

profits that don't cost the earth

2007 Annual Report

Company Particulars



registered office

Level 42, 259 George Street
Sydney NSW 2000

directors

Vanda Gould | John Read
Alexander Beard | Phillip Toyne

secretaries

Alexander D H Beard | John A 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

Chairman's Report

for the year ended
30 June 2007

Contents

01	Chairman's Report
03	Substantial Investments
04	Directors' Report
06	Income Statements
07	Balance Sheets
08	Statements of Changes in Equity
09	Cash Flow Statements
10	Notes to the Financial Statements
25	Directors' Declaration
26	Auditors' Independence Declaration
27	Independent Auditors' Report

Dear Shareholder

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

I am pleased to report a net profit for the year ended 30 June 2007 of \$229,352 (\$206,708 in 2006). This profit is in addition to the continuing positive improvement in the value of the assets of CVCSI.

The 2007 financial year has been a significant one for the environmental sector. We have seen in particular a significant increase in the level of environmental awareness and action in the Australian market. Climate change, environmental degradation and resource shortages are having an increasing level of influence on the decisions of the public, legislators, corporations, and investors alike. These issues are generating a powerful response, stimulating entrepreneurial activity and encouraging companies to change the way they interact with the environment.

CVCSI has responded to this change, with new investments being made during the period in companies which meet our rigorous environmental and commercial assessment process. CVC Sustainable Investments is now in a position where substantially all of its available funds have been deployed in a portfolio of companies with outstanding environmental characteristics and excellent growth prospects. A summary of the three new investments made during the year follows.

HydroChile Pty Ltd ("HydroChile") - HydroChile is an Australian company that has been formed to capitalise on opportunities for the development of hydro-electricity in the Chilean power generation sector. Hydroelectricity is a clean energy source emitting no greenhouse gas emissions. Chile's topography is ideally suited to small run-of-river hydro projects and it has a shortage of fossil fuel based power supply. HydroChile's management are experts in the development and construction of run-of-river hydro electricity projects. Chile is the best managed South American country and also enjoys rapid economic growth.

Environmental Group Limited (ASX:EGL) - EGL is an ASX listed environmental services company specialising in providing water and air pollution control solutions to industry. EGL are acquiring businesses in Australia's fragmented water services sector. After an initial investment in August 2006, CVCSI has recently made a further investment (August 2007) in the company.

Agri Energy Limited (ASX:AAE) - In January 2007, CVCSI made a further investment in Agri Energy Limited. The funds provided have been used for the construction of Agri Energy's 160ML biodiesel plant located in Nebraska, USA. The plant is expected to be fully completed by the end of this calendar year.

Since the close of the financial year, CVC Sustainable Investments has also successfully exited its investment in Plantic Technologies Limited. Plantic represents another successful exit for CVCSI at an internal rate of return

Chairman's Report

for the year ended
30 June 2007

above 30%. A summary of the Companies that we have used your funds to invest in to date and their progress during the 2007 year is provided following this report.

As a result of the full deployment of your funds and the increasing number of opportunities available, during the year we re-opened CVC Sustainable Investments for further capital. Our Prospectus, opened in May 2007 is seeking to raise up to \$30 million. While the take up of the offer has been slower than hoped for, we have been pleased with the level of support from our existing security holders and subscriptions are being received on an ongoing basis.

At some time in the future we anticipate a major correction in the First World economies such as Australia in response to the excesses of both household and some corporate debt. We do not believe that this occurrence will materially affect our investments. If anything, improved financial morality and ethical behaviour forced on society by an economic correction will help us.

2007 was also an important year as a result of the successful implementation of the new stapled security structure. CVCSI's previous Pooled Development Fund ("PDF") status provided attractive tax benefits to our investors but imposed limitation on the type and size of investments that could be made. The stapled security structure combines the benefits of the PDF with a regular investment company in a structure which provides the necessary flexibility to invest in the complete spectrum of opportunities while retaining the tax concessions available for returns on investments which meet the PDF criteria. As a result of CVCSI's innovative structure, we are able to take advantage of opportunities in both listed and unlisted markets. This flexibility provides investors with exposure to the leading companies in our target sectors. During 2007 we have taken advantage of this change to make some small but prospective investments in listed environmental companies.

The environmental sector is still building a momentum which we believe is increasing the quantity and quality of available investment opportunities. Our experience in this sector makes us well positioned to take advantages of these opportunities. Our new structure improves our ability to deploy capital across the full range of environmentally sustainable opportunities while maximising the tax concessions available to investors. We have now achieved full deployment of our existing funds and remain committed to attracting new capital to continue investing in high growth Australian companies delivering meaningful and measurable environmental benefits – companies who produce profits that literally don't cost the earth.

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

Vanda Gould
Chairman

HYDROCHILE PTY LTD

HydroChile Pty Ltd - ("HydroChile") is an Australian company that has been formed to capitalise on opportunities in the Chilean power generation sector. Hydroelectricity is a clean energy source emitting no greenhouse gas emissions. Chile's topography is ideally suited to small run-of-river hydro projects and it has a shortage of fossil fuel based power supply. Such projects in Chile may be eligible for carbon emission credits under the Kyoto Protocol's Clean Development Mechanism. HydroChile's management are regarded as experts in the development and construction of run-of-river hydro electricity projects. HydroChile have now established an office and team based in Santiago and have commenced detailed feasibility on three initial projects with a generating capacity of approximately 100MW. The company will be commencing the process to raise construction finance over the coming months. There are a number of identified future projects which management have identified.

PRO-PAC PACKAGING LIMITED

Pro-Pac Packaging Limited (ASX:PPG) is a leading manufacturer and distributor of biodegradable and environmentally friendly packaging solutions for the general industrial and warehouse packaging sector. Pro-Pac has continued its expansion during the year through a continued acquisition program. Most recently, Pro-Pac announced the acquisition of Plastic Bottles Pty Limited, a specialist in the manufacture and distribution of protective packaging including bottles, closures, pumps and triggers, drums and containers for a diverse range of customers and industries. The acquisition will increase the group's revenues from \$26 million to over \$73 million.

WIND CORPORATION AUSTRALIA LIMITED

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

BIODIESEL PRODUCERS LIMITED

Biodiesel Producers Limited ("BPL") is a biodiesel developer in the process of constructing its first facility in the Wodonga area of Victoria. The Wodonga plant will produce 60 million litres of biodiesel per annum, 4,000 tonnes of glycerol and 1,200 tonnes of potassium sulphate. The investment in BPL is a co-investment with CVC REEF Limited, the CVC Group's specialist renewable energy fund and ANZ Infrastructure Services. Site construction work is almost complete with commissioning taking place in October 2007. BPL expect to be selling a very high quality biodiesel into the local transport markets in the near future.

SOILWISE PTY LIMITED

Soilwise Pty Limited has established a composting facility in the Murrumbidgee Irrigation Area of NSW. Its goal is to supply high quality, humus rich compost to Australia's agricultural and horticultural industry as an alternative to chemical based, soil depleting fertilizers. The compost process avoids the production of methane gas which results from the biomass decomposing in landfills. The method employed by Soilwise optimises and controls the conditions in compost windrows to ensure that micro-organisms proliferate to accelerate the breakdown of the waste. Soilwise has now completed the development of its composting site in Leeton. However, during the financial year the sad passing of Bruce Fasham, the company's founder, had a significant impact on the business. The Manager is working towards a solution to assist Soilwise in re-establishing its business plan.

PLANTIC TECHNOLOGIES LIMITED

Plantic Technologies Limited ("Plantic") is a developer and manufacturer of plastic substitute products used for dry goods packaging. It is made from corn-starch (maize) that is Australian grown and non-genetically modified. It is 100% biodegradable and dissolvable in water. During the first quarter of the 2008 financial year, Plantic successfully listed on the London Stock Exchange's AIM market. Plantic's management team received an exceptionally strong reception from institutional investors throughout Europe and the UK and Plantic listed at a solid premium to its book-build price. CVCSI decided to take the opportunity to exit its investment achieving an Annualised Return (IRR) of over 34%.

Substantial Investments

held at September 2007

AGRI ENERGY LIMITED

Agri Energy Limited (ASX:AAE) is an ASX listed company specialising in the development of facilities for the production of alternative fuels for the motor vehicle industry. Agri Energy has a number of projects under development including the Beatrice Biodiesel facility in Nebraska, USA, the Swan Hill Ethanol Project in Victoria, Australia and the Ennsdorf Biodiesel Project in Austria. The Beatrice Biodiesel Project is in the process of final construction and is set to be completed before the end of 2007. Agri Energy has placed its development plans for its Australian projects on hold until conditions in the Australian biofuels market improve and it will continue to focus on its overseas based projects.

THE ENVIRONMENTAL GROUP LIMITED

The Environmental Group Limited (ASX:EGL) is a provider of environmental services to the industrial, mining and commercial sectors. EGL specialises in air, water and waste water pollution control and other environmental services. EGL has continued its acquisition program with the recently announced acquisition of Total Air Pollution Control Pty Limited, a company specialising in the distribution, installation and maintenance of bag house filters used by heavy air polluters. EGL is continuing to review a number of acquisitions, particularly within the water services sector.

Directors' Report

for the year ended
30 June 2007

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 2007, and the Auditors' report thereon.

OFFICERS

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

Vanda Russell Gould (Chairman)

B Com (UNSW); M Com (UNSW)

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

John Douglas Read (Non Executive Director)

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

Fellow of the Australian Institute of Company Directors. Chairman of The Environmental Group Limited, Pro-Pac Packaging Limited and Patrys Limited, and is a 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. Director of CVC Limited, Greens Foods Limited, Tamaya Resources Limited (formerly SMC Gold Limited), CVC Private Equity Limited and CVC Managers Pty Limited and of numerous private and public companies.

Susan Maud Gosling (Non Executive Director)

(Resigned 29 March 2007)

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

General Manager, Implemented Consulting, MLC Adjunct Senior Lecturer, Master of Finance, University of NSW

Phillip Toyne (Non Executive Director)

LLB (Uni. Of Melbourne)

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

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	4	4
Mr J D Read	4	4
Mr A D H Beard	4	4
Dr S M Gosling	3	3
Mr P Toyne	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:

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

PRINCIPAL ACTIVITY

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

OPERATING RESULTS

The operating profit for the Group amounted to \$229,352 for the year (2006: \$206,708).

DIVIDENDS

No dividends have been declared, paid or provided in the period ended 30 June 2007. An interim dividend in respect of the year ended 30 June 2007 of 0.5 cents per ordinary share amounting to \$219,025 was paid on 11 December 2006.

Directors' Report

for the year ended
30 June 2007

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS OF THE GROUP

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

- The sale of shares in Traffic Technologies Limited, realising a profit of \$178,245;
- The sale of shares in Metgasco Limited, realising a profit of \$70,194;
- The sale of shares in Petratherm Limited, realising a profit of \$52,088;
- The sale of shares in Plantic Technology Limited, realising a profit of \$151,054.

On 28 February 2007 a restructure was undertaken by the Company such that the share capital was reduced by a return of capital satisfied by an *in-specie* distribution of all the fully paid ordinary shares in CVC Sustainable Investments No. 2 Limited, a company incorporated on 7 December 2006, 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, and although the two companies are separate legal entities their shares are not able to be separately traded.

Following the restructure the principle activity of the Group remains one that invests in a diversified combination of established, small Australian companies that offer both strong return potential and increased environmental outcomes. However, CVC Sustainable Investments No. 2 Limited will not be limited by the restriction of the *Pooled Development Funds Act 1992* (Cth) providing a structure to facilitate investment not previously available.

During the year, the Company issued 5,416,646 shares as part of the Public Offer in accordance with the prospectus dated 3 April 2007 and subject to shareholder approval, 812,497 options will be issued to CVC Managers Pty Limited, the investment manager at the next meeting of shareholders on 26 November 2007.

During the year the Company issued 5,383,750 new shares through the exercise of options.

SHARE OPTIONS OVER ORDINARY SHARES

The Company has two tranches of options to acquire ordinary shares on issue to the Company's investment manager, CVC Managers Pty Limited:

1. 185,875 options to acquire shares at 20 cents each. These options expire on 5 March 2012. During the year 500,000 options were exercised in exchange for 2,500,000 shares. The options are available to be exercised for a total of 929,375 shares in the Company.
2. 2,530,312 options have been issued to acquire shares at 20 cents per share. These options expire on 20 December 2013. At 30 June 2007, no shares have been issued through the exercise of any of these options.

Following the restructure of the Group on 28 February 2007, the options were not reissued. In accordance with a resolution on 25 January 2007 each option can be considered to be an option to acquire shares in both CVC Sustainable Investments Limited and CVC Sustainable Investments No. 2 Limited.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE GROUP

Mr Gould has an indirect interest in the 3,619,182 shares in the Group held by CVC Limited.

Mr Gould has an indirect interest in the 2,500,000 shares and 2,716,187 options in the Group held by CVC Managers Pty Limited.

Mr Beard has an indirect interest in 25,000 shares in the Group.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to 30 June 2007.

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.

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 and \$9,000 was paid to Susan M Gosling. Further information on Directors' benefits is set out in Note 15.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Group has not, during or since the financial year, 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 26.

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

Dated at Sydney 24 September 2007.

V R Gould
Director

A D H Beard
Director

Income Statements

for the year ended
30 June 2007

	Notes	Consolidated		The Company	
		2007 \$	2006 \$	2007 \$	2006 \$
INCOME					
Management fee		261,077	-	261,077	-
Interest received		235,532	295,493	222,722	295,493
Net gain on sale of equity investments		342,280	197,973	210,724	197,973
Dividends received		34,402	20,429	34,402	20,429
Other income		37,500	3,022	37,500	3,022
Total income		910,791	516,917	766,425	516,917
EXPENSES					
Audit fees	3	18,050	14,500	13,050	14,500
Director's fees		21,000	24,000	18,500	24,000
Insurance		15,982	12,367	15,982	12,367
Management and consulting fees		247,572	142,560	207,530	142,560
Legal fees		35,967	-	35,967	-
Printing		13,082	7,987	12,202	7,987
Share registry		15,617	12,674	13,111	12,674
Impairment expenses		244,042	-	244,042	-
Other expenses		7,561	24,309	6,724	24,309
Profit before related income tax expense		291,918	278,520	199,317	278,520
Income tax expense	4	(62,566)	(71,812)	(34,786)	(71,812)
Net profit		229,352	206,708	164,531	206,708
Net profit attributable to minority interests	12	64,821	-	-	-
Net profit attributable to members of the parent entity	11	164,531	206,708	164,531	206,708

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

Balance Sheets

as at 30 June 2007

	Notes	Consolidated		The Company	
		2007 \$	2006 \$	2007 \$	2006 \$
CURRENT ASSETS					
Cash and cash equivalents	16	1,409,931	4,998,547	382,472	4,998,547
Trade and other receivables	5	556,652	47,069	467,233	47,069
Total current assets		1,966,583	5,045,616	849,705	5,045,616
NON-CURRENT ASSETS					
Loans and receivables	6	726,542	464,922	226,542	464,922
Financial assets	7	9,034,632	4,576,465	8,167,132	4,576,465
Deferred tax assets	4	78,459	31,806	65,109	31,806
Total non-current assets		9,839,633	5,073,193	8,458,783	5,073,193
TOTAL ASSETS		11,806,216	10,118,809	9,308,488	10,118,809
CURRENT LIABILITIES					
Trade and other payables	8	19,491	12,100	12,241	12,100
Current tax liabilities	4	92,138	6,025	66,375	6,025
Loans payable	9	-	-	3,242,250	-
Total current liabilities		111,629	18,125	3,320,866	18,125
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4	88,147	197,786	86,869	197,786
Total non-current liabilities		88,147	197,786	86,869	197,786
TOTAL LIABILITIES		199,776	215,911	3,407,735	215,911
NET ASSETS		11,606,440	9,902,898	5,900,753	9,902,898
EQUITY					
Contributed equity	10	4,833,728	8,166,497	4,833,728	8,166,497
Retained profits	11	815,068	869,562	815,068	869,562
Other reserves	13	251,957	866,839	251,957	866,839
Total parent entity interest		5,900,753	9,902,898	5,900,753	9,902,898
Minority interest	12	5,705,687	-	-	-
TOTAL EQUITY		11,606,440	9,902,898	5,900,753	9,902,898

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

Statements of Changes in Equity

for the year ended
30 June 2007

	Consolidated		The Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Income and expenses recognised directly in equity				
Movements in fair values of "available-for-sale" financial assets recognised directly in equity	(548,397)	932,134	(550,806)	932,134
Movements in fair values of "available-for-sale" financial assets transferred to the income statement on realisation	(65,911)	(40,194)	(65,911)	(40,194)
Income tax on items taken directly to or from equity	81,898	(140,591)	82,620	(140,591)
Total income and expense recognised directly in equity	(532,410)	751,349	(534,097)	751,349
Profit for the period	229,352	206,708	164,531	206,708
Total recognised income and expense for the period	(303,058)	958,057	(369,566)	958,057
Attributable to:				
Shareholders of the parent entity	(369,566)	958,057	(369,566)	958,057
Minority interests	66,508	-	-	-
	(303,058)	958,057	(369,566)	958,057
Transactions with shareholders in their capacity as shareholders				
Shares issued during the period	2,304,975	3,387,250	1,431,235	3,387,250
Non-equity costs of shares issued	(102,066)	(213,285)	(52,691)	(213,285)
<i>In-specie</i> distribution to shareholders	-	-	(4,719,217)	-
Share options reserve reallocated on <i>in-specie</i> distribution	-	-	(80,785)	-
Income tax on costs of shares issued	22,716	31,212	7,904	31,212
Dividends paid to shareholders	(219,025)	-	(219,025)	-
Total transactions with shareholders in their capacity as shareholders	2,006,600	3,205,177	(3,632,579)	3,205,177
Net increase/(decrease) in equity for the period	1,703,542	4,163,234	(4,002,145)	4,163,234
Equity at the beginning of the period	9,902,898	5,739,664	9,902,898	5,739,664
Equity at the end of the period	11,606,440	9,902,898	5,900,753	9,902,898

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

Cash Flow Statements

for the year ended
30 June 2007

	Notes	Consolidated		The Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Interest received		219,191	227,936	208,231	227,936
Dividends received		34,402	20,429	34,402	20,429
Other income received		37,500	3,023	37,500	3,023
Cash payments in the course of operations		(397,636)	(243,459)	(265,552)	(243,459)
Income tax paid		(16,500)	(106,585)	(16,500)	(106,585)
Net cash flows used in operating activities	16	(123,043)	(98,656)	(1,919)	(98,656)
Cash flows from investing activities					
Proceeds from sale of investments		1,100,899	686,056	318,484	686,056
Payments for investments		(6,550,356)	(1,577,127)	(4,534,407)	(1,577,127)
Loans provided		-	(499,800)	-	(499,800)
Loans repaid		-	499,800	(1,557,752)	499,800
Net cash flows used in investing activities		(5,449,457)	(891,071)	(5,773,675)	(891,071)
Cash flows from financing activities					
Shares issued		2,304,975	3,163,534	1,431,235	3,163,534
Payments for capital raising costs		(102,066)	-	(52,691)	-
Dividends paid		(219,025)	-	(219,025)	-
Net cash flows provided by financing activities		1,983,884	3,163,534	1,159,519	3,163,534
Net (decrease)/increase in cash held		(3,588,616)	2,173,807	(4,616,075)	2,173,807
Cash at the beginning of the financial year		4,998,547	2,824,740	4,998,547	2,824,740
Cash at the end of the financial year	16	1,409,931	4,998,547	382,472	4,998,547

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

Notes to the Financial Statements

for the year ended
30 June 2007

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.

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).

AASB 7 Financial Instruments: Disclosures and *AASB 2005-10 Amendments to Australian Accounting Standards* have recently been issued but are effective for reporting periods commencing after 1 January 2007 and has not been adopted for the annual reporting period ended 30 June 2007. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company and stapled entity's financial instruments.

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. The Directors believe the Company is a going concern as a letter of comfort has been provided by CVC Sustainable Investments No. 2 Limited stating the loan of \$3,242,250 is repayable out of the funds to be raised under the existing Public Offer of stapled securities in the companies. This is expected to occur within twelve months of balance date.

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 2007 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

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (Cont.)

e) Revenue Recognition (Cont.)

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

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 an allowance for any uncollectible amounts.

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

i) Investments and Other Financial Assets

Financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, "held-to-maturity" investments, or "available-for-sale" investments, as appropriate. When financial assets are recognised initially, they

are measured at fair value plus directly attributable transaction costs. The 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.

(i) 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.

(ii) "Available-for-sale" investments

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

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

j) Income Tax 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.

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (Cont.)

j) Income Tax and Other Taxes (Cont.)

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.

CVC Sustainable Investments Limited is entitled to concessional tax treatment in accordance with the *Pooled Development Fund Act 1992* which applies a tax rate of 15% on returns generated from investee companies and 25% on bank and money market interest and other income whereas CVC Sustainable Investments No. 2 Limited is subject to ordinary corporate tax rates of 30%.

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.

Notes to the Financial Statements

for the year ended
30 June 2007

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
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 11 December 2006	219,025	-	219,025	-
	219,025	-	219,025	-
No dividends have been declared, paid or provided by the Group for the period ended 30 June 2007.				
Franking credits available, after allowing for the payment of the estimated year end tax provision, are:				
CVC Sustainable Investments Limited	314,583	191,328	314,583	191,328
CVC Sustainable Investments No. 2 Limited	25,763	-	-	-
	340,346	191,328	314,583	191,328
NOTE 3: AUDITORS' REMUNERATION				
The auditor of the Company is HLB Mann Judd (NSW Partnership).				
Amounts received or due and receivable by Auditors of the Company:				
Audit or review of the financial report	18,050	14,500	13,050	14,500
Amounts received or due and receivable by non HLB Mann Judd (NSW Partnership) audit firm:				
Other Services – Accountants report for prospectus issued 3 April 2007	8,800	-	4,530	-
The Auditors received no other benefits				

Notes to the Financial Statements

for the year ended
30 June 2007

	Consolidated		The Company	
	2007 \$	2006 \$	2007 \$	2006 \$
NOTE 4: INCOME TAX				
(a) Income tax expense				
Accounting profit before income tax	291,918	278,520	199,317	278,520
Income tax expense/(benefit) at the statutory income tax rate of 25% (2006: 25%)	72,980	69,630	49,829	69,630
Adjustments in respect of current income tax of previous years	830	20,471	830	20,471
Adjustments for different tax rates	(337)	(11,798)	(4,966)	(11,798)
Franked dividends received	(11,058)	(6,566)	(11,058)	(6,566)
Other	151	75	151	75
Income tax expense	62,566	71,812	34,786	71,812
The major components of income tax expense are:				
Current income tax charge	92,138	34,532	66,375	34,532
Deferred income tax	(30,402)	16,809	(32,419)	16,809
Adjustments in respect of current income tax of previous years	830	20,471	830	20,471
Income tax expense reported in the income statement	62,566	71,812	34,786	71,812
(b) Current tax liability				
Income tax payable	92,138	6,025	66,375	6,025
(c) Deferred income tax				
Deferred income tax at 30 June related to the following items:				
Deferred tax assets:				
- Cost of capital raising	37,369	26,221	25,519	26,221
- Provision and accrued expenses	41,090	5,585	39,590	5,585
	78,459	31,806	65,109	31,806
Deferred tax liabilities:				
- Unrealised profit on shares	86,767	180,297	86,044	180,297
- Receivables	1,380	17,489	825	17,489
	88,147	197,786	86,869	197,786

Notes to the Financial Statements

for the year ended
30 June 2007

	Consolidated		The Fund	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 5: TRADE AND OTHER RECEIVABLES				
Current				
Accounts receivable	537,072	-	457,898	-
Interest receivable	3,444	35,019	1,594	35,019
GST receivable	8,584	4,636	189	4,636
Other receivables	7,552	7,414	7,552	7,414
	556,652	47,069	467,233	47,069
<i>Other receivables</i>				
Other receivables are non-interest bearing and are generally on 60-90 day terms.				
NOTE 6: LOANS AND RECEIVABLES				
Non-current				
Secured loans	453,084	408,224	453,084	408,224
Convertible notes	500,000	56,698	-	56,698
Impairment of secured loans	(226,542)	-	(226,542)	-
	726,542	464,922	226,542	464,922
The secured loan of \$453,084 is with Soilwise Pty Limited and the convertible note is with AJ Lucas Group Limited.				
Impairment of loans to other corporations				
An impairment loss was recognised against the loan to Soilwise Pty Limited as delays have been experienced with the completion of the production facilities and the impact of the drought.				
NOTE 7: FINANCIAL ASSETS – “AVAILABLE-FOR-SALE”				
Unlisted shares in other corporations	4,141,353	2,009,333	4,141,353	2,009,333
Listed shares at market value	4,910,779	2,567,132	4,043,279	2,567,132
Impairment	(17,500)	-	(17,500)	-
	9,034,632	4,576,465	8,167,132	4,576,465

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 7: FINANCIAL ASSETS – “AVAILABLE-FOR-SALE” (Cont.)

Unlisted shares in other corporations comprise:

- > 20% shareholding in Soilwise Pty Limited at a fair value of \$17,500 (2006: \$35,000). The investment is not accounted for in accordance with *AASB 128 Investments in Associates* as there is no influence exerted on the operations of the Company;
- > 20% shareholding in Wind Corporation Australia Limited at a fair value of \$1,606,353 (2006: \$1,218,468). 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 at a cost of \$2,000,000; and
- > 2.5% shareholding in Biodiesel Producers Limited at a cost of \$500,000.

Impairment of unlisted shares in other corporations

An impairment loss was recognised against the investment in Soilwise Pty Limited as delays have been experienced with the completion of the production facilities and the impact of the drought.

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 8: TRADE AND OTHER PAYABLES				
Sundry creditors and accruals	19,491	12,100	12,241	12,100

Trade creditors and accruals

Trade creditors and accruals are non-interest bearing and are normally settled on 60 day terms.

Notes to the Financial Statements

for the year ended
30 June 2007

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$

NOTE 9: LOANS PAYABLE

Loan payable	-	-	3,242,250	-
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The loan is payable to CVC Sustainable Investments No. 2 Limited. The loan arose 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 stating the loan is repayable out of the funds to be raised under the existing Public Offer of stapled securities in the companies. This is expected to occur within twelve months of balance date.

	2007		2006	
	No of Shares	\$	No of Shares	\$

NOTE 10: CONTRIBUTED EQUITY

Ordinary shares

Balance at the beginning of the year	43,220,025	8,166,497	26,283,775	5,127,814
<i>In-specie</i> distribution to shareholders	-	(4,719,217)	-	-
New shares issued (a)	5,416,646	614,935	16,868,750	3,373,750
Options exercised (b)	5,383,750	775,075	67,500	13,500
Dividend reinvestment plan	188,956	41,225	-	-
Costs of capital raising	-	(52,691)	-	(379,779)
Income tax on costs of capital raising	-	7,904	-	31,212
Balance at the end of the year	54,209,377	4,833,728	43,220,025	8,166,497

(a) In accordance with the prospectus dated 3 April 2007 an additional 5,416,646 shares were issued with the same rights and entitlements as all other shares on issue.

(b) During the year 1,076,750 options were exercised resulting in 5,383,750 new shares being issued.

Notes to the Financial Statements

for the year ended
30 June 2007

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 11: RETAINED PROFITS				
Balance at the beginning of the year	869,562	662,854	869,562	662,854
Net profit from operating activities	164,531	206,708	164,531	206,708
Dividends paid	(219,025)	-	(219,025)	-
Balance at the end of the year	815,068	869,562	815,068	869,562

	Consolidated	
	2007	2006
	\$	\$
NOTE 12: MINORITY INTEREST		
Reconciliation of minority interest in stapled entities:		
Balance at the beginning of the year	-	-
Share of net profit	64,821	-
Shares issued by stapled entity	5,558,394	-
Other reserve	82,472	-
Balance at the end of the year	5,705,687	-
The minority interest at the end of the year comprises interests in:		
Share capital	5,558,394	-
Retained profits	64,821	-
Other reserves	82,472	-
	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 is accounted for in accordance with Interpretation 1002 *Post-Date-of-Transition Stapling Arrangement*. The minority interest represents the equity held by shareholders of CVC Sustainable Investments No. 2 Limited.

Notes to the Financial Statements

for the year ended
30 June 2007

	Share options reserve \$	The Company Market value reserve \$	Total other reserves \$
NOTE: 13: OTHER RESERVES			
Year ending 30 June 2007:			
Balance at the start of the period	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 of market value movements	-	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
Year ending 30 June 2006:			
Balance at the start of the period	-	(51,004)	(51,004)
Change in fair value of "available-for-sale" assets	-	932,134	932,134
Transferred to income statement on realisation	-	(40,194)	(40,194)
Income tax effect of market value movements	-	(140,591)	(140,591)
Grant of options	166,494	-	166,494
Balance at the end of the year	166,494	700,345	866,839

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE: 13: 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.

Share Options Reserve

The share option reserve is used to record the value of options issued to the investment manager, CVC Managers Pty Limited. As at 30 June 2007, the following options are outstanding:

	Number of options	Equivalent shares (*)	Exercise price (*)	Expiry Date
Initial manager options	185,875	929,375	20 cents	5 Mar 2012
New manager options	2,530,312	2,530,312	20 cents	20 Dec 2013
		3,459,687		

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

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 14: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Interest Rate Risk

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

	Notes	Floating interest rate	1 year or less	1 to 5 years	Non-interest bearing	Total
2007						
Financial assets						
Cash and cash equivalents	16	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
Weighted average interest rate		3.74%	6.10%	11.71%	-	
Financial liabilities						
Trade and other payables	8	-	-	-	19,491	19,491
Weighted average interest rate		-	-	-	-	
2006						
Financial assets						
Cash and cash equivalents	16	1,155,521	3,843,026	-	-	4,998,547
Trade and other receivables	5	-	-	-	47,069	47,069
Loans and receivables	6	-	-	464,922	-	464,922
Weighted average interest rate		5.56%	5.92%	14.78%	-	
Financial liabilities						
Trade and other payables	8	-	-	-	12,100	12,100
Weighted average interest rate		-	-	-	-	

Credit Risk Exposure

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

Recognised Financial Instruments

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

Fair Value of Financial Assets and Liabilities

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

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

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 15: 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Dr S Gosling - fees	9,000	12,000	8,500	12,000
Mr P Toyne - fees	12,000	12,000	10,000	12,000
	21,000	24,000	18,500	24,000

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.

Directors

Persons holding the positions of Directors of CVC Sustainable Investments Limited during the financial year are:
V R Gould, A D H Beard, J D Read, S M Gosling, P Toyne.

Transactions with related parties

The 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 \$247,572 were paid to CVC Managers Pty Limited (2006: \$142,560). Messrs Beard and Gould were Directors of CVC Managers Pty Limited during the year.

Under the terms of the prospectus issued on 3 April 2007 the Group will reimburse establishment costs of the Investment Manager. During the period, \$79,341 of establishment fees have been paid or are payable to the Investment Manager as a result of capital raised.

Notes to the Financial Statements

for the year ended
30 June 2007

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 16: 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:				
Cash on hand	1,409,931	13,627	382,472	13,627
Cash on deposit	-	4,984,920	-	4,984,920
Cash and cash equivalents	1,409,931	4,998,547	382,472	4,998,547
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 from operations				
Net profit	229,352	206,708	164,531	206,708
Adjustments for:				
Net gain on sale of equity investments	(342,280)	(197,973)	(210,724)	(197,973)
Impairment of loan receivable	244,042	-	244,042	-
Change in operating assets and liabilities:				
(Increase)/decrease in receivables	(307,614)	(65,823)	(218,194)	(65,823)
Increase/(decrease) in current tax liabilities	86,113	(122,616)	60,350	(122,616)
Increase/(decrease) in payables	7,391	(6,795)	141	(6,795)
Increase/(decrease) in deferred tax liabilities	(40,047)	87,843	(42,065)	87,843
Cash flows from operating activities	(123,043)	(98,656)	(1,919)	(98,656)

NOTE 16: SEGMENT INFORMATION

The Group predominantly operates in investment activities in Australia.

NOTE 17: OTHER INFORMATION

The Company was incorporated on 21 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.

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 18: EVENTS OCCURRING AFTER REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any other matter or circumstance that has 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 19: 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 a return of capital satisfied 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, and although the two companies are separate legal entities their shares 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

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for the year ended
30 June 2007

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 Company's and consolidated entity's financial position as at 30 June 2007 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 company and consolidated entity 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 24 September 2007.

V R Gould
Director

A D H Beard
Director

Auditors' Independence Declaration

for the year ended
30 June 2007

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 2007, 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 24 September 2007.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditors' Report

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 2007, 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 Group ("the Group") as set out on pages 6 to 25. The Group comprises the Company and its 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 compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, 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 24 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Continued Overleaf

Independent Auditors' Report

to the Members of CVC
Sustainable Investments Limited

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 2007 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

Sydney 24 September 2007

Liability limited by a scheme approved under Professional Standards Legislation.



CVC

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