Summary Financial Report

	2010 $'000	2009 $'000	Variance to prior year $'000	%
Operating revenue	7,222	6,578	644	10
Loss from continuing operations before interest and tax	(1,263)	(4,434)	3,171	72
LBIT margin (%)	(17%)	(67%)	50%	74
Loss from continuing operations before tax	(1,694)	(4,808)	3,114	65
Attributable loss before tax	(1,064)	(8,200)	7,136	87
Attributable loss after tax	(1,064)	(8,763)	7,699	88
Net margin (%)	(15%)	(133%)	118%	89
Basic losses per share (cents)	(2.2)	(7.8)	5.6	72
Net operating cash outflows	(534)	(1,283)	749	58
Dividends per share	-	-	-	-
Net tangible assets / (liabilities) per security (cents)	(6.1)	(8.3)	2.1	26

The full year final report and results are in the final stages of the audit process. The information in this report contains all the information required by the ASX listing rule 4.3A.

2009-10 results

The current year has seen a significant improvement in results compared to the prior year. Revenue has increased by 10% during a difficult trading period for most businesses.

The Group's operating result before income tax and from continuing operations is a loss of $285,000 (2009: $2,708,000), after excluding the non-recurring expenses detailed below:

Cash transactions
Legal fees for litigation in relation to Commercial Energy Services Pty Ltd: $290,000

Non-cash transactions
Impairment losses of intangible assets - technology: $596,000 (2009: $2,100,000)
Impairment losses of plant and equipment: $50,000
Share based payment expenses: $473,000

This improvement has been achieved without making any change to Group operating facilities. In addition, the Group has greatly benefitted from improvements in cost management, especially a reduction of head office overheads.

This positive trajectory in performance between the prior and current year, aligned with the strategic and business growth plans being implemented by the Group's new CEO, should see the business profitable during the forthcoming year.

The Group's balance sheet management has also greatly improved with only $223,000 worth of impairment loss arising during the second half of the year (2010 full year: $646,000 and 2009 full year: $2,100,000). The directors believe that this should see the end to impairments for both tangible and intangible assets.

The directors are pleased to note that they have recently reached agreement with the Company's business founders for early conversion of their convertible notes, resulting is a greatly improved overall net tangible asset value attributable to the equity holders of the Company, as well as an improved risk profile of the balance sheet. The majority of the convertible notes (to the value of $3,737,000) have been converted into equity, subsequent to 30 June 2010, at a conversion price of $0.35 per share. The remaining convertible notes are due to be realised by the end of October 2010 in cash and / or equity.

The Group continues to be supported by Norton Rose in the Company's case against the sellers of Commercial Energy Services Pty Ltd (CES). Based upon supporting independent expert advice from Deloitte, the directors believe that the Group will not be required to pay the current liability of $833,000 related to CES. If that is the case, then this will also lead to a significant improvement in the Company's balance sheet during the forthcoming year.

Significant changes to the state of affairs

- *Chief Executive Officer*
  On 31 March 2010, the Board appointed David Cassidy as its new CEO. David brings significant experience in finance, markets, planning and management to the Group.

- *Chief Financial Officer*
  Scott Loffler was appointed as the Group's CFO on 18 November 2009. Scott was originally appointed as Financial Controller for the Group and has grown significantly in capabilities and experience.

- *New Board Appointments*
  Dr Merv Jones was appointed a director on 3 July 2009 and Non-Executive Chairman on 17 February 2010. Also, Robin Ormerod, one of the founders of Pacific Air Environment, now PAEHolmes, was appointed a director on 17 February 2010. Merv and Robin bring a great depth of industry experience to the Board.

- *EcoVision*
  The final payment for the acquisition of EcoVision of $250,000 was made in August 2009. Since that time the Group has negotiated a non-binding agreement with the founders of EcoVison to improve how that company commercialises its state-of-the-art technology and minimises direct costs. It is planned that this non-binding agreement will be converted to a binding contract before October 2010.

- *Creditors*
  The Group has also greatly improved its total trade and other payables position between the prior year and the current year (30 June 2010: $3,141,000 versus 30 June 2009: $4,227,000). This improvement arises from a set of initiatives instigated by the Board including:

  - More efficient management of Group overheads;
  - Improved performance due to more detailed management of finance and planning; and
  - Cessation of non-critical contracts associated with external consultative support.

- *Contributed equity*
  Contributed equity increased by $1,712,000 during the year (2009: $3,517,000 increase). The net cash received from the increase in contributed equity was used principally to provide additional working capital and to retire debt

Pacific Environment Limited

ABN 42 122 919 948

Appendix 4E
Preliminary Report to the Australian Stock Exchange

For the year ended 30 June 2010

Statement of Comprehensive Income

	Notes	2010 $'000	2009 $'000
Revenue from continuing operations	2	7,222	6,578
Other income		110	162
Changes in inventories of finished goods and work in progress		109	(64)
Raw materials and consumables used		(153)	(68)
Employee benefits expense		(4,353)	(4,891)
Consultants expense		(1,313)	(1,218)
Research & development expense		-	(247)
Travel expense		(235)	(451)
Rental expense		(279)	(295)
Directors' expense		(95)	(142)
Laboratory expense		(384)	(328)
Depreciation and amortisation expense		(361)	(297)
Finance costs		(431)	(374)
Impairment losses		(646)	(2,100)
Other expenses		(885)	(1,073)
Loss before income tax		**(1,694)**	**(4,808)**
Income tax expense	4	-	(563)
Loss from continuing operations		**(1,694)**	**(5,371)**
Benefit / (loss) from discontinued operations	5	630	(3,392)
Loss for the year		**(1,064)**	**(8,763)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(1,064)**	**(8,763)**
Loss is attributable to:			
Equity holders of Pacific Environment Limited		**(1,064)**	**(8,763)**
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company:			
Basic loss per share	22	(2.2)	(7.8)
Diluted loss per share	22	(2.2)	(7.8)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Notes	2010 $'000	2009 $'000	2008 $'000
ASSETS				
Current assets				
Cash and cash equivalents	6	531	560	385
Trade and other receivables	7	1,492	1,425	1,717
Inventories	8	305	236	264
Current tax asset		-	217	-
Total current assets		2,328	2,438	2,366
Non current assets				
Receivables	9	-	31	74
Available-for-sale financial assets	10	2	-	-
Property, plant and equipment	11	433	481	607
Deferred tax assets		-	-	1,061
Intangible assets	12	9,052	9,439	10,015
Total non current assets		9,487	9,951	11,757
Total assets		**11,815**	**12,389**	**14,123**
LIABILITIES				
Current liabilities				
Trade and other payables	13	3,141	4,227	1,280
Borrowings	14	4,715	568	103
Provisions	15	125	309	271
Total current liabilities		7,981	5,104	1,654
Non current liabilities				
Borrowings	16	225	4,351	4,411
Provisions	17	10	11	30
Total non current liabilities		235	4,362	4,441
Total liabilities		**8,216**	**9,466**	**6,095**
Net assets		**3,599**	**2,923**	**8,028**
EQUITY				
Contributed equity	18	14,771	13,059	9,571
Reserves	19	270	247	77
Retained losses	19	(11,442)	(10,383)	(1,620)
Total equity attributable to equity holders of the Company		**3,599**	**2,923**	**8,028**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Issued capital $'000	Reserves $'000	Retained losses $'000	Total equity $'000
As at 1 July 2008	9,637	77	(1,620)	8,094
Prior period error	(66)	-	-	(66)
As at 1 July 2008 (restated)	**9,571**	**77**	**(1,620)**	**8,028**
Total comprehensive loss for the year	-	-	(8,763)	(8,763)
Equity transactions (net of transaction costs)				
Issue of shares (private placements)	818	-	-	818
Issue of shares (prospectus)	1,215	-	-	1,215
Issue of shares (rights issue)	258	-	-	258
Issue of shares (part of acquisiton consideration)	1,854	-	-	1,854
Transactions costs of capital raising	(305)	-	-	(305)
Reversal of tax benefit	(352)	-	-	(352)
Employee share options - value of employee services	-	170	-	170
At 30 June 2009	**13,059**	**247**	**(10,383)**	**2,923**
Total comprehensive loss for the year	-	-	(1,064)	(1,064)
Equity transactions (net of transaction costs)				
Issue of shares (private placements)	1,211	-	-	1,211
Issue of shares (part of acquisiton consideration)	210	-	-	210
Shares issued to employees - value of services	439	-	-	439
Transaction costs of capital raising	(148)	-	-	(148)
Employee share options - value of employee services	-	28	-	28
Transfer of expired employee share options to retained earnings	-	(5)	5	-
At 30 June 2010	**14,771**	**270**	**(11,442)**	**3,599**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	2010 $'000	2009 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	7,974	7,965
Payments to suppliers and employees (inclusive of goods and services tax)	(8,538)	(9,101)
	(564)	(1,136)
Other revenue	149	125
Interest received	2	-
Interest paid	(213)	(213)
Income taxes refunded / (paid)	92	(59)
Net cash outflow from operating activities	**(534)**	**(1,283)**
Cash flows from investing activities		
Payment for purchase of subsidiary, net of cash acquired	(280)	(462)
Payments for available-for-sale financial assets	(2)	-
Payments for property, plant and equipment	(197)	(50)
Payments for intangible assets	-	(306)
Loans to related parties	(16)	(326)
Proceeds from sale of property, plant and equipment	10	5
Repayment of loans by related parties	21	-
Other	-	4
Net cash outflow from investing activities	**(464)**	**(1,135)**
Cash flows from financing activities		
Proceeds from borrowings	180	119
Proceeds from issues of shares and other equity securities	1,251	2,291
Share issue transaction costs	(187)	(172)
Repayment of borrowings	(261)	(133)
Net cash inflow from financing activities	**983**	**2,105**
Net decrease in cash and cash equivalents	(15)	(313)
Cash and cash equivalents at the beginning of the financial year	72	385
Cash and cash equivalents at the end of the year	**57**	**72**

The above cash flow statement should be read in conjunction with the accompanying notes.

1. Basis of preparation

This preliminary financial report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited financial report. The financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncement of the Australia Accounting Standards Board, Urgent Issues Consensus Views and the Corporations Act 2001.

This preliminary financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with any public announcements made by Pacific Environment Limited during the period with the continuous disclosure requirements of the Corporations Act 2001. These policies have been consistently applied to all the years presented unless otherwise stated.

The consolidated results include the parent, Pacific Environment Limited and its wholly owned subsidiaries as identified in note 20.

The group is currently reporting an operating loss after tax of $1,694,000 (2009: $5,371,000). Due to the current financial results and position of the Company, there is material uncertainty whether the consolidated entity will continue as a going concern.

This report is based on the Annual Financial Report which is in the process of being audited.

The current reporting year in the preliminary report is the year ended 30 June 2010.

Going Concern

The Group has incurred an operating loss after income tax from continuing operations for the year ended 30 June 2010 of $1,694,000 (2009: $5,371,000 loss) and an operating cash outflow of $534,000 (2009: $1,283,000 outflow). As at 30 June 2010 current liabilities exceed current assets by $5,653,000 (30 June 2009: $2,666,000).

Included in current liabilities is an amount of $4,143,000, being convertible notes due to expire during February 2011. Subsequent to 30 June 2010, $3,737,000 of this has been converted to equity.

Also included in the current liabilities is an amount of $833,000 (2009: $1,400,000) owing to the vendors of Commercial Energy Services Pty Ltd (CES). The contract associated with the acquisition of CES provided for a payment of $700,000 to the vendors, from available cash-flows generated by CES based upon a pre-determined formula. Alternatively the vendors have the option of converting the amount owing into equity of the Company at an equivalent of two times the amount owing. No amounts have been paid and a liability has been recognised based upon the vendors exercising their option to convert to equivalent double the value in shares.

The directors of the Group are of the opinion that certain misrepresentations were made to the Group in connection with the sale to it of CES, and have instigated litigation proceedings which are currently being considered in the courts. The current liability balance represents the liability owing to five of the thirteen vendors who have not reached an out of court settlement with the Group in relation to the litigation.

Based upon independent expert advice, the directors believe that if litigation against CES proceeds to court:

- the Group will not be required to pay the current liability owing to CES; and
- the Group will recover the shares issued to the remaining vendors, the cash paid and the costs of litigation proceedings.

Whilst the Group's current liabilities exceed its current assets, the directors have determined to prepare this financial report on the basis that the Group is a going concern.

The directors believe that the Group will be able to meet its debts and commitments as they fall due based on the following:

- The directors believe that the Group will generate consulting revenue of at least $8.6 million and technology product revenue of at least $830,000 for the year ending 30 June 2011 due to continued increased demand for both environmental and energy services, both nationally and internationally;
- The Group has successfully implemented head office cost reductions to a sustainable modest level, and will continue to manage the cashflow impact thereof across the Group;
- The Group has shown that it has been successful in reducing its current trade and other payables by $1,086,000 during the year ended 30 June 2010;
- During the year ended 30 June 2010, the Group raised equity of $1,211,000. With head office overhead costs significantly reduced and with the on-going reduction of current payables, the directors believe that the amount of equity needed to be raised during the forthcoming year will be far less than in the past. The directors are of the opinion that adequate levels of new equity can be raised, as and when necessary, based upon the historical success of equity raising;
- The Group continues with its existing overdraft facility of $500,000; and
- The directors are in negotiations to source $2.0 million in the form of a financing facility via a related party. Given the relationship between the parties, the directors believe that these negotiations will be successful.

The directors believe that the above factors will contribute to achieving sufficient future cash flows to enable the Group's obligations to be met.

As a result of the current financial results and position of the Group, there is material uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, the directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2010. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. Revenue

	2010 $'000	2009 $'000
From continuing operations		
Sales revenue		
Sale of technology product	230	66
Services	6,973	6,507
	7,203	6,573
Other revenue		
Interest	19	5
	7,222	**6,578**

3. Correction of errors

On 4 February 2008, the parent entity acquired 100% of the issued capital of Toxikos Pty Ltd. An error was made in accounting for the consideration relating to the acquisition. The error had the effect of understating intangibles by $81,000 and understating other payables by $81,000 for the year ended 30 June 2009. The error had no effect on the consolidated statement of comprehensive income for the prior period.

During the prior financial years certain input tax credits relating to transaction costs of issues of share capital had been overstated in error. The error had the effect of understating consolidated trade and other payables by $95,000 and overstating contributed equity by $95,000 for the year ended 30 June 2009. The error had no effect on the consolidated statements of comprehensive income for the prior periods.

The errors have been corrected by restating each of the affected financial statement line items for the prior years as follows:

	Previously stated $'000	Impact of error $'000	Restated $'000
30 June 2008			
Intangibles	10,015	-	10,015
Deferred tax asset	1,040	21	1,061
Trade and other payables	1,193	87	1,280
Retained losses	(1,620)	-	(1,620)
Contributed equity	9,637	(66)	9,571
Basic losses per share	(1.7)	-	(1.7)
Diluted losses per share	(1.7)	-	(1.7)
30 June 2009			
Intangibles	9,358	81	9,439
Deferred tax asset	-	-	-
Trade and other payables	4,051	176	4,227
Retained losses	(10,383)	-	(10,383)
Contributed equity	13,154	(95)	13,059
Basic losses per share	(7.8)	-	(7.8)
Diluted losses per share	(7.8)	-	(7.8)

4. Income tax expense / (benefit)

	2010 $'000	2009 $'000
Current tax	-	-
Deferred tax	-	708
Adjustments for current tax of prior periods	-	(145)
	-	**563**

5. Discontinued operations

	2010 $'000	2009 $'000
Loss of control - Commercial Energy Services Pty Ltd		
- (benefit) / expense	(630)	3,392
Income tax expense	-	-
(Benefit) / loss from discontinued operations	**(630)**	**3,392**

Commercial Energy Services Pty Ltd (CES) was acquired by the Group on 22 December 2008.

CES was placed into voluntary administration on 16 June 2009 by CES' directors, at which time the Group lost control of the entity. On 25 August 2009, under a deed of company arrangement, the administrator of CES sold its business as a going concern to parties unrelated to the Group. The Group received no proceeds from the sale.

The directors of the Group are of the opinion that certain misrepresentations were made to the Group in connection with the sale to it of CES, and have instigated litigation proceedings which are currently being considered in the courts.

The directors believe it appropriate to treat the loss of control and subsequent disposal of the business of CES as a discontinued operation.

During the current year the purchase consideration relating to the acquisition of CES has been partially settled with five of the thirteen vendors; resulting in a reduction of $567,000 to the purchase consideration initially recognised. In addition, prior year accrued charges in relation to costs of the acquisition have been reduced by $63,000.

6. Current assets – Cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank and in hand	**531**	**560**

7. Current assets - Trade and other receivables

	2010 $'000	2009 $'000
Trade receivables	1,375	1,347
Provision for impairment of receivables	(61)	(12)
	1,314	1,335
Other receivables	101	18
Prepayments	51	72
Loans to related parties	26	-
	1,492	**1,425**

The loans to related parties relate to amounts owing by the original founders of the subsidiaries acquired during prior periods. The loans to related parties have been reclassified as current receivables.

8. Current assets – Inventories

	2010 $'000	2009 $'000
Raw materials		
- at cost	-	39
Work in progress		
- at cost	305	197
	305	**236**

9. Non-current assets – Receivables

	2010 $'000	2009 $'000
Loans to related parties	**-**	**31**

10. Non-current assets – Available-for-sale financial assets

	2010 $'000	2009 $'000
Unlisted securities		
Equity securities	2	-

The Group owns 19.9% of the issued capital of EcoVision Systems Pty Ltd.

11. Non-current assets - Property, plant and equipment

	Motor Vehicles $'000	Furniture fittings and equipment $'000	Leased Assets $'000	Total $'000
At 30 June 2008				
Cost or fair value	67	344	250	661
Accumulated depreciation	(6)	(34)	(14)	(54)
Net book amount	61	310	236	607
Year ended 30 June 2009				
Opening net book amount	61	310	236	607
Additions	1	115	-	116
Disposals	(46)	(13)	(33)	(92)
Depreciation charge	(5)	(100)	(45)	(150)
Closing net book amount	11	312	158	481
At 30 June 2009				
Cost or fair value	19	443	217	679
Accumulated depreciation	(8)	(131)	(59)	(198)
Net book amount	**11**	**312**	**158**	**481**
Year ended 30 June 2010				
Opening net book amount	11	312	158	481
Additions	22	108	67	197
Disposals	-	-	(10)	(10)
Depreciation charge	(8)	(136)	(41)	(185)
Impairment loss	-	-	(50)	(50)
Closing net book amount	25	284	124	433
At 30 June 2010				
Cost or fair value	41	552	268	861
Accumulated depreciation	(16)	(268)	(94)	(378)
Accumulated impairment	-	-	(50)	(50)
Net book amount	**25**	**284**	**124**	**433**

12. Non-current assets - Intangible assets

	Goodwill $'000	Software $'000	Other $'000	Total $'000
At 30 June 2008				
Cost	8,931	1,238	29	10,198
Accumulated amortisation	-	(183)	-	(183)
Net book amount	8,931	1,055	29	10,015
Year ended 30 June 2009				
Opening net book amount	8,931	1,055	29	10,015
Acquisition of subsidiary	81	997	-	1,078
Software costs capitalised	-	593	-	593
Amortisation charge	-	(143)	(4)	(147)
Impairment charge	(695)	(1,405)	-	(2,100)
Closing net book amount	8,317	1,097	25	9,439
At 30 June 2009				
Cost	9,012	2,828	29	11,869
Accumulated amortisation	-	(326)	(4)	(330)
Accumulated impairment	(695)	(1,405)	-	(2,100)
Net book amount	**8,317**	**1,097**	**25**	**9,439**
Year ended 30 June 2010				
Opening net book amount	8,317	1,097	25	9,439
Software costs capitalised	-	385	-	385
Amortisation charge	-	(172)	(4)	(176)
Impairment charge	-	(596)	-	(596)
Closing net book amount	8,317	714	21	9,052
At 30 June 2010				
Cost	9,012	3,213	29	12,254
Accumulated amortisation	-	(498)	(8)	(506)
Accumulated impairment	(695)	(2,001)	-	(2,696)
Net book amount	**8,317**	**714**	**21**	**9,052**

Impairment charge

During the reporting period the carrying values of goodwill attributable to Toxikos Pty Ltd was impaired by NIL (2009: $398,000) and New Environmental Quality Pty Ltd by NIL (2009: $297,000). The impairment charge represents the difference between the net present value of future cash flows of the Cash Generating Units' (recoverable amount) and the carrying value of the goodwill.

During the reporting period the carrying values of software attributable to the Ecovision entities was impaired by $153,000 (2009: $1,194,000) and EmissionsXpert was impaired by $443,000 (2009: $211,000).

13. Current liabilities –Trade and other payables

	2010 $'000	2009 $'000
Trade payables	1,272	1,308
Other payables	1,856	2,914
Loans from related parties	13	5
	3,141	**4,227**

The loans from related parties relate to amounts owing to the original founders of the subsidiaries acquired during prior periods.

14. Current liabilities – Borrowings

	2010 $'000	2009 $'000
Secured		
Bank overdraft	474	488
Lease liabilities	98	80
Convertible notes (note 16)	4,143	-
	4,715	**568**

15. Current liabilities – Provisions

	2010 $'000	2009 $'000
Employee benefits - long service leave	**125**	**309**

16. Non-current liabilities – Borrowings

	2010 $'000	2009 $'000
Secured		
Lease liabilities	115	65
Total secured non-current borrowings	115	65
Unsecured		
Other loans	110	108
Convertible notes	-	4,178
Total unsecured non-current borrowings	110	4,286
Total non-current borrowings	**225**	**4,351**

16. Non-current liabilities – Borrowings (continued)

Convertible notes

The convertible notes are determined to be compound financial instruments under AASB132 (18), as they combine features associated with both equity instruments and financial liabilities. The redeemable convertible note deed has an option for the holder to convert the convertible notes into ordinary shares. Furthermore, the Company has an obligation to pay interest to the holder on the face value of the convertible notes.

The convertible notes are convertible into ordinary shares of the Company at $0.50 per share on 4 February 2011. Subsequent to 30 June 2010, convertible notes owing to the value of $3,737,000 were converted into 10,678,424 ordinary shares of the Company at $0.35 per share. The convertible notes are presented in the statement of financial position as follows:

	2010 $'000	2009 $'000
Face value of notes issued	4,237	4,379
Other equity securities - value of conversion rights (note 18)	(488)	(488)
	3,749	3,891
Interest expense	381	221
Amortisation	393	230
Interest paid	(304)	(164)
	4,219	4,178
Less: Interest owing (included in other payables)	(77)	-
Less: Convertible note liability included in current borrowings (note 14)	(4,142)	-
Total convertible note liability included in non-current borrowings	**-**	**4,178**

17. Non-current liabilities – Provisions

	2010 $'000	2009 $'000
Employee benefits - long service leave	**10**	**11**

18. Contributed equity

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
(a) Share capital				
Ordinary shares				
Fully paid	88,825,115	78,870,299	14,149	12,437
Deferred settlement - IP acquired	-	-	134	134
	88,825,115	78,870,299	14,283	12,571

18. Contributed equity (continued)

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
(b) Other equity securities				
Value of conversion rights - convertible notes (note 16)	-	-	488	488
Total consolidated contributed equity	88,825,115	78,870,299	**14,771**	**13,059**

(c) Movements in ordinary share capital

Details	Number of shares	Average issue price	$'000
Balance at 30 June 2008	66,915,822		**9,230**
Rights issue	573,852	0.45	258
Private placements	2,518,261	0.32	818
Shares issued through prospectus	4,050,000	0.30	1,215
Shares issued as part of acquisition consideration (CES)	3,562,364	0.38	1,354
Shares issued as part of acqusition consideration (EvS Unit Trust)	1,250,000	0.40	500
Add back: Tax beneifit on prior year deferred settlement - IP acquired			34
Add back: Tax benefit on additional deferred settlement - IP acquired			5
Add back: Tax beneifit on transaction costs of private placement			(33)
Add back: Tax benefit on IPO share issue costs			(505)
Less: Transactions costs of capital raising			(305)
Balance at 30 June 2009	78,870,299		**12,571**
Private placements	5,729,286	0.21	1,211
Shares issued as part of acquisition consideration	1,199,604	0.18	210
Shares issued to employees	3,025,926	0.15	439
Less: Transactions costs of capital raising			(148)
Balance at 30 June 2010	88,825,115		**14,283**

During the reporting period, 599,604 ordinary shares amounting to $81,000 were issued to the vendors of Toxikos Pty Ltd as a deferred share allotment as agreed in the original share purchase agreement.

In addition, 600,000 ordinary shares amounting to $129,000 were issued to the vendors of Ecovision Unit Trust as agreed in a deed of variation to the original share purchase agreement.

During the reporting period, 3,000,000 shares amounting to $435,000 were issued to David Cassidy in terms of his appointment as the CEO of the Group.

19. Reserves and retained losses

	2010 $'000	2009 $'000
(a) Reserves		
Share-based payments reserve	**270**	**247**
Movements:		
Balance 1 July	247	77
Transfer to retained losses	(5)	-
Option expense	28	170
Balance 30 June	**270**	**247**
(b) Retained losses		
Movements:		
Opening retained losses	(10,383)	(1,620)
Transfer of expired options from share based payment reserve	5	-
Net loss for the year	(1,064)	(8,763)
Balance 30 June	**(11,442)**	**(10,383)**

20. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of Entity	Country of incorporation	Class of shares	Equity holding 2010 %	Equity holding 2009 %
EcoVision Holdings Pty Ltd	Australia	Ordinary	100	100
EcoVision Operations Pty Ltd	Australia	Ordinary	100	100
EcoVision Solutions Pty Ltd	Australia	Ordinary	100	100
EcoVisions Systems Unit Trust	Australia	Ordinary	100	100
Karpelo Holdings Pty Ltd	Australia	Ordinary	100	100
New Environmental Quality Pty Ltd	Australia	Ordinary	100	100
Pacific Air & Environment Pty Ltd	Australia	Ordinary	100	100
Pacific Environment Holdings Pty Ltd	Australia	Ordinary	100	100
Queensland Environment Pty Ltd	Australia	Ordinary	100	100
Toxikos Pty Ltd	Australia	Ordinary	100	100
Commercial Energy Services Pty Ltd	Australia	Ordinary	100	100

21. Events occurring after the reporting period

Geoff Masters resigned as a director on 6 August 2010.

Subsequent to 30 June 2010, convertible notes owing to the value of $3,737,000 of were converted into 10,678,424 ordinary shares of the Company at $0.35 per share.

There is no other matter or circumstance that has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

22. Earnings / (losses) per share

(a) Basic earnings / (losses) per share

	2010 Cents	2009 Cents
Basic losses per share attributable to the ordinary equity holders of the company - from continuing operations	(2.2)	(7.8)

(b) Diluted earnings / (losses) per share

The diluted losses per share is equal to the basic losses per share, as per AASB 133.

(c) Reconciliations of earnings used in calculating earnings per share

	2010 $'000	2009 $'000
Loss attributable to the ordinary equity holders of the company used in calculating basic losses per share - from continuing operations	(1,694)	(5,371)

(d) Weighted average number of shares used as the denominator

	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic losses per share	78,281,069	68,756,639