



Half-yearly Financial Report

**CVC Sustainable Investments Limited
and its Stapled Entity**

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for the half-year ended 31 December 2008

chairman's report

for the half-year ended 31 December 2008

Dear Shareholder

On behalf of the Board, I present the interim report for stapled securities entities CVC Sustainable Investments Limited and CVC Sustainable Investments No. 2 Limited ("CVC Sustainable Investments" or "CVCSI"). The net loss for the half-year period of \$2,192,758 was a direct result of the fall in values being experienced by capital markets, resulting in an impairment provision raised of \$4,038,993. Shareholders will appreciate that when financial markets improve much of this provision is likely to be reversed.

During the period CVCSI sold half of its shareholding in HydroChile Pty Limited resulting in a profit of \$989,039. It also increased its stake in the ASX-listed diversified environmental solutions company, the Environmental Group Limited (ASX:EGL), which has reported record revenues for the half-year representing an improvement of 101% over the previous corresponding period. As well, profit for EGL has seen a tenfold increase on the previous year.

Progress in other investments has been pleasing with CVCSI becoming a shareholder in a company experiencing significant growth: Arrow Energy Limited (ASX:AOE), a leading Australian integrated energy company focusing on the generation of power using Liquefied Natural Gas (LNG). Having half the greenhouse emissions of coal LNG's cleaner energy profile reduces the need to burn coal – a significant environmental benefit.

Encouraged by the extensive range of new investment opportunities in the sustainable investments sector, we are pleased to announce the launching of CVCSI's new prospectus. The intention is to raise a further \$30 million to expand the fund's ability to take advantage of new and follow on investments in high growth, environmentally positive companies. Following the impact of market trends over the past 12 months, it is our belief that CVCSI is poised to take advantage of new opportunities at significantly lower acquisition costs.

CVCSI's emphasis continues to be as an active investor on behalf of its shareholders extracting long term value by working actively with the management of the investee companies in the portfolio. CVCSI holds board seats with six of these companies. Furthermore, CVCSI's investments with other listed companies focuses on companies where the Manager has a keen knowledge of the businesses concerned.

At CVCSI we are committed and well-placed to build on an overall strong track record of generating returns that literally "don't cost the earth" by providing funding for companies whose operations actively address society's most pressing environmental concerns.

Vanda Gould
Chairman

income statement (condensed)

for the half-year ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$	\$
INCOME		
Management fees	-	240,000
Interest income	10,792	47,912
Net gain on sale of investments	1,007,109	75,214
Dividend income	29,630	43,743
Underwriting fees	-	305,000
TOTAL INCOME	1,047,531	711,869
Share of net profits of associate accounted for using the equity method	386,896	35,795
Discount on acquisition	136,129	-
EXPENSES		
Audit fees	11,000	11,500
Directors' fees	6,000	6,000
Management & consulting fees	182,869	145,081
Legal fees	20,070	44,406
Interest expenses	93,034	70,944
Printing	13,037	11,126
Share registry costs	8,652	7,162
Net loss on sale of equity investments	61,115	13,425
Impairment of investment in associated entity	1,967,220	-
Impairment of listed investments	2,071,773	-
Impairment of secured loans	226,542	17,025
Other expenses	15,674	61,802
(Loss)/profit before income tax expense	(3,106,430)	359,193
Income tax benefit/(expense)	913,672	(37,390)
Net (loss)/profit	(2,192,758)	321,803
Net (loss)/profit attributed to minority interests	(2,128,640)	(48,601)
Net profit attributable to members of the parent entity	(64,118)	370,404
Earnings per share		
Basic and diluted earnings per share (cents)	(3.73)	0.54
Dividends paid per share (cents)	0.5	0.5

balance sheet (condensed)

as at 31 December 2008

	31 Dec 2008	30 Jun 2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	11,804	44,240
Trade and other receivables	305,666	332,189
Current tax assets	-	4,450
Total current assets	317,470	380,879
NON-CURRENT ASSETS		
Loan receivables	-	226,542
Financial assets "available-for-sale"	8,141,078	10,562,566
Investments accounted for using the equity method	4,350,702	5,586,390
Deferred tax assets	1,867,580	469,609
Total non-current assets	14,359,360	16,845,107
TOTAL ASSETS	14,676,830	17,225,986
CURRENT LIABILITIES		
Trade and other payables	82,262	93,916
Loans payable	2,011,100	2,048,516
Current tax liabilities	36,398	-
Total current liabilities	2,129,760	2,142,432
NON-CURRENT LIABILITIES		
Deferred tax liabilities	852,437	454,016
Total non-current liabilities	852,437	454,016
TOTAL LIABILITIES	2,982,197	2,596,448
NET ASSETS	11,694,633	14,629,538
EQUITY		
Contributed equity	6,368,692	6,292,383
Retained profits	(2,392,733)	(1,976,670)
Other reserves	2,277,280	2,992,780
Total parent entity interest	6,253,239	7,308,493
Minority interest	5,441,394	7,321,045
TOTAL EQUITY	11,694,633	14,629,538

cash flow statement (condensed)

for the half-year ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	-	26,040
Cash payments in the course of operations	(274,546)	(253,907)
Interest received	10,792	51,831
Interest paid	(2,450)	(1,058)
Dividends received	281,648	17,968
Tax paid	(845)	-
Net cash provided by/(used in) operating activities	14,599	(159,126)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,231,997	1,402,363
Payments for other investments	(2,932,702)	(5,301,666)
Net cash provided by/(used in) investing activities	299,295	(3,899,303)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(227,870)	(223,000)
Proceeds from the issue of shares	9,540	1,282,529
Proceeds from borrowing	2,392,000	2,562,880
Borrowings repaid	(2,520,000)	(738,728)
Payments for share buyback	-	(190,485)
Net cash (used in)/provided by financing activities	(346,330)	2,693,196
Net decrease in cash held	(32,436)	(1,365,233)
Cash at the beginning of the financial half-year	44,240	1,409,931
CASH HELD AT THE END OF THE HALF-YEAR	11,804	44,698

statement of changes in equity (condensed)

for the half-year ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$	\$
Income and expenses recognised directly in equity		
Movements in fair values of "available-for-sale" financial assets recognised directly in equity	369,471	(2,270,748)
Movements in fair values of "available-for-sale" financial assets transferred to the income statement on realisation	(945,771)	(47,701)
Income tax on items taken directly to or from equity	46,493	289,908
Value of associates share options reserve recognised in other reserve	5,887	-
Total income and expense recognised directly in equity	(523,920)	(2,028,541)
(Loss)/profit for the half-year	(2,192,758)	321,803
Total recognised income and expense for the half-year	(2,716,678)	(1,706,738)
Transactions with shareholders in their capacity as shareholders		
Shares issued during the half-year:		
- through share placement	10,000	2,085,913
- non-equity cost of shares issued	(460)	(81,109)
- income tax on cost of shares issued	103	18,423
- through the dividend reinvestment plan	124,074	110,963
- through exercise of options	-	691,937
Dividends paid to shareholders	(351,944)	(333,963)
Payment for share buyback	-	(190,485)
Total transactions with shareholders in their capacity as shareholders	(218,227)	2,301,679
Net (decrease)/increase in equity for the half-year	(2,934,905)	594,941
Equity at the beginning of the half-year	14,629,538	11,606,440
EQUITY AT THE END OF THE HALF-YEAR	11,694,633	12,201,381

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