

PROFITS THAT DON'T COST THE EARTH™

Annual Report 2008

COMPANY PARTICULARS

CVC Sustainable Investments Limited and its Stapled Entity



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REGISTERED OFFICE

Level 42, 259 George Street, Sydney NSW 2000

DIRECTORS

Vanda Gould | John Read | Alexander Beard
Phillip Toyne | Mark Fogarty

MANAGEMENT TEAM

Alexander Beard | Vanda Gould | John Read
Phillip Toyne | Mark Fogarty | William Highland
Sean Wiles | Jo Hume | Tony McLennan

SECRETARIES

Alexander Beard | 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, 259 George Street, Sydney NSW 2000

CVC Sustainable Investments Limited
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**"AT CVCSI, WE ARE COMMITTED
AND WELL-PLACED TO
BUILD ON OUR STRONG TRACK
RECORD OF GENERATING
PROFITS THAT LITERALLY
DON'T COST THE EARTH."**



Vanda Gould

Dear Shareholder

On behalf of the Board of Directors, I present the seventh annual report for stapled entities CVC Sustainable Investments Limited and CVC Sustainable Investments No. 2 Limited ("CVC Sustainable Investments" or "CVCSI").

At CVCSI, we have seen a significant increase in the level of environmental awareness during the year. From a legislative perspective, the Federal Government recently released its Green Paper on the Carbon Pollution Reduction Scheme ("CPRS") - a scheme that will have implications for all Australian businesses and that will provide immense opportunities for investors and traders. Whilst the CPRS is the Federal Government's key emissions reduction policy, the expansion of the Mandatory Renewable Energy Target ("MRET") to 20% by 2020 will be an important complementary measure to aid the delivery of lower long-term abatement costs by driving investments in renewables.

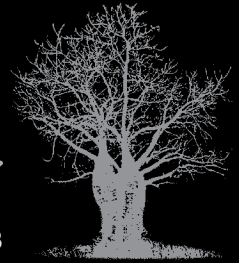
This increase in environmental activity has also come at a tumultuous time for global financial markets. When we look back on the financial trials and tribulations of the past months, in my opinion the root cause, apart from human cupidity, was the action of Dr Alan Greenspan and the US Federal Reserve Board in running a regime of extremely cheap money. Interest rates below 3% do not encourage savers and indeed penalise them. Combine inflation with taxes and low interest rates and you have negative returns. Simplistically, no rational person saves in such an environment.

At CVCSI we offer an alternative to savers as they can invest in our shares and achieve asset value growth. We have done that with minimal or no external debt because our investments are typically long-term and illiquid and sometimes can only be realised in up stages of the economic cycle. Our peers, because they use debt, have been forced to sell investment assets at knock-down prices. We will continue to pursue a debt-free strategy, which has proven to be successful since the Fund's inception, but adapt it to changes and opportunities the market presents.

In light of the above, I was interested to hear Mr Donald McDonald, Chair of the United Nations-backed Principles for Responsible

CHAIRMAN'S REPORT

For the year ended 30 June 2008



"WE WILL CONTINUE TO PURSUE A DEBT-FREE STRATEGY, WHICH HAS PROVEN TO BE SUCCESSFUL SINCE THE FUND'S INCEPTION..."

Investment initiative, which has attracted over 400 global investment institutions, managing over US\$15 trillion of assets, recently comment that:

"...investors in general have taken a long hard look at the credit crunch and some of the practices that caused it and decided they can benefit from more comprehensive analysis of investment risk, one which incorporates environmental, social and governance issues into decision-making and ownership practices".

In response to this, CVCSI has been able to grow its net assets under management during the year by over 25% to \$14.6 million. Indeed, over the last two financial years, we have close to doubled the Fund's size.

In terms of our individual investments, we are pleased to report that CVCSI increased its stake in the ASX-listed diversified environmental solutions company, the Environmental Group Limited (ASX: EGL), during the period. CVCSI's investment was part of the equity financing for EGL's purchase of Total Air Pollution Control Pty Ltd, a company specialising in the manufacture and distribution of air remediation filters and related products. It is also encouraging to note that EGL achieved a \$2 million improvement to operating profit, record cash flows from operations and the declaration of a maiden fully franked dividend during the 2008 financial year.

Among other activities, CVCSI made investments in DoloMatrix International Limited (ASX: DMX) and BioPower Systems Pty Limited ("BPS") during the year. DMX is a technology-based business, specialising in the treatment of hazardous wastes, site remediation and industrial process residues. After a period of organic growth and acquisitions, DMX increased its sales by over 30% and achieved a \$1.1 million improvement to net profit during the year. BPS is an emerging company that is developing and commercialising its ocean power conversion systems. CVCSI participated, alongside the CVC Renewable Energy Equity Fund and Lend Lease Ventures, in BPS' equity capital raising to provide funding for its upcoming pilot project. BPS is CVCSI's first exposure

to the growing and exciting wave energy sector, complementing our other renewable energy investments.

CVCSI also successfully sold its stake in Plantic Technologies Limited ("Plantic"), which generated an annualised return on this investment of circa 28%. Subsequent to year end, CVCSI sold 50% of its shareholding in HydroChile Pty Ltd ("HydroChile") as part of the Company's \$30 million capital raising. This generated an annualised return of 81% and increased the total value of CVCSI's investment portfolio by over 10%. HydroChile is an Australian company that is developing small-scale "run-of-river" hydro-electricity projects in Chile and has recently secured a 15-year power purchase agreement for 30MW.

Unfortunately, the above achievements were somewhat countered by the performance of Agri Energy Limited (ASX: AAE). Following a period of funding uncertainty and feedstock price volatility, the Company filed for Bankruptcy in the US post year-end for its principle asset, Beatrice Biodiesel LLC. As a result, the Directors resolved to appoint a Voluntary Administrator to AAE. CVCSI prudently wrote down its investment in AAE to nil during the year.

As previously reported to you, our own capital raising process is ongoing. By continuing to grow the Fund, our focus will remain on identifying industries and companies that are capable of both success over an extended period of time and that provide the platform for actively addressing society's environmental concerns. This may include follow-on investments in existing investees, building controlling stakes in undervalued listed and unlisted companies and targeting emerging sectors on our radar (including water, energy efficiency, renewable energy and carbon capture and storage).

At CVCSI, we are committed and well-placed to build on our strong track record of generating profits that literally don't cost the earth.

Once again I thank you for supporting CVC Sustainable Investments.

Vanda Gould
Chairman

DIRECTORS' REPORT

For the year ended 30 June 2008

The Directors present the report of CVC Sustainable Investments Limited (the "Company") and of the Consolidated Entity (the "Group"), being the Company and its stapled entity for the year ended 30 June 2008, 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)

Chairman of Vita Life Sciences Limited, Cyclopharm Limited, CVC Limited and CVC Private Equity Limited and 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, Pro-Pac Packaging Limited and Patrys Limited, and Director of CVC Limited, CVC Private Equity Limited and was a Director 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.

Chairman of Cellnet Limited and Director of CVC Limited, Mercury Mobility Limited, CVC Trinity Property Fund and CVC Private Equity Limited and was a Director of Blue Energy Limited and Greens Foods Limited.

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 Ltd, Earthmark Pty Limited and ITC Limited. President of the Australian Bush Heritage Fund.

Mark Fogarty (Non Executive Director, appointed on 13 February 2008)
B Legs (Macq Uni), LLM (Environ Law) (Uni. of Syd), MMgT (MGSM)

Admitted to Practise NSW Supreme Court.
Director of Asia Carbon Pacific Pty Limited.

John Andrew Hunter (Company Secretary)
B.Com. (ANU), MBA (MGSM)

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 Group during the financial year were:

	No. of meetings attended	No. of meetings held
Mr V R Gould	5	5
Mr J D Read	5	5
Mr A D H Beard	5	5
Mr P Toyne	2	5
Mr M Fogarty	2	3

AUDIT COMMITTEE MEETINGS

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

	No. of meetings attended	No. of meetings held
Mr J D Read	2	2
Mr V R Gould	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 Group recorded a loss after tax of \$2,003,967 for the year (2007: profit of \$229,352).

DIVIDENDS

No final dividends have been declared, paid or provided during the year ended 30 June 2008. An interim dividend in respect of the year ended 30 June 2008 of 0.5 cents per ordinary share amounting to \$333,963 was paid on 21 December 2007.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS OF THE GROUP

During the year:

- The investment in HydroChile Pty Limited was revalued from \$2 million to \$5.4 million based on the capital raising being completed;
- Based on the ASX share price at 30 June 2008 the value of the shareholding in The Environmental Group Limited ("EGL") has increased by 31.1% representing an increase of \$939,217.

Additionally, \$305,000 was received from EGL for services provided during the capital raising;

- An investment of \$250,000 was made in BioPower Systems Pty Limited;
- The listed share portfolio continued to expand; and
- An impairment provision was raised against the investment in Agri Energy Limited and Soilwise Pty Limited, resulting in an impairment loss of \$3,017,030.

In accordance with the prospectus dated 3 April 2007, the Group issued 9,709,360 shares as part of the Public Offer. Additionally, the Group issued 3,378,274 shares from converting the loan with CVC Limited and 3,459,687 shares through the exercise of options by CVC Managers Pty Limited.

During the course of the year, 2,887,926 options have been issued to CVC Managers Pty Limited.

SHARE OPTIONS OVER ORDINARY SHARES

In accordance with the terms of the public offer dated 3 April 2007, CVC Managers Pty Limited, the manager of the Group, has been issued 2,887,926 options. The options were valued using the Black-Scholes model based on the security price at which the options are exercised. As the options do not have any vesting conditions the full value of \$73,908 has been credited to the share options reserve and charged as a cost of the capital raising on the date of grant.

As at 30 June 2008, the following options are outstanding:

Expiry date	Option value	Number of options	Exercise price
11 December 2016	5.85 cents	28,343	21.68 cents
30 April 2017	5.80 cents	36,279	21.50 cents
31 May 2017	5.90 cents	459,746	21.86 cents
30 June 2017	5.95 cents	316,676	22.04 cents
31 July 2017	5.78 cents	168,847	21.41 cents
31 August 2017	5.79 cents	134,183	21.48 cents
30 September 2017	5.52 cents	336,301	20.47 cents
31 October 2017	5.46 cents	141,408	20.25 cents
30 November 2017	4.93 cents	736,375	18.29 cents
31 December 2017	5.49 cents	87,629	20.34 cents
31 January 2018	5.05 cents	138,115	18.72 cents
29 February 2018	5.09 cents	198,865	18.04 cents
31 March 2018	5.15 cents	61,800	17.50 cents
31 May 2018	4.91 cents	9,268	16.67 cents
30 June 2018	7.83 cents	34,091	20.13 cents
		2,887,926	

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE GROUP

Messrs Gould, Read and Beard have an indirect interest in the 7,581,829 shares in the Group held by CVC Limited.

Messrs Gould, Read and Beard have an indirect interest in the 6,109,957 shares and 2,887,926 options in the Group held by CVC Managers Pty Limited.

Mr Gould has an indirect interest in 2,232 shares in the Group and Mr Beard has an indirect interest in 26,218 shares in the Group.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end, the group sold 51% of its shareholding in HydroChile Pty Limited for 15 cents per share generating a total profit after selling expenses of approximately \$1 million.

CVC Limited has extended its unsecured loan facility which was due to expire on 20 September 2008 for an additional 12 months.

Other than as set out above, 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 Group, the results of those operations or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The future direction of the Group 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 Group to provide a basis for further and broader investment opportunities.

As an investment Group, the results of the Group 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 Group.

DIRECTORS' BENEFITS

During the year \$12,000 in fees was paid to Phillip Toyne. Further information on Directors' benefits is set out in Note 17.

DIRECTORS' REPORT

For the year ended 30 June 2008

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has not, during or since the financial period, in respect of any person who is or has been an auditor or officer of the Group 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 insurance for Directors and Officers of the Group. In accordance with S.300 (9) of the *Corporations Act 2001* further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

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 29.

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

Dated at Sydney 29 September 2008.

J D Read
Director

A D H Beard
Director

INCOME STATEMENTS

For the year ended 30 June 2008

	Notes	[Consolidated]		[The Company]	
		2008	2007	2008	2007
		\$	\$	\$	\$
INCOME					
Management fee		-	261,077	-	261,077
Interest received		55,337	235,532	10,176	222,722
Net gain on sale of equity investment		73,714	342,280	57,217	210,724
Dividends received		126,383	34,402	36,311	34,402
Other income		305,000	37,500	305,000	37,500
Total income		560,434	910,791	408,704	766,425
Share of net profits of associate accounted for using the equity method	8	136,300	-	-	-
Discount on acquisition of The Environmental Group Limited	8	891,890	-	-	-
EXPENSES					
Audit fees	3	36,500	18,050	19,900	13,050
Director's fees		12,000	21,000	6,000	18,500
Insurance		8,982	15,982	8,267	15,982
Borrowing costs		120,991	-	-	-
Legal fees		62,108	35,967	50,756	35,967
Management and consulting fees		290,161	247,572	147,517	207,530
Printing		18,736	13,082	9,368	12,202
Share registry		16,803	15,617	8,410	13,111
Impairment of "available-for-sale" financial assets		3,017,030	17,500	3,017,030	17,500
Impairment of loans and receivables		-	226,542	-	226,542
Net loss on sale of equity investments		179,411	-	-	-
Other expenses		77,644	7,561	51,903	6,724
(Loss)/profit before related income tax expense		(2,251,742)	291,918	(2,910,447)	199,317
Income tax (benefit)/expense	4	(247,775)	62,566	(443,852)	34,786
Net (loss)/profit		(2,003,967)	229,352	(2,466,595)	164,531
Net (loss)/profit attributable to minority interests	13	453,808	64,821	-	-
Net (loss)/profit attributable to members of the parent entity	12	(2,457,775)	164,531	(2,466,595)	164,531

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 11 to 27.

BALANCE SHEETS

As at 30 June 2008

		[Consolidated]		[The Company]	
	Notes	2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	18	44,240	1,409,931	27,286	382,472
Trade and other receivables	5	332,189	556,652	287,811	467,233
Current tax assets	4	4,450	-	-	-
Total current assets		380,879	1,966,583	315,097	849,705
NON-CURRENT ASSETS					
Loans and receivables	6	226,542	726,542	226,542	226,542
Financial assets	7	10,562,566	9,034,632	8,191,480	8,167,132
Investments accounted for using the equity method	8	5,586,390	-	416,667	-
Deferred tax assets	4	469,609	78,459	81,056	65,109
Total non-current assets		16,845,107	9,839,633	8,915,745	8,458,783
TOTAL ASSETS		17,225,986	11,806,216	9,230,842	9,308,488
CURRENT LIABILITIES					
Trade and other payables	9	93,916	19,491	35,689	12,241
Loans payable	10	2,048,516	-	1,747,433	3,242,250
Current tax liabilities	4	-	92,138	-	66,375
Total current liabilities		2,142,432	111,629	1,783,122	3,320,866
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4	454,016	88,147	136,680	86,869
Total non-current liabilities		454,016	88,147	136,680	86,869
TOTAL LIABILITIES		2,596,448	199,776	1,919,802	3,407,735
NET ASSETS		14,629,538	11,606,440	7,311,040	5,900,753
EQUITY					
Contributed equity	11	6,292,383	4,833,728	6,292,383	4,833,728
Retained profits	12	(1,976,670)	815,068	(1,985,490)	815,068
Other reserves	14	2,992,780	251,957	3,004,147	251,957
Total parent entity interest		7,308,493	5,900,753	7,311,040	5,900,753
Minority interest	13	7,321,045	5,705,687	-	-
TOTAL EQUITY		14,629,538	11,606,440	7,311,040	5,900,753

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 11 to 27.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2008

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Income and expenses recognised directly in equity				
Movements in fair values of "available-for-sale" financial assets recognised directly in equity	2,440,978	(548,397)	3,299,455	(550,806)
Movements in fair values of "available for sale" financial assets transferred to the income statement on realisation	(47,701)	(65,911)	(47,701)	(65,911)
Income tax on items taken directly to or from equity	(245,207)	81,898	(487,763)	82,620
Value of associates share options reserve recognised in other reserves	43,270	-	-	-
Total income and expense recognised directly in equity	2,191,340	(532,410)	2,763,991	(534,097)
(Loss)/profit for the year	(2,003,967)	229,352	(2,466,595)	164,531
Total recognised income and expense for the year	187,373	(303,058)	297,396	(369,566)
Attributable to:				
Shareholders of the parent entity	294,849	(369,566)	297,396	(369,566)
Minority interests	(107,476)	66,508	-	-
	187,373	(303,058)	297,396	(369,566)
Transactions with shareholders in their capacity as shareholders				
Shares issued during the year	2,462,588	2,304,975	1,151,173	1,431,235
Non-equity costs of shares issued	(82,008)	(102,066)	(39,791)	(52,691)
Income tax on costs of shares issued	18,634	22,716	5,969	7,904
In-specie distribution to shareholders	-	-	-	(4,719,217)
Dividend reinvestment plan	110,964	-	43,862	-
Exercise of options	691,936	-	296,976	-
Share options reserve	158,059	-	73,908	(80,785)
Payment for share buyback	(190,485)	-	(85,243)	-
Dividends paid to shareholders	(333,963)	(219,025)	(333,963)	(219,025)
Total transactions with shareholders in their capacity as shareholders	2,835,725	2,006,600	1,112,891	(3,632,579)
Net increase/(decrease) in equity for the year	3,023,098	1,703,542	1,410,287	(4,002,145)
Equity at the beginning of the year	11,606,440	9,902,898	5,900,753	9,902,898
Equity at the end of the year	14,629,538	11,606,440	7,311,040	5,900,753

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 11 to 27.

CASH FLOW STATEMENTS

For the year ended 30 June 2008

		[Consolidated]		[The Company]	
	Notes	2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Interest received		59,255	219,191	12,245	208,231
Dividend received		82,633	34,402	36,311	34,402
Cash receipts in the course of operations		255,031	37,500	250,386	37,500
Cash payments in the course of operations		(383,654)	(397,636)	(216,943)	(265,552)
Interest paid		(1,059)	-	-	-
Income tax paid		(100,667)	(16,500)	(70,453)	(16,500)
Net cash flows (used in)/provided by operating activities	18	(88,461)	(123,043)	11,546	(1,919)
Cash flows from investing activities					
Proceeds from sale of investments		2,303,196	1,100,899	309,974	318,484
Payments for investments		(8,326,102)	(6,550,356)	(288,811)	(4,534,407)
Net cash flows (used in)/provided by investing activities		(6,022,906)	(5,449,457)	21,163	(4,215,923)
Cash flows from financing activities					
Shares issued		1,898,374	2,304,975	859,890	1,431,235
Payments for capital raising costs		(82,009)	(102,066)	(39,791)	(52,691)
Payments for share buyback		(190,485)	-	(85,243)	-
Proceeds from borrowing		5,131,524	-	220,000	-
Borrowing repaid		(1,788,728)	-	(1,119,751)	(1,557,752)
Dividends paid		(223,000)	(219,025)	(223,000)	(219,025)
Net cash flows provided by financing activities		4,745,676	1,983,884	(387,895)	(398,233)
Net (decrease)/increase in cash and cash equivalents held		(1,365,691)	(3,588,616)	(355,186)	(4,616,075)
Cash and cash equivalents at the beginning of the financial year		1,409,931	4,998,547	382,472	4,998,547
Cash and cash equivalents at the end of the financial year	18	44,240	1,409,931	27,286	382,472

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 11 to 27.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

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 financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. 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.

Going Concern

On 28 February 2007 a restructure was undertaken by the Company such that a loan was created between CVC Sustainable Investments Limited and CVC Sustainable Investments No. 2 Limited resulting in a deficiency of net current assets in the financial report of the Company. Additionally, a loan was provided by CVC Limited to CVC Sustainable Investments No. 2 Limited for the purpose of financing the acquisition of non-current financial assets and in accordance with the terms of the loan is required to be repaid by 20 September 2008 in the event that it is not converted into stapled shares of the Group. The financial report has been prepared on a going concern basis despite the Group generating a loss during the financial year and there being a deficiency of current assets compared to current liabilities in the financial report of the Group and Company. Letters of financial support have been provided by CVC Limited stating that it is willing to extend the maturity date of the unsecured loan facility by 12 months in order for the Group to meet future financial commitments; and CVC Sustainable Investments No. 2 Limited stating that the loan of \$1,747,433 is repayable out of the funds from the sale of shares in HydroChile Pty Limited. This is expected to occur within 12 months of balance date.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6 (loans and receivables) and note 7 (financial assets).

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods.

AASB 2007-8: *Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10* has recently been issued but is effective for reporting periods commencing after 1 January 2009 has not been adopted for the annual reporting period ending 30 June 2008. 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 Group's financial report.

c) Basis of Consolidation

Stapled Entities

The consolidated financial statements comprise the financial statements of CVC Sustainable Investments Limited and the stapled entity, CVC Sustainable Investments No. 2 Limited as at 30 June 2008 from the date it was deemed that the Group had been constructed, 28 February 2007. Although CVC Sustainable Investments Limited does not have an ownership interest in CVC Sustainable Investments No. 2 Limited, in accordance with Interpretation 1002 *Post-Date-of-Transition Stapling Arrangement* CVC Sustainable Investments Limited has been identified as the acquirer and the parent entity for the purpose of preparing the consolidated financial statements and CVC Sustainable Investments No. 2 Limited is deemed to be the acquiree.

In preparing the consolidated financial statements, all inter company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full and the reporting period and accounting policies of subsidiaries are consistent with those of the parent entity.

The consolidation of the stapled entity is accounted for using the purchase method of accounting which allocates the cost of the business combination to the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

The net assets not held by CVC Sustainable Investments Limited are identified as minority interests and presented in the consolidated balance sheet within equity, separately from the Company's equity holders' equity. The profit of CVC Sustainable Investments No. 2 Limited is also separately disclosed as a minority interest in the profit of the Group. Although a minority interest has been identified the shareholders of CVC Sustainable Investments Limited are also the shareholders of CVC Sustainable Investments No. 2 Limited by virtue of the stapling arrangement dated 28 February 2007.

d) Cash and Cash Equivalents

For the cash flow statements, cash includes cash on hand and short-term deposits with an original maturity of three months or less.

e) 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 year.

Dividends

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

Management fees

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

f) Trade and Other Payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

g) 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.

h) Trade and Other Receivables

Receivables are recognised and carried at original invoice amount less a provision for impairment. Trade receivables are generally settled within 30 days.

A provision for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

i) Investments and Other Financial Assets

Financial assets 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. The classification depends on the purpose for which the investments were acquired. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

The purchase and sale of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

The company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of investments classified as "available-for-sale", a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for "available-for-sale" financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as "available-for-sale" are not reversed through the income statement.

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.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as "available-for-sale", a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for "available-for-sale" financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as "available-for-sale" are not reversed through the income statement.

j) Income Tax and Other Taxes

Current 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 on the current period's taxable income at the tax rates enacted by the balance sheet date. 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. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credit can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

j) Income Tax and Other Taxes (Cont.)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

k) Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

l) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing differentiated products or services.

m) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 2: DIVIDENDS

Dividends proposed or paid and not provided for in previous years are:

Unfranked dividend of 0.5 cent per share paid on 21 December 2007	333,963	-	333,963	-
Unfranked dividend of 0.5 cent per share paid on 11 December 2006	-	219,025	-	219,025
	333,963	219,025	333,963	219,025

No final dividends have been declared, paid or provided by CVC Sustainable Investments Limited for the period ended 30 June 2008.

Franking credits available, after allowing for the payment of the estimated year end tax provision, are:

CVC Sustainable Investments Limited	334,223	314,583	334,223	314,583
CVC Sustainable Investments No. 2 Limited	25,763	25,763	-	-
	359,986	340,346	334,223	314,583

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 3: AUDITORS' REMUNERATION

The auditor of the Group is HLB Mann Judd (NSW Partnership).

Amounts received or due and receivable by the auditors of the Group:

Audit or review of the financial report	36,500	18,050	19,900	13,050
Other non-audit services - review of prospectus	1,176	-	588	-
	37,676	18,050	20,488	13,050

Amounts received or due and receivable by non HLB Mann Judd (NSW Partnership) audit firm:

Other non-audit services – accounting report for prospectus	8,000	8,800	4,000	4,530
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The auditor received no other benefits.

NOTE 4: INCOME TAX

(a) Income tax expense

Accounting (loss)/profit before income tax	(2,251,742)	291,918	(2,910,447)	199,317
Income tax (benefit)/expense at the statutory income tax rate of 25%	(562,936)	72,980	(727,612)	49,829
Adjustments in respect of current income tax of previous years	(213)	830	(213)	830
Reduced PDF tax rate on net investment income	321,864	(337)	290,485	(4,966)
Franked dividends received	(6,566)	(11,058)	(6,566)	(11,058)
Other	76	151	54	151
Income tax (benefit)/expense	(247,775)	62,566	(443,852)	34,786

The major components of income tax expense are:

Current income tax charge	-	92,138	-	66,375
Deferred income tax	(247,562)	(30,402)	(443,639)	(32,419)
Adjustments in respect of current income tax of previous years	(213)	830	(213)	830
Income tax (benefit)/expense reported in the income statement	(247,775)	62,566	(443,852)	34,786

(b) Current tax assets

Withholding tax claimable	4,450	-	-	-
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(c) Current tax liabilities

Income tax payable	-	92,138	-	66,375
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	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 4: INCOME TAX (CONT.)				
(d) Deferred income tax				
Deferred income tax at 30 June related to the following items:				
Deferred tax assets:				
- Cost of capital raising	44,333	37,369	23,314	25,519
- Provision and accrued expenses	48,198	41,090	44,868	39,590
- Unrealised loss on shares	253,829	-	12,874	-
- Carried forward losses	123,249	-	-	-
	469,609	78,459	81,056	65,109
Deferred tax liabilities:				
- Unrealised profit on shares	454,016	86,767	136,680	86,044
- Receivables	-	1,380	-	825
	454,016	88,147	136,680	86,869

NOTE 5: TRADE AND OTHER RECEIVABLES

Current

Accounts receivable	287,184	537,072	287,184	457,898
Interest receivable	-	3,444	-	1,594
Dividend receivable	43,750	-	-	-
GST receivable	-	8,584	-	189
Other receivables	1,255	7,552	627	7,552
	332,189	556,652	287,811	467,233

Other receivables

Other receivables are non-interest bearing and are generally on 30 day terms.

NOTE 6: LOANS AND RECEIVABLES

Non-current

Secured loans	453,084	453,084	453,084	453,084
Convertible notes	-	500,000	-	-
Impairment of secured loans	(226,542)	(226,542)	(226,542)	(226,542)
	226,542	726,542	226,542	226,542

The secured loan of \$453,084 is with Soilwise Pty Limited, of which an impairment has been raised for \$226,542 which is based on the value of the underlying assets of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 7: FINANCIAL ASSETS – “AVAILABLE-FOR-SALE”				
Unlisted shares in other corporations	7,432,381	4,141,353	7,432,381	4,141,353
Listed shares at market value	6,165,190	4,910,779	3,794,104	4,043,279
Impairment	(3,035,005)	(17,500)	(3,035,005)	(17,500)
	10,562,566	9,034,632	8,191,480	8,167,132

Unlisted shares in other corporations comprise:

- 20% shareholding in Wind Corporation Australia Limited at a fair value of \$1,251,348 (2007: \$1,606,353). The investment is not accounted for in accordance with AASB 128 *Investments in Associates* as one shareholder controls the remaining 80% interest so no influence is exerted on the operations of the Company;
- 17% shareholding in HydroChile Pty Limited valued at \$5,396,033 based on the capital raising being completed;
- 1.1% shareholding in Biodiesel Producers Limited at a cost of \$500,000; and
- 1.0% shareholding in BioPower Systems Limited at a cost of \$250,000.

Impairment of investments

Where there has been a reduction in the share price of an investment that appears to be prolonged management have made an assessment as to whether an impairment is required. An impairment has been raised against the full carrying amount of the investments in both Soilwise Pty Limited of \$35,000, and Agri Energy Limited of \$3,000,005 as both companies are in administration with the sale of assets being completed to meet loan commitments. Refer note 6 for additional information on Soilwise Pty Limited.

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity accounted shares in listed associated company	5,586,390	-	416,667	-
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	Ownership Interest				Investment Carrying Amount			
	Consolidated		The Company		Consolidated		The Company	
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	%	%	\$	\$	\$	\$
<i>Details of the associated entity is as follows:</i>								
The Environmental Group Limited	31.1	5.5	2.4	5.5	5,586,390	-	416,667	-

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

Movements in the carrying amount of the investments in associated entity under the equity accounting method is as follows:

Reconciliation:

Balance at the beginning of the year	-	-		
New interests acquired	4,114,930	-		
Reclassification of investments	400,000	-		
Share of associates profit before tax	214,800	-		
Share of associates tax expense	(78,500)	-		
Discount on acquisition	891,890	-		
Share of associates reserves	43,270	-		
Balance at the end of the year	5,586,390	-		

NOTE 9: TRADE AND OTHER PAYABLES

Sundry creditors and accruals	93,916	19,491	35,689	12,241
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Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms.

NOTE 10: LOANS PAYABLE

Current:

Loan payable to CVC Limited (a)	2,048,516	-	-	-
Loan payable to CVC Sustainable Investments No. 2 Limited (b)	-	-	1,747,433	3,242,250
	2,048,516	-	1,747,433	3,242,250

(a) During the year, CVC Sustainable Investments No. 2 Limited entered into a \$2.3 million loan agreement with CVC Limited. Interest on the loan is payable at 15% per annum. Principal and interest on the loan are to be repaid by 20 September 2008.

(b) The loan from CVC Sustainable Investments No. 2 Limited to CVC Sustainable Investments Limited occurred as a result of the restructure of the Company on 28 February 2007. The directors of CVC Sustainable Investments No. 2 Limited have provided a letter of comfort to CVC Sustainable Investments Limited that the loan will not be required to be repaid until sufficient funds have been raised during the Public Offer.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	2008		2007	
	No. of Shares	\$	No. of Shares	\$
NOTE 11: CONTRIBUTED EQUITY				
Ordinary shares				
Balance at the beginning of the year	54,209,377	4,833,728	43,220,025	8,166,497
<i>In-specie</i> distribution to shareholders	-	-	-	(4,719,217)
New shares issued	13,087,634	1,151,173	5,416,646	614,935
Reclassification from share options reserve	-	85,709	-	-
Shares issued under dividend reinvestment plan	559,615	43,862	188,956	41,225
Options exercised (a)	3,459,687	296,976	5,383,750	775,075
Share buyback	(990,045)	(85,243)	-	-
Costs of capital raising	-	(39,791)	-	(52,691)
Income tax on costs of capital raising	-	5,969	-	7,904
Balance at the end of the year	70,326,268	6,292,383	54,209,377	4,833,728

(a) During the year 2,716,187 options were exercised for 3,459,687 stapled securities. Of the options exercised 2,530,312 options were New Manager Options and 185,875 option were Initial Manager Options which under the terms of the deed poll, each option was converted into 5 ordinary stapled securities in the Group.

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 12: RETAINED PROFITS

Balance at the beginning of the year	815,068	869,562	815,068	869,562
Net profit from operating activities	(2,457,775)	164,531	(2,466,595)	164,531
Dividends paid	(333,963)	(219,025)	(333,963)	(219,025)
Balance at the end of the year	(1,976,670)	815,068	(1,985,490)	815,068

NOTE 13: MINORITY INTEREST

Reconciliation of minority interest in stapled entities

Balance at the beginning of the year	5,705,687	-
Share of net profit	453,808	64,821
Shares issued by stapled entity	1,719,468	5,558,394
Other reserves	(557,918)	82,472
Balance at the end of the year	7,321,045	5,705,687

The minority interest at the end of the year comprises interests in

Share capital	7,277,862	5,558,394
Retained profits	518,629	64,821
Other reserves	(475,446)	82,472
	7,321,045	5,705,687

The net assets not held by CVC Sustainable Investments Limited are identified as minority interests. The equity of CVC Sustainable Investments No. 2 Limited is held directly by shareholders and in accordance with Interpretation 1002 *Post-Date-of-Transition Stapling Arrangement*. The minority interest represents the balance of equity held by shareholders of CVC Sustainable Investments No. 2 Limited.

	Share options reserve	Market value reserve	Total other reserves
	\$	\$	\$
NOTE 14: OTHER RESERVES			
Consolidated			
Year ending 30 June 2008:			
Balance at the beginning of the year	85,709	166,248	251,957
Change in fair value of "available-for-sale" assets	-	2,440,978	2,440,978
Transferred to income statement on realisation	-	(47,701)	(47,701)
Income tax effect	(12,487)	(232,720)	(245,207)
Options exercised	(85,709)	-	(85,709)
Grant of options	158,059	-	158,059
Share of options reserve of associated entity	43,270	-	43,270
Change in fair value of "available-for-sale" assets – minority interest	-	841,810	841,810
Grant of options – minority interest	(84,151)	-	(84,151)
Share of options reserve of associated entity – minority interest	(39,975)	-	(39,975)
Income tax effect – minority interest	11,992	(252,543)	(240,551)
Balance at the end of the year	76,708	2,916,072	2,992,780
Year ending 30 June 2007:			
Balance at the beginning of the year	166,494	700,345	866,839
Change in fair value of "available-for-sale" assets	-	(548,397)	(548,397)
Transferred to income statement on realisation	-	(65,911)	(65,911)
Income tax effect	-	81,898	81,898
Share options reserve reallocated on restructure of the Company	(80,785)	-	(80,785)
Change in fair value of "available-for-sale" assets – minority interest	-	(2,409)	(2,409)
Income tax effect – minority interest	-	722	722
Balance at the end of the year	85,709	166,248	251,957
The Company			
Year ending 30 June 2008:			
Balance at the beginning of the year	85,709	166,248	251,957
Change in fair value of "available-for-sale" assets	-	3,299,455	3,299,455
Transferred to income statement on realisation	-	(47,701)	(47,701)
Income tax effect	-	(487,763)	(487,763)
Options exercised	(85,709)	-	(85,709)
Grant of options	73,908	-	73,908
Balance at the end of the year	73,908	2,930,239	3,004,147
Year ending 30 June 2007:			
Balance at the beginning of the year	166,494	700,345	866,839
Change in fair value of "available-for-sale" assets	-	(550,806)	(550,806)
Transferred to income statement on realisation	-	(65,911)	(65,911)
Income tax effect	-	82,620	82,620
Share options reserve reallocated on restructure of the Company	(80,785)	-	(80,785)
Balance at the end of the year	85,709	166,248	251,957

Market Value Reserve

The market value reserve is used to record increments and decrements in the fair value of "available-for-sale" financial assets to the extent that they offset one another.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 14: OTHER RESERVES (CONT.)

Share Options Reserve

The share option reserve includes a share of the options reserve of equity accounted investments and is used to record the value of options issued to the investment manager, CVC Managers Pty Limited. As at 30 June 2008, the following options are outstanding:

Expiry date	Option value	Number of options	Exercise price
11 December 2016	5.85 cents	28,343	21.68 cents
30 April 2017	5.80 cents	36,279	21.50 cents
31 May 2017	5.90 cents	459,746	21.86 cents
30 June 2017	5.95 cents	316,676	22.04 cents
31 July 2017	5.78 cents	168,847	21.41 cents
31 August 2017	5.79 cents	134,183	21.48 cents
30 September 2017	5.52 cents	336,301	20.47 cents
31 October 2017	5.46 cents	141,408	20.25 cents
30 November 2017	4.93 cents	736,375	18.29 cents
31 December 2017	5.49 cents	87,629	20.34 cents
31 January 2018	5.05 cents	138,115	18.72 cents
29 February 2018	5.09 cents	198,865	18.04 cents
31 March 2018	5.15 cents	61,800	17.50 cents
31 May 2018	4.91 cents	9,268	16.67 cents
30 June 2018	7.83 cents	34,091	20.13 cents
		2,887,926	

NOTE 15: RECONCILIATION OF NET ASSET VALUE IN ACCORDANCE WITH ACCOUNTING STANDARDS COMPARED TO ISSUE PRICE OF STAPLED SECURITIES

The price of stapled securities for share pricing purposes has been determined using Australian Private Equity and Venture Capital Association Limited (AVCAL) valuation guidelines. Differences arise between the net assets calculated in accordance with Accounting Standards and AVCAL's valuation guidelines. These differences are explained as follows:

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net assets per balance sheet	14,629,538	11,606,440	7,311,040	5,900,753
Add:				
Revaluation of listed associated entity to current market value	958,385	-	-	-
Less:				
Equity accounted profits of associated entity	(136,300)	-	-	-
Discount on acquisition	(891,890)	-	-	-
Option reserve of associated entity	(43,270)	-	-	-
Income tax effect	34,371	-	-	-
Net assets for share pricing purposes	14,550,834	11,606,440	7,311,040	5,900,753
Stapled securities on issue	70,326,268	54,209,377	70,326,268	54,209,377
Price of stapled securities (cents)	20.69	21.41	10.40	10.88

NOTE 16: FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: market risk (including market price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and price risk.

The responsibility for operational risk management resides with the Board of Directors who seeks to manage the exposure of the Group. There have been no significant changes in the types of financial risks; or the Group's risk management program (including methods used to measure the risks) since the prior year.

(a) Interest rate risk

The Group and Company's exposure to interest rate risks of financial assets and liabilities, both recognised and unrecognised at the balance date are as follows:

	Note	Floating Interest Rate	Fixed Interest Rate 1 Year or Less	1 to 5 Years	Non-Interest Bearing	Total
		\$	\$	\$	\$	\$
Consolidated						
2008						
Financial assets						
Cash and cash equivalents	18	44,240	-	-	-	44,240
Trade and other receivables	5	-	-	-	332,188	332,188
Loans and receivables	6	-	226,542	-	-	226,542
Financial liabilities						
Trade and other payables	9	-	-	-	93,916	93,916
Loans payable	10	-	2,048,516	-	-	2,048,516
2007						
Financial assets						
Cash and cash equivalents	18	1,104,891	305,040	-	-	1,409,931
Trade and other receivables	5	-	-	-	556,652	556,652
Loans and receivables	6	-	-	726,542	-	726,542
Financial liabilities						
Trade and other payables	9	-	-	-	19,491	19,491

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 16: FINANCIAL INSTRUMENTS (CONT.)

(a) Interest rate risk (Cont.)

	Note	Floating Interest Rate	Fixed Interest Rate 1 Year or Less	Fixed Interest Rate 1 to 5 Years	Non-Interest Bearing	Total
		\$	\$	\$	\$	\$
Company						
2008						
Financial assets						
Cash and cash equivalents	18	27,286	-	-	-	27,286
Trade and other receivables	5	-	-	-	287,811	287,811
Loans and receivables	6	-	226,542	-	-	226,542
Financial liabilities						
Trade and other payables	9	-	-	-	35,689	35,689
Loans payable	10	-	-	-	1,747,433	1,747,433
2007						
Financial assets						
Cash and cash equivalents	18	378,034	4,438	-	-	382,472
Trade and other receivables	5	-	-	-	467,233	467,233
Loans and receivables	6	-	-	226,542	-	226,542
Financial liabilities						
Trade and other payables	9	-	-	-	12,241	12,241

At times the Group and the Company may hold a significant amount of cash balances which is exposed to movements in interest rates. To reduce the risk the Group and the Company typically deposit uncommitted cash with financial institutions at fixed rates with maturity of between 30 – 90 days. Interest bearing loans are made at fixed rates.

	Increase of 25 bp	Decrease of 25 bp	Increase of 100 bp
	\$	\$	\$
Group Sensitivity			
At reporting date, if interest rates had been 25 basis points higher/(lower) (2007: 100 basis points higher) and the other variables were held constant, then the impact on the Group would be:			
2008			
Net profit/(loss)	1,209	(1,209)	-
Equity increase/(decrease)	1,209	(1,209)	-
2007			
Net profit	-	-	13,100
Equity increase	-	-	13,100
Company Sensitivity			
At reporting date, if interest rates had been 25 basis points higher/(lower) (2007: 100 basis points higher) and the other variables were held constant, then the impact on the Company would be:			
2008			
Net profit/(loss)	531	(531)	-
Equity increase/(decrease)	531	(531)	-
2007			
Net profit	-	-	11,537
Equity increase	-	-	11,537

NOTE 16: FINANCIAL INSTRUMENTS (CONT.)

(b) Market Price Risk

The Group has investments in listed securities which could be adversely affected if general equity market values were to decline. The Group does not hedge its exposure to the risk of a general decline in equity market values, believing that such strategies are not cost-effective.

	Increase of 10%	Decrease of 10%
	\$	\$
Group Sensitivity		
At reporting date, if equity prices had been 10% higher/(lower) while all other variables were held constant the impact on the Group would be:		
2008		
Net profit/(loss)	-	-
Equity increase/(decrease)	233,474	(233,474)
2007		
Net profit/(loss)	-	-
Equity increase/(decrease)	404,404	(404,404)
Company Sensitivity		
At reporting date, if equity prices had been 10% higher/(lower) while all other variables were held constant the impact on the Company would be:		
2008		
Net profit/(loss)	-	-
Equity increase/(decrease)	67,498	(67,498)
2007		
Net profit/(loss)	-	-
Equity increase/(decrease)	343,679	(343,679)

(c) Credit Risk Exposure

Credit risk refers to the loss that the Group would incur if a debtor or a counterparty fails to perform under its obligations. The carrying amounts of financial assets recognised in the balance sheet best represent the Group's and Company's maximum exposure to credit risk at reporting date. The Group seeks to limit its exposure to credit risk by performing appropriate background investigations on counterparties before entering into arrangements with them and to obtain collateral with a value in excess of the counterparty's obligations to the Group, providing a "margin of safety" against loss.

At reporting date, the Group's significant exposure of credit risk includes:

- A receivable from Wind Corporation Australia Limited, of which \$287,811 is mitigated by the Company's ownership of 20%, and that Wind Corporation Australia Limited has a significant proportion of its assets held as cash;
- Deposits with financial institutions, which are mitigated by the requirement that deposits are only held with institutions with an "investment grade" credit rating; and
- A loan to Soilwise Pty Limited of \$453,084 for which an impairment of \$226,542 has been generated. The carrying value of the loan is based on an assessment of the recoverable value of the assets following discussions with Climate Friendly Fertilisers Pty Limited. The Company is assisting the administrator to sell the assets in order to generate sufficient funds to repay the outstanding loan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 16: FINANCIAL INSTRUMENTS (CONT.)

(d) Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash balances, holding liquid investments that could be realised to meet commitments, and has received a letter of financial support from CVC Limited that it is willing to extend the maturity date of the unsecured loan facility by 12 months in order for the Group to meet future commitments. The Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the Group and Company's contractual liabilities:

	Less than 6 months	6 months to 1 year	1 to 5 years	Total
	\$	\$	\$	\$
Consolidated				
2008				
Trade and other payables	93,916	-	-	93,916
Loans payable	2,048,516	-	-	2,048,516
2007				
Trade and other payables	19,491	-	-	19,491
Company				
2008				
Trade and other payables	35,689	-	-	35,689
Loans payable	-	1,747,433	-	1,747,433
2007				
Trade and other payables	12,241	-	-	12,241
Loans payable	-	-	3,242,250	3,242,250

(e) Net Fair Values

Investments are carried at their fair value in accordance with the valuation policy disclosed in Note 1.

Other financial assets and liabilities are carried at values which are consistent with fair values.

NOTE 17: RELATED PARTIES

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

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

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Dr S Gosling - fees	-	9,000	-	8,500
Mr P Toyne - fees	12,000	12,000	6,000	10,000
	12,000	21,000	6,000	18,500

The Group 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 Group.

- (b) No retirement allowances were paid to key management personnel of the Group.
- (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 Group.

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, P Toyne, and M Fogarty.

Transactions with related parties

The Group pays management fees to its investment manager calculated at 2.5% of the net assets of the company at the end of the previous financial year. During the year fees of \$290,161 (2007: \$247,572) were paid to CVC Managers Pty Limited. Messrs Beard and Gould were Directors of CVC Managers Pty Limited during the year. CVC Managers Pty Limited is a controlled entity of CVC Limited.

On 11 September 2007 CVC Sustainable Investments No. 2 Limited entered into a \$2.3 million loan agreement with CVC Limited. Interest on the loan is payable at 15% per annum. Principal and interest on the loan are to be repaid by 20 September 2008. At 30 June 2008, the total loan and interest outstanding is \$2,048,516 (2007: \$nil). Messrs Beard, Gould and Read were Directors of CVC Limited during the year.

Under the terms of the prospectus issued on 3 April 2007 the Group reimbursed establishment costs of the Investment Manager. During the period \$59,674 (2007: \$79,341) of establishment fees were paid or are payable to the Investment Manager as a result of capital raised.

The Company received \$305,000 during the year for services provided in support of a capital raising undertaken by The Environmental Group Limited. Mr Read is a Director of The Environmental Group Limited and the Group is a major shareholder.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 18: NOTES TO THE CASH FLOW STATEMENTS

Reconciliation of Cash

For the purposes of the Cash Flow Statements, cash and cash equivalents comprise the following at 30 June:

	[Consolidated]		[The Company]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash on hand	44,240	1,409,931	27,286	382,472
Cash and cash equivalents	44,240	1,409,931	27,286	382,472

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Reconciliation of net profit after income tax to net cash (used in)/provided by operations

Net profit	(2,003,967)	229,352	(2,466,595)	164,531
Adjustments for:				
Net gain on sale of equity investments	105,697	(342,280)	(57,217)	(210,724)
Equity accounted profit	(136,300)	-	-	-
Discount on acquisition of investments	(891,890)	-	-	-
Impairment of loan receivable	-	226,542	-	226,542
Impairment of investments	3,017,030	17,500	3,017,030	17,500
Interest expense not paid	121,783	-	-	-
Change in operating assets and liabilities:				
(Increase)/decrease in receivables	(8,058)	(307,614)	9,187	(218,194)
Increase/(decrease) in current tax liabilities	(96,588)	86,113	(66,375)	60,350
Increase in sundry creditors and accruals	55,687	7,391	23,446	141
Increase/(decrease) in deferred tax balances	(251,855)	(40,047)	(447,930)	(42,065)
Cash flows from operating activities	(88,461)	(123,043)	11,546	(1,919)

Non-cash investing and financing activities

Dividends satisfied by the issue of shares under the dividend reinvestment plan	110,963	-	43,862	-
Loan with CVC Limited converted into stapled securities	1,414,212	-	662,168	-
Value of options issued for no cash consideration (a)	158,059	-	73,908	-

(a) Refer note 14 for additional information.

NOTE 19: SEGMENT INFORMATION

The Group predominantly operates in investment activities in Australia.

NOTE 20: OTHER INFORMATION

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

NOTE 21: EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to year end, the group sold 51% of its shareholding in HydroChile Pty Limited for 15 cents per share generating a total profit after selling expenses of \$1 million.

CVC Limited has extended its unsecured loan facility which was due to expire on 20 September 2008 for an additional 12 months.

Other than as set out above, 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 Group, the results of those operations or the state of affairs of the Group in future financial years.

NOTE 22: STAPLED ENTITY

The consolidated financial statements include CVC Sustainable Investments No. 2 Limited. On 28 February 2007 a restructure was undertaken by the Company such that the share capital was reduced by an *in-specie* distribution of all the fully paid ordinary shares in CVC Sustainable Investments No. 2 Limited to the shareholders in the Company. An agreement was signed that has the effect of stapling the shares of CVC Sustainable Investments Limited to CVC Sustainable Investments No. 2 Limited together, and although separate legal entities are not able to be separately traded.

Although CVC Sustainable Investments Limited does not have an ownership interest in CVC Sustainable Investments No. 2 Limited, CVC Sustainable Investments Limited has been identified as the acquirer and the parent entity for the purpose of preparing the consolidated financial statements and CVC Sustainable Investments No. 2 Limited is deemed to be the acquiree.

DIRECTORS' DECLARATION

For the year ended **30 June 2008**

In accordance with a resolution of the directors of CVC Sustainable Investments Limited we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Group's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Group 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 29 September 2008.

J D Read
Director

A D H Beard
Director

AUDITORS' INDEPENDENCE DECLARATION

For the year ended **30 June 2008**

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 2008, I declare that, to the best of my knowledge and belief, there have been:

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

M Muller
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Dated at Sydney 29 September 2008.

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 2008, and 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 2008 for CVC Sustainable Investments Limited ("the Company") as set out on pages 7 to 28.

The Directors of the Group 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 Group. 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 Group'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 Group is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2008 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.

M Muller
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Dated at Sydney 29 September 2008.

