CVC Sustainable Investments Limited

Financial Report

FOR THE YEAR ENDED 30 JUNE 2009

CVC Sustainable Investments Limited and its Stapled Entity

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

Contents

02 :: Directors' Report

05 :: Income Statements

06 :: Balance Sheets

07 :: Statements of Changes in Equity

08 :: Cash Flow Statements

09 :: Notes to the Financial Statements

24 :: Directors' Declaration

25 :: Auditor's Independence Declaration

26 :: Independent Auditor's Report

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 2009, 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, CVC Private Equity Limited and CVC Property Fund 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 Property Fund and CVC Private Equity Limited and was a Director of Blue Energy Limited and Green's 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)
B Legs (Macq Uni), LLM (Environ Law) (Uni. of Syd), MMgT (MGSM)
B.Sc, B.E. (Elect), (Hons) (Sydney)

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:

	Directors' Meetings	
	No. of meetings attended	No. of meetings eligible to attend
Mr V R Gould	3	4
Mr J D Read	3	4
Mr A D H Beard	4	4
Mr P Toyne	3	4
Mr M Fogarty	4	4

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:

	Audit Committee Meetings	
	No. of meetings attended	No. of meetings eligible to attend
Mr J D Read	2	2
Mr V R Gould	1	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 $2,930,116 for the year (2008: $2,003,967).

Dividends

No final dividends have been declared, paid or provided during the year ended 30 June 2009. An interim dividend in respect of the year ended 30 June 2009 of 0.5 cents per ordinary share amounting to $351,944 was paid on 15 December 2008.

Significant Changes in the State of Affairs of the Group

During the year:

:: 13,605,538 shares in HydroChile Pty Limited were sold during the year realising a profit of $989,040. The Group continues to hold 13,061,128 shares in the company which are valued at 17 cents per share;

:: The investment in DoloMatrix International Limited was increased to 10.12% and a representative of the Group was appointed to the Board of Directors of the company;

:: The listed share portfolio continued to expand; and

:: An impairment provision was raised against the investments in BioDiesel Producers Limited, Pro-Pac Packaging Limited, DoloMatrix International Limited, Ceramic Fuel Cells Limited, Viridis Clean Energy Group and The Environmental Group Limited resulting in an impairment loss of $4,686,800.

In accordance with the prospectus dated 22 December 2008, the Group issued 1,350,833 stapled securities as part of the Public Offer.

During the course of the year 202,625 options have been issued to CVC Managers Pty Limited.

Options over Stapled Securities

CVC Managers Pty Limited, the manager of the Group, has been issued 3,090,551 options in accordance with the management agreement. 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 $78,725 has been credited to the options reserve and charged as a cost of the capital raising on the date of grant. The amount of $4,816 has been credited to the share options reserve during the financial year.

As at 30 June 2009, 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
28 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
31 December 2018	4.96 cents	9,357	16.03 cents
28 February 2019	4.49 cents	42,884	15.88 cents
31 March 2019	4.75 cents	27,606	16.79 cents
30 April 2019	4.32 cents	71,977	15.63 cents
30 June 2019	4.49 cents	50,801	14.58 cents
		3,090,551	

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2009

Directors' Interests in Shares and Options of the Group

Messrs Gould, Read and Beard have an indirect interest in the 9,276,056 shares in the Group held by CVC Limited.

Messrs Gould, Read and Beard have an indirect interest in the 6,295,220 stapled securities and 3,090,551 options in the Group held by CVC Managers Pty Limited.

Mr Gould has an indirect interest in 2,300 shares in the Group and Mr Beard has an indirect interest in 27,013 shares in the Group.

Events Subsequent to Balance Date

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.

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 25.

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

Dated at Sydney 30 September 2009.

J D Read	**A D H Beard**
Director	Director

Income Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	:: Consolidated ::		:: The Company ::	
		2009	2008	**2009**	2008
		$	$	$	$
INCOME					
Interest received		**12,132**	55,337	**8,801**	10,176
Net gain on sale of investment		**1,425,237**	73,714	**989,040**	57,217
Dividends received		**33,999**	126,383	**35,574**	36,311
Other income		**-**	305,000	**-**	305,000
Total income		**1,471,368**	560,434	**1,033,415**	408,704
Share of net profits of associate accounted for using the equity method	8	**354,316**	136,300	**-**	-
Discount on acquisition of The Environmental Group Limited		**-**	891,890	**-**	-
EXPENSES					
Audit fees	3	**37,250**	36,500	**18,625**	19,900
Director's fees		**11,009**	12,000	**5,505**	6,000
Impairment of investments in associated entities		**2,115,026**	-	**-**	-
Impairment of listed investments		**2,071,774**	3,000,000	**734,895**	3,000,000
Impairment of unlisted investments		**500,000**	-	**500,000**	-
Impairment of loans and receivables		**226,542**	17,030	**226,542**	17,030
Insurance		**5,154**	8,982	**2,577**	8,267
Borrowing costs		**184,805**	120,991	**1,218**	-
Legal fees		**21,850**	62,108	**21,660**	50,756
Management and consulting fees		**365,738**	290,161	**182,775**	147,517
Net loss on sale of investments		**352,034**	179,411	**-**	-
Printing		**26,835**	18,736	**13,418**	9,368
Share registry		**14,990**	16,803	**7,495**	8,410
Other expenses		**32,047**	77,644	**18,163**	51,903
Loss before related income tax expense		**(4,139,370)**	(2,251,742)	**(699,458)**	(2,910,447)
Income tax benefit	4	**(1,209,254)**	(247,775)	**(122,034)**	(443,852)
Net loss		**(2,930,116)**	(2,003,967)	**(577,424)**	(2,466,595)
Net (loss)/profit attributable to minority interests	13	**(2,321,705)**	453,808	**-**	-
Net loss attributable to members of the parent entity	12	**(608,411)**	(2,457,775)	**(577,424)**	(2,466,595)

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

Balance Sheets

AS AT 30 JUNE 2009

	Notes	:: Consolidated :: 2009	2008	:: The Company :: 2009	2008
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	18	**11,907**	44,240	**9,909**	27,286
Trade and other receivables	5	**126,623**	332,189	**124,905**	287,811
Current tax assets	4	**4,942**	4,450	**1,687**	-
Total current assets		**143,472**	380,879	**136,501**	315,097
NON-CURRENT ASSETS					
Loans and receivables	6	**-**	226,542	**-**	226,542
Financial assets	7	**6,190,358**	10,562,566	**3,975,745**	8,191,480
Investments accounted for using the equity method	8	**4,034,286**	5,586,390	**283,333**	416,667
Deferred tax assets	4	**1,518,988**	469,609	**652,455**	81,056
Total non-current assets		**11,743,632**	16,845,107	**4,911,533**	8,915,745
TOTAL ASSETS		**11,887,104**	17,225,986	**5,048,034**	9,230,842
CURRENT LIABILITIES					
Trade and other payables	9	**56,924**	93,916	**41,603**	35,689
Loans payable	10	**-**	2,048,516	**-**	1,747,433
Total current liabilities		**56,924**	2,142,432	**41,603**	1,783,122
NON-CURRENT LIABILITIES					
Loans payable	10	**1,002,871**	-	**-**	-
Deferred tax liabilities	4	**264,126**	454,016	**264,126**	136,680
Total non-current liabilities		**1,266,997**	454,016	**264,126**	136,680
TOTAL LIABILITIES		**1,323,921**	2,596,448	**305,729**	1,919,802
NET ASSETS		**10,563,183**	14,629,538	**4,742,305**	7,311,040
EQUITY					
Contributed equity	11	**6,443,964**	6,292,383	**6,443,964**	6,292,383
Retained losses	12	**(2,937,025)**	(1,976,670)	**(2,914,858)**	(1,985,490)
Other reserves	14	**1,235,366**	2,992,780	**1,213,199**	3,004,147
Total parent entity interest		**4,742,305**	7,308,493	**4,742,305**	7,311,040
Minority interest	13	**5,820,878**	7,321,045	**-**	-
TOTAL EQUITY		**10,563,183**	14,629,538	**4,742,305**	7,311,040

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	:: Consolidated ::		:: The Company ::	
	2009	2008	**2009**	2008
	$	$	$	$
Income and expenses recognised directly in equity				
Movements in fair values of "available-for-sale" financial assets recognised directly in equity	**(431,806)**	2,440,978	**(1,123,625)**	3,299,455
Movements in fair values of "available-for-sale" financial assets transferred to the income statement on realisation	**(666,320)**	(47,701)	**(989,039)**	(47,701)
Income tax on items taken directly to or from equity	**15,938**	(245,207)	**316,900**	(487,763)
Value of associates share options reserve recognised in other reserves	**8,392**	43,270	**-**	-
Total income and expense recognised directly in equity	**(1,073,796)**	2,191,340	**(1,795,764)**	2,763,991
Loss for the year	**(2,930,116)**	(2,003,967)	**(577,424)**	(2,466,595)
Total recognised income and expense for the year	**(4,003,912)**	187,373	**(2,373,188)**	297,396
Attributable to:				
Shareholders of the parent entity	**(2,370,642)**	294,849	**(2,373,188)**	297,396
Minority interests	**(1,633,270)**	(107,476)	**-**	-
	(4,003,912)	187,373	**(2,373,188)**	297,396
Transactions with shareholders in their capacity as shareholders				
Shares issued during the year	**205,909**	2,462,588	**108,996**	1,151,173
Non-equity costs of shares issued	**(63,650)**	(82,008)	**(33,453)**	(39,791)
Income tax on costs of shares issued	**14,077**	18,634	**5,018**	5,969
Dividend reinvestment plan	**124,074**	110,964	**71,020**	43,862
Exercise of options	**-**	691,936	**-**	296,976
Share options reserve	**9,091**	158,059	**4,816**	73,908
Payment for share buyback	**-**	(190,485)	**-**	(85,243)
Dividends paid to shareholders	**(351,944)**	(333,963)	**(351,944)**	(333,963)
Total transactions with shareholders in their capacity as shareholders	**(62,443)**	2,835,725	**(195,547)**	1,112,891
Net decrease in equity for the year	**(4,066,355)**	3,023,098	**(2,568,735)**	1,410,287
Equity at the beginning of the year	**14,629,538**	11,606,440	**7,311,040**	5,900,753
Equity at the end of the year	**10,563,183**	14,629,538	**4,742,305**	7,311,040

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

Cash Flow Statements

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	:: Consolidated :: 2009	2008	:: The Company :: 2009	2008
		$	$	$	$
Cash flows from operating activities					
Interest received		**12,132**	59,255	**8,801**	12,245
Dividend received		**297,423**	82,633	**35,574**	36,311
Cash receipts in the course of operations		**149,089**	255,031	**149,089**	250,386
Cash payments in the course of operations		**(538,912)**	(383,654)	**(250,488)**	(216,943)
Interest paid		**(2,450)**	(1,059)	**(1,218)**	-
Income tax paid		**(491)**	(100,667)	**(1,686)**	(70,453)
Net cash flows used in operating activities	18	**(83,209)**	(88,461)	**(59,928)**	11,546
Cash flows from investing activities					
Proceeds from sale of investments		**4,658,132**	2,303,196	**2,009,454**	309,974
Payments for investments		**(3,302,735)**	(8,326,102)	**(18,904)**	(288,811)
Net cash flows provided by/(used in) investing activities		**1,355,397**	(6,022,906)	**1,990,550**	21,163
Cash flows from financing activities					
Shares issued		**215,000**	1,898,374	**113,812**	859,890
Payments for capital raising costs		**(63,651)**	(82,009)	**(33,454)**	(39,791)
Payments for share buyback		**-**	(190,485)	**-**	(85,243)
Proceeds from borrowing		**2,807,000**	5,131,524	**40,000**	220,000
Borrowing repaid		**(4,035,000)**	(1,788,728)	**(1,840,487)**	(1,119,751)
Dividends paid		**(227,870)**	(223,000)	**(227,870)**	(223,000)
Net cash flows provided by financing activities		**(1,304,521)**	4,745,676	**(1,947,999)**	(387,895)
Net decrease in cash and cash equivalents held		**(32,333)**	(1,365,691)	**(17,377)**	(355,186)
Cash and cash equivalents at the beginning of the financial year		**44,240**	1,409,931	**27,286**	382,472
Cash and cash equivalents at the end of the financial year	18	**11,907**	44,240	**9,909**	27,286

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 9 to 23.

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.

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 23.

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 2009 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 2009. 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 2009 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

(i) 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.

(ii) Dividends

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

(iii) Management fees

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

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.

Note 1: Statement of Accounting Policies (cont.)

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.

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.

Note 1: Statement of Accounting Policies (cont.)

j) Income Tax and Other Taxes (cont.)

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.

Note 2: Dividends

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

	Cents per Share	Total $	Date of Payment	Percentage Franked
Declared and paid during the year:				
2008 interim	0.50	351,944	15 Dec 2008	100%
2007 interim	0.50	333,963	21 Dec 2007	Nil

No final dividends have been declared, paid or provided by CVC Sustainable Investments Limited for the period ended 30 June 2009.

Franking credits available, after allowing for the estimated year end tax amount, are:

	:: Consolidated ::		:: The Company ::	
	2009	2008	**2009**	2008
	$	$	$	$
CVC Sustainable Investments Limited	**198,637**	334,223	**198,637**	334,223
CVC Sustainable Investments No. 2 Limited	**112,766**	25,763	**-**	-
	311,403	359,986	**198,637**	334,223

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	**37,250**	36,500	**18,625**	19,900
Other non-audit services - review of prospectus	**-**	1,176	**-**	588
	37,250	37,676	**18,625**	20,488
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	**-**	4,000

The auditor received no other benefits.

	:: Consolidated ::		:: The Company ::	
	2009	2008	**2009**	2008
	$	$	$	$

Note 4: Income Tax

(a) Income tax expense				
Accounting loss before income tax	**(4,139,370)**	(2,251,742)	**(699,458)**	(2,910,447)
Income tax benefit at the statutory income tax rate of 25%	**(1,034,843)**	(562,936)	**(174,865)**	(727,612)
Adjustments in respect of current income tax of previous years	**(4,998)**	(213)	**(5,086)**	(213)
Reduced PDF tax rate on net investment income	**(97,259)**	321,864	**69,268**	290,485
Franked dividends received	**(72,337)**	(6,566)	**(11,434)**	(6,566)
Other	**183**	76	**83**	54
Income tax benefit	**(1,209,254)**	(247,775)	**(122,034)**	(443,852)
The major components of income tax benefit are:				
Deferred income tax	**(1,204,256)**	(247,562)	**(116,948)**	(443,639)
Adjustments in respect of current income tax of previous years	**(4,998)**	(213)	**(5,086)**	(213)
Income tax benefit reported in the income statement	**(1,209,254)**	(247,775)	**(122,034)**	(443,852)
(b) Current tax assets				
Tax instalments receivable	**4,942**	4,450	**1,687**	-
(c) Deferred income tax				
Deferred income tax at 30 June related to the following items:				
Deferred tax assets:				
:: Cost of capital raising	**41,268**	44,333	**18,732**	23,314
:: Provision and accrued expenses	**7,163**	48,198	**3,676**	44,868
:: Unrealised loss on shares	**704,012**	253,829	**192,454**	12,874
:: Carried forward losses	**766,545**	123,249	**437,593**	-
	1,518,988	469,609	**652,455**	81,056
Deferred tax liabilities:				
:: Unrealised profit on shares	**264,126**	454,016	**264,126**	136,680
	264,126	454,016	**264,126**	136,680

Note 5: Trade and Other Receivables

Current				
Accounts receivable	**123,186**	287,184	**123,186**	287,184
Dividend receivable	**-**	43,750	**-**	-
Other receivables	**3,437**	1,255	**1,719**	627
	126,623	332,189	**124,905**	287,811

Other receivables

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

	:: Consolidated ::		:: The Company ::	
	2009	2008	**2009**	2008
	$	$	$	$

Note 6: Loans and Receivables

Non-current				
Secured loans	-	453,084	-	453,084
Impairment of secured loans	-	(226,542)	-	(226,542)
	-	226,542	-	226,542

Note 7: Financial Assets – "Available-For-Sale"

Unlisted shares in other corporations	**4,222,723**	7,432,381	**4,222,723**	7,432,381
Listed shares at market value	**2,467,635**	6,165,190	**253,022**	3,794,104
Impairment	**(500,000)**	(3,035,005)	**(500,000)**	(3,035,005)
	6,190,358	10,562,566	**3,975,745**	8,191,480

Unlisted shares in other corporations comprise:

- 20% shareholding in Wind Corporation Australia Limited at a fair value of $1,236,658 (2008: $1,251,348). 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;
- 7% shareholding in HydroChile Pty Limited valued at $2,236,065;
- 1.0% shareholding in BioPower Systems Limited at a cost of $250,000.
- 1.1% shareholding in BioDiesel Producers Limited with a carrying value of nil.

Impairment of investments

Where there has been a reduction in the share price of an investment that appears to be significant or prolonged management have made an assessment as to whether an impairment is required.

(a) Unlisted shares in other corporations

The carrying value of BioDiesel Producers Limited has been determined by considering maintainable earnings to determine fair value, using the most recent financial report. The determination of the fair value has resulted in an impairment charge of $500,000.

(b) Listed shares at market value

The carrying value of certain investments classified as "Listed shares at market value" has been determined by using the fair value approach. The closing "bid-price" was determined to be an appropriate indication for the fair value of the investment. The determination of the fair value has resulted in an impairment charge of $2,071,774.

Note 8: Investments Accounted for Using the Equity Method

Equity accounted shares in listed associated company	**4,034,286**	5,586,390	**283,333**	416,667

	Ownership Interest				Investment Carrying Value			
	Consolidated		The Company		Consolidated		The Company	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	%	%	%	%	$	$	$	$
Details of the associated entity is as follows:								
The Environmental Group Limited	**33.9**	31.1	**2.4**	2.4	**4,034,286**	5,586,390	**283,333**	416,667

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:

	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
	$	$	$	$
Reconciliation:				
Balance at the beginning of the year	**5,586,390**	-		
New interests acquired	**317,388**	4,114,930		
Reclassification of investments	**-**	400,000		
Share of associates profit before tax	**506,956**	214,800		
Share of associates tax expense	**(152,640)**	(78,500)		
Dividends received during the year	**(219,674)**	-		
Discount on acquisition	**-**	891,890		
Share of associates reserve	**8,392**	43,270		
Impairment	**(2,012,526)**	-		
Balance at the end of the year	**4,034,286**	5,586,390		

Impairment of investments

Where there has been a reduction in the share price of an investment that appears to be significant or prolonged management have made an assessment as to whether an impairment is required. The carrying value of The Environmental Group Limited has been determined by using the fair value approach. The closing "bid-price" was determined to be an appropriate indication for the fair value of the investment despite the lack of active market. The determination of the fair value has resulted in an impairment charge of $2,012,526.

Note 9: Trade and Other Payables

	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Sundry creditors and accruals	**56,924**	93,916	**41,603**	35,689

Trade creditors and accruals are non-interest bearing and are normally settled on 30 day terms.

Note 10: Loans Payable

	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
Current:				
Loan payable to CVC Limited (a)	**-**	2,048,516	**-**	-
Loan payable to CVC Sustainable Investments No. 2 Limited (b)	**-**	-	**-**	1,747,433
	-	2,048,516	**-**	1,747,433
Non-Current:				
Loan payable to CVC Limited (a)	**1,002,871**	-	**-**	-

(a) A $3.3 million loan facility has been provided by CVC Limited to CVC Sustainable Investments No. 2 Limited. Interest on the loan is payable at 10% per annum. Principal and interest on the loan are to be repaid by 20 September 2010.

(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.

	2009		2008	
	No. of Shares	**$**	No. of Shares	$

Note 11: Contributed Equity

Ordinary shares				
Balance at the beginning of the year	**70,326,268**	**6,292,383**	54,209,377	4,833,728
New stapled securities issued	**1,350,833**	**108,996**	13,087,634	1,151,173
Reclassification from option reserve	**-**	**-**	-	85,709
Stapled securities issued under dividend reinvestment plan	**752,463**	**71,020**	559,615	43,862
Options exercised	**-**	**-**	3,459,687	296,976
Stapled security buyback	**-**	**-**	(990,045)	(85,243)
Costs of capital raising	**-**	**(33,453)**	-	(39,791)
Income tax on costs of capital raising	**-**	**5,018**	-	5,969
Balance at the end of the year	**72,429,564**	**6,443,964**	70,326,268	6,292,383

	:: Consolidated ::		:: The Company ::	
	2009	2008	**2009**	2008
	$	$	$	$

Note 12: Retained Losses

Balance at the beginning of the year	**(1,976,670)**	815,068	**(1,985,490)**	815,068
Net loss from operating activities	**(608,411)**	(2,457,775)	**(577,424)**	(2,466,595)
Dividends paid	**(351,944)**	(333,963)	**(351,944)**	(333,963)
Balance at the end of the year	**(2,937,025)**	(1,976,670)	**(2,914,858)**	(1,985,490)

Note 13: Minority Interest

Reconciliation of minority interest in stapled entities		
Balance at the beginning of the year	**7,321,045**	5,705,687
Share of net (loss)/profit	**(2,321,705)**	453,808
Shares issued by stapled entity	**128,828**	1,719,468
Other reserves	**692,710**	(557,918)
Balance at the end of the year	**5,820,878**	7,321,045
The minority interest at the end of the year comprises interests in		
Share capital	**7,406,690**	7,277,862
Retained earnings	**(1,803,076)**	518,629
Other reserve	**217,264**	(475,446)
	5,820,878	7,321,045

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.

Note 14: Other Reserves

	Options reserve	Market value reserve	Total other reserves
	$	$	$
Consolidated			
Year ending 30 June 2009:			
Balance at the beginning of the year	**76,708**	**2,916,072**	**2,992,780**
Change in fair value of "available-for-sale" assets	**-**	**(431,806)**	**(431,806)**
Transferred to income statement on realisation	**-**	**(666,320)**	**(666,320)**
Income tax effect	**(2,433)**	**18,371**	**15,938**
Grant of options	**9,091**	**-**	**9,091**
Share of options reserve of associated entity	**8,392**	**-**	**8,392**
Change in fair value of "available-for-sale" assets – minority interest	**-**	**(652,930)**	**(652,930)**
Transferred to income statement on realisation – minority interest	**-**	**(322,719)**	**(322,719)**
Grant of options – minority interest	**(4,275)**	**-**	**(4,275)**
Share of options reserve of associated entity – minority interest	**(7,828)**	**-**	**(7,828)**
Income tax effect – minority interest	**2,348**	**292,695**	**295,043**
Balance at the end of the year	**82,003**	**1,153,363**	**1,235,366**
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
The Company			
Year ending 30 June 2009:			
Balance at the beginning of the year	**73,908**	**2,930,239**	**3,004,147**
Change in fair value of "available-for-sale" assets	**-**	**(1,123,625)**	**(1,123,625)**
Transferred to income statement on realisation	**-**	**(989,039)**	**(989,039)**
Income tax effect	**-**	**316,900**	**316,900**
Grant of options	**4,816**	**-**	**4,816**
Balance at the end of the year	**78,724**	**1,134,475**	**1,213,199**
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

Note 14: Other Reserves (cont.)

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.

Options Reserve

The options 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 2009, the following options are outstanding:

Expiry date	Options 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
28 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
31 December 2018	4.96 cents	9,357	16.03 cents
28 February 2019	4.49 cents	42,884	15.88 cents
31 March 2019	4.75 cents	27,606	16.79 cents
30 April 2019	4.32 cents	71,977	15.63 cents
30 June 2019	4.49 cents	50,801	14.58 cents
		3,090,551	

Note 15: Reconciliation of Net Asset Value in accordance with Accounting Standards compared to Issue Price of Stapled Securities

The issue price of stapled securities in accordance with the public offer dated 22 December 2008 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 ::	
	2009	2008	**2009**	2008
	$	$	$	$
Net assets per balance sheet	**10,563,183**	14,629,538	**4,742,305**	7,311,040
Add:				
Revaluation of listed associated entity to current market value	**(798,032)**	958,385	**-**	-
Less:				
Equity accounted profits of associated entity	**(490,616)**	(136,300)	**-**	-
Discount on acquisition	**(891,890)**	(891,890)	**-**	-
Dividends received	**219,674**	-	**-**	-
Option reserve of associated entity	**(51,662)**	(43,270)	**-**	-
Impairment	**2,012,526**	-	**-**	-
Income tax effect	**-**	34,371	**-**	-
Net assets for public offer purposes	**10,563,183**	14,550,834	**4,742,305**	7,311,040
Stapled securities on issue	**72,429,564**	70,326,268	**72,429,564**	70,326,268
Issue price of stapled securities (cents)	**14.58**	20.69	**6.55**	10.40

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.

Note 16: Financial Instruments (cont.)

(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:

	Notes	Floating Interest Rate	Fixed Interest rate 1 Year or Less	Fixed Interest rate 1 to 5 Years	Non-Interest Bearing	Total
		$	$	$	$	$
Consolidated						
2009						
Financial assets						
Cash and cash equivalents	18	**11,907**	**-**	**-**	**-**	**11,907**
Trade and other receivables	5	**-**	**-**	**-**	**126,623**	**126,623**
Financial liabilities						
Trade and other payables	9	**-**	**-**	**-**	**56,924**	**56,924**
Loans payable	10	**-**	**-**	**1,002,871**	**-**	**1,002,871**
2008						
Financial assets						
Cash and cash equivalents	18	44,240	-	-	-	44,240
Trade and other receivables	5	-	-	-	332,189	332,189
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
Company						
2009						
Financial assets						
Cash and cash equivalents	18	**9,909**	**-**	**-**	**-**	**9,909**
Trade and other receivables	5	**-**	**-**	**-**	**124,905**	**124,905**
Financial liabilities						
Trade and other payables	9	**-**	**-**	**-**	**41,603**	**41,603**
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
Loan payable	10	-	-	-	1,747,433	1,747,433

The Group and the Company do not hold a significant amount of cash balances and so any movements in interest rates will not have a material impact on operations.

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.

Group Sensitivity

At reporting date, if equity prices had been 10% higher/(lower) while all other variables were held constant the impact of the Group would be:

	Increase of 10%	Decrease of 10%
	$	$
2009		
Net profit/(loss)	**286,650**	**(286,650)**
Equity increase/(decrease)	**463,179**	**(463,179)**
2008		
Net profit/(loss)	-	-
Equity increase/(decrease)	233,474	(233,474)

Company Sensitivity

At reporting date, if equity prices had been 10% higher/(lower) while all other variables were held constant the impact of the Company would be:

2009		
Net profit/(loss)	**24,083**	**(24,083)**
Equity increase/(decrease)	**45,590**	**(45,590)**
2008		
Net profit/(loss)	-	-
Equity increase/(decrease)	67,498	(67,498)

(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 $123,185 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.

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. 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				
2009				
Trade and other payables	**56,924**	**-**	**-**	**56,924**
Loan payable	**-**	**-**	**1,002,871**	**1,002,871**
2008				
Trade and other payables	93,916	-	-	93,916
Loan payable	2,048,516	-	-	2,048,516
Company				
2009				
Trade and other payables	**41,603**	**-**	**-**	**41,603**
2008				
Trade and other payables	35,689	-	-	35,689
Loan payable	-	1,747,433	-	1,747,433

(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 ::	
	2009	2008	**2009**	2008
	$	$	$	$
Mr P Toyne				
Base salary	**11,009**	12,000	**5,505**	6,000
Superannuation	**991**	-	**495**	-
	12,000	12,000	**6,000**	6,000

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.

Note 17: 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, 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 $365,738 (2008: $290,161) 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 CVCSI No. 2 entered into a $3.3 million loan agreement with CVC Limited. Interest on the loan is payable at 10% per annum. Principal and interest on the loan are to be repaid by 20 September 2010. At 30 June 2009, the total loan and interest outstanding is $1,002,871 (2008: $2,048,516). Messrs Beard, Gould and Read were Directors of CVC Limited during the year.

Under the terms of the prospectus issued on 22 December 2008 the Group reimbursed establishment costs of the Investment Manager. During the period, $63,650 (2008: $59,674) of establishment fees were paid or are payable to the Investment Manager as a result of capital raised.

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 ::	
	2009	2008	**2009**	2008
	$	$	$	$
Cash on hand	**11,907**	44,240	**9,909**	27,286
Cash and cash equivalents	**11,907**	44,240	**9,909**	27,286

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.

	2009	2008	**2009**	2008
Reconciliation of net profit after income tax to net cash from operations				
Net loss	**(2,930,116)**	(2,003,967)	**(577,424)**	(2,466,595)
Adjustments for				
Net (gain)/loss on sale of equity investments	**(1,073,203)**	105,697	**(989,040)**	(57,217)
Equity accounted profit	**(354,316)**	(136,300)	**-**	-
Discount on acquisition of equity accounted investments	**-**	(891,890)	**-**	-
Dividends received from equity accounted investments	**219,674**	-	**-**	-
Impairment of loan receivable	**226,542**	-	**226,542**	-
Impairment of investments	**4,686,800**	3,017,030	**1,234,895**	3,017,030
Interest expense not paid	**182,355**	121,783	**-**	-
Change in operating assets and liabilities:				
Decrease/(increase) in receivables	**205,565**	(8,058)	**162,906**	9,187
Decrease in current tax liabilities	**(5,962)**	(96,588)	**(1,687)**	(66,375)
(Decrease)/increase in sundry creditors and accruals	**(36,764)**	55,687	**5,913**	23,446
Decrease in deferred tax balances	**(1,203,784)**	(251,855)	**(122,033)**	(447,930)
Cash flows from operating activities	**(83,209)**	(88,461)	**(59,928)**	11,546
Non-cash investing and financing activities				
Dividends satisfied by the issue of shares under the dividend reinvestment plan	**124,074**	110,963	**71,020**	43,862
Loan with CVC Limited converted into stapled securities	**-**	1,414,212	**-**	662,168
Value of options issued for no cash consideration (a)	**9,091**	158,059	**4,816**	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

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.

Note 23: Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) "Available-for-sale" investments
An impairment has been raised against certain "available-for-sale" investments that have a carrying value of $2,967,635. The recoverable amount has been assessed in note 7.

(b) "Available-for-sale" investments
The value of HydroChile Pty Limited shares has been determined with reference to an indicative and non-binding agreement for a share placement.

(c) Investments accounted for using the equity method
An impairment has been raised against The Environmental Group Limited that has a carrying value of $4,034,286. The recoverable amount has been assessed in note 8.

(d) Absence of Active Market
In calculating the fair value of The Environmental Group Limited (EGL) the Group has determined that an active market does not exist for significant holdings because EGL does not trade on a daily basis; each trade that is executed, is small in size and the market capitalisation is small such that larger institutions do not hold significant shareholdings. However the active market in small amounts of trading does provide a guide for valuation. EGL is trading at 5.5 cents and the Group has determined that this is the best indicator of value for EGL at 30 June 2009. These factors have been used in determining the value at note 8.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2009

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 *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 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 30 September 2009.

J D Read
Director

A D H Beard
Director

Auditor's Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2009

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 2009, 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.

This declaration is made in respect of CVC Sustainable Investments Limited and its stapled entity.

M Muller
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Dated at Sydney 30 September 2009.

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2009

To the members of CVC Sustainable Investments Limited:

We have audited the accompanying financial report of CVC Sustainable Investments Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the CVC Sustainable Investments Limited Group ("the group") as set out on pages 5 to 24. The Group comprises the company and it's stapled entity at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the group are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101: Presentation of Financial Statements*, that the financial report complies with Australian Accounting Standards which include Australian Equivalents to accounting standards. The financial report also complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of CVC Sustainable Investments Limited on 30 September 2009, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of CVC Sustainable Investments Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Mark D Muller
Partner

Dated at Sydney 30 September 2009.

Liability limited by a scheme approved under Professional Standards Legislation

CVC Sustainable Investments Limited
Level 42, 259 George Street, Sydney NSW 2000
Tel: +612 9087 8000 Fax: +612 9087 8088
www.cvcsi.com.au ABN 35 088 731 837

Printed on 100% recycled paper :: Kettle of Fish Design ::