the United States and \$150,000 for all other claims. The deductible is the responsibility of the Company. The Company paid the annual premium of \$142,000.

**C. Board Practices**

*Corporate Governance:*

The Company is subject to a variety of corporate governance guidelines and requirements enacted by the CSA, The Nasdaq Capital Market ( Nasdaq ) and by the SEC under its rules and those mandated by the United States Sarbanes-Oxley Act of 2002. During the recent past, there were several changes to the corporate governance and corporate governance disclosure requirements applicable to the Company. Specifically, the Canadian Securities Administrators introduced in final form National Instrument 58-101 *Disclosure of Corporate Governance Practices* ( NI 58-101 ) and National Policy 58-201 *Corporate Governance Guidelines* ( National Policy 58-201 ), both of which came into force on June 30, 2005 and effectively replaced the Corporate Governance Guidelines of the Toronto Stock Exchange. Also, in 2005, amendments were made to Multilateral Instrument 52-110 *Audit Committees* ( MI 52-110 ). The Company is required to disclose certain specified corporate governance information under NI 58-101. The disclosure required addresses items such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees, the orientation and education of directors, ethical business conduct and compensation matters. Set out below is a description of certain corporate governance practices of the Company, required by NI 58-101.

As new regulations come into effect, the Nominating and Corporate Governance Committee and the Company's Board of Directors (the Board ) will continue to review the Company's corporate governance practices and make appropriate changes.

*Board of Directors:*

The articles of the Company provide that there shall be a Board of not less than three or more than ten directors. There are currently five directors on the Board. National Policy 58-201 recommends that boards of directors of reporting issuers be composed of a majority of independent directors (within the meaning of such term in NI 58-101).

The Board, on the recommendation of the Nominating and Corporate Governance Committee, is responsible for determining whether or not each director is independent. To achieve this, the Board analyses all of the relationships each director has with the Company and its subsidiaries in light of the concept of independence in NI 58-101 and director independence standards adopted by the Board. These standards are available in the Governance section of the Company's website at [www.envoy.to](http://www.envoy.to). In general, a director who meets these standards and who does not otherwise have a material relationship with the Company would be considered independent. Based on the information provided by each director, and having considered the independence standards mentioned above, the Board determined that three of the Company's five directors are independent within the meaning of such term in NI 58-101. Therefore, the Board is composed of a majority of independent directors.

The three independent directors are: Messrs. Hugh Aird, David Hull and David Parkes. Two directors have material relationships with the Company and are therefore not independent. Mr. Geoffrey Genovese, President and Chief Executive Officer of the Company, is considered to have a material relationship with the Company by virtue of his executive officer position. Mr. John Bailey is considered to have a material relationship with the Company by virtue of his position as Executive Vice President and Secretary of the Company.

The current Chairman of the Board is the President and Chief Executive Officer of the Company, and is not an independent director. Because the Chairman is an executive officer, the Board has also adopted a policy that it have an independent lead director (Lead Director) who is charged with the duty to ensure that the Board discharges its responsibilities effectively and independently of management. The Lead Director chairs meetings of directors without management present. The Board has determined that the Lead Director shall be appointed by the Board based on the recommendations of the Nominating and Corporate Governance Committee. On September 22, 2004, Hugh Aird was appointed the Lead Director.

Where appropriate, the directors meet without management following Board meetings and at meetings of independent directors. The Board also meets without the President and Chief Executive Officer when his performance and compensation are being discussed. Since October 1, 2007, the independent directors have held six meetings without non-independent directors present. In addition, the compensation committee held five meetings and the audit committee met nine times since October 1, 2007.

Between October 1, 2007 and November 30, 2008, inclusive, the Board held 8 meetings. The attendance of the directors at such meetings was as follows:

<b>Director</b>	<b>Board Meetings Attended <sup>1</sup></b>
Hugh Aird	8 of 8
John Bailey	8 of 8
Geoff Genovese	8 of 8
David Hull	8 of 8
David Parkes	7 of 8

**Note:** <sup>1</sup> In addition, Messrs. Aird, Hull and Parkes attended six meetings of the independent directors, at which Messrs. Genovese and Bailey were not eligible to

attend.  
Messrs. Aird, Hull  
and Parkes also  
attended nine  
meetings of the  
audit committee  
and five meetings  
of the  
compensation  
committee.

*Mandate of the Board:*

The Board has adopted a Board Mandate, under the title *Envoy Capital Group Inc. Corporate Governance Guidelines*. A copy of this Board Mandate is available in the Governance section of the Company's website at [www.envoy.to](http://www.envoy.to), and is incorporated by reference herein as Exhibit 11.3 to this Form 20-F.

The Board has the responsibility for the overall stewardship of the Company, establishing the overall policies and standards for the Company in the operation of its businesses, and reviewing and approving the Company's strategic plans. In addition, the Board monitors and assesses overall performance and progress in meeting the Company's goals. Day-to-day management is the responsibility of the President and Chief Executive Officer and senior management. In addition to the Board's statutory responsibilities under the OBCA, the Board's stewardship responsibilities include the following: (a) assessing the principal risks arising from or incidental to the business activities of the Company; (b) appointing all senior executives of the Company and, through the Compensation Committee of the Board, developing and implementing the executive compensation policies and reviewing the performance of the President and Chief Executive Officer with reference to the Company's policies, stated budget and other objectives; (c) overseeing the Company's policies regarding public communications, investor relations and shareholder communications; and (d) monitoring and assessing, through the Audit Committee of the Board, the scope, implementation and integrity of the Company's internal information, audit and control systems.

*Board Committees:*

The directors have established the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee to focus resources and expertise in certain areas of the Board's mandate.

*(a) Audit Committee*

The Audit Committee is comprised of three directors, David Parkes (Chairman), Hugh Aird and David Hull. All three members of the Audit Committee are independent directors of the Company. Among other things, the Audit Committee is responsible for reviewing the Company's annual and quarterly consolidated financial statements and reporting to the Board in connection therewith. On September 22, 2004, the Audit Committee adopted a new Audit Committee Charter, which specifies the auditor's accountability to the Board and the authority and responsibilities of the Audit Committee in compliance with MI 52-110. No changes to the Audit Committee Charter were required as a result of the amendments to MI 52-110 which became effective on June 30, 2005. A copy of the Audit Committee Charter is available in the Governance section of the Company's website at [www.envoy.to](http://www.envoy.to), and is incorporated by reference herein as Exhibit 15.1 to this Form 20-F.

*(b) Compensation Committee*

The purpose of the Compensation Committee is to assist the Board in its oversight responsibilities relating to the compensation, nomination, evaluation and succession of the

executive officers of the Company; the administration of the Company's Stock Option/Stock Appreciation Right Plan; and the review of executive compensation disclosure. The Compensation Committee is comprised of three directors, David Hull (Chairman), David Parkes and Hugh Aird, all of whom are independent directors. A copy of the Compensation Committee Charter is available in the Governance section of the Company's website at [www.envoy.to](http://www.envoy.to), and is incorporated by reference herein as Exhibit 15.2 to this Form 20-F.

*(c) Nominating and Corporate Governance Committee*

The Board has delegated to the Nominating and Corporate Governance Committee of the Board responsibility for co-coordinating and managing the process of recruiting, interviewing and recommending candidates to the Board; developing and recommending standards of performance of the Board as a whole, its committees and individual directors; assessing the effectiveness of the Board as a whole and its committees and the contribution of individual directors; making recommendations to the Board regarding the composition of committees of the Board; providing new directors with an orientation program through a review of past Board materials and other public and private documents concerning the Company; reviewing and making recommendations to the Board with respect to developments in the area of corporate governance and the structure and practices of the Board; and reviewing and assessing compliance by the Company with applicable corporate governance rules and guidelines established by securities regulators and stock exchanges. The Nominating and Corporate Governance Committee is comprised of three independent directors, David Hull (Chairman), Hugh Aird and David Parkes. A copy of the Nominating and Corporate Governance Committee Charter is available in the Governance section of the Company's website at [www.envoy.to](http://www.envoy.to), and is incorporated by reference herein as Exhibit 15.3 to this Form 20-F.

*Position Descriptions:*

The Board has a broad responsibility for supervising the management of the business and affairs of the Company. The Chair of the Board is responsible for establishing the Agenda for each Board meeting and ensuring agenda items are dealt with. The Board has not found it necessary to develop specific position descriptions for the Chair of Board committees. The Board is currently of the view that the general mandates of committees on which such directors may sit are sufficient to delineate the role and responsibilities of the Chair of each committee.

The Company's by-laws state that the Chief Executive Officer of the Company shall exercise general supervision over the affairs of the Company. The Board has not found it necessary to develop a specific position description for the Chief Executive Officer beyond this description.

*Orientation and Continuing Education:*

New directors are given the opportunity to individually meet with members of senior management to improve their understanding of the Company's business. All directors have regular access to senior management to discuss Board presentations and other matters of interest.

The Company also gives directors a reference manual, which contains information about the Company's history and current status, corporate governance materials, its investments and its shareholders. This reference manual is updated regularly. It includes the Company's Code of Business Conduct, which also applies to the directors, as well as governance and responsibilities of the Board and its committees, and a description of the duties and obligations of directors. As part of its mandate, the Nominating and Corporate Governance Committee is also responsible for providing orientation and continuing education for all board members, including reimbursing costs of attending certain outside director education programs. During their regular scheduled Board meetings, directors are given presentations on various aspects of the Company's business.

*Nomination of Directors:*

The members of the Company's Nominating and Corporate Governance Committee are all independent directors. The Nominating and Corporate Governance Committee has the responsibility for assessing potential Board nominees, screening their qualifications and making recommendations for approval by the Board of nominees for election or appointment to the Board. To help achieve this task, the Nominating and Corporate Governance Committee develops qualifications and criteria for the selection of directors.

The Board aims to have a sufficient range of skills, expertise and experience to ensure that it can carry out its responsibilities effectively. Directors are chosen for their ability to contribute to the broad range of issues that the Board must deal with. The Board reviews each director's contribution through the Nominating and Corporate Governance Committee and determines whether the Board's size allows it to function efficiently and effectively. The Nominating and Corporate Governance Committee is mandated to review the size of the Board from time to time and recommend changes in size when appropriate.

Each year, the Nominating and Corporate Governance Committee reviews how directors are compensated for serving on the Board and its committees. It compares their compensation to that of similar companies and recommends any changes to the Board. In 2004, the Board conducted a review of the compensation of non-management directors. This was partly to address the risks and responsibilities associated with being an effective director. As a result, a new compensation arrangement was adopted for these non-management directors, which came into effect on October 1, 2004. All non-management directors of the Company are compensated for their services as directors and members of a committee through a combination of annual and meeting attendance fees. Messrs. Aird, Hull and Parkes are each entitled to receive an annual director's/committee member's fee of \$30,000.00. As the Lead Director, Mr. Aird receives an additional \$50,000 per year. A non-management director receives an additional annual fee of \$10,000 for presiding over a committee of the Board (other than the Audit Committee). The Chairman of the Audit Committee receives an additional annual fee of \$40,000. In addition, each director receives an attendance fee of \$1,000 for each Board or committee meeting attended. No compensation is paid to the other directors, who are also executive officers, for their services as directors. Directors are also entitled to participate in the Company's Stock Option Plan.

*Other Board Committees:*

The Board has not established any committees other than the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

*Assessments:*

As part of its charter, the Nominating and Corporate Governance Committee is required to survey every year all directors on the effectiveness and performance of the Board and the Board's committees, as well as individual directors. This is done primarily by distributing questionnaires to each director and will often include individual interviews with the Chairman of the Nominating and Corporate Governance Committee.

The Company's Board Mandate states that the Nominating and Corporate Governance Committee will report to the Board annually on the evaluation of the performance of the Board, each of its committees and that of individual directors, based on the results of the directors' annual questionnaire. In addition, the performance of the Lead Director is annually evaluated by the chair of the Nominating and Corporate Governance Committee by means of formal interviews with each of the directors.

*Shareholder Communication:*

The objective of the Company's shareholder communication policy is to ensure open and timely exchange of information relating to the Company's business, affairs and performance, subject to the requirements of applicable securities legislation and other statutory and contractual obligations limiting the disclosure of such information. Information material to the Company's business is released through news wire services, the general media, telephone conferences and shareholder mailings, thereby ensuring timely dissemination. Additionally, individual queries, comments or suggestions can be made at any time directly to the Company's secretarial department located at its head office.

**D. Employees**

As at November 30, 2008, Envoy had 87 full-time employees based in Toronto, Canada, 12 employees based in Dubai, UAE and 2 based in the United States. Of this total, 97 employees were engaged in consumer and retail branding and 4 were engaged in merchant banking.

As at November 30, 2007, Envoy had 77 full-time employees based in Toronto, Canada and 1 based in the United States. Of this total, 73 employees were engaged in consumer and retail branding and 4 were engaged in merchant banking.

As at November 30, 2006, Envoy had 76 full-time employees based in Toronto, Canada and 1 based in the United States. Of this total, 72 employees were engaged in consumer and retail branding.

As at November 30, 2005, Envoy had 109 full-time employees based in Toronto, Canada, 2 based in the United States and 115 based in the United Kingdom and Continental Europe. Of this total, 219 employees were engaged in consumer and retail branding.

As at January 31, 2005, Envoy had 158 full-time employees based in Toronto, Canada, 17 based in the United States and 153 based in the United Kingdom and Continental Europe. Of this total, 20 employees were engaged in marketing, and 326 in consumer and retail branding.



**E. Share Ownership**

As of September 30, 2008, the options and other rights to purchase common shares of Envoy consisted of stock options to purchase 225,000 common shares.

**Options****Stock Option Plan**

The Company has established a Stock Option Plan pursuant to which options to purchase common shares and stock appreciation rights may be granted to directors, officers, employees or certain consultants to the Company or any of its subsidiaries, as determined by the Board, at prices to be fixed by the directors, subject to limitations imposed by any Canadian stock exchange on which the common shares are listed for trading and any other regulatory authority having jurisdiction in such matters. The common shares subject to each option shall become purchasable at such time or times as may be determined by the directors. Stock appreciation rights ( SARs ) may only be granted in conjunction with an option and, when exercised, entitle the holder to receive an amount equal in value to the excess of the market value of the common shares over the price of the related option. The excess amount is payable in common shares having a market value equal to such excess. Options are non-assignable and non-transferable by the option-holder and shall be exercisable during the option-holder's lifetime only by the option-holder. Stock appreciation rights are non-transferable and terminate when the related option terminates.

The maximum number of common shares currently reserved for issuance upon exercise of options under the Stock Option Plan is 800,000 common shares. As at September 30, 2008 options to purchase 225,000 common shares had been granted and were outstanding under the Stock Option Plan. There are no SARs outstanding under the Stock Option Plan. The aggregate number of common shares reserved for issuance to any one individual under the Stock Option Plan may not exceed 5% of the issued and outstanding common shares.

The following table describes the options to acquire common shares that are outstanding pursuant to the Stock Option Plan or otherwise as of November 30, 2008:

Class of Optionee	Number of Common Shares Under Options Granted	Exercise Price	Date of Expiry
Geoffrey Genovese	80,000	\$4.00	May 24, 2009
John H. Bailey	40,000	\$4.00	May 24, 2009
Joseph Leeder	nil	n/a	n/a
Patrick Rodmell	15,000	\$4.00	May 24, 2009
Other	90,000	\$4.00	May 24, 2009
Total	225,000		

The following table sets forth shares owned by the Named Executive Officers and Directors as of November 30, 2008:

<b>Identity of Person</b>	<b>Number of Common Shares Owned</b>	<b>Percent of Outstanding Class</b>
Geoffrey Genovese	419,221	4.9%
Joseph Leeder	nil	nil
Colin Beaton	nil	nil
Patrick Rodmell	13,333	0.2%
John H. Bailey	25,000	0.3%
Hugh Aird	250	0.0%
David Hull	55,700	0.7%
David Parkes	10,000	0.1%

**Item 7: Major Shareholders And Related Party Transactions**

**A. Major Shareholders**

Ownership of Envoy's securities are recorded on the books of its transfer agent in registered form, however the majority of such shares are registered in the name of intermediaries such as brokerage firms and clearing houses on behalf of their respective clients and in general Envoy does not have knowledge of the beneficial owners thereof, except for the beneficial ownership by officers and directors of Envoy. Envoy is not directly or indirectly owned or controlled by another corporation or entity or by any foreign government. Envoy is not a party to any arrangement, and does not know of any other arrangements, the operation of which may at a subsequent date result in a change in control of Envoy.

At a special meeting of the shareholders Envoy held on March 30, 2007, the shareholders approved an amendment to the Articles of the Company to increase its authorized share capital from 40,000,000 common shares to an unlimited number of common shares.

As of November 30, 2008, Envoy had an authorized share capital of unlimited common shares without par value, of which 8,558,377 common shares were issued and outstanding.

On January 15, 2005, the Company's board of directors approved the consolidation of the common shares (a reverse stock split) on the basis of a 1 common share for every 5 common shares outstanding. On January 21, 2005 the Company filed Articles of Amendment consolidating its common shares on the basis of 1 new common share for every 5 common shares outstanding. The effective date for post consolidation trading of the shares was February 10, 2005. Amounts shown for shares and earnings per share figures for all periods presented have been adjusted to give effect to the share consolidation.

As of November 30, 2008, the Company had 5,526,317 transferable common share purchase warrants (the "Warrants") outstanding. Following the consolidation described above, each

five whole Warrants entitles the holder thereof, through February 20, 2009, to purchase one common share at a price of Cdn\$9.00 per common share.

The following table sets forth certain information regarding the ownership of outstanding common shares of Envoy as of November 30, 2008 with respect to each person known by Envoy to be the beneficial owner or, in the case of Envoy directors or Executive Officers, the beneficial owner of more than 2.5% of Envoy's outstanding common shares. As used in this table, beneficial ownership refers to the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed to be the beneficial owner of securities that can be acquired within 60 days from the date of this Form 20-F through the exercise of any option, warrant or right.

Common shares subject to options, warrants or rights which are currently exercisable or exercisable within 60 days are deemed outstanding for computing the ownership percentage of the person holding such options, warrants or rights, but are not deemed outstanding for computing the ownership percentage of any other person. To the best of our knowledge, no significant change in the percentage ownership of any major shareholder of the Company has taken place during the past three years, with the exception of Messrs. Steven N. Bronson and Richard L. Scott, who owned 10.2% and 9.8% of the common shares at November 30, 2006, respectively. Both Messrs. Bronson and Scott tendered their shares under the Company's substantial issuer bid, as discussed in Item 16E,

<b>Identity of Person or Group</b>	<b>Number of Common Shares Beneficially Owned</b>	<b>Percent of Outstanding Class</b>
Geoffrey B. Genovese	419,221	4.9%

See also Item 6.E Share Ownership for information regarding outstanding stock options to purchase common shares. As of November 30, 2008 there were 8,558,377 outstanding common shares of Envoy of which 323,575 were held of record by 6 Non-U.S. residents and 8,234,802 were held of record by 19 U.S. residents. The foregoing information regarding the number and the country of residence of Envoy's shareholders does not reflect those shareholders whose shares are being held of record by brokerage clearing houses and in general the ultimate beneficial owners of these shares are not known to Envoy. The Company's major shareholders do not have different voting rights.

#### **B. Related Party Transactions**

As disclosed in Note 8 to the Financial Statements, the following are transactions that took place during fiscal 2008 and prior that involved related parties:

During fiscal 2008, the Company paid \$215,000 (2007 \$244,786; 2006 \$230,785) for legal services to a director of the Company. Subsequent to year end, this director became an employee of the Company.

In April 2007, Envoy founded Sereno Capital Corporation ( Sereno ), a Capital Pool Company, under the specific provisions of the TSX-V program. During the year, the

Company invested \$200,000 in Sereno and at September 30, 2008 Envoy owned an approximate 30% interest. Members of Envoy's management group are also officers and directors of Sereno and exercise significant influence. The investment in Sereno has been accounted for using the equity method.

During fiscal 2006, ECG Properties Inc. ( ECGP ), a newly created wholly-owned subsidiary of the Company, entered into an agreement with an officer of the Company to jointly purchase three investment properties located on Queen Street West in Toronto. The agreement provided that the costs of acquisition, including legal fees, disbursements, land transfer taxes and development costs, be funded equally by both parties. During the first quarter of fiscal 2007 the agreement was terminated and the Company purchased the related party's interest in the properties for a cash payment of \$945,133 net of a loan receivable of \$56,221.

In June 2007, ECGP sold one of its investment properties to an officer of the Company. The net selling price was \$625,000.

In March 2006, the Company, through its subsidiary ECGH, acquired an additional 5% of the shares of PWD from two former employees pursuant to the terms and conditions of the sale and purchase agreement for £52,679 (\$104,758).

In June 2006, Envoy increased its ownership in PWD to approximately 80% by acquiring, through its subsidiary ECGH, approximately 10% of the shares from three shareholder managers in accordance with the terms and conditions of the sale and purchase agreement for £166,833 (\$341,174) plus future payment consideration calculated based on performance. Future consideration payments were due on June 30, 2008. The group of three shareholder managers continued to own collectively approximately 20% of PWD. Effective September 15, 2006 Envoy sold its wholly owned UK subsidiary ECGH, including PWD and Gilchrist. See note 21 to the Consolidated Financial Statements, *Discontinued Operations*. Envoy subsequently sold PWD through its sale of ECGH.

Related party transactions are recorded at the exchange amount, being the amount agreed to by the related parties. Except as disclosed above, no director or executive officer, and no relative or spouse of the foregoing persons (or relative of such spouse) who has the same house as such person or is an executive officer or director of any parent or subsidiary of Envoy has, or during the last fiscal year of Envoy had, any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect Envoy.

There are no outstanding loans currently owed to Envoy by any director or executive officer.

Under the applicable Canadian provincial securities laws, insiders (generally officers and directors of Envoy and its subsidiaries) are required to file individual insider reports of changes in their ownership in Envoy's securities within 10 days following any trade in Envoy's securities. Copies of such reports are available for public inspection at the offices of the British Columbia Securities Commission, 701 West Georgia Street, Pacific Centre, Vancouver, British Columbia V7Y 1L2 (telephone 604/899-6500), at the offices of the Alberta

Securities Commission, 410-300 5th Avenue, S.W., Calgary, Alberta T2P 3C4 (telephone 403/297-2489), at the offices of the Quebec Securities Commission, Stock Tower Exchange, 800 Victoria Square, Montreal, Quebec M42 1G3 (telephone 514/395-0337) and at the offices of the Ontario Securities Commission, 20 Queen Street West, Suite 1903, Toronto, Ontario M5H 3S8 (telephone 416/593-8314)

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8: Financial Information**

See Item 17 Financial Statements .

**Item 9: The Offer and Listing**

**A. Price History**

Envoy's common shares are listed for trading on the TSX under the symbol ECG and on Nasdaq under the symbol ECGI . The common shares began trading on Nasdaq on June 6, 2000 and on the TSX on September 3, 1997. From March 1984 until September 2, 1997 Envoy's shares traded on the Vancouver Stock Exchange.

On February 10, 2005, Envoy's common shares were consolidated (reverse stock split) on the basis of 1 new common share for every 5 common shares outstanding. The data presented for periods prior to that date are adjusted accordingly for comparability.

The following table sets forth the reported high and low sale prices in Canadian dollars for the common shares on the TSX for the fiscal, quarterly and monthly periods indicated.

	High	Low
Fiscal 2004	\$10.75	\$2.45
Fiscal 2005	4.50	2.30
Fiscal 2006	2.70	1.50
Fiscal 2007	4.71	2.35
Fiscal 2008	3.24	2.00
<b>Quarterly 2008</b>		
First Quarter	3.24	2.72
Second Quarter	3.05	2.00
Third Quarter	3.14	2.37
Fourth Quarter	2.60	2.00

	High	Low
<b>Quarterly 2007</b>		
First Quarter	3.10	2.35
Second Quarter	4.71	2.60
Third Quarter	4.42	3.05
Fourth Quarter	3.61	2.76

**For the month ending**

November 30, 2008	1.89	1.29
October 31, 2008	2.15	1.10
September 30, 2008	2.36	2.00
August 31, 2008	2.52	2.16
July 31, 2008	2.60	2.29
June 30, 2008	2.97	2.64

The following table sets forth the reported high and low sale prices in U.S. dollars of trading for the common shares as reported on Nasdaq for the fiscal, quarterly and monthly periods indicated.

	High	Low
Fiscal 2004	U.S. \$8.05	U.S. \$1.85
Fiscal 2005	3.75	1.80
Fiscal 2006	2.36	1.31
Fiscal 2007	4.07	2.13
Fiscal 2008	3.39	1.90

**Quarterly 2008**

First Quarter	3.39	2.71
Second Quarter	3.04	2.23
Third Quarter	3.22	2.37
Fourth Quarter	2.66	1.90

**Quarterly 2007**

First Quarter	2.69	2.13
Second Quarter	4.04	2.50
Third Quarter	4.07	2.81
Fourth Quarter	3.45	2.81

	High	Low
<b>For the month ending</b>		
November 30, 2008	1.59	1.08
October 31, 2008	2.04	0.82
September 30, 2008	2.20	1.90
August 31, 2008	2.62	2.11
July 31, 2008	2.66	2.22
June 30, 2008	3.00	2.58

On November 30, 2008 the closing price of the common shares as reported on the TSX was \$1.65 and on NASDAQ was U.S. \$1.36.

See Item 6.E. with respect to Share Ownership for information regarding outstanding stock options to purchase 225,000 common shares.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See above Item 9.A. Price History for disclosure on Markets.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Item 10: Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Envoy's Articles of Incorporation and By-Laws were previously filed as an Exhibit to its Annual Report on Form 20-F, dated May 15, 2000 for the fiscal year ended September 30, 1999. Subsequent amendments to Envoy's Articles of Incorporation, dated January 9, 2004 and January 21, 2005, were previously filed as an Exhibit to its Annual Report on Form 20-F, dated December 29, 2005 for the fiscal year ended September 30, 2005. A subsequent

amendment to Envoy's Articles of Incorporation dated March 30, 2007 are included in this Annual Report as Exhibit 1.4.

**C. Material Contracts**

None.

**D. Exchange Controls and Other Limitations Affecting Security Holders**

There is no governmental law, decree or regulation in Canada that restricts the export or import of capital, or that affects the remittance of dividends, interest or other payments to a non-resident holder of common shares of Envoy, other than withholding tax requirement. See Item 10.E. Taxation .

There is no limitation imposed by the laws of Canada, the laws of Ontario or British Columbia or by the charter or other constituent documents of Envoy on the right of a non-resident to hold or vote common shares of Envoy, other than as provided in the Investment Canada Act (Canada) (the Investment Act ). The following discussion summarizes the material provisions of the Investment Act which relate to the acquisition by a non-resident of common shares of Envoy. This summary is not a substitute for independent advice from an investor's own advisor, and it does not take into account any future statutory or regulatory amendments.

The Investment Act generally prohibits implementation of a reviewable investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture that is not a Canadian as defined in the Investment Act (a non-Canadian ), unless after review the minister responsible for the Investment Act (the Minister ) is satisfied that the investment is likely to be of net benefit to Canada. An investment in common shares of Envoy by a non-Canadian, other than a WTO investor (as defined in the Investment Act) at any time Envoy is not controlled by a WTO investor, is reviewable under the Investment Act if the investment is to acquire control of Envoy and the value of the assets of Envoy is over \$5,000,000 for a direct acquisition and over \$50,000,000 for an indirect acquisition or if an order for review is made by the Federal Cabinet on the grounds that the investment relates to Canada's cultural heritage or national identity. An investment in common shares of Envoy by a WTO investor, or by a non-Canadian at any time Envoy is controlled by a WTO investor, is reviewable under the Investment Act if the investment is to acquire control of Envoy and the value of the assets of Envoy is not less than \$295,000,000 for 2008. A non-Canadian would acquire control of Envoy for the purposes of the Investment Act if such investor acquired a majority of the voting interest of Envoy unless it could be established that, on the acquisition, Envoy was not controlled in fact by the acquirer through the ownership of common shares.

Certain transactions relating to common shares of Envoy would be exempt from the Investment Act including:

- (a) an acquisition of common shares of Envoy by a person in the ordinary course of that person's business as a trader or dealer in securities;
- (b) an acquisition of control of Envoy in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provision of the Investment Act;



- (c) an acquisition of control of Envoy by reason of an amalgamation, merger, consolidation or corporate reorganization following; which the ultimate direct or indirect control in fact of Envoy through the ownership of common shares, remained unchanged;
- (d) an acquisition of voting interests by any person in the ordinary course of a business carried on by that person that consists of providing, in Canada, venture capital on terms and conditions not inconsistent with such terms and conditions as may be fixed by the Minister; and
- (e) an acquisition of control of a Canadian business for the purpose of facilitating its financing and not for any purpose related to the provisions of the Investment Act on the condition that the acquirer divest itself of control within two years after it is acquired or within such longer period as is approved by the Minister.

#### **E. Taxation**

##### **Certain Canadian Federal Income Tax Considerations**

The following discussion is intended to be a general summary of certain material Canadian federal income tax considerations applicable to holders of common shares described below and is not intended to be, nor should it be construed to be, legal or tax advice to any particular person, and no opinion or representation with respect to income tax considerations is hereby given or made. It does not take into account any particular party's circumstances and does not address consequences peculiar to any party subject to special provisions of Canadian income tax law. Each person should consult their own tax advisors with respect to the tax consequences of an investment in the common shares in their own particular circumstances.

The following summary is based upon the current provisions of the Income Tax Act (Canada) (the "ITA"), and the regulations thereunder and the Canada- United States Income Tax Convention (1980) as amended (the "Convention"), all proposed amendments to the ITA and the regulations thereunder publicly announced by the Department of Finance, Canada prior to the date hereof, and the current published administrative policies and assessing practices of the Canada Revenue Agency. Except for the foregoing, this summary does not take into account or anticipate any changes in the law or the Convention or the administrative policies or assessing practices of the Canada Revenue Agency whether by legislative, governmental or judicial action or decision, and does not take into account or anticipate provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations described herein.

The summary discusses the principal Canadian federal income tax considerations under the ITA and the regulations thereunder generally applicable to purchasers of common shares who at all times: (i) for purposes of the ITA, are not, have not been and will not be or be deemed to be resident in Canada while they held or hold common shares, deal at arm's length with Envoy, are not affiliated with Envoy, hold their common shares as capital property, do not use or hold, and will not and will not be deemed to use or hold their common shares in, or in the course of carrying on a business in Canada, and are not financial institutions for the purposes of the mark-to-market rules; and (ii) for purposes of the Convention, are residents of the U.S. and not residents of Canada, are qualifying persons entitled to the benefits of the Convention, and will not hold their common shares as part of the business property of, or so that their common shares are effectively connected with, a permanent establishment in Canada or in connection with a fixed base in Canada (a "U.S. Holder").

Amounts in respect of common shares paid or credited or deemed to be paid or credited as, on account or in lieu of payment of, or in satisfaction of, dividends to a U.S. Holder will generally be subject to Canadian non-resident withholding tax. Such withholding tax is levied at a rate of 25%, which may be reduced pursuant to the terms of the Convention. Under the Convention, the rate of Canadian non-resident withholding tax on the gross amount of dividends beneficially owned by a U.S. Holder is 15%. However, in certain circumstances, the rate of such withholding is 5%.

A U.S. Holder will not be subject to tax under the ITA in respect of any disposition of common shares (other than a disposition to Envoy) unless at the time of such disposition such common shares constitute taxable Canadian property of the holder for purposes of the ITA. If the common shares are listed on a designated stock exchange, for the purposes of the ITA, such as the TSX, at the time they are disposed of, they will generally not constitute taxable Canadian property of the U.S. Holder at the time of a disposition of such shares unless at any time during the 60-month period immediately preceding the disposition of the common shares, 25% or more of the issued shares of any class or series of Envoy, or an interest therein or an option in respect thereof, was owned by the U.S. Holder, by persons with whom the U.S. Holder did not deal at arm's length or by the U.S. Holder and persons with whom the U.S. Holder did not deal at arm's length. The common shares may also be taxable Canadian property in certain other circumstances. Under the Convention, gains derived by a U.S. Holder from the disposition of common shares will generally not be taxable in Canada unless the value of the common shares is derived principally from real property situated in Canada. If the common shares are listed on a recognized stock exchange for the purposes of the ITA at the time they are disposed of by a U.S. Holder, the U.S. Holder will generally not be required to comply with the provisions of section 116 of the ITA, which requires notification to be given to the Canada Revenue Agency when certain property is disposed of.

#### Certain United States Federal Income Tax Considerations

The following is a general discussion of certain material anticipated United States federal income tax considerations relevant to U.S. Holders, defined below, of Envoy's common shares who hold such shares as capital assets (as defined in Section 1221 of the United States Internal Revenue Code of 1986, as amended (the Code)). This discussion is based on the Code, U.S. Treasury regulations thereunder (the Treasury Regulations), administrative rulings, and court decisions, all as in effect as of the date hereof and all of which are subject to differing interpretations and/or change at anytime (possibly with retroactive effect). This discussion is intended to be a general description of the United States federal income tax considerations material to a purchase, ownership and a disposition of common shares. Readers are cautioned that this discussion does not address all relevant tax consequences relating to an investment in the common shares, nor does it take into account tax consequences peculiar to persons subject to special provisions of United States federal income tax law, such as financial institutions, persons actually or constructively owning 10% or more of the voting power of Envoy's stock, persons that hold common shares through a partnership or other pass through entity, or persons that hold common shares that are a hedge against, or that are hedged against, currency risk or that are part of a straddle or conversion transaction, or persons whose functional currency is not the United States dollar. Therefore, investors should consult a tax advisor regarding the particular consequences of purchasing common shares.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE UNITED STATES FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Except as otherwise described, this discussion applies to investors that are (i) citizens or individual residents of the United States; (ii) corporations (or other entities taxable as corporations), that are created or organized in or under the laws of the United States, any state of the United States or the District of Columbia; (iii) estates, the income of which is subject to federal income taxation, regardless of its source; or (iv) trusts (a), if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons as described in Section 7701(a)(30) of the Code has the authority to control all substantial decisions of such trust /or (b) that was in existence on August 20, 1996, was treated as a U.S. person under the code on the previous day and has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person (a U.S. Holder ). The United States federal income tax treatment of a holder of common shares that is a partnership (or other entity taxable as a partnership for United States federal tax purposes) generally will depend on the status of the partner and the activities of the partnership. Partners in partnerships holding common shares should consult their tax advisors about the United States federal income tax consequences of the purchase, ownership and disposition of common shares.

*Passive Foreign Investment Company Rules*

Special United States federal income tax rules apply to U.S. Holders owning shares of a passive foreign investment company (a PFIC ). A non-United States corporation generally will be classified as a PFIC for United States federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either at least 75% of its gross income is passive income, (the income test ), or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income, (the asset test ). For this purpose, passive income generally includes, among other things, dividends, interest, certain rents and royalties, and gains from the disposition of passive assets. Envoy believes that it was a PFIC for the taxable year ended September 30, 2007, and depending on its income, assets and activities, it may be a PFIC in the current taxable year and in subsequent taxable years.

If Envoy is classified as a PFIC for any taxable year during which a U.S. Holder holds common shares, Envoy will continue to be treated as a PFIC with respect to such U.S. holder in all succeeding years, regardless of whether Envoy continues to meet the income test or asset test described above. However, under Treasury Regulations, such U.S. Holder will not be treated as holding stock in a PFIC, if in a subsequent taxable year in which Envoy is not a PFIC, such holder elects to recognize any unrealized gain in such common shares as of the last day of the last taxable year during which Envoy qualified as a PFIC (a deemed sale election). Any gain so recognized will be subject to the adverse ordinary income and any special interest charge consequences described below. Any loss realized on the deemed sale is not recognized.

If a U.S. Holder holds common shares of Envoy in any year in which it is classified as a PFIC, unless a U.S. Holder has a valid qualified electing fund ( QEF ) election or a mark-to-market election, described below, in effect with respect to the common shares, the following income tax consequences will result to the U.S. Holder:

1. Distributions with respect to Envoy's common shares made by Envoy during the taxable year to a U.S. Holder that are excess distributions must be allocated ratably to each day of the U.S. Holder's holding period. The amounts allocated to the current taxable year and to taxable years prior to the first year in which Envoy was classified as a PFIC are included as ordinary income in a U.S. Holder's gross income for that year. The amount allocated to each other prior taxable year is taxed as ordinary income at the highest tax rate in effect for the U.S. Holder in that prior year and the tax is subject to an interest charge at the rate applicable to deficiencies in income taxes (the special interest charge ).

2. The entire amount of any gain realized upon the sale or other disposition of Envoy's common shares will be treated as an excess distribution made in the year of sale or other disposition and as a consequence will be treated as ordinary income and, to the extent allocated to years prior to the year of sale or disposition, will be subject to the interest charge described above.

QEF Election

A U.S. Holder that owns common shares may elect to have Envoy treated as a QEF, provided that Envoy provides such person with certain information. A QEF election must be made by a U.S. Holder before the due date (with regard to extensions) for such person's U.S. federal income tax return for the taxable year for which the election is made and once made, is effective for all subsequent taxable years of such U.S. Holder unless revoked with the consent of the Internal Revenue Service (the IRS ). A U.S. Holder that has a QEF election in effect with respect to all years that such holder holds Envoy's stock and Envoy is a PFIC is referred to herein as an Electing U.S. Holder. Envoy intends to make available to U.S. Holders, in accordance with applicable procedures, the annual information statement currently required by the IRS, which will include information as to the allocation of Envoy's ordinary earnings and net capital gain among the common shares and as to distributions on such common shares. Such statement may be used by Electing U.S. Holders for purposes of complying with the reporting requirements applicable to the QEF election. An Electing U.S. Holder's gain or loss on the sale or other disposition of such common shares generally will be a capital gain or loss. Such capital gain or loss generally will be long-term if such Electing U.S. Holder had held the common shares for more than one year at the time of the disposition. For non-corporate U.S. Holders, long-term capital gain is generally subject to a maximum federal income tax rate of 15% for taxable years beginning on or before December 31, 2010 (and, possibly, a higher rate thereafter).

A U.S. Holder holding common shares with respect to which a QEF election is not in effect for any taxable year in which Envoy is a PFIC may avoid the adverse ordinary income and special interest charge consequences (described above) upon any subsequent disposition of such common shares if such person elects to recognize any unrealized gain in such common shares as of the first day in the first year that the QEF election applies to such common shares

(a deemed sale election). Any gain so recognized, however, will be subject to the adverse ordinary income and special interest charge consequences described above.

In any year that Envoy is treated as a PFIC, an Electing U.S. Holder will be required to include currently in gross income such U.S. Holder's pro rata share of Envoy's annual ordinary earnings and annual net capital gains. Such inclusion will be required whether or not such U.S. Holder owns common shares for an entire year or at the end of Envoy's taxable year. The amount so includable will be determined without regard to the amount of cash distributions, if any, received from Envoy. Electing U.S. Holders will be required to pay U.S. federal income tax currently on such imputed income, unless, as described below, an election is made to defer such payment. The amount currently included in income will be treated as ordinary income to the extent of the Electing U.S. Holder's allocable share of Envoy's ordinary earnings and generally will be treated as long-term capital gain to the extent of such U.S. Holder's allocable share of Envoy's net capital gains. Such net capital gains ordinarily would be subject to a maximum 15% United States federal income tax rate for taxable years beginning on or before December 31, 2010 (and, possibly, a higher rate thereafter) in the case of non-corporate U.S. Holders, unless Envoy elects to treat the entire amount of its net capital gain as ordinary income. No portion of such ordinary earnings will be eligible for the favorable 15% United States federal income tax rate applicable to so-called qualified dividend income.

If an Electing U.S. Holder demonstrates to the satisfaction of the IRS that amounts actually distributed to him have been previously included in income as described above by such U.S. Holder or a previous U.S. Holder, such distributions generally will not be taxable. An Electing U.S. Holder's adjusted tax basis in his common shares will be increased by any amounts currently included in income under the QEF rules and will be decreased by any subsequent distributions from Envoy that are treated as non-taxable distributions of previously-included income (as described in the preceding sentence). For purposes of determining the amounts includable in income by Electing U.S. Holders, the tax bases of Envoy's assets, and Envoy's ordinary earnings and net capital gains, will be computed on the basis of United States federal income tax principles. Accordingly, it is anticipated that such tax bases and such ordinary earnings and net capital gains may differ from the figures set forth in Envoy's financial statements.

An Electing U.S. Holder who sells his common shares prior to the end of Envoy's taxable year will be required to include in income, as of the last day of Envoy's taxable year, a portion of Envoy's ordinary earnings and net capital gains attributable on a pro rata basis to the period during which such common shares were held during such taxable year. However, the amount of such U.S. Holder's taxable gain on the sale should be reduced, or the amount of his taxable loss increased, by the amount of such income inclusion. If an Electing U.S. Holder sells his common shares in a taxable year of such U.S. Holder ending during Envoy's then current taxable year, such U.S. Holder may nevertheless have to include his proportionate share of Envoy's ordinary earnings and net capital gains in gross income for his taxable year which includes the last day of Envoy's above referred taxable year. While the matter is unclear, such U.S. Holder should be able to claim a loss in his subsequent taxable year equal to the amount by which such holder's adjusted tax basis in the common shares would have increased to reflect the imputed income under the QEF rules.

An Electing U.S. Holder may elect to defer, until the occurrence of certain events, payment of the United States federal income tax attributable to amounts includable in income for which no

current distributions are received, but will be required to pay interest on the deferred tax computed by using the statutory rate of interest applicable to an extension of time for payment of tax.

Under temporary Treasury Regulations, an individual is required to include in income his proportionate share of the investment expenses of certain pass-through entities. It is not clear under such Treasury Regulations whether a PFIC for which a QEF election is in effect may be treated as a pass-through entity. If these provisions were to apply to Envoy, each individual Electing U.S. Holder would be required to include in income an amount equal to a portion of Envoy's investment expenses and would be permitted an offsetting deduction (if otherwise allowable under the Code) to the extent that the amount of such expenses included in income, plus certain other miscellaneous itemized deductions of such U.S. Holder, exceed 2% of such U.S. Holder's adjusted gross income.

Generally, a QEF election that is made with respect to Envoy will remain in effect throughout an Electing U.S. Holder's holding period for Envoy's shares, even if Envoy does not qualify as a PFIC in every taxable year following the taxable year in which the election is made.

In any year in which Envoy is not treated as a PFIC, an Electing U.S. Holder will have the tax consequences described below, under the heading, *Ownership and Disposition of Common Shares if Envoy is Not a PFIC.*

*Mark-to-Market Election*

A U.S. Holder generally may make a mark-to-market election with respect to shares of marketable stock of a PFIC. Under the Code and Treasury Regulations, the term marketable stock includes stock of a PFIC that is regularly traded on a qualified exchange or other market. Because Envoy's common shares are traded on a qualified exchange or other market, a market-to-market election will be available with respect to the common shares.

As a result of a mark-to-market election, a U.S. Holder will generally be required to report gain annually in an amount equal to the excess of the fair market value of the common shares at the end of the taxable year over the adjusted tax basis of the common shares at that time and will generally be required to report loss annually in an amount equal to the excess of the adjusted tax basis of the common shares at the end of the taxable year over the fair market value of the common shares at that time, but only to the extent of any prior net market-to-market gains. Any gain under this computation and any gain on an actual sale or other disposition of the common shares will be treated as ordinary income. Any loss under this computation will be treated as ordinary loss. Any loss on an actual sale or other disposition will be treated as an ordinary loss to the extent of the prior net mark-to-market gain and thereafter will be considered capital loss. Thus, a U.S. Holder that makes a mark-to-market election will be taxed on appreciation with respect to the U.S. Holder's common shares even though such U.S. Holder has no corresponding receipt of cash. In addition, unlike the case of a QEF election, a U.S. Holder that has made a mark-to-market election generally cannot obtain any favorably-taxed long-term capital gains with respect to the common shares. The U.S. Holder's adjusted tax basis in the common shares is adjusted for any gain or loss taken into account under the mark-to-market election.

Under Treasury Regulations, if a U.S. Holder has made a QEF election and subsequently makes a mark-to-market election with respect to the

same stock, the mark-to-market election will automatically terminate the QEF election, and such U.S. Holder may not make another QEF election with respect to the stock before the sixth taxable year thereafter. Unless either (i) the mark-to-market election is made as of the first taxable year in which Envoy is a PFIC during the U.S. Holder's holding period for the common shares, or (ii) a QEF election has been in effect with respect to such U.S. holder's common stock for all years in which Envoy was a PFIC during such U.S. holder's holding period, any mark-to-market gain for the election year generally will be subject to the excess distribution rules applicable to dispositions described above.

**U.S. Holders are urged to consult their tax advisors concerning the United States federal income tax consequences of holding and disposing of stock of a PFIC.**

**Ownership and Disposition of Common Shares if Envoy is Not a PFIC**

U.S. Holders who do not hold common shares during any taxable year in which Envoy is classified as a PFIC will not be subject to the rules described above, under the heading "Passive Foreign Investment Company Rules." Instead, such U.S. Holders will be required to include the gross amount of any distribution on common shares (without reduction for Canadian tax withheld) in their gross income as a taxable dividend, to the extent such distribution is paid out of Envoy's current or accumulated earnings and profits as determined under United States federal income tax principles. U.S. Holders must include in income an amount equal to the United States dollar value of such dividends on the date of receipt, based on the exchange rate on such date. Provided that Envoy is not treated as a PFIC, described above, during any year in which a U.S. Holder holds Envoy's common shares in the case of a non-corporate U.S. Holder, including individuals, such dividends generally will be eligible for a maximum rate of tax of 15% for dividends received in a taxable year beginning before January 1, 2011, provided certain conditions are satisfied. To the extent that distributions paid by Envoy exceed Envoy's current or accumulated earnings and profits, they will be treated first as a return of capital up to the U.S. Holder's adjusted tax basis in the shares, and then as a gain from the sale or exchange of the shares.

U.S. Holders will generally be entitled to a foreign tax credit, or deduction, for United States federal income tax purposes, in an amount equal to the Canadian tax withheld from a distribution on common shares. For taxable years beginning on or before December 31, 2006, dividends paid by Envoy generally will constitute foreign source "passive income" or "financial services income" for foreign tax credit purposes. For taxable years beginning after December 31, 2006, such dividends generally will be treated as "passive category income" or "general category income", for United States foreign tax credit purposes. The Code applies various limitations on the amount of foreign tax credit that may be claimed by a United States taxpayer. Because of the complexity of those limitations, U.S. Holders should consult their own tax advisors with respect to the amount of foreign taxes they may claim as a credit. Dividends paid by Envoy on the common shares will not generally be eligible for the "dividends received" deductions.

A U.S. Holder that sells common shares will generally recognize a gain or loss in an amount equal to the difference, if any, between the amount realized on the sale and the U.S. Holder's adjusted tax basis in the shares. Unless Envoy is treated as a PFIC during any year in which the U.S. Holder holds Envoy's common shares (described above), any gain or loss recognized upon the sale of shares held as capital assets will be a long-term or short-term capital gain or

loss, depending on whether the common shares have been held for more than one year. Such gain or loss generally will be treated as United States source income or loss for United States foreign tax credit purposes.

**Backup Withholding and Information Reporting**

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of the common shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or disposition of, common shares by a payor within the United States to a U.S. Holder (if such person is other than an exempt recipient, including a corporation, not a United States person that provides an appropriate certification or certain other persons).

A payor within the United States will be required to withhold tax (currently imposed at a rate of 28%) on any payments made to a common shareholder (if that common shareholder is not an exempt recipient) consisting of dividends on, or proceeds from the sale or disposition of, the common shares, if the selling common shareholder fails to timely furnish a correct taxpayer identification number on IRS Form W-9 or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. Moreover, a payor or middleman may rely on a certification provided by a payee that is not a United States person only if such payor or middleman does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect. Investors will be allowed a refund or a credit equal to any amounts withheld under the United States backup withholding tax rules against their United States federal income tax liability, provided that they furnish the required information to the IRS.

**F. Dividend and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Annual Report, the contract or document is deemed to modify our description. You must review the exhibits themselves for a complete description of the contract or document.

The Company is subject to the informational reporting requirement of the Exchange Act and files reports and other information with the SEC. You may examine all reports and other information filed by Envoy with the SEC, including the documents that are exhibits to this Annual Report, without charge, at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C., 20549. For more information on the public reference rooms, call the SEC at 1.800.SEC.0330. Envoy's reports and other information filed with the SEC are also available to the public from commercial document retrieval services and the website maintained by the SEC at <http://www.sec.gov>.



## **I. Subsidiary Information**

Not applicable.

### **Item 11: Quantitative and Qualitative Disclosures about Market Risk**

Except as described below, Envoy does not have a material position or exposure with respect to any market risk sensitive instruments (as defined in Item 11 in Form 20-F).

The investment operations of the Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit and liquidity risks. A discussion of the Company's use of financial instruments and its risk management is provided below.

#### **(i) Liquidity risk**

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company, or if the value of the Company's investments declines, resulting in losses upon disposition.

The Company generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. From time to time, the Company will invest in private equities which have no immediate market and would be illiquid until one is created. Investments in private equities tend to be relative small, comprising less than 5% of available capital and the Company has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

#### **(ii) Market risk:**

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company manages market risk by having a portfolio which is not singularly exposed to any one issuer or class of issuers. The Company also has set thresholds on purchases of investments over which the approval of the board of directors is required.

#### **(iii) Currency risk:**

The Company is subject to currency risk through its activities in the United States and overseas. The Company invoices a substantial portion of its consumer branding customers in foreign currency and, as such, changes in the exchange rate affect the operating results of the Company. The Company does not actively use derivative instruments to reduce its exposure to foreign currency risk. However, dependent on the nature, amount and timing of foreign

currency receipts and payments, the Company may from time to time enter into foreign currency contracts to mitigate the associated risks. At September 30, 2008, the Company had outstanding foreign exchange contracts to purchase 500,000 US dollars at 1.0641 expiring November 2008 and 5,000,000 Euros at an average rate of 1.5090 expiring between October and December 2008. The Company also had an outstanding contract to sell 1,000,000 Euros at 1.4920, expiring September 30, 2009. The net liability of \$83,650 arising from these contracts has been included in accounts payable and accrued liabilities. The gains and losses from these contracts have been included in general and administrative expenses.

(iv) Credit risk:

The Company manages its credit risk with respect to accounts receivable by dealing primarily with large creditworthy customers and by billing whenever possible in advance of rendering services. As at September 30, 2008, one customer represented 32% of accounts receivable (2007 one customer represented 19% of accounts receivable).

The Company's loans receivable are secured by both a general security agreement on the assets in the investee company as well as collateralized by the underlying shares.

Certain of the Company's financial assets, including cash and cash equivalents are exposed to the risk of financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company may, from time to time, invest in debt obligations. The Company is also exposed, in the normal course of business, to credit risk from advances to investee companies.

(v) Interest rate risk:

Interest risk is the impact that changes in interest rates could have on the Company's earnings and liabilities. All of the Company's interest bearing investments are at fixed rates, hence there is no exposure to interest rate fluctuations while investments are held. As at September 30, 2008, the Company had no liabilities which bore interest at rates fluctuating with the prime rate or overnight lending rate. The Company has a credit facility which can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest risk. It is management's opinion that the Company is not exposed to significant interest rate risk.

**Item 12: Description of Securities Other Than Equity Securities**

Not applicable

**PART II**

**Item 13: Defaults, Dividends Arrearages and Delinquencies**

**A.** There has been no material default in the payment of principal, interest, a sinking or purchase fund installment or any other material default relating to the indebtedness of the Company its significant subsidiary.

**B.** There is no preferred stock of Envoy its significant subsidiary and accordingly there has been no material arrearage in the payment of dividends or any other material delinquency not cured within 30 days, with respect to any class of preferred stock of Envoy or of its significant subsidiary.

**Item 14: Material Modifications to the Rights of Security Holders and Use of Proceeds**

**A.** There have been no material modifications in the constituent instruments defining any class of registered securities of Envoy.

**B.** There has been no material limitation or qualification of the rights evidenced by any class of registered securities of Envoy by the issuance or modification of any other class of securities of Envoy.

**C.** There has been no material withdrawal or substitution of assets securing any class of registered securities of Envoy.

**D.** Not applicable.

**E.** Not applicable.

**Item 15: Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that the information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. After evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2008, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, the Company's disclosure controls and procedure were effective.

There were no changes in our internal controls or in other factors that could significantly affect these disclosure controls and procedures during the 2008 fiscal year, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP, and reconciled to US GAAP, as applicable.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of September 30, 2008.

This annual report does not include an attestation report of our independent auditors regarding internal control over financial reporting. Management's report was not subject to attestation by our independent auditors pursuant to temporary rules of the SEC that permit our Company to provide only management's report in this annual report.

**Item 16A: Audit Committee Financial Expert**

The Company's Board of Directors has determined that David Parkes, an independent director of the Company, is an audit committee financial expert. The Audit Committee has determined that all three members of the Audit Committee are Financially Literate. Financially Literate means that a member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. David Parkes was determined to be Financially Literate based on his experience as the President and CEO of a number of telecommunications companies where he was responsible for supervising the preparation of financial statements of a similar breadth and complexity to the Company's financial statements, where he was responsible for making judgments and decisions related to accounting matters on behalf of management and where he was accountable for internal controls and financial reporting procedures. Hugh Aird was determined to be Financially Literate based on his experience as an investment banker where he analyzed and evaluated financial statements of a similar breadth and complexity to the Company's financial statements and based on his experience as a director and senior officer of other companies where he has been responsible for overseeing management and the preparation of financial statements in his capacity as a director and senior officer. David Hull was determined to be Financially Literate based on his experience as the President of an insurance agency where he has been responsible for supervising the preparation of financial statements and where he has been responsible for making judgments and decisions related to accounting matters on behalf of management and where he was accountable for internal controls and financial reporting procedures. The particulars of each member's experience can be found in the biographies under Item 6A.

**Item 16B: Code of Business Conduct**

The Board has adopted a Code of Business Conduct (the "Code"). All of the Company's employees, directors and officers must follow the Code, which provides guidelines for ethical behaviour. A copy of the Code is available in the Governance section of the Company's website at [www.envoy.to](http://www.envoy.to), and is incorporated by reference herein as Exhibit 11.1 to this Form 20-F.

The Code sets out in detail the principles and general business tenets and ethics and compliance policies applicable to the Company's business and activities. The Code addresses topics such as: honest and ethical conduct and conflicts of interest; compliance with applicable laws and Company policies and procedures; business integrity and fair dealing; public disclosure; use of corporate property and opportunities; confidentiality; compliance with insider trading and other legal requirements; and records and document retention.

The Board expects all employees at all levels of the companies within its group, as well as officers, directors, customers, suppliers, vendors, contractors and partners, to read, understand and comply with the Code. If any employee is uncertain about a situation, the employee is expected to refer the matter to a supervisor or Human Resources representative. All employees are also expected to report in good faith any violations or potential violations of the Code and to co-operate in internal investigations about a reported violation. Supervisors are expected to answer employee questions about the Code or direct them to the right source of information; provide timely advice and guidance to employees on ethics and compliance concerns; handle all employee reports promptly and confidentially; encourage employees to ask questions and get advice before they act; and report in good faith any violations of the Code or situations that could result in violations to the Company's Chief Legal Officer. In addition to employees' and supervisors' responsibilities detailed above, senior management has the responsibility to continuously promote ethical business conduct, in line with the Company's values and general business principles.

No material change report has been filed since October 1, 2007 that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

In addition to the Code, the Company has also developed procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls, auditing matters or evidence of an activity that may constitute corporate fraud or violation of applicable law and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The complete Complaint Procedures for Accounting and Auditing Matters is available in the Governance section of the Company's website at [www.Envoy.to](http://www.Envoy.to), and is incorporated by reference herein as Exhibit 11.2 to this Form 20-F.

Directors and officers of the Company are required under the OBCA to disclose any material interest in any material contract or transaction with the Company and refrain from voting with respect thereof, subject to certain exceptions.

**Item 16C: Principal Accountant Fees and Services**

- (a) **AUDIT FEES** were \$250,000 in 2008 and \$250,000 in 2007. These fees include year end audit work, consents, reviews and assistance with regulatory filings.
- (b) **AUDIT-RELATED FEES** were \$15,650 in 2008 and \$10,000 in 2007. These fees include assistance with due diligence and accounting research.
- (c) **TAX FEES** were \$42,500 in 2008 and \$25,000 in 2007. These fees include tax compliance services and tax advice.
- (d) **All OTHER FEES** were \$nil in 2008, and \$nil in 2007.
- (e) In accordance with the Company's Audit Committee Charter, the Audit Committee ensures the independent auditor submits a formal written statement delineating all relationships between the independent auditor and the Company and pre-approves all audit fees and non-audit services to be provided to the Company or any subsidiary by the independent auditor. All services provided to the Company after the adoption of the Audit Committee Charter were pre-approved by the Audit Committee.

**Item 16D: Exemptions from the Listing Standards for Audit Committees**

Not Applicable.

**Item 16E: Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

From October 1, 2007 through November 30, 2008, the Company repurchased and cancelled 1,092,189 common shares for cash consideration of \$2,992,359. The Company repurchased 188,309 shares for cash consideration of \$572,942 pursuant to the terms of a normal course issuer bid which began on February 7, 2007 and ended on February 6, 2008. In addition, the Company repurchased 903,880 shares for cash consideration of \$2,419,417 pursuant to the terms of a normal course issuer bid which began on February 7, 2008 and ends on February 6, 2009. The Company is authorized to repurchase and cancel up to 10% of the public float of the shares.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, to October 31, 2007	93,740	\$ 3.08	93,740	94,612
November 1, to November 19, 2007	94,569	\$ 3.01	94,569	nil
February 7, to February 29, 2008	30,000	\$ 2.61	30,000	873,880
March 1, to March 31, 2008	211,755	\$ 2.63	211,755	662,125
April 1, to April 30, 2008	353,570	\$ 2.65	353,570	308,555
May 1, to May 31, 2008	79,800	\$ 2.81	79,800	228,755
June 1, to June 30, 2008	40,400	\$ 2.85	40,400	188,355
July 1, to July 31, 2008	43,673	\$ 2.52	43,673	144,682
August 1, to August 31, 2008	13,800	\$ 2.37	13,800	130,882
September 1, to September 30, 2008	103,623	\$ 2.21	103,623	27,259
October 1, to October 3, 2008	27,259	\$ 2.02	27,259	nil
<b>Total</b>	<b>1,092,189</b>		<b>1,092,189</b>	

**PART III**

**Item 17: Financial Statements**

**(a) *Envoy Capital Group Inc.***

- |       |  |     |
|-------|--|-----|
| (i)   | Auditors Report on the financial statements for the year ended September 30, 2008                            | F-1 |
|       | Comments by Auditor for U.S. Readers on Canada-U.S. Reporting Differences                                    |     |
|       | Auditors Report on the financial statements for the year ended September 30, 2008 and 2007                   |     |
| (ii)  | Consolidated Balance Sheets as at September 30, 2008 and 2007  | F-2 |
| (iii) | Consolidated Statements of Operations for the years ended September 30, 2008, 2007 and 2006                  | F-3 |
| (iv)  | Consolidated Statements of (Deficit) Retained Earnings for the years ended September 30, 2008, 2007 and 2006 | F-4 |
| (v)   | Consolidated Statements of Cash Flows for the years ended September 30, 2008, 2007 and 2006                  | F-5 |
| (vi)  | Notes to Consolidated Financial Statements   | F-6 |

**Item 18: Financial Statements**

Envoy has elected to provide financial statements pursuant to Item 17.



**Item 19: Exhibits**

**EXHIBIT INDEX**

Exhibit No.	Description
1.1*	Articles of Incorporation and By-Law No. 1 (as amended on May 2, 2000) of Envoy Communications Group Inc.
1.2**	Articles of Amendment (as amended on January 9, 2004) and By-Law No. 1 of Envoy Communications Group Inc.
1.3**	Articles of Amendment (as amended on January 21, 2005) and By-Law No. 1 of Envoy Communications Group Inc.
1.4	Articles of Amendment (as amended on March 30, 2007) and By-Law No. 1 of Envoy Capital Group Inc.
8.1	List of Significant Subsidiaries (contained in Item 4.C hereof)
11.1***	Code of Business Conduct
11.2***	Complaint Procedures for Accounting and Auditing Matters
11.3***	Board Mandate
12.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certifications of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1***	Audit Committee Charter
15.2***	Compensation Committee Charter
15.3***	Nominating and Corporate Governance Committee Charter
17	Financial Statements

\* Incorporated by reference to the Company's Annual Report on Form 20-F, filed on May 15, 2000 (Commission File No. 000-30082)

\*\* Incorporated by reference to the Company's Annual Report on Form 20-F, filed on December 29, 2006 (Commission File No. 000-30082).

\*\*\* Incorporated by  
reference to the  
Company s  
Annual Report  
on Form 20-F,  
filed on  
December 29,  
2005  
(Commission  
File  
No. 000-30082).

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

ENVOY CAPITAL GROUP INC.

Date: December 22, 2008

/s/ GEOFFREY B. GENOVESE

Name: Geoffrey B. Genovese

Title: Chairman, President and  
Chief Executive Officer