



take a closer look



bottle tree

[*Brachychiton rupestris* : *Adansonia gregorii*]

An icon of resilience and versatility, the Bottle tree prospers in the harsh soils of central Queensland and arid Kimberley region of Western Australia. With a tested ability to survive and flourish in its own native environment, the Bottle tree's enduring strength means it is also able to sustain others.

For example, a broad trunk that might be dismissed as merely unattractive by a casual eye, is actually an enormous reserve of water – in a climate where one might expect to find none. For those with the patient vision to allow a resource to grow to maturity, and the wisdom not to be discouraged by its sometimes inelegant appearance, the Bottle tree has been a trusted provider of not only water, but also food, medicine, and shelter for succeeding generations.

With over twenty years experience in the managed investment industry, the CVC Group has shared its maturity and strength with over seventy companies. Our established investment philosophy has yielded a proven reputation for partnering businesses with solid growth potential. Our survival and prosperity has shown that for those prepared to patiently seek out opportunities hidden beneath surfaces where others may not take the time and effort to look, the rewards can be substantial and enduring.

chairman's report

for the year ended 30 June 2006

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Dear Shareholder,

On behalf of the Board of Directors I am pleased to present the fifth annual report for CVC Sustainable Investments Limited ("the Company").

I am pleased to report a net profit for the year ended 30 June 2006 of \$206,708 (\$1,088,683 in 2005). While lower than 2005, this profit represents the continuing positive improvement in the assets of the fund during a significant growth period.

The 2006 financial year has been a significant one for the Company. In December 2005, the Company undertook a further capital raising, successfully raising an additional \$3.4 million through a combined rights issue and public offer. The impact of the new raising and the continued growth of our existing investments has increased the total equity as at 30 June 2006 of the Company to almost \$10 million.

During the financial year, we made three new investments.

- > Australian Ethanol Limited (\$1 million) - ASX listed Australian Ethanol Limited, (ASX:AAE) is a biofuels developer in the process of establishing multiple facilities both in Australia and overseas. AAE has an approved development site for an ethanol production facility at Swan Hill, Victoria, set to be Australia's largest ethanol facility. AAE has also acquired the rights to develop a large biodiesel facility in the USA. The investment of \$1 million was part of a \$12 million placement at a price of \$0.30 per share and was a co-investment with CVC REEF, the CVC Group's specialist renewable energy fund. AAE's biofuels business model provides significant social, economic and environmental benefits including increased regional employment, energy supply security, improved air quality with significant health benefits and lower greenhouse emissions than petroleum based fuels.
- > Biodiesel Producers Limited (\$500,000) - Biodiesel Producers Limited (BPL) is a biodiesel developer in the process of constructing its first facility in the Wodonga area. Construction has commenced on the site and BPL is now eligible to draw down on the first instalment of its federal government grant for \$9.6 million. The Wodonga plant will produce 60 million litres of biodiesel per annum, 4,000

tonnes of glycerol and 1,200 tonnes of potassium sulphate. Negotiations are afoot to secure further feedstock supply. The investment in BPL is a co-investment with CVC REEF Limited, the CVC Group's specialist renewable energy fund and ANZ Infrastructure Services who have committed \$30 million to the project.

- > Plantic Technologies Limited – during the year, the Company made a follow on investment of \$56,697 as part of a \$10 million rights issue. The funds were provided for further working capital, the establishment of distribution channels in key offshore markets and for development of further applications for their 100% biodegradable plastic substitute product.

Since 30 June 2006, the Company has made a further investment in Environmental Group Limited (ASX:EGL). EGL is an ASX listed environmental services company with involvement in the water and waste management sector. We believe that EGL has excellent growth prospects and we look forward to working with them in the future.

The Company now has an interesting portfolio of environmentally sustainable Australian growth companies across a diverse range of sectors. A summary of the Companies that we have used your funds to invest in to date and their progress during the 2006 year is provided following this report.

In addition to growing the Company's financial assets through investment activity, the management team and the Board of Directors remain committed to expanding the size of the Company by raising more capital. Plans are currently underway to open a prospectus to raise further funds to take advantage of substantial opportunities in the high growth environmental sector. We also retain the objective of listing the Company's shares on ASX at a future stage.

Once again I thank you for supporting CVC Sustainable Investments which I am pleased to report is proving it is possible to earn above average returns from environmentally sustainable investing.

Vanda Gould
Chairman

review of investments

for the year ended 30 June 2006

PRO-PAC PACKAGING LIMITED

Pro-Pac (ASX:PPG) is a leading manufacturer and distributor of biodegradable and environmentally friendly packaging solutions for the general industrial and warehouse packaging sector. Pro-Pac has recently appointed a new CEO, Trevor Morrow following the retirement of company founder Jonathan Kahn. Mr Morrow is very experienced in manufacturing, service and distribution. Mr Kahn remains on the board in a non-executive capacity. Pro-Pac has recently acquired another general packaging business and continues its expansion strategy.

WIND CORPORATION AUSTRALIA LIMITED

Wind Corporation Australia Limited (WCA) is an energy development company with a portfolio of existing and planned renewable and low emission energy projects. The company was established in 2000 by founding investor CVC REEF Limited to develop and commission the Hampton Wind Park. Hampton is a wind park located near Lithgow in NSW which supplies clean electricity to the main electricity grid. WCA is exploring opportunities to develop new wind farm projects in NSW.

BIODIESEL PRODUCERS LIMITED

Biodiesel Producers Limited (BPL) is a biodiesel developer in the process of constructing its first facility in the Wodonga area. The Wodonga plant will produce 60 million litres of biodiesel per annum, 4,000 tonnes of glycerol and 1,200 tonnes of potassium sulphate. Negotiations are afoot to secure further feedstock supply. The investment in BPL is a co-investment with CVC REEF Limited, the CVC Group's specialist renewable energy fund and ANZ Infrastructure Services.

TRAFFIC TECHNOLOGIES LIMITED

Traffic Technologies Limited (ASX:TTI), is a solutions provider to the roads and traffic industry in Australia. Part of its business develops, markets and sells traffic signal systems which utilise Light Emitting Diode (LED) technology which offers significant energy savings over the incumbent traffic light technology.

SOILWISE PTY LIMITED

Soilwise Pty Limited is in the process of establishing a network of up to ten regional composting facilities, starting in the Murrumbidgee Irrigation Area of NSW. Its goal is to supply high quality, humus rich compost to Australia's agricultural and horticultural industry as an alternative to chemical based, soil depleting fertilizers. The process that is used to create compost avoids the production of methane gas which results from the biomass decomposing in landfills. The method employed by Soilwise optimises and controls the conditions in compost windrows to ensure that micro-organisms proliferate to accelerate the breakdown of the waste.

PLANTIC TECHNOLOGIES LIMITED

The Plantic thermoformed tray is an innovative product used for dry goods packaging. It is made from corn-starch (maize) that is Australian grown and non-genetically modified. The base sheet material is manufactured in Australia and it can be processed to form many different packaging applications. It is 100% biodegradable and dissolvable in water. The company remains in the early stages of commercialisation of its core product. Plantic is now targeting new products and applications in areas such as high performance films, barrier layers and injection moulding.

AUSTRALIAN ETHANOL LIMITED

Australian Ethanol Limited (AAE) has an approved development site for an ethanol production facility at Swan Hill, Victoria, set to be Australia's largest ethanol facility. AAE has also acquired the rights to develop the largest biodiesel facility in the USA. Our investment of \$1 million was part of a \$12 million placement and was a co-investment with CVC REEF Limited. Ethanol is petroleum replacing automotive fuel made from renewable grain sources such as wheat and corn. AAE's biofuels business model provides key social, economic and environmental benefits.

The Directors present their report together with the financial report of the Company for the year ended 30 June 2006 and the Auditors' report thereon.

OFFICERS

The Directors and Secretaries in office at the date of this report and at any time during the year are:

Vanda Russell Gould (Chairman)

B Com (UNSW), M Com (UNSW)

Fellow of the Institute of Chartered Accountants in Australia. Chairman of Vita Life Sciences Limited, CVC Limited and CVC Managers Pty Limited and a Director of numerous private and public companies including educational establishments.

John Douglas Read (Non Executive Director)

B Sc (Hons) (Cant.), MBA (AGSM)

Fellow of the Australian Institute of Company Directors. Chairman of The Environmental Group Limited and Pro-Pac Packaging Limited, and is a Director of CVC Limited, CVC Private Equity Limited and of the Australian Institute for Commercialisation Limited.

Alexander Damien Harry Beard (Non Executive Director and Company Secretary)

B Com (UNSW)

Fellow of the Institute of Chartered Accountants in Australia. Member of the Australian Institute of Company Directors. Director of CVC Limited, Greens Foods Limited, SMC Gold Limited, CVC Private Equity Limited and CVC Managers Pty Limited and numerous private and public companies.

Susan Maud Gosling (Non Executive Director)

B Sc (Econ), MA, PhD. Graduate Diploma, Environmental Management

General Manager, Implemented Consulting, MLC.

Adjunct Senior Lecturer, Master of Finance, University of NSW.

Phillip Toyne (Non Executive Director)

LLB (Uni. Of Melbourne)

Former Head of the Australian Conservation Foundation. Former Deputy Secretary in the Australian Department of Environment. Director of Eco Futures Pty Limited, Earthmark Pty Limited and ITC Limited. President of the Australian Bush Heritage Fund.

John Andrew Hunter (Company Secretary)

B Com (ANU) (Appointed as a Secretary on 20 March 2006)
Member of the Institute of Chartered Accountants in Australia.

DIRECTORS' MEETINGS

The number of Directors' Meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

	No. of meetings attended	No. of meetings held
Mr V R Gould	4	4
Mr J D Read	3	4
Mr A D H Beard	4	4
Dr S M Gosling	3	4
Mr P Toyne	3	4

AUDIT COMMITTEE MEETINGS

The number of Audit Committee meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

	No. of meetings attended	No. of meetings held
Mr J D Read	2	2
Dr S M Gosling	2	2
Mr A D H Beard	2	2

PRINCIPAL ACTIVITY

Investment in a diversified combination of established small Australian companies that offer both strong return potential and improved environmental outcomes.

OPERATING RESULTS

The operating profit for the Company amounted to \$206,708 for the year (2005: \$1,088,683).

DIVIDENDS

No dividends have been declared, paid or provided in the year ended 30 June 2006.

directors' report

for the year ended 30 June 2006

directors' report

for the year ended 30 June 2006

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS OF THE COMPANY

During the year the Company made a number of successful investments including:

- > The sale of Traffic Technologies Limited, realising a profit of \$178,245;
- > A \$1 million investment in Australian Ethanol Limited that has seen an increase in its value of \$883,333 which is not included in the current year profit because it is still being held; and
- > The \$1 million investment in Wind Corporation Australia Limited has experienced an increase in value of \$218,468 which is not included in the current year profit because it is still being held.

During the year, the Company issued 16,868,750 new shares through the Rights Issue and Public Offer, which resulted in an additional 2,530,312 options issued to CVC Managers Pty Limited, the Investment Manager, with an expiry date of 20 December 2013.

During the year the Company issued 67,500 new shares through the exercise of options.

SHARE OPTIONS OVER ORDINARY SHARES

The Company has three tranches of options to acquire ordinary shares on issue:

1. Shareholder options to acquire shares at 20 cents each with an expiry date of 5 March 2007. At 30 June 2006, there were 1,918,500 (2005: 1,932,000) of such options on issue. During the current year 13,500 of these options have been exercised.
2. The Company's Investment Manager, CVC Managers Pty Limited, has 685,875 options to acquire shares at 20 cents each. These options expire on 5 March 2012. At 30 June 2006, no shares have been issued through the exercise of any of these options.

The impact is that options 1 and 2 above are available to be exercised for a total of 13,021,875 shares in the Company at 20 cents each.

3. During the year an additional 16,868,750 shares were issued in accordance with the prospectus dated 19 October 2005. In accordance with the prospectus an additional 2,530,312 options have been issued to CVC Managers Pty Limited to acquire shares at 20 cents per share. These options expire on 20 December 2013. At 30 June 2006, no shares have been issued through the exercise of any of these options.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

Dr S M Gosling has an interest in 35,000 ordinary shares and 3,500 options of the Company.

Mr Gould is a Director of Leagou Pty Limited (formerly CVC Investment Managers Pty Limited) and accordingly has an indirect interest in the 95,000 shares and 9,500 options in the Company held by Leagou Pty Limited.

Messrs Gould, Read and Beard are Directors of CVC Limited and accordingly have an indirect interest in the 2,750,000 shares and 2,500 options in the Company held by CVC Limited.

Messrs Gould and Beard are directors of CVC Managers Pty Limited and accordingly have an indirect interest in the 3,216,187 options in the Company held by CVC Managers Pty Limited.

Mr Beard has a further indirect interest in 25,000 shares in the Company.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2006.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The future direction of the Company is to continue to invest in small Australian companies that offer both strong return potential and improved environmental outcomes.

The Directors are continuing to consider ways of expanding the investment capital of the Company to provide a basis for further and broader investment opportunities.

As an investment Company, the results of the Company are dependent on the timing of and opportunities for the realisation of investments. Accordingly, it is not possible at this stage to predict the future results of the Company.

DIRECTORS' BENEFITS

During the year \$12,000 each in fees was paid to Phillip Toyne and Susan M Gosling. Further information on Directors' benefits is set out in Note 14.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has not, during or since the financial period, in respect of any person who is or has been an auditor or officer of the Company or a related body corporate:

- (i) Indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- (ii) Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

Insurance premiums have been paid in respect of Directors' and Officers' liability and legal expense insurance for Directors and Officers of the Company.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CVC SUSTAINABLE INVESTMENTS LIMITED

A copy of the Independence Declaration given to the Directors by the lead auditor for the audit undertaken by HLB Mann Judd (NSW Partnership) is included on page 27.

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

Dated at Sydney 30th of August 2006.

V R Gould
Director

A D H Beard
Director

directors' report

for the year ended 30 June 2006

income statement

for the year ended 30 June 2006

	Notes	2006 \$	2005 \$
INCOME			
Interest received	2	295,493	167,669
Net gain on sale of equity investments	2	197,973	1,068,193
Dividends received	2	20,429	168,688
Other income	2	3,022	15,000
Total income		516,917	1,419,550
EXPENSES			
Audit fees		14,500	9,000
Director's fees		24,000	24,000
Insurance		12,367	9,494
Management and consulting		142,560	128,893
Printing		7,987	9,432
Share registry		12,674	6,415
Other expenses		24,309	10,833
Profit before related income tax expense		278,520	1,221,483
Income tax expense	4	(71,812)	(132,800)
Net profit	11	206,708	1,088,683

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 10 to 25.

balance sheet

as at 30 June 2006

	Notes	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	15	4,998,547	2,824,740
Trade and other receivables	6	47,069	21,783
Total current assets		5,045,616	2,846,523
NON-CURRENT ASSETS			
Loans and receivables	7	464,922	367,687
Financial assets	8	4,576,465	2,652,401
Deferred tax assets	4	31,806	31,242
Total non-current assets		5,073,193	3,051,330
TOTAL ASSETS		10,118,809	5,897,853
CURRENT LIABILITIES			
Trade and other payables	9	12,100	29,548
Current tax liabilities	4	6,025	128,641
Total current liabilities		18,125	158,189
NON-CURRENT LIABILITIES			
Deferred tax liabilities	4	197,786	-
Total non-current liabilities		197,786	-
TOTAL LIABILITIES		215,911	158,189
NET ASSETS		9,902,898	5,739,664
EQUITY			
Contributed equity	10	8,166,497	5,127,814
Retained profits	11	869,562	662,854
Other reserves	12	866,839	(51,004)
TOTAL EQUITY		9,902,898	5,739,664

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 10 to 25.

statement of changes in equity

for the year ended 30 June 2006

	2006 \$	2005 \$
Income and expenses recognised directly in equity		
Movements in fair values of “available-for-sale” financial assets recognised directly in equity	932,134	(385,692)
Prior period movements in fair values of “available-for-sale” financial assets transferred to the income statement on realisation	(40,194)	201,686
Income tax on items taken directly to or from equity	(140,591)	46,002
Total income and expense recognised directly in equity	751,349	(138,004)
Profit for the period	206,708	1,088,683
Total recognised income and expense for the period	958,057	950,679
Transactions with shareholders in their capacity as shareholders		
Shares issued during the period	3,387,250	417,250
Non-equity costs of shares issued	(213,285)	(7,823)
Income tax on costs of shares issued	31,212	-
Dividends paid to shareholders	-	(383,325)
Total transactions with shareholders in their capacity as shareholders	3,205,177	26,102
Net increase in equity for the period	4,163,234	976,781
Equity at the beginning of the period	5,739,664	4,762,883
Equity at the end of the period	9,902,898	5,739,664

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 25.

cash flow statement

for the year ended 30 June 2006

Notes	2006 \$	2005 \$
Cash flows from operating activities		
Interest received	227,936	147,753
Dividends received	20,429	168,688
Other income received	3,023	15,000
Cash payments in the course of operations	(243,459)	(191,944)
Income tax paid	(106,585)	(38,330)
Net cash flows from operating activities	15 (98,656)	101,167
Cash flows from investing activities		
Proceeds from sale of investments	686,056	1,338,401
Payments for investments	(1,577,127)	(896,615)
Loans provided	(499,800)	(750,000)
Loans repaid	499,800	400,000
Net cash flows from investing activities	(891,071)	91,786
Cash flows from financing activities		
Shares issued	3,163,534	417,250
Dividends paid	-	(383,325)
Net cash flows from financing activities	3,163,534	33,925
Net increase in cash held		
Cash at the beginning of the financial year	2,824,740	2,597,862
Cash at the end of the financial year	15 4,998,547	2,824,740

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 10 to 25.

notes to the financial statements

for the year ended 30 June 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this report are:

a) Basis of Preparation

The financial report is a general-purpose report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Urgent Issue Group Interpretations. The financial report has also been prepared on a historical cost basis, except for "available-for-sale" investments, which have been measured at fair value.

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

AASB 7 Financial Instruments: Disclosure which has recently been issued but is not effective until 1 January 2007, has not been adopted for the annual reporting period ending 30 June 2006. Application of the standard will not effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

c) Cash and Cash Equivalents

For the cash flow statement, cash includes cash on hand and deposits held at call with banks, net of bank overdrafts.

d) Revenue Recognition

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

e) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

f) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

h) Trade and Other Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

notes to the financial statements

for the year ended 30 June 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (cont.)

i) Investments and Other Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, “held-to-maturity” investments, or “available-for-sale” investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

“Available-for-sale” investments

“Available-for-sale” investments are those non-derivative financial assets that are designated as “available-for-sale”. After initial recognition “available-for-sale” investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques, such as discounted cash flow analysis or by reference to the investments underlying net assets. Where fair value cannot be reliably measured investments are measured at cost.

j) Income Tax

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

k) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

notes to the financial statements

for the year ended 30 June 2006

	2006 \$	2005 \$
NOTE 2: INCOME		
Interest income	295,493	167,669
Net gain on sale of equity investments	197,973	1,068,193
Dividends received	20,429	168,688
Other income	3,022	15,000
Total income	516,917	1,419,550
NOTE 3: DIVIDENDS		
No dividends have been declared, paid or provided in the year ended 30 June 2006		
Dividend of 0.5 cent per share paid on 16 September 2004	-	120,988
Dividend of 1 cent per share paid on 27 June 2005	-	262,337
	-	383,325

Franking credits available, after allowing for the payment of the estimated year end tax provision, are \$191,328 (2005: \$145,782).

notes to the financial statements

for the year ended 30 June 2006

	2006 \$	2005 \$
NOTE 4: INCOME TAX		
(a) Income tax expense		
Prima facie income tax on operating profit calculated at 25% (2005: 25%)	69,630	305,371
Under/(over) provision in respect of prior years	20,471	(2,520)
Reduced PDF tax rate on net investment income	(11,798)	(115,830)
Franked dividends received	(6,566)	(54,221)
Other	75	-
Income tax attributable to profit	71,812	132,800
Comprises:		
Current tax	34,532	131,658
Deferred tax	16,809	3,662
Under/(over) provision in respect of prior years	20,471	(2,520)
	71,812	132,800
(b) Current tax liability		
Income tax payable	6,025	128,641
(c) Deferred income tax		
Deferred income tax at 30 June related to the following items at the expected applicable rate of 25%:		
Deferred tax assets:		
- Cost of capital raising	26,221	14,866
- Unrealised loss on shares	-	17,001
- Provision and accrued expenses	5,585	(625)
	31,806	31,242
Deferred tax liabilities:		
- Unrealised profit on shares	180,297	-
- Receivables	17,489	-
	197,786	-

notes to the financial statements

for the year ended 30 June 2006

	2006 \$	2005 \$
NOTE 5: AUDITORS' REMUNERATION		
The remuneration of the Auditors of the Company for audit, and the review of the half year financial report for the year was \$14,500 (2005: \$9,000). The auditor of the Company is HLB Mann Judd (NSW Partnership).		
NOTE 6: TRADE AND OTHER RECEIVABLES		
Current		
Interest receivable	35,019	8,000
GST receivable	4,636	2,327
Other receivables	7,414	11,456
	47,069	21,783
NOTE 7: LOANS AND RECEIVABLES		
Non-current		
Secured loans	408,224	367,687
Convertible notes	56,698	-
	464,922	367,687

The secured loan of \$408,224 is with Soilwise Pty Limited and the convertible note is with Plantic Technologies Limited.

notes to the financial statements

for the year ended 30 June 2006

	2006 \$	2005 \$
NOTE 8: FINANCIAL ASSETS – "AVAILABLE-FOR-SALE"		
Non-current		
Unlisted shares in other corporations	2,009,333	1,290,865
Listed shares at market value	2,567,132	1,361,536
	4,576,465	2,652,401
Unlisted shares in other corporations comprise:		
<ul style="list-style-type: none"> > 20% shareholding in Soilwise Pty Limited at a cost of \$35,000 (2005: \$35,000). The investment is not accounted for in accordance with AASB 128 <i>Investments in Associates</i> as there is no influence exerted on the operations of the Company; > 20% shareholding in Wind Corporation Australia Limited at a fair value of \$1,218,468 (2005: \$1,000,000). The investment is not accounted for in accordance with AASB 128 <i>Investments in Associates</i> as the remaining investor controls the remaining 80% interest so no influence is exerted on the operations of the Company; > 28,558 ordinary shares in Plantic Technologies Limited at a cost of \$255,866 (2005: \$255,866); and > 2.5% shareholding in Biodiesel Producers Limited at a cost of \$500,000. 		
NOTE 9: TRADE AND OTHER PAYABLES		
Current		
Sundry creditors and accruals	12,100	19,117
Establishment costs	-	10,431
	12,100	29,548

notes to the financial statements

for the year ended 30 June 2006

	2006		2005	
	No. of shares	\$	No. of shares	\$
NOTE 10: CONTRIBUTED EQUITY				
Ordinary shares				
Opening balance	26,283,775	5,127,814	4,839,505	4,718,387
Share split (a)	-	-	19,358,020	-
New shares issued (b)	16,868,750	3,373,750	-	-
Options exercised (c)	67,500	13,500	2,086,250	417,250
Costs of capital raising	-	(379,779)	-	(7,823)
Income tax on costs of capital raising	-	31,212	-	-
Balance at the end of the year	43,220,025	8,166,497	26,283,775	5,127,814

(a) At a general meeting of the Company held on 16 July 2004, Members approved a share split whereby each original share was converted into five new shares.

(b) In accordance with the prospectus dated 19 October 2005 an additional 16,868,750 shares were issued with the same rights and entitlements as all other shares on issue.

(c) During the year 13,500 options were exercised resulting in 67,500 new shares being issued.

	2006	2005
	\$	\$
NOTE 11: RETAINED PROFITS		
Balance at the beginning of the year	662,854	(42,504)
Net profit from operating activities	206,708	1,088,683
Dividends paid	-	(383,325)
Balance at the end of the year	869,562	662,854

notes to the financial statements

for the year ended 30 June 2006

	Share options reserve \$	Market value reserve \$	Total other reserves \$
NOTE: 12: OTHER RESERVES			
Year ending 30 June 2006:			
Balance at the beginning of the year	-	(51,004)	(51,004)
Change in fair value of "available-for-sale" assets	-	932,134	932,134
Transferred to income statement on realisation	-	(40,194)	(40,194)
Income tax effect of market value movements	-	(140,591)	(140,591)
Grant of options (i)	166,494	-	166,494
Balance at the end of the year	166,494	700,345	866,839
Year ending 30 June 2005:			
Balance at the beginning of the year	-	87,000	87,000
Change in fair value of "available-for-sale" assets	-	(385,692)	(385,692)
Transferred to income statement on realisation	-	201,686	201,686
Income tax effect of market value movements	-	46,002	46,002
Balance at the end of the year	-	(51,004)	(51,004)

(i) In accordance with the terms of the Rights Issue and Public Offer on 19 October 2005, CVC Managers Pty Limited, the manager of the Company, was issued 2,530,312 share options. As explained in detail in the prospectus issued for the offers, the options were valued at 6.58 cents per share using a binomial model. The value of the options were based on the following assumptions:

- > The expiry date is 20 December 2013;
- > Risk free interest rate of 5.175%;
- > Volatility factor of 10%;
- > A dividend yield of 0%.

As the options do not have any vesting conditions, the full value of \$166,494 has been credited to the share option reserve and charged as a cost of the capital raising on the date of grant.

As at 30 June 2006, the following options are outstanding:

	No. of options	Equivalent shares (*)	Exercise price (*)	Expiry date
Initial investor options	1,918,500	9,592,500	20 cents	5 Mar 2007
Initial manager options	685,875	3,429,375	20 cents	5 Mar 2012
New manager options	2,530,312	2,530,312	20 cents	20 Dec 2013
		15,552,187		

(*) The initial investor and initial manager options were issued prior to the 5 for 1 share split. Whilst the options have not been reissued, in accordance with a deed poll entered into by the Company on 12 October 2004, each option to acquire 1 share at \$1 can be considered to be an option to acquire 5 shares at 20 cents each.

notes to the financial statements

for the year ended 30 June 2006

NOTE 13: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and the financial liabilities is set out below:

	Notes	Floating interest rate	1 year or less	1 to 5 years	Non- interest bearing	Total
2006						
Financial assets						
Cash and cash equivalents	15	1,155,521	3,843,026	-	-	4,998,547
Trade and other receivables	6	-	-	-	47,069	47,069
Loans and receivables	7	-	-	464,922	-	464,922
Weighted average interest rate		5.56%	5.92%	14.78%	-	
Financial liabilities						
Trade and other payables	9	-	-	-	12,100	12,100
Weighted average interest rate		-	-	-	-	
2005						
Financial assets						
Cash and cash equivalents	15	2,824,740	-	-	-	2,824,740
Trade and other receivables	6	-	-	-	21,783	21,783
Loans and receivables	7	-	-	367,687	-	367,687
Weighted average interest rate		5.5%	-	15.5%	-	
Financial liabilities						
Trade and other payables	9	-	-	-	29,548	29,548
Weighted average interest rate		-	-	-	-	

notes to the financial statements

for the year ended 30 June 2006

NOTE 13: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (cont.)

Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments of the Company which have been recognised in the balance sheet, is the carrying amount net of any provision for doubtful debts.

Fair value of financial assets and liabilities

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, accounts receivable, loans receivable, accounts payable and dividends payable approximate fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

NOTE 14: RELATED PARTIES

The compensation of the key management personnel of the Company was as follows:

- (a) Total of the income paid or payable or otherwise made available, to all key management personnel of the Company directly or indirectly from the entity or any related party:

	2006 \$	2005 \$
Dr S Gosling - fees	12,000	12,000
Mr P Toyne - fees	12,000	12,000
	24,000	24,000

The Company does not have a remuneration committee. Notwithstanding the objective is to continue the policy of paying sufficient competitive compensation to attract key management personnel with the necessary skills to manage the Company.

- (b) No retirement allowances were paid to key management personnel of the Company.
- (c) Except as detailed above, no other amount of remuneration is paid to key management personnel in connection with the management of the affairs of the Company.

notes to the financial statements

for the year ended 30 June 2006

NOTE 14: RELATED PARTIES (cont.)

Directors

Persons holding the positions of Directors of CVC Sustainable Investments Limited during the financial year are:

V R Gould, A D H Beard, J D Read, S M Gosling, P Toyne.

Transactions with related parties

The Company pays management fees to its Investment Manager calculated at 2.5% of the net assets of the fund at the end of the previous financial year. During the year fees of \$142,560 were paid to CVC Managers Pty Limited (2005: \$77,928) and fees of \$Nil were paid to Leagou Pty Limited (2005: \$38,964). Messrs Beard and Gould were Directors of CVC Managers Pty Limited and Mr Gould is a Director of Leagou Pty Limited during the year.

Under the terms of the prospectus issued on 17 August 2001, the Company is committed to reimbursing establishment costs of the Investment Manager, capped at 2.5% of capital raised. During the year, \$206,583 (2005: \$10,431) of establishment fees were paid or are payable to the Investment Manager as a result of capital raised.

NOTE 15: NOTES TO THE CASH FLOW STATEMENT**Reconciliation of cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank and short-term deposits at call. Cash and cash equivalents as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2006 \$	2005 \$
Cash on hand	13,627	30,395
Cash on deposit	4,984,920	2,794,345
Cash and cash equivalents	4,998,547	2,824,740
Cash flows from operating activities		
Cash flows from operating activities are reconciled to profit after tax expense as follows:		
Net profit after tax expense	206,708	1,088,683
Non-cash items:		
Net gain on sale of equity investments	(197,973)	(1,068,193)
Change in assets and liabilities:		
Decrease in receivables	(65,823)	(17,743)
Increase in deferred tax liabilities	74,197	-
Decrease/(increase) in current tax liabilities	(122,616)	92,004
Increase/ (decrease) in accounts payable	(6,795)	3,950
Decrease in deferred tax assets	13,646	2,466
Cash flows from operating activities	(98,656)	101,167

notes to the financial statements

for the year ended 30 June 2006

notes to the financial statements

for the year ended 30 June 2006

NOTE 16: SEGMENT INFORMATION

The Company predominantly operates in investment activities in Australia.

NOTE 17: OTHER INFORMATION

The Company was incorporated on 21st July 1999. The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Level 42, AAP Centre, 259 George Street, Sydney NSW 2000.

NOTE 18: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For all periods up to and including the year ended 30 June 2005, the Company prepared its financial statements in accordance with Australian Generally Accepted Accounting Principles (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Company is required to prepare in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Company has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

This note explains the principal adjustments made by the Company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

NOTE 18: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

	Notes	Previous AGAAP \$	Adjustment \$	AIFRS \$
CURRENT ASSETS				
Cash and cash equivalents		2,597,862	-	2,597,862
Trade and other receivables		21,727	-	21,727
Total current assets		2,619,589	-	2,619,589
NON-CURRENT ASSETS				
Other financial assets	(i)	2,094,000	116,000	2,210,000
Deferred tax assets	(i)	14,098	(14,098)	-
Total non-current assets		2,108,098	101,902	2,210,000
TOTAL ASSETS		4,727,687	101,902	4,829,589
CURRENT LIABILITIES				
Trade and other payables		15,167	-	15,167
Current tax liabilities		36,637	-	36,637
Total current liabilities		51,804	-	51,804
NON-CURRENT LIABILITIES				
Deferred tax liabilities	(i)	-	14,902	14,902
Total non-current liabilities		-	14,902	14,902
TOTAL LIABILITIES		51,804	14,902	66,706
NET ASSETS		4,675,883	87,000	4,762,883
EQUITY				
Contributed equity		4,718,387	-	4,718,387
Accumulated losses		(42,504)	-	(42,504)
Other reserves	(i)	-	87,000	87,000
TOTAL EQUITY		4,675,883	87,000	4,762,883

notes to the financial statements

for the year ended 30 June 2006

notes to the financial statements

for the year ended 30 June 2006

NOTE 18: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

	Notes	Previous AGAAP \$	Adjustment \$	AIFRS \$
CURRENT ASSETS				
Cash and cash equivalents		2,824,740	-	2,824,740
Trade and other receivables		21,783	-	21,783
Total current assets		2,846,523	-	2,846,523
NON-CURRENT ASSETS				
Trade and other receivables		367,687	-	367,687
Other financial assets	(i)	2,606,004	46,397	2,652,401
Deferred tax assets	(i)	40,233	(8,991)	31,242
Total non-current assets		3,013,924	37,406	3,051,330
TOTAL ASSETS		5,860,447	37,406	5,897,853
CURRENT LIABILITIES				
Trade and other payables		29,548	-	29,548
Current tax liabilities		128,641	-	128,641
Total current liabilities		158,189	-	158,189
TOTAL LIABILITIES		158,189	-	158,189
NET ASSETS		5,702,258	37,406	5,739,664
EQUITY				
Contributed equity	(ii)	5,125,206	2,608	5,127,814
Retained profits	(i)	577,052	85,802	662,854
Other reserves	(i)	-	(51,004)	(51,004)
TOTAL EQUITY		5,702,258	37,406	5,739,664

NOTE 18: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

Income Statement for the year ended 30 June 2005

	Notes	Previous AGAAP \$	Adjustment \$	AIFRS \$
INCOME				
Interest received		167,669	-	167,669
Net gain on sale of equity investments	(i)	2,162,080	(1,093,887)	1,068,193
Dividends received		168,688	-	168,688
Other income		15,000	-	15,000
Total income		2,513,437	(1,093,887)	1,419,550
EXPENSES				
Audit fees		9,000	-	9,000
Cost of shares sold	(i)	1,093,887	(1,093,887)	-
Director's fees		24,000	-	24,000
Insurance		9,494	-	9,494
Management and consulting		128,893	-	128,893
Printing		9,432	-	9,432
Share registry		6,415	-	6,415
Unrealised loss on investments	(i)	114,403	(114,403)	-
Other expenses		10,833	-	10,833
Profit before related income tax expense		1,107,080	114,403	1,221,483
Income tax expense	(i), (ii)	(104,199)	(28,601)	(132,800)
Net profit		1,002,881	85,802	1,088,683

Notes:

(i) Under AGAAP, listed investments were only carried at market value where this was lower than cost. Under AIFRS, all listed investments are carried at market value and so an adjustment needs to be recognised to increase the carrying value of those listed investments that had appreciated in value.

Where such investment is restated to market value and its carrying value is higher than its cost base for tax purposes under AIFRS, a deferred tax liability is recognised for the tax that is payable should the investment be realised at its carrying value.

(ii) The company is able to claim deferred tax deductions for the costs of raising share capital. Under AIFRS, a tax asset is recognised at balance date for the estimated tax benefit in respect of the future deductions that can be claimed.

notes to the financial statements

for the year ended 30 June 2006

directors' declaration

for the year ended 30 June 2006

1. The directors of the Company declare that in their opinion:
 - (a) the financial statements and associated notes, set out on pages 6 to 25, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney 30th of August 2006.

V R Gould
Director

A D H Beard
Director

To the Directors of CVC Sustainable Investments Limited

As lead auditor for the audit of CVC Sustainable Investments Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

P B Meade
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Dated at Sydney 30th of August 2006.

auditors' independence declaration

for the year ended 30 June 2006

independent auditors' report

to the Members of
CVC Sustainable Investments Limited

SCOPE

The financial report and directors' responsibility

The financial report comprises the balance sheet as at 30 June 2006, the income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the Directors' declaration for the year ended 30 June 2006 for CVC Sustainable Investments Limited ("the Company") as set out on pages 6 to 26.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates within the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- > examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

- > assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of the Company is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Dated at Sydney 30th of August 2006.

P Meade
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

company particulars

registered office

Level 42, AAP Centre
259 George Street
Sydney NSW 2000

directors

Vanda Gould | Susan Gosling | John Read
Alexander Beard | Phillip Toyne

secretary

John Hunter

bankers

Suncorp-Metway Limited
Westpac Banking Corporation Limited

auditors

HLB Mann Judd (NSW Partnership)
Chartered Accountants
Level 19, 207 Kent Street
Sydney NSW 2000

share registry

Gould Ralph Pty Limited
Level 42, AAP Centre, 259 George Street
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