



# **CVC Private Equity**

:: Annual Report 2009 ::

# CVC Private Equity Limited

## Company Particulars

### **REGISTERED OFFICE:**

Level 42  
259 George Street  
SYDNEY NSW 2000

### **DIRECTORS:**

Vanda R Gould  
Alexander D H Beard  
Elliott G Kaplan  
John D Read

### **SECRETARIES:**

Alexander D H Beard  
John A H Hunter

### **BANKERS:**

Suncorp-Metway Limited  
Westpac Banking Corporation Limited

### **AUDITORS:**

Ernst & Young  
Ernst & Young Centre  
680 George Street  
SYDNEY NSW 2000

### **SHARE REGISTRY:**

Gould Ralph Pty Limited  
Level 42  
259 George Street  
SYDNEY NSW 2000

### **DOMICILE:**

Australia



## CVC Private Equity Limited

### Dear Shareholder

On behalf of the board, I present the 2009 annual report for CVC Private Equity Ltd (CVCPE). Unfortunately the company was not immune to the impacts of the global financial crisis and, after impairment provisions of approximately \$5.3 million, the company reported a disappointing after-tax loss for the year of \$3.9 million.

The appointment of Receivers to the Gold Coast-based property developer, Raptis Group Ltd (RPG), at the half year caused CVCPE to provide for the full amount of its \$5 million loans to RPG. During the second half of the financial year the company recovered approximately \$1.2 million of the amount provided resulting in a provision for impairment at 30 June 2009 of approximately \$3.8 million. CVCPE still holds second ranking mortgage securities over RPG properties which, when realised, should result in further recoveries. CVCPE has also commenced proceedings against Suncorp-Metway in the Supreme Court of Queensland to protect its security position over a significant Gold Coast-based property which, if successful, will substantially improve the position. Senior Counsel has confirmed that our prospects of success are extremely good.

CVCPE retains a substantial investment in listed packaging group, Pro-Pac Packaging Ltd (Pro-Pac), which reported an improved result for the 2009 financial year with revenues up 3% and a net profit of \$2.3m, up 25% on the previous financial year. However, as is the case with most small cap companies at present, Pro-Pac's share price remains subdued and, in compliance with accounting standards, CVCPE has made an impairment provision against the carrying value of its investment in Pro-Pac of approximately \$1.5 million.

CVCPE's two unlisted investments, Battery Energy Power Solutions Pty Ltd (BE) and Ron Finemore Transport Pty Ltd (RFT) both returned much improved performances for the 2009 financial year. Both BE and RFT have commenced the new financial year in good shape and both are well positioned for continued growth in 2010.

During the financial year an investment by CVCPE in listed fibre-optic company, Amcom Telecommunications Ltd, was acquired and then realised, resulting in a very good return for the company. Prior to the end of the financial year the company made an investment in listed agricultural group, Australian Agricultural Co Ltd.

The Board has for some time been cognisant of the lack of liquidity opportunities for existing shareholders wanting to sell their shares. While CVC Ltd has been offering to buy shares from shareholders wishing to sell their shares, under current legislation there are restrictions on the number of shares which they can purchase. The Board has accordingly resolved to implement a share buyback scheme and shareholders wishing to sell their shares will be able to avail themselves of the opportunity. The scheme requires the consent of shareholders and details will be included with the Annual General Meeting notice.

Overall, CVCPE's financial position is sound and it is debt-free. As financial markets improve we anticipate that shareholders will achieve rewards for their patience.

I want to thank our Managing Director, Mr Elliott Kaplan, for his diligence and commitment to making CVC Private Equity a success. I look forward to being able to report next year in positive terms.

Thank you for your continued support.

Vanda Gould  
Chairman

# CVC Private Equity Limited

## Directors' Report

For the Year Ended 30 June 2009

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The Directors present their report together with the financial report of the Company for the year ended 30 June 2009 and the Auditors' Report thereon.

### Directors

The Directors in office at the date of this report and at all times during the year are:

#### **Vanda Russell Gould B. Com. (UNSW) M. Com. (UNSW) FCA FCPA FAIM (Chairman)**

Fellow of the Institute of Chartered Accountants in Australia.

Chairman of Vita Life Sciences Limited, Cyclopharm Limited, CVC Limited, CVC Property Managers Limited which is the Responsible Entity for CVC Property Fund and a Director of numerous private and public companies including educational establishments. Mr Gould is a member of the Audit Committee of the Company.

#### **Elliott Grant Kaplan B. Acc. CA**

Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and chief executive officer roles in both private and public listed companies. His experience, from both an investor and investee perspective, spans a diverse range of industries including manufacturing, environmental, distribution and services. He is also a Director of Pro-Pac Packaging Limited, Environmental Group Limited and Dolomatrix International Limited.

#### **Alexander Damien Harry Beard B.Com. (UNSW) FCA AIDC**

Mr Beard is a Chartered Accountant with extensive experience in private equity investing. He is Chairman of Cellnet Limited, Director and Chief Executive Officer of CVC Limited, Director of Mercury Mobility Limited and CVC Property Managers Limited which is the Responsible Entity for CVC Property Fund as well as numerous private and public companies. Mr Beard is a member of the Audit Committee of the Company.

#### **John Douglas Read B.Sc. (Hons.) (Cant.), MBA (AGSM) FAICD**

Mr Read is a Fellow of the Australian Institute of Company Directors. He is the Chairperson of (The) Environmental Group Limited, Pro-Pac Packaging Limited and Patrys Limited, and is a Director of CVC Limited.

#### **Geoffrey Pattison Leaver B. Econ. (Syd) SEP (Stanford) (resigned 17 February 2009)**

### Company Secretaries:

#### **John Andrew Hunter B.Com. (ANU), MBA (MGSM), CA**

Mr Hunter has experience in senior finance roles in the Financial Services industry in retail and wholesale funds management entities as well as holding senior finance roles in various other public and private companies.

In addition to being a director of the Company, **Alexander Damien Harry Beard** is also a Company Secretary.

# CVC Private Equity Limited

## Directors' Report

For the Year Ended 30 June 2009

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### Directors' meetings

The number of directors' meetings attended, and the number of directors' meetings eligible to attend during their period in office by each of the Directors of the Company during the financial year were as follows:

	Number of meetings attended	Number of meetings held
A D H Beard	3	3
J D Read	3	3
G P Leaver	1	1
E G Kaplan	3	3
V R Gould	3	3

### Audit Committee meetings

The number of audit committee meetings attended, and the number of audit committee meetings held during their membership of the audit committee by each of the Directors of the Company during the financial year were as follows:

	Number of meetings attended	Number of meetings held
A D H Beard	2	2
J D Read	2	2
V R Gould	2	2

### Director's benefits

During the year \$15,000 of remuneration was paid to Mr Read. Further information on Directors' remuneration is included in note 15 to the financial statements.

### Directors interests in shares of the Company

The relevant interest of each director in the ordinary share capital of the Company at the date of this report is included in note 15.

### Principal activities

Private equity investment in Australian businesses whose value can be increased by the provision of additional capital, appropriate management or general assistance and strategic direction.

### Operating results

Net loss after tax of \$3,930,857 (2008: loss of \$3,439,004).

### Dividends

No dividends have been declared in respect of the year ended 30 June 2009. No interim dividend in respect of the year ended 30 June 2009 was declared. When the Company generates sufficient retained profits the payment of dividends will be reassessed.

No dividends have been declared in respect of the year ended 30 June 2008.

### Review of Operations

The Company's two unlisted investments Battery Energy Power Solutions Pty Limited and Ron Finemore Transport Pty Limited, both performed well and reported strong results for the 2009 financial year.

Battery Energy Power Solutions Pty Limited achieved a much improved result with a significant improvement in both top and bottom line performance. Cash flow from operations was also stronger, enabling Battery Energy Power Solutions Pty Limited to repay more than \$870,000 of its loan facility.

Ron Finemore Transport Pty Limited also returned a very pleasing result for the 2009 financial year. The company achieved strong growth in both revenue and operating profit and is well placed for continued growth in 2010.

During the financial year, the Company acquired a shareholding in the listed fibre optic company Amcom Telecommunications Limited. Given the significant increase in the value of this investment in a short time, the Company resolved to divest its holding with a resultant annualised return on investment of approximately 220%.

# CVC Private Equity Limited

## Directors' Report

For the Year Ended 30 June 2009

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### Review of Operations (Cont.)

Prior to the end of the financial year, the Company acquired a parcel of 1 million shares in listed agricultural company, Australian Agricultural Company Limited. The Company has also retained its holding in listed packaging group Pro-Pac Packaging Limited.

Following the appointment of receivers to Raptis Group Limited (RPG), at the half year the Company provided in full for its loans to RPG. During the second half of the financial year, the company recovered approximately \$1.2m of the amount provided. The Company still holds 2<sup>nd</sup> ranking securities over properties which, when realised, should result in further recoveries. The Company has also commenced proceedings in the Supreme Court of Queensland to protect its security position over a significant Gold Coast based property.

### Significant changes in the state of affairs of the Company

There were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

### Likely developments and future expectations

The Company will continue to seek to recover its advances to the Raptis Group and to assess further private equity investments in Australian businesses. As an investment Company, the results of the Company 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 Company.

### Events subsequent to balance date

Other than as set out above, there are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

### Insurance premiums

The Company has not, during the year or since the end of the financial year, in respect of any person who is or has been an auditor of the Company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses of defending legal proceedings.

Insurance premiums have been paid in respect of directors and officer's liability and legal expense insurance for directors and officers of the Company. In accordance with subsection 300(9) of the Corporations Act 2001 further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

### Auditor independence and non-audit services

A copy of the Independence Declaration given to the Directors by the lead auditor for the audit undertaken by Ernst & Young is included on page 23. Ernst & Young received no fees from the Company during the year for non-audit services.

Signed in accordance with a resolution of Directors.

Dated at Sydney 31<sup>st</sup> of August 2009

**Elliott Kaplan**  
Director

**Alexander Beard**  
Director

# CVC Private Equity Limited

## Income Statement For the Year Ended 30 June 2009

	Notes	2009 \$	2008 \$
<b>INCOME</b>			
Dividends received		108,267	217,505
Interest income		1,286,743	775,509
Net gain on sale of equity investments		555,856	-
Recovery of assets previously written off		-	275,225
Other income		75,000	50,022
<b>Total income</b>		<b>2,025,866</b>	<b>1,318,261</b>
<b>EXPENSES</b>			
Accounting fees		10,913	11,868
Audit fees	2	43,163	37,800
Legal fees		56,498	333
Directors fees	15	15,000	15,000
Dividend receivable written off		-	45,446
Management and consultancy		521,448	518,428
Provision for impairment of financial assets		1,495,170	2,739,122
Provision for impairment of loans and receivables		3,856,818	1,000,000
Realised loss on investments		-	1,432,953
Other expenses		27,937	44,893
<b>Loss before income tax expense</b>		<b>(4,001,081)</b>	<b>(4,527,582)</b>
Income tax benefit	3	(70,224)	(1,088,578)
<b>Net loss</b>		<b>(3,930,857)</b>	<b>(3,439,004)</b>

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

# CVC Private Equity Limited

## Balance Sheet

As at 30 June 2009

	Notes	2009 \$	2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,353,151	1,813,459
Trade and other receivables	6	20,671	23,553
Loans and receivables	8	-	838,334
<b>Total current assets</b>		<b>2,373,822</b>	<b>2,675,346</b>
<b>NON-CURRENT ASSETS</b>			
Equity investments	7	4,405,165	5,173,034
Loans and receivables	8	675,705	4,565,283
Deferred tax assets	3	2,061,875	1,823,011
<b>Total non-current assets</b>		<b>7,142,745</b>	<b>11,561,328</b>
<b>TOTAL ASSETS</b>		<b>9,516,567</b>	<b>14,236,674</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	24,600	29,050
<b>Total current liabilities</b>		<b>24,600</b>	<b>29,050</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	3	1,381	118,774
<b>Total non-current liabilities</b>		<b>1,381</b>	<b>118,774</b>
<b>TOTAL LIABILITIES</b>		<b>25,981</b>	<b>147,824</b>
<b>NET ASSETS</b>		<b>9,490,586</b>	<b>14,088,850</b>
<b>EQUITY</b>			
Contributed equity	10	20,355,213	20,355,213
Accumulated losses	11	(10,313,378)	(6,382,521)
Other reserves	12	(551,249)	116,158
<b>TOTAL EQUITY</b>		<b>9,490,586</b>	<b>14,088,850</b>

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

# CVC Private Equity Limited

## Statement of Recognised Income and Expense For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Income and expenses recognised directly in equity</b>		
“Available-for-sale” investments:		
- Decrease in fair value of investments recognised in other reserves	(2,448,610)	(8,800,914)
- Amount transferred from other reserves to the income statement	1,495,170	4,597,430
- Income tax on items taken directly to or from equity	286,033	1,261,045
	<hr/>	<hr/>
<b>Total income and expense recognised directly in equity</b>	<b>(667,407)</b>	<b>(2,942,439)</b>
Loss for the year	(3,930,857)	(3,439,004)
	<hr/>	<hr/>
<b>Total income and expense for the year</b>	<b>(4,598,264)</b>	<b>(6,381,443)</b>
	<hr/>	<hr/>
<b>Transactions with shareholders in their capacity as shareholders</b>		
Shares issued during the period	-	206,228
Dividends paid	-	(473,076)
	<hr/>	<hr/>
<b>Total transactions with shareholders in their capacity as shareholders</b>	<b>-</b>	<b>(266,848)</b>
	<hr/>	<hr/>
<b>Net decrease in equity for the period</b>	<b>(4,598,264)</b>	<b>(6,648,291)</b>
	<hr/>	<hr/>
<b>Equity at the beginning of the period</b>	<b>14,088,850</b>	20,737,141
	<hr/>	<hr/>
<b>Equity at the end of the period</b>	<b>9,490,586</b>	14,088,850
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The above statement of recognised income and expense is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

# CVC Private Equity Limited

## Cash Flow Statement

For the Year Ended 30 June 2009

	Notes	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		89,258	53,419
Cash payments in the course of operations		(681,963)	(620,981)
Interest received		102,036	652,546
Dividend received		92,270	217,505
<b>Net cash (used in)/provided by operating activities</b>	<b>16(b)</b>	<b>(398,399)</b>	<b>302,489</b>
<b>Cash flows from investing activities</b>			
Loans provided		-	(5,534,800)
Loans repaid		2,062,975	3,048,789
Payments for equity investments		(2,986,070)	(2,674,454)
Proceeds from sale of equity investments		1,861,186	1,529,728
<b>Net cash provided by/(used in) investing activities</b>		<b>938,091</b>	<b>(3,630,737)</b>
<b>Cash flows from financing activities</b>			
Dividends paid net of dividends reinvested under Dividend Reinvestment Plan		-	(266,848)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(266,848)</b>
<b>Net increase/(decrease) in cash held</b>		<b>539,692</b>	<b>(3,595,096)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>1,813,459</b>	<b>5,408,555</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>16(a)</b>	<b>2,353,151</b>	<b>1,813,459</b>

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

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### Note 1: Statement of Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

#### a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars.

Management is required to make judgements, estimates and assumptions in relation to the carrying value of assets and liabilities, that have significant risk of material adjustments in the next year and these have been disclosed in the relevant notes to the financial statements.

#### b) Statement of Compliance

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The adoption of the standards and interpretations applicable to the company are as follows:

*AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101* has recently been issued but is effective for reporting periods commencing after 1 January 2009 has not been adopted for the annual reporting period ending 30 June 2009. Application of the standard will not effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial report. The Directors do not consider that the new standard will have a material impact on the Company.

*AASB 8 Operating Segments* and *AASB 2007-3* are effective for annual reporting periods commencing on or after 1 January 2009 has been adopted for the annual reporting period ending 30 June 2009. Application of the standard requires adoption of a 'management approach' to reporting on financial performance for the segment note of the financial report. The adoption of the standard has not had any effect on the amounts recognised in the financial statements compared to prior year financial reports.

#### c) Cash and Cash Equivalents

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

#### d) Revenue Recognition

##### **Interest Income**

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial year.

##### **Dividends**

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

##### **Other Income**

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

# CVC Private Equity Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2009

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### Note 1: Statement of Accounting Policies (Cont.)

#### e) Trade and Other Payables

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

#### f) Trade and Other Receivables

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

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

#### g) Investments and Other Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, "held-to-maturity" investments, or "available-for-sale" investments. The classification depends on the purpose for which the investments were acquired. When financial assets are recognised initially, they are measured at fair value less directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end.

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

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

#### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### **Available-for-Sale Investments**

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

The fair value of equity securities 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. Where fair value cannot be reliably measured investments are measured at cost.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

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### Note 1: Statement of Accounting Policies (Cont.)

#### h) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities on the current period's taxable income at the tax rates enacted by the balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credit can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

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

#### **Goods and Services Tax**

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

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

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

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.

#### i) 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.

#### j) Segment Reporting

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

#### k) Impairment

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

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

	2009	2008
<b>Note 2: Auditors' Remuneration</b>		
Audit services	<u>43,163</u>	<u>37,800</u>

The auditors of the Company are Ernst and Young. No other services are provided by Ernst & Young.

### Note 3: Income Tax

#### (a) Income tax (benefit)/expense

Accounting loss before income tax	<u>(4,001,081)</u>	<u>(4,527,582)</u>
Income tax benefit at the statutory income tax rate of 30%	(1,200,324)	(1,358,274)
Adjustment to income tax benefit due to:		
- Franked dividends received	(27,681)	(30,304)
- Tax loss not brought to account	<u>1,157,045</u>	<u>300,000</u>
<b>Income tax benefit on profit for the year</b>	<b>(70,960)</b>	<b>(1,088,578)</b>
Adjustments in respect of current income tax of previous years	<u>736</u>	-
Income tax benefit	<u>(70,224)</u>	<u>(1,088,578)</u>
The major components of income tax benefit are:		
- Current income tax charge		-
- Deferred income tax	(70,960)	(1,088,578)
- Adjustments in respect of current income tax of previous years	<u>736</u>	-
Income tax benefit reported in the income statement	<u>(70,224)</u>	<u>(1,088,578)</u>

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

### Note 3: Income Tax (Cont.)

#### (b) Deferred income tax

Deferred income tax at 30 June relates to the following:

	Included in income	2009 Included in equity	Total	Included in income	2008 Included in equity	Total
<b>Deferred tax assets</b>						
Provisions and accrued expenses	2,734,444	-	2,734,444	1,128,757	-	1,128,757
"Available-for-sale" investments	-	170,790	170,790	-	-	-
Other expenses deductible for tax purposes	512	-	512	807	-	807
Prior year tax losses	613,174	-	613,174	993,447	-	993,447
Tax losses not bought to account	(1,457,045)	-	(1,457,045)	(300,000)	-	(300,000)
	<u>1,891,085</u>	<u>170,790</u>	<u>2,061,875</u>	<u>1,823,011</u>	<u>-</u>	<u>1,823,011</u>
<b>Deferred tax liabilities</b>						
"Available-for-sale" investments	-	-	-	-	115,242	115,242
Other income for tax purposes	1,381	-	1,381	3,532	-	3,532
	<u>1,381</u>	<u>-</u>	<u>1,381</u>	<u>3,532</u>	<u>115,242</u>	<u>118,774</u>

The deferred tax assets of \$2,060,494 (2008: \$1,704,237) have been recognised as certain equity investments included in note 7, if sold in the future, are expected to have a realisable value that will utilise the deferred tax assets.

### Note 4: Dividends

No dividends have been declared in respect of the year ended 30 June 2009. No interim dividend in respect of the year ended 30 June 2009 was declared.

	2009 \$	2008 \$
Dividend Franking Account		
Franking credits available to shareholders for subsequent financial years	<u>83,638</u>	<u>44,093</u>

The franking account is stated on a tax paid basis. The balance comprises the franking account at year end adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at year end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

# CVC Private Equity Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2009

	2009 \$	2008 \$
<b>Note 5: Cash and Cash Equivalents</b>		
Cash at bank	353,151	311,503
Cash on deposit	2,000,000	1,501,956
	2,353,151	1,813,459

### Note 6: Trade and Other Receivables

Current:		
Interest receivables	4,603	11,776
Goods and services tax	12,058	10,319
Other debtors	4,010	1,458
	20,671	23,553

#### *Other receivables*

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

### Note 7: Equity Investments

Non-current:		
Investment in associate (a) <i>"Available-for-sale" financial assets</i>	-	-
Unlisted shares in associated corporations (b)	180,000	180,000
Unlisted shares in other corporations (c)	1,875,346	1,875,346
Listed shares at market value (d)	2,349,819	3,117,688
	4,405,165	5,173,034

	Ownership Interest		Investment Carrying Amount	
	2009 %	2008 %	2009 %	2008 %
<b>(a) Interest in ordinary shares of associate</b>				
Battery Energy Power Solutions Pty Limited	30.0	30.0	-	-
<b>(b) Investment in preference shares of associate</b>				
Battery Energy Power Solutions Pty Limited	38.7	38.7	180,000	180,000

Battery Energy Power Solutions Pty Limited is a manufacturer of Gel batteries. The investment in the ordinary shares at 30 June 2009 has been valued at nil to reflect the initial investment cost less the Company's share of losses incurred since acquisition.

The preference shares are not entitled to a vote and carry preferential payment in relation to dividends and repayment of capital.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

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### Note 7: Equity Investments (Cont.)

#### (c) Unlisted shares in other corporations:

- 1,875,000 (2008: 1,875,000) shares in Ron Finemore Transport Pty Limited at a cost of \$1,875,000 (2008: \$1,875,000) representing a 25% ownership in the ordinary shares of the company. The investment is not accounted for in accordance with AASB 128 *Investment in Associates* as there is no influence exerted on the operations of the Company.

- 55 units in the RCW Unit Trust at a cost of \$346.

#### (d) Impairment of listed shares:

The shares of certain ASX listed companies that are normally re-valued through reserves have experienced a reduction in value that has been perceived to be significant or long term. As a result an impairment has been charged to the profit and loss.

### Note 8: Loans and Receivables

	2009	2008
	\$	\$
Current :		
Secured loans	-	838,334
Non-Current:		
Secured loans	5,532,523	5,565,283
Provision for impairment	(4,856,818)	(1,000,000)
	<u>675,705</u>	<u>4,565,283</u>

Loans are secured against the assets of the companies that funds are provided to. Based on an estimate of the value of the collateral securing the loan management has determined that an impairment should be charged against the full balance of certain secured loans.

The current balance represents the balance of the loans to be repaid within 12 months in accordance with loan facility agreements.

### Note 9: Trade and Other Payables

Current:		
Sundry creditors and accruals	<u>24,600</u>	<u>29,050</u>

Trade and sundry creditors are non-interest bearing and are generally on 30 day terms.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

### Note 10: Contributed Equity

	2009		2008	
	Number of shares	\$	Number of shares	\$
Issued and paid up share capital:				
Ordinary shares fully paid	<u>23,932,734</u>	<u>20,355,213</u>	<u>23,932,734</u>	<u>20,355,213</u>
<b>Ordinary shares:</b>				
Balance at the beginning of the year	<u>23,932,734</u>	<u>20,355,213</u>	23,653,811	20,148,985
New shares issued	-	-	278,923	206,228
Balance at the end of the year	<u>23,932,734</u>	<u>20,355,213</u>	<u>23,932,734</u>	<u>20,355,213</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of shares held.

Total capital of the Company is as follows:

	<b>2009</b>	2008
	\$	\$
Total equity	<u>9,490,586</u>	<u>14,088,850</u>
Net assets per share (cents)	<u>39.66</u>	<u>58.87</u>

The Company is not subject to any externally imposed capital requirements. Management's objective is to achieve returns for shareholders commensurate with the risks associated with private equity investing in Australia. During 2009, management paid dividends of Nil (2008: \$473,076).

### Note 11: Accumulated Losses

Accumulated losses at the beginning of year	(6,382,521)	(2,470,441)
Net profit attributable to members	(3,930,857)	(3,439,004)
Dividends paid	-	(473,076)
Accumulated losses at the end of the year	<u>(10,313,378)</u>	<u>(6,382,521)</u>

### Note 12: Other Reserves

#### Market Value Reserve

At the beginning of the year	116,158	3,058,597
Decrease in fair value of investments	(2,448,610)	(8,800,914)
Amount transferred from reserves to the income statement	1,495,170	4,597,430
Income tax on items taken directly to or from equity	286,033	1,261,045
<b>At the end of the year</b>	<u>(551,249)</u>	<u>116,158</u>

#### Nature and purpose of reserves

##### Market value reserve

The market revaluation 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.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

### Note 13: Financial Instruments

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

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

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

#### (a) Interest Rate Risk

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

	Note	Floating interest rate	Fixed interest rate 1 year or less	Fixed interest rate 1 to 5 years	Non- interest bearing	Total
<b>2009</b>						
<b>Financial assets</b>						
Cash and cash equivalents	5	2,353,151	-	-	-	2,353,151
Trade and other receivables	6	-	-	-	20,671	20,671
Loans and receivables	8	-	-	675,705	-	675,705
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial liabilities</b>						
Trade and other payables	9	-	-	-	24,600	24,600
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>2008</b>						
<b>Financial assets</b>						
Cash and cash equivalents	5	1,813,459	-	-	-	1,813,459
Trade and other receivables	6	-	-	-	23,553	23,553
Loans and receivables	8	-	838,334	4,565,283	-	5,403,617
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Financial liabilities</b>						
Trade and other payables	9	-	-	-	29,050	29,050
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

# CVC Private Equity Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2009

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### Note 13: Financial Instruments (Cont.)

#### (a) Interest Rate Risk (Cont.)

##### *Sensitivity*

At reporting date, if interest rates had been 50 basis points higher (2008: 25 basis points higher/(lower)) and the other variables were held constant, then the impact of the Company would be:

	<b>Increase of 50 bp</b>	<b>Increase of 25 bp</b>	<b>Decrease of 25 bp</b>
<b>2009</b>			
Net profit	<b>6,067</b>	-	-
Equity increase	<b>6,067</b>	-	-
<b>2008</b>			
Net profit/(loss)	-	8,821	(8,821)
Equity increase/(decrease)	-	8,821	(8,821)

#### (b) Market Price Risk

At reporting date the Company has investments in listed securities which could be adversely affected if general equity markets were to decline. The Company also has investments in unlisted securities however these are less susceptible to movements in value as a result of market sentiment as they are valued based on operational fundamentals.

##### *Sensitivity*

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

	<b>Increase of 10%</b>	<b>Decrease of 10%</b>
<b>2009</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	<b>55,125</b>	<b>(55,125)</b>
<b>2008</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	218,238	(218,238)

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

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### Note 13: Financial Instruments (Cont.)

#### (c) Credit Risk Exposure

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

At reporting date, the Company's significant exposure of credit risk relates to the concentration of borrowings to a small number of individual parties, which is mitigated by collateral held with a value in excess of the counterparty's obligations to the Company, providing a "margin of safety" against loss. The Directors have reviewed the carrying value of investments and considering current information have considered it prudent to make a provision for impairment of \$4,856,818 against the carrying value of certain secured loans.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of counterparties, and is managed through normal payment terms of 30 days. At reporting date there are no overdue trade debtors.

#### (d) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances and holding liquid investments that could be realised to meet commitments. The Company continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual liabilities.

	<b>Less than 6 months</b>	<b>Total</b>
<b>2009</b>		
Trade and other payables	<b>24,600</b>	<b>24,600</b>
<b>2008</b>		
Trade and other payables	29,050	29,050

#### (e) Net Fair Values

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

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

# CVC Private Equity Limited

## Notes to the Financial Statements

For the Year Ended 30 June 2009

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### Note 14: Segmental Information

The Company operates in Australia as an investment company.

### Note 15: Related Party Information

#### Key management personnel

The Company has no employees and the only key management personnel of the Company are the Directors. The total income paid or payable or otherwise made available, to all key management personnel of the Company directly or indirectly from the entity or any related party include:

	2009 \$	2008 \$
John D Read		
- Base salary	-	\$15,000
- Post employment benefits – superannuation	\$15,000	-
	<u>\$15,000</u>	<u>\$15,000</u>

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 Company.

Persons holding office as Directors of CVC Private Equity Limited during the financial year were:

V R Gould  
A D Beard  
J D Read  
E G Kaplan  
G P Leaver (resigned 17 February 2009)

#### Transactions with related parties

The Company pays management fees to its investment manager calculated at 2.5% of the higher of the net assets of the Company or capital raised by the Company at the end of the previous financial year. During the year fees of \$517,765 (2008: \$518,428) were paid to CVC Managers Pty Limited.

Mr Beard was a director of the Company, CVC Managers Pty Limited and CVC Limited during the year. Mr Read was a director of the Company and CVC Limited during the year.

#### Loans to key management personnel

There were no loans to key management personnel during the year or existing at the end of the financial year.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

### Note 15: Related Party Information (Cont.)

#### Key management personnel holding of shares and share options

The relevant shareholding interests of key management personnel at year-end were as follows:

	No. of Shares	
	2009	2008
E G Kaplan	45,000	45,000
A D Beard	221,026	221,026

### Note 16: Notes to the Cash Flow Statement

#### (a) Reconciliation of cash and cash equivalents

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

	2009 \$	2008 \$
Cash at bank	353,151	813,459
Cash on deposit	2,000,000	1,000,000
	<u>2,353,151</u>	<u>1,813,459</u>

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.

#### (b) Reconciliation of net profit after income tax to net cash from operations

Net loss after tax	(3,930,857)	(3,439,004)
<i>Adjustments for:</i>		
Impairment of financial assets	1,495,170	3,463,897
Receivables written-off	3,856,818	45,446
Net (gain)/loss on sale of equity investments	(555,856)	1,432,953
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in receivables	(2,553)	6,702
Decrease/(increase) in interest receivables	7,172	(3,183)
Increase in interest capitalised	(1,191,882)	(119,780)
(Increase)/decrease in GST receivables	(1,738)	3,397
Decrease in accounts payable	-	(461)
Increase in deferred tax assets and liabilities	(70,224)	(1,088,578)
(Decrease)/increase in sundry creditors and accruals	(4,449)	1,100
Net cash (used in)/provided by operating activities	<u>(398,399)</u>	<u>302,489</u>

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2009

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### **Note 17: Contingent Liabilities**

A performance fee is payable to CVC Managers Pty Limited where the Company realises individual investments and achieves a return on the total investment cost which is higher than a hurdle rate of return. The performance fee payable is calculated at 20% of:

- the excess of the return over the hurdle rate of return, less
- any realised losses not deducted from previous gains in calculating performance fees.

No such performance fee is payable for the 2009 financial year.

### **Note 18: Other Information**

The Company was incorporated on 23 February 1993. The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Level 42, 259 George Street, Sydney, NSW 2000.

### **Note 19: Subsequent Events**

Other than as set out above, there are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

# CVC Private Equity Limited

## Directors' Declaration

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In accordance with a resolution of the directors of CVC Private Equity Limited, we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the Company are in accordance with *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company 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 31<sup>st</sup> of August 2009.

**Elliott Kaplan**  
Director

**Alexander Beard**  
Director

## Auditor's Independence Declaration to the Directors of CVC Private Equity Limited

In relation to our audit of the financial report of CVC Private Equity Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Daniel Cunningham  
Partner

Date: 31 August 2009.

## Independent auditor's report to the members of CVC Private Equity Limited

### Report on the Financial Report

We have audited the accompanying financial report of CVC Private Equity Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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.

### *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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

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

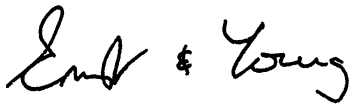
### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

### Auditor's Opinion

In our opinion:

1. the financial report of CVC Private Equity Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of CVC Private Equity Limited at 30 June 2009 and of its 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*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young



Daniel Cunningham  
Partner  
Sydney

Date: 31 August 2009,