

Investments that Build Investor Wealth and a Better Environment

**FUND OVERVIEW**

CVCSI has had a promising September quarter with an investment in Environmental Group Limited (ASX:EGL) and the profitable exit of our investment in Traffic Technologies Limited. Over the quarter we continued to review a number of opportunities in the water, waste, energy and water efficiency and renewable energy sectors. An update on each of the portfolio companies is contained overleaf.

**FUND STRUCTURE**

CVCSI has been investigating changes to the Fund's structure which will improve our ability to take advantage of opportunities in the environmental sector. CVCSI is registered as a Pooled Development Fund (PDF), a structure which provides both the company and shareholders with favourable tax treatment on capital gains and dividends. The PDF Act places certain restrictions on the types of investments the Fund can make.

The proposed changes in structure will allow CVCSI to invest in opportunities outside the PDF restrictions while maintaining a portion of the tax advantaged status. In particular, we will be able to invest in companies with assets over \$50 million and will be able to acquire traded shares on the ASX. Notwithstanding this, we intend to continue to apply the same stated investment philosophy. We will be seeking shareholder's approval for the changes and will be sending through a full explanatory memorandum on the changed structure shortly.

**2006 CAPITAL RAISING**

CVCSI is in the process of preparing to open the fund for further subscriptions. It is likely that the new prospectus will be available in December 2006 and will remain open indefinitely.

**DIVIDENDS**

CVCSI is pleased to report that a dividend of 0.5 cents per share will be paid to shareholders on 11 December 2006.

Subject to shareholder approval at the AGM, we are proposing to implement a Dividend Reinvestment Plan ("DRP"). If approved, the DRP will provide shareholders who hold fully paid shares in the Company with a convenient means of increasing their shareholding in CVCSI by reinvesting all or part of their dividends in additional fully paid ordinary shares at a discount to the net asset per share value.

**FUND PERFORMANCE**

CVCSI has achieved the following tax free returns:

Last quarter	-2.4%
Since last capital raising (Dec 05)	11.9%
Since inception	5.55%

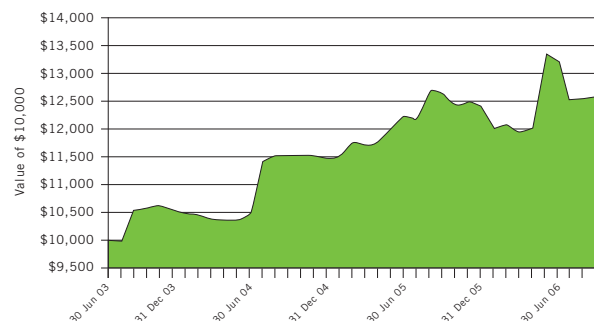
We are confident, particularly with the change in structure, that we will have deployed a large portion of cash in the near future. Opportunities for follow on investment in our existing portfolio are pending and there are a number of new opportunities being reviewed.

Net assets, based on unaudited management accounts as at 30 September 2006 were:

Net assets	\$9.67 million
Net assets per share	22.37 cents per share

**VALUE OF \$10,000**

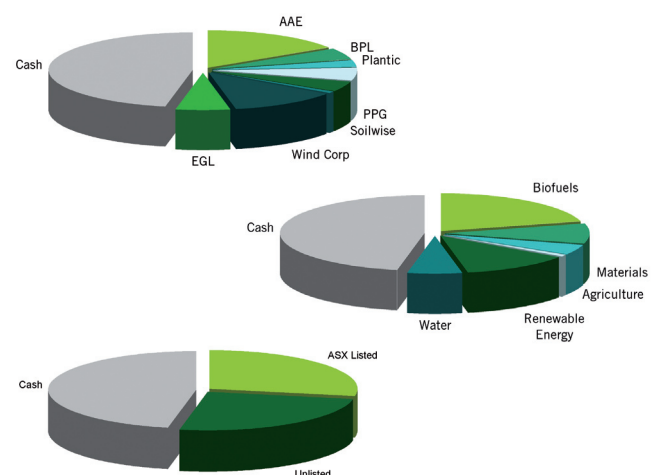
The value of \$10,000 invested in CVCSI since June 2003 is shown in the following graph:



**ASSET ALLOCATION**

Deal flow strength has continued but we remain cautious about many of the opportunities presented to us due to their early stage or lack of commercial viability. Over 30 investment opportunities were reviewed during the period across a wide range of sectors.

**CVCSI Asset Allocation as at September 2006**



The proposed change in structure of the fund discussed earlier should have a positive impact on our ability to source opportunities and deploy funds.

## CURRENT INVESTMENTS



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. WCA has recorded a strong performance in 2006 with an operating profit of \$581,387. The outlook for WCA remains very positive, particularly as the important government policy settings, against the increasing climate change debate, strengthen in favour of renewable energy.

### Biodiesel Producers Limited

Biodiesel Producers Limited (BPL) is a biodiesel developer in the process of constructing its first facility in the Wodonga area. We are pleased to report that BPL has made substantial progress in the construction of this facility with commissioning by April 2007 being achievable. BPL are in the process of recruiting management personnel along with additional finance and engineering support staff and sourcing contracts for feedstock and offtake. The company is also investigating potential opportunities within the New Zealand market.



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 is continuing with its strategy of expansion through acquisition of synergistic packaging companies. In September 2006, Pro-Pac completed the acquisition of Gaine Packaging, a niche Melbourne based distributor of general industrial packaging products.



Soilwise Pty Limited is in the process of establishing a network of 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. It is with a great deal of sorrow that we announce the passing of Bruce Fashom who died suddenly in Melbourne in August. Bruce had been both the vision and driving force behind Soilwise. The passing of Bruce has had an impact on the overall operations and expansion strategy and CVCSI will continue to monitor the company's progress.



Plantic is an Australian company which has developed plastic substitute product made from an extrusion of corn starch. During the last quarter, Plantic have made good progress in expanding the range of applications for their Plantic® technology. Sales have increased by 124% and Plantic has now consolidated its commercial operation in Europe, establishing a direct sales force in the UK and Germany. The company has also finalised its relocation to new premises in Altona Victoria which has provided scope for an upgrade of its manufacturing process. Facilities now include bulk handling and sheet drying and a second extrusion line for Resin production has been planned and will be completed in early 2007. Plantic is continuing with its strategy of identifying and commercialising niche usages for its core patented product.



### Australian Ethanol Limited

Australian Ethanol Limited (ASX:AAE) is a developer of alternative fuels both in Australia and the US. Australian Ethanol Limited (AAE) commenced construction of the Swan Hill Ethanol Project on 21 August 2006. The facility is the first grain ethanol plant to be built in Australia and has a nameplate capacity of 100 million litres per year (Mlpy) of fuel grade ethanol from a feedstock of corn, wheat and barley. The project is planned to reach full capacity by the end of calendar year 2007. AAE's biofuels business model provides significant social, economic and environmental benefits including increased regional employment, energy supply security, improved balance of payments, improved air quality with significant health benefits and lower greenhouse emissions.



On 2 November 2006 CVCSI realized its holdings in Traffic Technologies Limited. Total profit on the investment equated to \$237,916, representing an internal rate of return of 32%.

## NEW INVESTMENT



CVCSI is pleased to announce a new investment in ASX listed Environmental Group Limited (ASX:EGL). EGL is a diversified Australian environmental solutions company providing services in the fields of air and odour pollution control and gas cleaning, industrial and municipal water and wastewater treatment management and low pressure sewer products and systems. EGL has embarked upon an expansion program within the environmental services sector and CVCSI's investment has assisted EGL in acquiring Mine Assist Limited, a company based in the Hunter region which provides a range of environmental services to the resources sector. The investment provides CVCSI with exposure to the environmental products and services industry with a particular focus on water and waste.

### Contact details:

If you have any questions, or require assistance at any time please contact our office.

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