

# POSITIONED FOR OPPORTUNITIES

Annual Report 2008

# COMPANY PARTICULARS

CVC Limited and its Controlled Entities



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### REGISTERED OFFICE

Level 42, 259 George Street, Sydney NSW 2000

### DIRECTORS

Vanda Gould | John Leaver | John Read  
Alexander Beard | John Riedl

### MANAGEMENT TEAM

Alexander Beard | Vanda Gould | John Leaver  
John Read | Elliott Kaplan | Geoffrey Leaver  
William Highland | John Hunter | Ben Loiterton  
Michael Bower | Sean Wiles | Jo Hume  
Winnie Huang | Ivy Liao | Tony McLennan  
Christine Shean | Louise Macklin

### SECRETARIES

Alexander Beard | John Hunter

### BANKERS

Suncorp-Metway Limited  
Westpac Banking Corporation Limited

### AUDITORS

HLB Mann Judd (NSW Partnership)  
Chartered Accountants  
Level 19, 207 Kent Street, Sydney NSW 2000

### SHARE REGISTRY

Gould Ralph Pty Limited  
Level 42, 259 George Street, Sydney NSW 2000

#### CVC Limited

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Tel: +612 9087 8000 Fax: +612 9087 8088  
www.cvc.com.au ABN 34 002 700 361 AFSL 239665

"GOLD THERE IS, AND RUBIES  
IN ABUNDANCE, BUT LIPS  
THAT SPEAK KNOWLEDGE ARE  
A RARE JEWEL."

[ Proverb 20:15 ]



Vanda Gould

Dear Shareholder

When we look back on the financial trials and tribulations of the past months, in my opinion the root cause, apart from human cupidity, was the action of Dr Alan Greenspan and the US Federal Reserve Board in running a regime of extremely cheap money. Interest rates below 3% do not encourage savers and indeed penalise them. Combine inflation with taxes and low interest rates and you have negative returns. Simplistically, no rational person saves in such an environment.

At CVC we offer an alternative to savers as they can invest in our shares and achieve asset value growth. We have done that without debt because our investments are typically long-term and illiquid and sometimes can only be realised in up stages of the economic cycle. Our peers, because they use debt, have been forced to sell investment assets at knock-down prices. We will continue to pursue a debt-free strategy, which has proven to be successful over the past 20 years, but adapt it to changes and opportunities the market presents.

The current turbulence of the financial markets has been, and will continue to be, a source of opportunity for your management team. The truth is, we are all faced with great opportunities brilliantly disguised as impossible situations! The mission of the CVC team is to discern those opportunities.

The recent sale of our substantial investment in Blue Energy Limited at a profit of \$12.1 million illustrates our ability to move quickly when the need arises.

Watching the current turmoil in financial services companies and their attitude to many of their investments, I am reminded of Shakespeare's description of "lust" in Sonnet 129:

*"Past reason hunted, and no sooner had  
Past reason hated, as a swallow'd bait"*

The attitude of many of our peers in the financial services industry reflects this violent kind of mood change to assets that once were an

# CHAIRMAN'S REPORT

For the year ended 30 June 2008



## "WE WILL CONTINUE TO PURSUE A DEBT-FREE STRATEGY, WHICH HAS PROVEN TO BE SUCCESSFUL OVER THE PAST 20 YEARS..."

object of desire but now the converse is true. We are looking at a number of situations where we should be able to take advantage of the radical changes in perspective.

We have continued to invest and develop those investments in our portfolio which we believe have long-term potential, such as Ron Finemore Transport Pty Limited, Pro-Pac Packaging Limited, Cyclopharm Limited and Silver Bird Group Bhd which we believe will produce substantial rewards in future years. In particular, the success of the CVC Group's 50% interest in Ron Finemore Transport Pty Limited is a key building block for the future.

Your Board has previously been criticised for its failure to be involved in leveraging its assets. The wisdom of avoiding that course of action is now clear and your company is extremely well positioned with its substantial cash reserves to take advantage of the opportunities that are increasingly available.

The major reduction in CVC's net worth comes from the reduction in the carrying value of our shares in Sunland Group Limited. However, Sunland continues to perform in an exemplary manner. A post-tax profit this year of around \$100,000,000 is an outstanding result and a credit to Mr Soheil Abedian. Personally, when I think of Sunland I am reminded of a statement by Warren Buffet, the world's greatest investor:

*"My favourite holding period is forever!"*

Nevertheless, over time we will continue to reduce our holding in Sunland when the financial circumstances are propitious.

The Board is disappointed with our profit results for the year ended 30 June 2008, but shareholders will appreciate that we have adopted a very conservative valuation approach and we are confident that 2009 will show a vastly superior result. We are actively working on some investments which have been adversely affected by the current economic changes, and

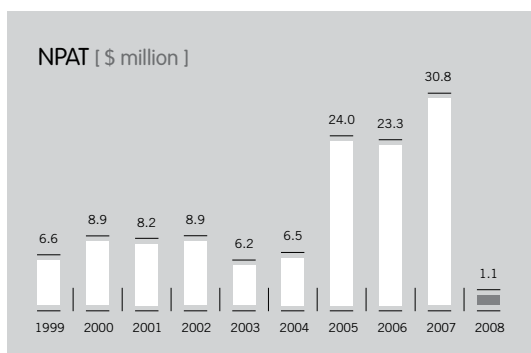
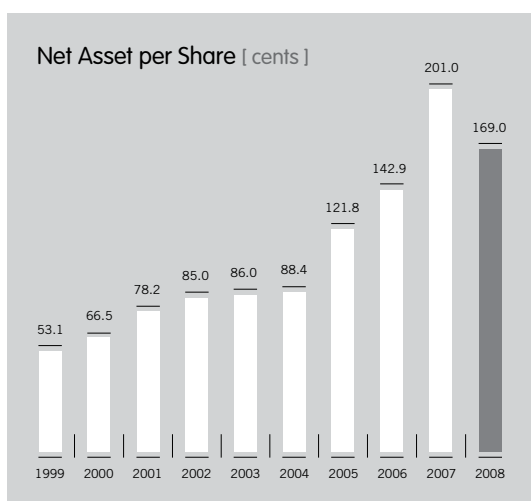
sometimes bad management, such as Cellnet Group Limited, Tri-Origin Minerals Limited and CVC Property Fund, to resolve the problems. We have halved the dividend from 12 cents to 6 cents per share which has been paid. Our future level of dividends will reflect in part the realities of the economic climate and opportunities available to us. We have judiciously bought back shares whereby such purchases have substantially enhanced the underlying asset value of CVC to the benefit of ongoing shareholders. We are grateful for the ongoing support of shareholders who overall have enjoyed vastly superior returns to those available from mere savings. The financial sun will rise again and CVC's share price will follow!

I particularly want to thank the management team under the leadership of Sandy Beard for their hard work during the year. I am reminded of Proverb 20:15:

*"Gold there is, and rubies in abundance, but lips that speak knowledge are a rare jewel."*

**Vanda Gould**  
Chairman

“...WE ARE WELL PLACED TO CAPITALISE ON THESE OPPORTUNITIES IN LIGHT OF OUR STRONG CASH POSITION...”



## OVERVIEW

The extreme volatility experienced in 2008 and first quarter 2009 has been unprecedented for world financial markets. What started in Australia with isolated refinancing problems for financial and property companies manifested into a complete lack of confidence in the entire financial services sector resulting in a lack of liquidity in the economy. For CVC, this has had a profound effect on immediate profits and a “re-thinking” of the outlook for our managed-funds initiatives.

Faced in early January 2008 with what CVC believed would be the start of a “new world” in financial markets, the Directors made the tough decision to cut the annual dividend to a level which could be sustained by operating cash flow, and commenced a period of strengthening the balance sheet through ensuring low debt levels and building cash reserves in excess of \$50 million.

As part of this process, CVC made significant impairment write-downs in the second half of the financial year. The result is falls in value of the underlying investments on the ASX, in particular the investment in the CVC Trinity Property Fund. Moreover, initiatives that were planned to expand public offerings for CVC managed funds, and which would have crystallised substantial profits, were abandoned due to a lack of interest from the financial markets.

On the positive side, the volatility experienced in world and local markets has presented CVC with an improved flow of investments opportunities. The Directors feel we are well placed to capitalise on these opportunities in light of our strong cash position and minimal gearing level.

### Highlights of the year include:

- Net profit after tax of \$1.1 million;
- Significant shareholdings held in a number of ASX listed investments that are equity accounted, including Cellnet Limited, Pro-Pac Packaging Limited and Mercury Mobility Limited. The share prices of these companies were impacted by the volatility experienced in equity markets, resulting in market prices below CVC’s carrying values. As a result, an impairment expense of \$13.6 million on existing investments and loans was recognised during the year;

# THE YEAR IN REVIEW



- A fully franked interim dividend of 3 cents per share was paid in February 2008 and a fully franked final dividend of 3 cents per share was paid in September 2008;
- Net assets of \$274.4 million at year-end, including \$201.1 million in financial assets and equity-accounted investments and cash, cash equivalents and current receivables totalling \$94.3 million;
- Net assets per share of \$1.69, which was materially above the share price at year-end; and
- 9.8 million shares were bought back at a cost of \$12.7 million – total shares on issue at 30 June 2008 was 162.4 million.

Significant financial and human efforts were expended on core investment holdings during the year. These activities included strategic acquisitions, balance sheet rationalisation and corporate activity that the Directors believe will optimally position these investments for an improved performance in future years. Specific initiatives have included:

- Significant shareholding acquired in Blue Energy Limited (ASX:BUL), a listed company developing a coal seam methane gas resource. Subsequent to year-end, CVC sold its shareholding to a strategic purchaser (government-owned energy retailer) generating a profit of approximately \$12.1 million and an annualised return of 62.5%;
- A further investment in Pro-Pac Packaging Limited (ASX:PPG), which increased CVC's shareholding to 22.3% of the Company's issued capital at year-end. PPG is a leading manufacturer of biodegradable protective void fill packaging, a distributor of general industrial packaging products and a manufacturer of protective packaging. PPG has made a number of successful synergistic acquisitions, including the PB Group, which increased the Company's revenues from \$26 million to in excess of \$71 million during the year. CVC will continue to take an active role in the growth of PPG, through the development of new packaging products and the continued consolidation of the fragmented domestic industrial packaging industry;
- The sale of CVC's investment in Trinity Group, generating a profit of \$5.9 million and an annualised return of 50.1%;
- Further investment in Cellnet Group Limited and an active role in its continued restructuring;

## GROUP SUMMARY

	2008	2007
Earnings per Share	<b>7.0 cents</b>	<b>23.9 cents</b>
Total Assets Employed	<b>\$316.1 M</b>	<b>\$404.3 M</b>
Shareholders Equity	<b>\$274.4 M</b>	<b>\$345.1 M</b>
Return on Shareholders Equity	<b>0.37%</b>	<b>12.0%</b>
Shares on Issue at Year End	<b>162,352,134</b>	<b>171,713,710</b>
Net Assets per Share	<b>\$1.69</b>	<b>\$2.01</b>
Dividends per Share	<b>6.0 cents</b>	<b>15.0 cents</b>

- Further investment in Mercury Mobility Limited (ASX:MMY), which increased CVC's shareholding to 29.6% of the Company's issued capital at year-end. MMY is a leading aggregator of mobile phone content and emerging digital media company that has undergone a period of operational restructuring and consolidation. CVC was instrumental in assisting MMY with its demerger from Cellnet Group Limited and subsequent ASX listing;
- Continued development of CVC's investment in Ron Finemore Transport Pty Limited ("RFT"), a company in which CVC holds a 25% direct interest. RFT has experienced significant growth since the Company's inception in 2004, with current sales in excess of \$60 million. CVC continues to be an active investor, with board representation and strategic operational involvement;
- A continued focus on the development of CVC's funds management operations, including a seed investment in Concise Asset Management, a new boutique fund manager that invests in mid-cap ASX-listed companies;
- Provision of structured mezzanine finance facilities to a number of public and private companies totalling \$15.7 million; and

**“IN ALL INVESTMENTS ASSESSED, CVC LOOKS FOR AN ABILITY TO ADD VALUE TO THE INVESTMENT TO MAXIMISE POTENTIAL INVESTMENT RETURNS...”**

- The continued development of CVC Capital Markets, which contributed profits during the year by arranging and participating in corporate finance initiatives for CVC’s investees.

## **MANAGEMENT TEAM**

The current climate has, and will test the skills of the management team. In the short to medium term the management team’s focus is on extracting value from and realising non-core investments concurrent with developing those in which CVC believes there is considerable future value. In addition, with a significantly increased flow of investment opportunities at more attractive valuation scenarios than at any time in the past 5 years – there is an increased need for deal negotiation and execution skills and quality due diligence.

Our interaction with investee companies continues to introduce us to both investment opportunities and managers who will likely play a key role in the continuing development of CVC.

### **Skills of the management team include:**

- Sourcing, selection, and structuring of investment opportunities;
- Operational management of investee companies, including strategy and corporate advisory, board positions on investee companies including Chairmanship where necessary;
- Corporate advisory skills, including under-writing of placements and general offers;
- Divestments, including trade sales, demergers, initial public offerings, mergers and acquisitions, management buyouts and financial restructuring;
- Infrastructure investment capabilities, including financial feasibility, negotiation of off-take agreements, negotiation of senior and mezzanine debt facilities and sourcing of equity;

- Distressed debt recoveries and investment turn-arounds;
- Project financing and property development capabilities, including structuring, joint ventures, feasibility and mezzanine financing;
- Financial product development and distribution;
- Availability and access to government grant schemes;
- Advice/implementation of internal control procedures, management information systems, monthly reporting procedures and statutory reports;
- Development of distribution networks, licensing of technology patent and advice on portfolio/intellectual property protection and export market penetration;
- Specialist investment skills in environmental industries, with a depth of expertise in low emission and cleaner technologies; and
- Long term investment performance.

## **APPROACH**

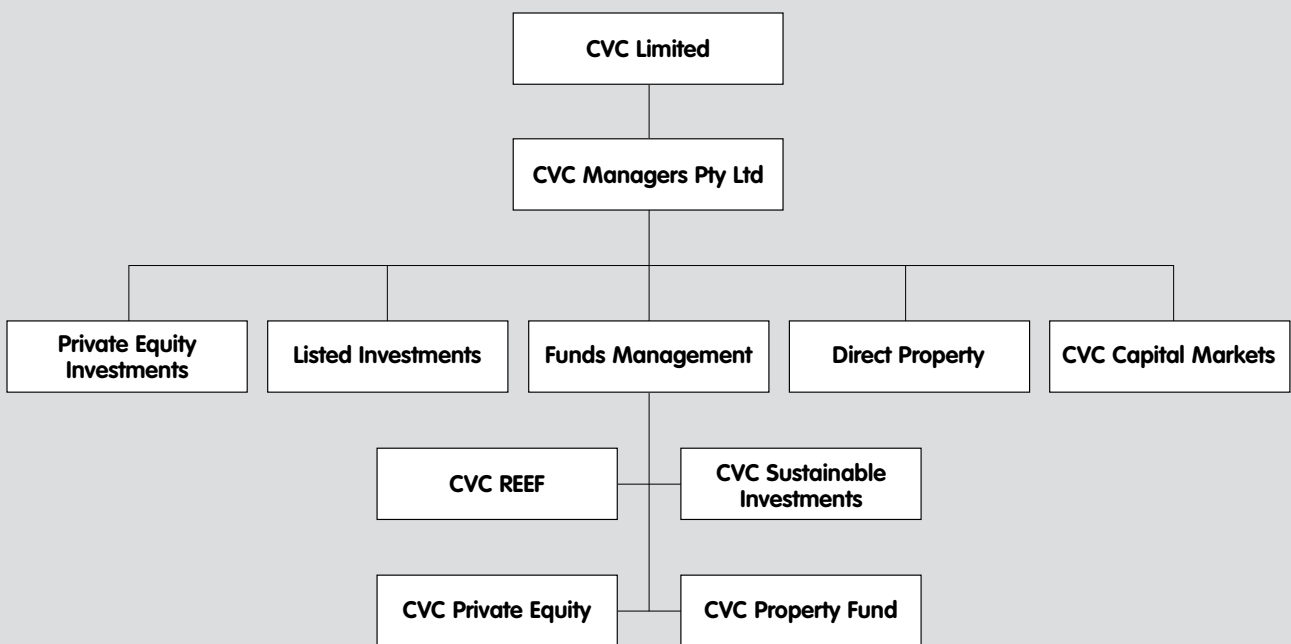
CVC’s investment portfolio is structured for a balance of capital growth and income producing assets, with a particular emphasis on private equity investments. In addition, the asset mix has historically included and will continue to include a core portfolio of ASX-listed securities managed for a return, strategic long-term investments (both listed and unlisted) that are largely equity accounted, income producing finance activities and funds management and corporate advisory initiatives.

The inherent nature of private equity investment is that the opportunity for substantial returns is accompanied by factors largely beyond the control of the investment manager, including the recent volatility in listed markets, the strength of the economy and negotiations between buyers and sellers.

# THE YEAR IN REVIEW



## COMPANY STRUCTURE



CVC adopts a value based methodology in its investment selections, including an analysis of company fundamentals, including low price earnings multiples, earnings growth, relativity of price to net tangible assets, multiples of free cash flow, dividend history, competitive market positioning and arbitrage opportunities. In all investments assessed, CVC looks for an ability to add value to the investment to maximise potential investment returns, (i.e. through restructuring an under-performing company or obtaining development approvals for a real estate transaction or in an ability to assist with synergistic businesses acquisitions in small emerging companies).

Most importantly, CVC is focussed on the integrity and competence of investee management teams, with our analysis of new investment opportunities involving an assessment of the track record and potential of the individuals within a targeted company, existing corporate governance measures and internal operational and financial controls in place.

Sound investment decisions require a thorough methodology and the time necessary to identify, target, negotiate, conduct

due diligence and structure a potential investment opportunity. CVC adopts a timely, yet patient, approach to these initial phases, as well as the subsequent development of the business and the realisation phase of the investment lifecycle (with investment exits often made by way of a trade sale, initial public offering or on-market sell down).

CVC recognises that the major challenge faced by an investment manager is the deployment of capital into quality businesses with solid growth prospects. Accordingly, when we identify a company and management team that are able to achieve benchmark returns over a prolonged period, our intention is usually to continue to hold the investment. By way of an example, CVC's initial investment in our current holding in the Sunland Group Limited was made in 1995.

Considerable effort has been made in the last few years to strengthen the process through which CVC identifies and structures its investments. The benefits of this review have been evident in the Group's growth in assets under management.



## **“OUR RECENT EMPHASIS ON DEVELOPING RECURRING PROFIT STREAMS REFLECTS OUR OBJECTIVE TO PAY DIVIDENDS INTO THE FUTURE.”**

### **DIVIDEND POLICY**

CVC has a track record of consistently paying annual franked dividends since 1996, with interim dividends paid every year since 2004. Despite the impact of the market downturn on CVC's financial performance, the Company's strong cash position and cashflows from operating activities allowed it to pay an interim dividend and declare a final dividend during 2008. Our recent emphasis on developing recurring profit streams reflects our objective to pay dividends into the future. Subject to available franking credits, dividends will be 100% franked. CVC's Dividend Reinvestment Plan has been suspended until such time as there is a better correlation between CVC's share price and its underlying net asset value.

### **CAPITAL MANAGEMENT**

The Company will continue to periodically purchase shares under the share buy-back scheme, dependent on price. Historically the buy-back scheme has enabled a better matching of assets with recurrent earnings and has achieved accretion in both Net Tangible Assets and Earnings Per Share. Throughout financial year 2008, 9.8 million shares were purchased under a company buy-back. To date in the 2009 financial year, a further 6.6 million shares were purchased bringing the total number of shares on issue to 155.7 million.

### **CORPORATE GOVERNANCE**

During the year CVC reviewed its corporate governance initiatives and has reviewed the new Corporate Governance Principles and Recommendations and taken steps to adopt and implement the policies outlined for the first reporting period in 2009. Further information on CVC's corporate governance is provided in the corporate governance statement.

### **OUTLOOK AND ORGANIC GROWTH**

As outlined above, the volatility experienced across the equity capital markets has presented CVC with a significantly improved flow of investment opportunities and, with cash holdings in excess of \$50 million, the Group is well placed to capitalise on these opportunities in 2009.

In the coming year, CVC also expects to continue to realise non-core shareholdings, increasing its cash reserves further and to continue to develop its core investees, both financially and through the provision of management expertise and other services.

**The 2009 year will likely see the following developments:**

### **PRIVATE EQUITY / VENTURE CAPITAL**

- Continued development of Ron Finemore Transport Pty Limited (RFT) and its transport activities;
- Identification of new investment opportunities that meet CVC's investment selection criteria and realisation of investments within the portfolio, as appropriate;
- Continued development of CVC Sustainable Investments, with a primary objective to raise substantial funds to take advantage of a growing dealflow of investment opportunities stemming from increased environmental awareness, regulation, market issues (including energy security and growing export demand) and emerging listed and unlisted companies across a number of sub-sectors; and
- "Bridging" finance, pre-IPO and other high yielding alternative investment opportunities.

# THE YEAR IN REVIEW



## LISTED INVESTMENTS

- Continued strategic holdings in Sunland Group Limited, Pro-Pac Packaging Limited, Cellnet Limited, Mercury Mobility Limited, and Cyclopharm Limited. CVC will derive income from these strategic listed investments, including dividend income, equity accounted income, and where appropriate directors and advisory fees and underwriting fees;
- Active management of key strategic investments via assistance with both acquisitive and organic growth and operational and financial restructuring, where appropriate; and
- Identification of other strategic investments in which CVC can acquire a significant and meaningful stake to complement major holdings and contribute a source of dividends and capital growth.

## FUNDS MANAGEMENT

- Restructuring of CVC Trinity Property Fund (ASX:CJT) to be renamed CVC Property Fund, with the immediate objective to return the fund to positive operating cashflow and profitability;
- Continued capital raising and development of investments for CVC Sustainable Investments during 2009 to ensure it achieves critical mass as a stand-alone investment company;
- Developing emerging Australian Mid-Cap Equities Manager, Concise Asset Management;
- Evaluation of and possible development of new investment products; and
- Evaluation of and possible acquisition of funds management companies that provide scale, distribution strength or operational synergies.

## CVC CAPITAL MARKETS

- CVC Capital Markets has been established for the specific purpose of monetising some of the value-added services that CVC provides to both existing and prospective investees; and
- In 2009, it is envisaged that CVC Capital Markets will play a more subdued role as a result of restrained financial market activity.

## PRIVATE EQUITY / VENTURE CAPITAL

In the past 12 Months CVC's returns from private equity were derived from realisations of Probiotec Limited, equity accounted results of GPG No. 7 Pty Limited (holding company for consumer foods business of Green's Foods Limited), Ron Finemore Transport Pty Limited, CVC Sustainable Investments and CVC Private Equity Limited. With the liquidity crisis facing all smaller Australian companies we believe that the potential investment climate for CVC's style of private equity investing is very prospective. CVC continues to believe that private equity investments will provide a solid base for investment performance over the next decade, and will devote significant management effort to conducting due diligence and evaluation of the more promising opportunities which we identify over the next year, with the objective of executing a meaningful transaction.

## STRATEGIC LISTED EQUITY INVESTMENTS

CVC owns a number of strategic investments in listed companies which have been acquired to take advantage of perceived value opportunities arising through initial public offerings, private placements and strategic investing.

**CVC CONTINUES TO BELIEVE THAT  
PRIVATE EQUITY INVESTMENTS  
WILL PROVIDE A SOLID BASE FOR  
INVESTMENT PERFORMANCE..."**

**"... WE BELIEVE THAT THE POTENTIAL INVESTMENT  
CLIMATE FOR CVC'S STYLE OF PRIVATE EQUITY  
INVESTING IS VERY PROSPECTIVE."**

CVC believes investments in small, listed companies offers diversification in the portfolio and have the ability to contribute substantially to the return objective through both yield and capital growth.

A combination of the realisation of a number of assets and CVC's robust balance sheet created the opportunity to evaluate new strategic investments for Cellnet Group Limited, Blue Energy Limited and Pro-Pac Packaging Limited. At year-end there were unrealised profits on listed investments amounting to in excess of \$54.1 million.

The existing portfolio, dominated by Sunland Group Limited, continues to underpin substantial performance of the group via annual and interim dividends and substantial capital growth.

## **PROPERTY**

Property related investments have been significantly adversely affected by the financial turmoil being experienced in capital markets. A combination of reduced debt finance liquidity and increasing interest rates have seen a reduction in property values and increasing yields. In this context CVC has scaled back its direct property investments and is looking to release capital from a number of the projects in which it is involved.

Notwithstanding the scale-back of activities, CVC will continue to evaluate opportunities presented to it by developers and principals, and it is likely that a number of transactions will have an element of distress relating to them for which CVC believes the risk premium is more than commensurate with the risk, and believes that the risk is capable of mitigation.

### **In the coming year CVC will:**

- Continue the evaluation of development opportunities through mezzanine project funding;
- Develop sustainable growth strategies for the CVC Property Fund ("CJT"), following the dissolution of the joint venture between CVC and Trinity Group during the year. The Fund continues to hold two properties in its portfolio with a combined carrying value of \$28 million;
- Determine the optimum strategy for its direct property portfolio including the construction of bulky goods retail centres in Geelong, Shepparton and Wagga Wagga; and
- Realise a number of projects currently financed via mezzanine facilities provided by CVC, and evaluate the redeployment of those funds.

# FINANCIAL REPORT

For the year ended 30 June 2008



# DIRECTORS' REPORT

For the year ended 30 June 2008

Your Directors present the Financial Report of CVC Limited (the "Company") and of the Consolidated Entity ("CVC"), being the Company and its controlled entities, for the year ended 30 June 2008 together with the Auditors' Report thereon.

## DIRECTORS

The names of Directors in office throughout the financial year and to the date of this report are Vanda Russell Gould (Chairman), John Scott Leaver, John Douglas Read, Alexander Damien Harry Beard and John Thomas Riedl. The names of Company Secretaries in office throughout the financial year and to the date of this report are Mr Alexander Damien Harry Beard and Mr John Andrew Hunter. Details of qualifications, experience and special responsibilities of Directors are as follows:

### **Vanda Russell Gould** (Chairman)

B.Com (Uni. of NSW), M.Com (Uni. of NSW)

Fellow of the Institute of Chartered Accountants in Australia; Fellow of the CPA Australia; Fellow of the Australian Institute of Management; Australian Financial Services Licence holder.

Board member from 1984 – 1994 and from 1996 to date.

Prior to his involvement in the founding of the Company, Mr Gould was a partner of an accounting firm. He has held numerous directorships of other private and public companies including educational establishments.

During the past three years Mr Gould has also served as a Director of Cyclopharm Limited and Vita Life Sciences Limited.

### **John Scott Leaver** (Non-Executive Director)

B.Ec. (Uni. of Sydney)

Australian Financial Services Licence holder.

Board member since 1984 and Managing Director of the Company until 2001.

Prior to his involvement in the founding of the Company, Mr Leaver had extensive experience in the stockbroking industry. During the past three years Mr Leaver has also served as a Director of Sunland Group Limited.

### **John Douglas Read** (Non-Executive Director)

B.Sc. (Hons) (Cant.), M.B.A. (A.G.S.M.)

Fellow of the Australian Institute of Company Directors.

Board member since 1989 and Chairman of the audit committee of the Company.

Mr Read has over 25 years experience in the venture capital industry. He is a former Director of CSIRO and the Australian Institute for Commercialisation Limited.

During the past three years Mr Read has also served as a Chairman and Director of the following other listed companies: The Environmental Group Limited, Pro-Pac Packaging Limited and Patrys Limited.

### **Alexander Damien Harry Beard** (Director and Company Secretary)

B. Com. (Uni. of NSW)

Fellow of the Institute of Chartered Accountants in Australia; Member of Australian Institute of Company Directors.

Board member since 2000 and Chief Executive Officer since 2001. Member of the audit committee.

Mr Beard has been employed by the manager of the Company since 1991.

During the past three years Mr Beard has also served as Chairman of Cellnet Group Limited and Director of the following other listed companies: Green's Foods Limited, Mercury Mobility Limited, Blue Energy Limited, CVC Trinity Property Fund.

### **John Thomas Riedl** (Non-Executive Director)

B.Sc, B.E. (Elect), (Hons) (Sydney)

Board member since 2002. Member of the audit committee.

Mr Riedl was the Managing Director of Techniche Limited, a venture capital company, for fifteen years which, like CVC, commenced life under the MIC Act. He has a broad range of commercial and technical experience.

During the past three years Mr Riedl has also served as a Director of Eserv Global Limited.

## COMPANY SECRETARIES

### **John Andrew Hunter**

B.Com. (ANU), MBA (MGSM)

Member of the Institute of Chartered Accountants in Australia.

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

## DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

	Directors' Meetings	
	No. of meetings attended	No. of meetings held
Vanda Russell Gould	5	6
John Scott Leaver	3	6
John Douglas Read	5	6
Alexander Damien Harry Beard	4	6
John Thomas Riedl	5	6

The Company has an audit committee. The number of meetings and the number of meetings attended by each of the Directors on the audit committee during the financial year were:

	Audit Committee Meetings	
	No. of meetings attended	No. of meetings held
John Douglas Read	2	2
Alexander Damien Harry Beard	1	2
John Thomas Riedl	2	2

## DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company as at the date of this report is as follows:

	Ordinary Shares
Vanda Russell Gould	21,150,314
John Scott Leaver	22,633,461
John Douglas Read	528,956
Alexander Damien Harry Beard	2,381,136
John Thomas Riedl	50,000

At the date of this report, Messrs Gould and Leaver have an indirect interest in 297 shares in Sfinoc Limited, a controlled entity of CVC.

## OVERVIEW OF ACTIVITIES

The sections below provide details on the results, dividends, activities, operations, changes in state of affairs and expectations for the future.

## CONSOLIDATED RESULTS

The Directors of CVC wish to announce that the 2008 financial year has been significantly impacted by the volatility being experienced in capital markets resulting in the following:

- Profit before taxation of \$1.1 million (2007: \$35.8 million);
- Net profit after tax of \$1.1 million (2007: \$30.8 million);
- Earnings per share of 0.7 cents (2007: 23.9 cents).

The consolidated profit for the year attributable to the members of the Company is calculated as follows:

	2008	2007
	\$	\$
Net profit after income tax	<b>1,122,803</b>	30,811,598
Minority interests	<b>30,182</b>	(53,653)
Net profit after income tax attributable to members	<b>1,152,985</b>	30,757,945

## DIVIDENDS

A final dividend in respect of the year ended 30 June 2008 of 3 cents per share was declared on 17 July 2008 payable on 26 September 2008 to those shareholders registered on 28 July 2008. An interim dividend in respect of the year ended 30 June 2008, of 3 cents per ordinary share amounting to \$4,982,641 was paid on 29 February 2008.

A final dividend in respect of the year ended 30 June 2007 of 6 cents per share amounting to \$10,302,823 was paid on 9 November 2007. Two interim dividends were paid in respect of the year ended 30 June 2007. The first interim dividend of 6 cents per ordinary share amounting to \$6,989,050 was paid on 22 February 2007 and the second interim dividend of 3 cents per ordinary share amounting to \$5,152,652 was paid on 13 April 2007.

## PRINCIPAL ACTIVITIES

The principal activities of entities within CVC during the year were:

- the provision of investment, development and venture capital;
- property finance and development;
- investment in listed entities; and
- funds management.

## REVIEW OF OPERATIONS

Highlights for the year of the main operating segments are as follows:

### Listed Investments

During the year CVC sold a number of its listed investments resulting in a total contribution to operating profit of \$9.8 million which included the timely sale of its investment in Trinity Group generating a profit of \$5.9 million on the original investment.

During the year CVC continued to increase its core investment portfolio by acquiring shareholdings in Cellnet Group Limited, Mercury Mobility Limited and Pro-Pac Packaging Limited.

The major impact on the value of the listed portfolio is the fall in value of Sunland from \$139.9 million at 30 June 2007 to \$70.8 million at 30 June 2008. The Directors feel the drop in price of Sunland is not warranted, as the company is in a sound position with strong sales, a strong pipeline of construction from the Dubai operations and a low gearing level. Sunland continues to generate over \$4.5 million per annum in fully franked dividends to CVC Limited.

### Private Equity

Whilst a number of investments have been made generating significant returns during the year these positives have been overshadowed by impairment losses attributable to CVC REEF Limited and equity accounted operating losses from GPG (No. 7) Pty Limited (formerly Green's Foods Limited) and CVC Private Equity Limited amounting to \$6.7 million.

# DIRECTORS' REPORT

For the year ended 30 June 2008

## Property

CVC has continued to focus on providing mezzanine finance (principally as first or second mortgage security) to a number of property projects during the year totalling \$15.7 million at above average interest rates. These positive returns have been overshadowed by the impairment losses attributable to the revaluation of the Company's holding in the CVC Trinity Property Fund and impairment on finance provided to other entities totalling \$6.0 million.

## Funds Management

CVC continues to focus on the development and profitability of the funds management segment which includes the investment in Concise Asset Management, a new fund manager focused on mid-cap Australian listed companies and CVC Sustainable Investments, which continues to invest and raise capital in a sector that has gained a great deal more focus following the change in Federal Government and the subsequent signing of the Kyoto Protocol and the announcement of the carbon emissions trading scheme.

CVC also continues to develop strategies to grow both CVC Trinity Property Fund and CVC Private Equity Limited.

## Corporate Finance

The newly created corporate finance segment contributed to profits during the year by arranging and participating in numerous capital raising and corporate finance initiatives of CVC investees.

## STATE OF AFFAIRS

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

As explained in previous reports, the total level of profit for any period, notwithstanding the recurrent earnings, is largely determined by the timing of the realisation of investments that result in capital gains. The Company believes the strong balance sheet and continual evaluation of investment opportunities by its management team will enable the identification and execution of suitable investment opportunities during the course of the year.

## ENVIRONMENTAL REGULATION

CVC's operations are not subject to environmental regulations.

## EVENTS SUBSEQUENT TO BALANCE DATE

On 6 August 2008 CVC sold its entire shareholding of 87.28 million shares in Blue Energy Limited for \$0.40 per share less transaction costs of approximately \$0.01 per share. The original purchase price of the shares was \$0.25 amounting to a total profit after selling expenses of \$12.1 million.

CVC has agreed to acquire the 15.625 million units and the \$2.5 million loan facility held by Trinity Group in CVC Trinity Property Fund prior to 30 September 2008. This will increase CVC's shareholding and voting power in CVC Trinity Property Fund to 52.6% resulting in CVC having control over the Fund.

A final dividend in respect of the year ended 30 June 2008 of 3 cents per share was declared on 17 July 2008 payable on 26 September 2008 to those shareholders registered on 28 July 2008.

As at 19 September 2008 the Australian Stock Exchange has experienced a decline since the end of the financial year with the ASX Small Ordinaries Index 69.7% lower than as at 30 June 2008. By way of comparison CVC's Net Assets has decreased by approximately 8.5% over the same period. Considering the strategy of CVC is the long term investment in companies, this event is not expected to significantly affect the operations of CVC, the results of those operations, or the state of affairs of CVC, in future financial periods.

## SHARE OPTIONS

There were no options issued during the year or to the date of this report.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

### a) Indemnification

CVC has not, during or since the end of the financial year, indemnified or made any relevant agreement for indemnifying any person who is or has been an officer or auditor of CVC or a related body corporate against a liability, including costs and expenses in successfully defending legal proceedings.

### b) Insurance Premiums

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

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for Directors and Officers of the Company.

In accordance with s. 300(9) of the *Corporations Act 2001* further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of CVC.

### Remuneration philosophy

The performance of CVC depends upon its ability to attract and retain quality people. CVC is committed to developing a remuneration philosophy of paying sufficient competitive 'base' rewards to attract

and retain high calibre management personnel and providing the opportunity to receive superior remuneration tied directly to the creation of value for shareholders.

#### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-executive Director' remuneration is solely in the form of fees and has been set by shareholders at a maximum aggregate amount of \$550,000, to be allocated amongst the Directors as they see fit. It has been set to balance the need to attract and retain Directors of the highest calibre at a cost that is acceptable to shareholders.

Key management personnel remuneration consists of: base salary, fees, superannuation contributions, short term performance bonuses and participation in the CVC Executive Long Term Incentive Plan.

The Company does not have a remuneration committee. The remuneration of the Chief Executive Officer is proposed by the Chairman and is determined following discussion with the non-executive Directors.

Short term performance bonuses permit CVC to reward individuals for superior personal performance or contribution towards components of CVC's performance for which they have direct responsibility.

The objectives of the CVC Executive Long Term Incentive Plan are to directly align the opportunity to achieve superior employment

rewards with the wealth generated for shareholders whilst providing a mechanism to retain key employees over the longer term. In general terms, under the plan:

- key employees are invited by the Directors to acquire shares in the Company subject to certain conditions;
- the conditions specify performance hurdles and time periods in which they are required to be achieved;
- all shares issued under the plan to date cover a three year period and require that the total return to shareholders over the three year period exceeds the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index;
- shares are issued at market value and the Company provides a loan to the participant to cover the cost of the shares;
- interest is charged on the loan equivalent to dividends paid on the shares;
- the shares are restricted and cannot be dealt with by the participant during the period;
- shares are forfeited and the loans are cancelled if the performance hurdles have not been met or the share price at the end of the period is below the issue price;
- if shares are not forfeited, at the end of the period the participant is required to repay the loan, the restrictions on the shares are removed and the shares are taken out of the plan; and
- a maximum of 5 million shares can be issued under the plan.

At the date of this report the following shares have been issued under the plan:

Name	Number of Shares	Loan Provided		Interest Charged	End of Period
		Opening	Closing		
Gaibrielle Cleary	200,000	\$262,000	\$262,000	\$18,000	22nd November 2008

#### Individual remuneration disclosures

The only remuneration paid by the Company is Directors' fees paid to Messrs Read and Riedl. All other remuneration disclosed relate to the consolidated group.

#### Remuneration of key management personnel

The only key management personnel of the Company are the Directors.



# DIRECTORS' REPORT

For the year ended 30 June 2008

## Remuneration of Directors for the year ended 30 June 2008

		Short-term employee benefits		Post – employ't benefits	Equity Based (b)	Other	Total	Base % (c)
		Base Salary Fees	STI Bonus (d)	Superannuation				
ADH Beard (Director)	2008	\$201,835	\$100,000	\$18,165	\$12,362	\$3,000	\$335,362	66%
	2007	\$201,835	-	\$18,165	\$37,918	\$1,939	\$259,857	85%
VR Gould (a) (Chairperson and Non- Executive Director)	2008	\$200,000	-	-	-	-	\$200,000	100%
	2007	\$200,000	-	-	-	-	\$200,000	100%
JS Leaver (a) (Non-Executive Director)	2008	\$200,000	-	-	-	-	\$200,000	100%
	2007	\$200,000	-	-	-	-	\$200,000	100%
JD Read (Non-Executive Director)	2008	\$25,000	-	-	-	-	\$25,000	100%
	2007	\$25,000	-	-	-	-	\$25,000	100%
JT Riedl (Non-Executive Director)	2008	\$25,000	-	-	-	-	\$25,000	100%
	2007	\$25,000	-	-	-	-	\$25,000	100%
	<b>2008</b>	<b>\$651,835</b>	<b>\$100,000</b>	<b>\$18,165</b>	<b>\$12,362</b>	<b>\$3,000</b>	<b>\$785,362</b>	
	2007	\$651,835	-	\$18,165	\$37,918	\$1,939	\$709,857	

Notes:

(a) CVC paid management fees of \$200,000 (2007: \$200,000) each to entities associated with Messrs Gould and Leaver that covers the cost of their services.

(b) Shares and loans issued under the CVC Executive Long Term Incentive Plan have been valued as though they were options based on the following assumptions:

- 3 year life
- Risk free interest rate of 7.25%
- Volatility factor of 10%
- A dividend yield of 3.5%

This gives a value per share granted of 11.5 cents. The figures above assume this cost is spread over thirty six months with four months being relevant to the current financial year.

(c) Base % reflects the amount of base level remuneration that is not dependent on individual or CVC performance.

(d) The Short Term Incentive Bonus paid to Mr Beard represents a discretionary bonus as determined by the Directors of CVC, based on his performance during the year ended 30 June 2007.

## **AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

No fees were paid to HLB Mann Judd (NSW Partnership) in respect of non-audit services during the year.

## **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CVC LIMITED**

A copy of the Independence Declaration given to the Directors by the lead auditor for the audit undertaken by HLB Mann Judd (NSW Partnership) is included on page 18.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Dated at Sydney 22 September 2008.

**Alexander Beard**  
Director

**John Leaver**  
Director

# AUDITOR'S INDEPENDENCE DECLARATION

For the year ended **30 June 2008**

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**To the Directors of CVC Limited:**

As lead auditor for the audit of CVC Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney 22 September 2008.

**M D Muller**  
Partner

**HLB Mann Judd (NSW Partnership)**  
Chartered Accountants

*Liability limited by a scheme approved under Professional Standards Legislation*

# INCOME STATEMENTS

For the year ended 30 June 2008

	Notes	[ Consolidated ]		[ The Company ]	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>INCOME</b>					
Revenue from services		<b>3,035,737</b>	1,880,163	<b>1,305,653</b>	85,000
Net gain on sale of equity investments		<b>9,881,817</b>	14,733,314	<b>5,559,979</b>	9,976,303
Interest revenue		<b>11,727,899</b>	7,126,143	<b>9,301,843</b>	6,741,062
Dividend revenue		<b>5,407,785</b>	5,646,136	<b>61,213,983</b>	5,565,346
Recoveries of loans		<b>134,987</b>	1,224,701	<b>1,265,984</b>	2,260,380
Other income		<b>861,932</b>	680,733	<b>513,617</b>	146,281
<b>Total income</b>	3	<b>31,050,157</b>	31,291,190	<b>79,161,059</b>	24,774,372
Share of net (losses)/profits of associates accounted for using the equity method	13	<b>(9,235,161)</b>	10,982,860	-	-
Share of net (losses)/profits of joint ventures accounted for using the equity method	12	<b>15,702</b>	(17,080)	<b>15,702</b>	(17,080)
<b>EXPENSES</b>					
Amortisation of intangibles		<b>117,000</b>	117,000	-	-
Assets expensed as non-recoverable		<b>1,112,746</b>	432,706	<b>12,813</b>	432,706
Depreciation expense		<b>36,996</b>	37,366	-	-
Employee expenses		<b>2,054,796</b>	2,002,070	<b>48,954</b>	117,912
Finance costs	4	<b>523,084</b>	743,926	<b>363,700</b>	128,593
Impairment expense on assets	4	<b>13,644,339</b>	-	<b>13,163,593</b>	1,056,527
Management and consultancy fees		<b>1,213,058</b>	1,619,776	<b>10,525,687</b>	3,968,777
Net realised foreign exchange loss		<b>230,854</b>	-	<b>230,854</b>	-
Operating lease rental		<b>361,242</b>	377,604	-	-
Other expenses	4	<b>1,474,011</b>	1,115,682	<b>801,055</b>	368,278
<b>Profit before related income tax expense</b>		<b>1,062,572</b>	35,810,840	<b>54,030,105</b>	18,684,499
Income tax (benefit)/expense	5	<b>(60,231)</b>	4,999,242	<b>(1,675,440)</b>	5,598,683
<b>Net profit</b>		<b>1,122,803</b>	30,811,598	<b>55,705,545</b>	13,085,816
Net (loss)/profit attributable to minority interest	22	<b>(30,182)</b>	53,653	-	-
<b>Net profit attributable to members of the parent entity</b>		<b>1,152,985</b>	30,757,945	<b>55,705,545</b>	13,085,816
Basic earnings per share	6	<b>0.0067</b>	0.2387		
Diluted earnings per share	6	<b>0.0067</b>	0.2369		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 23 to 56.

# BALANCE SHEETS

As at 30 June 2008

		[ Consolidated ]		[ The Company ]	
	Notes	2008	2007	2008	2007
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	24	51,936,285	115,008,945	50,918,226	114,422,371
Loans and other receivables	8	42,340,390	24,794,211	27,740,934	18,047,614
Other assets	10	87,502	69,421	43,922	12,633
<b>Total current assets</b>		<b>94,364,177</b>	139,872,577	<b>78,703,082</b>	132,482,618
<b>NON-CURRENT ASSETS</b>					
Loans and other receivables	8	1,170,374	4,069,502	23,789,194	15,639,869
Financial assets – “available-for-sale”	9	145,129,775	204,265,739	149,899,288	199,237,190
Investments accounted for using the equity method	11	55,966,019	41,512,461	50,439,233	34,829,906
Property, plant and equipment	14	34,484	45,621	-	-
Investment properties	15	2,783,873	2,799,197	-	-
Intangible assets	16	8,356,634	8,473,634	-	-
Deferred tax assets	5	8,301,965	3,218,075	4,979,128	1,577,817
<b>Total non-current assets</b>		<b>221,743,124</b>	264,384,229	<b>229,106,843</b>	251,284,782
<b>TOTAL ASSETS</b>		<b>316,107,301</b>	404,256,806	<b>307,809,925</b>	383,767,400
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	2,280,120	1,209,233	1,808,114	292,437
Interest bearing loans and borrowings	19	2,693,695	-	2,693,695	-
Provisions	18	199,199	187,623	-	-
Current tax liabilities	5	4,261,699	4,429,030	4,242,216	4,429,030
<b>Total current liabilities</b>		<b>9,434,713</b>	5,825,886	<b>8,744,025</b>	4,721,467
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	17	-	-	30,795,854	76,035,366
Provisions	18	23,948	-	-	-
Interest bearing loans and borrowings	19	8,431,997	8,325,924	-	1,164,400
Deferred tax liabilities	5	23,773,546	44,940,051	20,319,962	40,153,383
<b>Total non-current liabilities</b>		<b>32,229,491</b>	53,265,975	<b>51,115,816</b>	117,353,149
<b>TOTAL LIABILITIES</b>		<b>41,664,204</b>	59,091,861	<b>59,859,841</b>	122,074,616
<b>NET ASSETS</b>		<b>274,443,097</b>	345,164,945	<b>247,950,084</b>	261,692,784
<b>EQUITY</b>					
Contributed equity	20	136,823,139	145,370,769	136,823,139	145,370,769
Retained profits	21	99,069,611	113,202,090	64,802,127	24,382,046
Other reserves	23	38,484,350	86,494,859	46,324,818	91,939,969
Total parent entity interest		274,377,100	345,067,718	247,950,084	261,692,784
Minority interest	22	65,997	97,227	-	-
<b>TOTAL EQUITY</b>		<b>274,443,097</b>	345,164,945	<b>247,950,084</b>	261,692,784

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 23 to 56.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2008

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Income and expenses recognised directly in equity</b>				
"Available-for-sale" investments:				
- (Decrease)/increase in fair values recognised in other reserves	(49,986,750)	82,812,566	(54,103,423)	76,272,614
- Amounts transferred from other reserves to the income statement on sale	(19,591,054)	(3,260,679)	(12,271,630)	(3,260,679)
- Income tax on fair value movements taken to or from other reserves	21,614,173	(23,865,563)	20,984,707	(21,903,580)
Value of equity based remuneration recognised in other reserves	48,954	117,912	48,954	117,912
Value of associates asset revaluation reserve recognised in other reserves	550,766	-	-	-
Value of associates foreign currency translation reserve recognised in other reserves	(219,073)	-	-	-
Value of associates equity based remuneration recognised in other reserves	(154,814)	(3,345)	-	-
<b>Net income reflected directly in equity</b>	<b>(47,737,798)</b>	55,800,891	<b>(45,341,392)</b>	51,226,267
Profit for the year	1,122,803	30,811,598	55,705,545	13,085,816
<b>Total recognised income and expense for the year</b>	<b>(46,614,995)</b>	86,612,489	<b>10,364,153</b>	64,312,083
<b>Attributable to:</b>				
Shareholders	(46,583,765)	86,557,948	10,364,153	64,312,083
Minority interests	(31,230)	54,541	-	-
	<b>(46,614,995)</b>	86,612,489	<b>10,364,153</b>	64,312,083
<b>Transactions with shareholders in their capacity as shareholders</b>				
Shares issued during the period:				
- share placement	-	110,195,000	-	110,195,000
- through the dividend reinvestment plan	732,046	703,705	732,046	703,705
- transaction cost on share issue net of tax	(2,437)	(2,768,650)	(2,437)	(2,768,650)
- under the executive and non-executive long term incentive plan	3,105,000	3,000	3,105,000	3,000
Payments for share buy-backs	(12,655,998)	(1,395,712)	(12,655,998)	(1,395,712)
Dividends paid to shareholders	(15,285,464)	(15,633,523)	(15,285,464)	(15,633,523)
<b>Total transactions with shareholders in their capacity as shareholders</b>	<b>(24,106,853)</b>	91,103,820	<b>(24,106,853)</b>	91,103,820
<b>Other equity movements</b>				
Increase in minority interest from sale of controlled entity	-	42,512	-	-
<b>Net (decrease)/increase in equity for the year</b>	<b>(70,721,848)</b>	177,758,821	<b>(13,742,700)</b>	155,415,903
<b>Equity at the beginning of the year</b>	<b>345,164,945</b>	167,406,124	<b>261,692,784</b>	106,276,881
<b>Equity at the end of the year</b>	<b>274,443,097</b>	345,164,945	<b>247,950,084</b>	261,692,784

The statements of changes in equity are to be read in conjunction with the notes to the financial statements as set out on pages 23 to 56.

# CASH FLOW STATEMENTS

For the year ended 30 June 2008

		[ Consolidated ]		[ The Company ]	
	Notes	2008	2007	2008	2007
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts in the course of operations		2,668,747	2,098,763	716,815	265,940
Cash payments in the course of operations		(3,875,817)	(6,007,522)	(9,752,305)	(5,714,037)
Interest received		8,531,943	3,385,478	8,482,280	3,662,504
Dividends received		5,714,692	5,646,136	5,684,631	5,565,346
Interest paid		(163,131)	(158,848)	(3,747)	(97)
Income taxes paid		(4,581,990)	(4,314,405)	(4,579,781)	(4,313,060)
<b>Net cash provided by/(used in) operating activities</b>	24	<b>8,294,444</b>	649,602	<b>547,893</b>	(533,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(10,535)	(44,123)	-	-
Payments for equity investments		(76,992,364)	(48,348,727)	(72,530,007)	(43,450,576)
Proceeds on disposal of equity investments		42,814,062	34,915,293	36,256,497	30,065,495
Proceeds for sale of controlled entities		-	200,000	-	200,000
Loans provided		(30,851,394)	(28,348,254)	(37,180,567)	(29,072,386)
Loans repaid		17,918,534	41,528,101	33,647,446	43,356,303
<b>Net cash (used in)/provided by investing activities</b>		<b>(47,121,697)</b>	(97,710)	<b>(39,806,631)</b>	1,098,836
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid to members of parent entity		(14,535,418)	(14,581,818)	(14,535,418)	(14,581,818)
Shares bought-back on market		(12,655,998)	(1,395,712)	(12,655,998)	(1,395,712)
Issue of shares		3,105,000	110,195,000	3,105,000	110,195,000
Cost of share issue		(3,481)	(3,955,214)	(3,481)	(3,955,214)
<b>Net cash (used in)/provided by financing activities</b>		<b>(24,089,897)</b>	90,262,256	<b>(24,089,897)</b>	90,262,256
<b>Net (decrease)/increase in cash held</b>		<b>(62,917,150)</b>	90,814,148	<b>(63,348,635)</b>	90,827,688
Foreign exchange loss on cash		(155,510)	-	(155,510)	-
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>115,008,945</b>	24,194,797	<b>114,422,371</b>	23,594,683
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	24	<b>51,936,285</b>	115,008,945	<b>50,918,226</b>	114,422,371

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 23 to 56.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

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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:

### 1.1 Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for "available-for-sale" investments, which have been measured at fair value.

These accounting policies have been consistently applied by each entity in CVC and, except where a change in accounting policy is indicated, are consistent with those of the previous year. 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.

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CVC's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 32.

### 1.2 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 2008 reporting periods.

*AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10* has recently been issued but is effective for reporting periods commencing after 1 January 2009 has not been adopted for the annual reporting period ending 30 June 2008. 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 CVC's financial report.

*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 2008. 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

### 1.3 Principles of Consolidation

#### **Controlled entities**

The consolidated financial statements comprise the financial statements of CVC Limited (the "Company") and its subsidiaries during the year ended 30 June 2008 ("CVC"). The financial statements of controlled entities are included in the results only from the date control commences until the date control ceases and include those entities over which CVC has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In preparing the consolidated financial statements, all inter company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full and the reporting period and accounting policies of subsidiaries are consistent with those of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting which allocates the cost of the business combination to the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

Minority interests not held by CVC are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

#### **Associates**

Associates are those entities, other than partnerships, over which CVC exercises significant influence but not control. In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. CVC's equity accounted share of the associates' net profit or loss is recognised in the consolidated income statement from the date significant influence commences until the date significant influence ceases. CVC's equity accounted share of movements in retained profits from changes in accounting policies by associates is recognised directly in consolidated retained profits (note 21). CVC's equity accounted share of other movements in reserves of associates is recognised directly in consolidated reserves.

#### **Joint ventures**

CVC's interests in joint venture partnerships are accounted for using equity accounting principles. Investments in joint venture partnerships are carried at the lower of the equity accounted amount and recoverable amount. CVC's equity accounted share of the joint venture partnerships' net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. CVC's share of other movements in reserves is recognised directly in consolidated reserves.

#### **Transactions eliminated on consolidation**

Gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on

consolidation. Gains resulting from transactions with associates are eliminated to the extent of CVC's interest.

#### **Goodwill**

Goodwill is considered to have an indefinite life and represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Following initial recognition goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill has been determined as the savings arising from the purchase of the intra-group management agreements. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstance indicate that the carrying value may be impaired.

#### **1.4 Impairment**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 other than goodwill 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.

#### **1.5 Investments**

##### **Controlled entities**

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

##### **Associated companies**

In the Company's financial statements investments in shares of associates are carried at the lower of cost and recoverable amount.

##### **Joint ventures**

The Company's interests in joint venture partnerships are accounted for using equity accounting principles. Investments in joint venture partnerships are carried at the lower of the equity accounted amount and recoverable amount. The Company's equity accounted share of the joint venture partnerships' net profit or loss is recognised in the income statement from the date joint control commences to the date joint control ceases. The Company's share of other movements in reserves is recognised directly in reserves.

##### **Set-off of financial assets and liabilities**

For investments with direct associated debt, the financial assets and liabilities are reflected on a net basis where this reflects a right, and an intention, to set-off the expected future cash flows from settling those assets and liabilities.

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

### 1.6 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 credits 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.

#### **Tax consolidation legislation**

The controlled entities of the Company implemented the tax consolidation legislation as at 30 June 2003. The entities in the consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the "stand-alone taxpayer" approach in determining the appropriate amount of current taxes and deferred taxes to be allocated to members of the tax consolidated group. The Company recognises the current tax liabilities (or assets) and the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

#### **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.

### 1.7 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.

### 1.8 Trade and Other Payables

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

### 1.9 Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

### 1.10 Property, Plant and Equipment

#### **Acquisition**

Items of property, plant and equipment are recorded at cost and depreciated as outlined below.

#### **Investment property**

Investment property is initially measured at cost, including transaction costs and depreciated as outlined below.

#### **Leased plant and equipment**

Lease of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the income statement. Contingent rentals are expensed as incurred.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

### 1.10 Property, Plant and Equipment (Cont.)

#### Depreciation and amortisation

Property, plant and equipment are depreciated/amortised using the straight line and diminishing value methods over the estimated useful lives, with the exception of finance lease assets. Finance lease assets are amortised over the term of the relevant lease, or where it is likely CVC will obtain ownership of the asset, the life of the asset. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The current depreciation rates for each class of assets are as follows:

Plant and equipment	5% to 50%
Leased assets	15% to 25%
Buildings	2.5%

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

### 1.11 Investments and Other Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or "available-for-sale" investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### 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" or are not classified as any of the three preceding categories. After initial recognition "available-for-sale" investments are measured at fair value with gains or losses being recognised as separate components of equity until

the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; net asset backing; reference to the current market value of another instrument that is substantially the same and discounted cash flow analysis.

All other non-current investments are carried at the lower of cost and recoverable amount.

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

### 1.12 Intangible Assets other than Goodwill

Intangible assets are initially recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets in relation to intra-group management agreements are eliminated on consolidation thereby increasing the amount of goodwill arising.

Intangible assets are amortised on a straight line basis over the period during which benefits are expected to be received. The period in use of the management agreements during the year was 10 years.

### 1.13 Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

### 1.14 Revenue and Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

### 1.14 Revenue and Revenue Recognition (Cont.)

#### **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 asset.

#### **Sale of non-current assets**

The gain or loss on sale of non-current asset sales is included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and in the case of "available-for-sale" assets will include any amount attributable to the asset which is included in reserves.

Where an equity investment in a controlled entity is reduced and the entity ceases to be controlled, revenue from either the sale of goods or services from that investment ceases to be included in the income statement. If the equity investment continues to be held as an "available-for-sale" asset, changes in its fair value will be recognised directly in equity. This may impact the ability to directly compare financial information.

#### **Provision of services**

Revenue from the provision of services represents management fees charged to associated entities and is recognised when the terms or the agreement are satisfied.

Where a financial asset has been issued in exchange for services, the market value of that asset is included as income at the date an unconditional contract is signed.

#### **Dividends**

Revenue from dividends and other distributions from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from associates is recognised by the Company when dividends are received.

Revenue from dividends from other investments is recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

### 1.15 Employee Entitlements

#### **Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the

reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

#### **Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

#### **Share based payment transactions**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted, and amortised over the term of the plan.

### 1.16 Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Shares issued under the CVC Executive Long Term Incentive Plan are treated as an option grant. The Black Scholes model is applied to calculate any equity based compensation amount arising from the assessed value of the shares issued exceeding the amount which the employee is required to pay for those shares. Such amounts are amortised over the relevant period during which the shares become available on an unrestricted basis. An increase in the value of contributed equity is also only recognised at the end of the period when the shares become available on an unrestricted basis.

### 1.17 Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

### 1.18 Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 1.19 Segment Reporting

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 2: CONTROLLED ENTITIES

### 2.1 Composition of Consolidated Group

The consolidated financial statements include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity. All companies are incorporated in Australia.

	Interest Held by Consolidated Entity	
	2008	2007
	%	%
<b>CVC Limited</b>		
<b>Direct Controlled Entities:</b>		
Biomedical Systems Pty Limited	100	100
CVC Climate Innovations Pty Limited	100	-
CVC Fairfield Pty Limited	100	100
CVC Finance Company Pty Limited	100	100
CVC Investment Managers Pty Limited	100	100
CVC Funds Management Pty Limited (formerly CVC Leasing Pty Limited)	100	100
CVC Managers Pty Limited	100	100
CVC Mezzanine Finance Pty Limited	100	100
CVC Narabang Pty Limited	95	95
CVC (Newcastle) Pty Limited	100	100
CVC Trinity Property Managers Limited*	50	50
CVC Technologies Pty Limited	100	100
Energy Technology Holding Pty Limited	100	100
Laserex Pty Limited	100	100
Renewable Energy Managers Pty Limited	100	100
Stinoc Pty Limited	99	99
Skyline Investments Australia Pty Limited	100	100
The Eco Fund Managers Pty Limited	100	100
The Eco Fund Pty Limited	100	100
<b>Controlled Entities owned 100% by Laserex Pty Limited</b>		
CVC Communication and Technology Pty Limited	100	100
<b>Controlled Entities owned 100% by CVC Managers Pty Limited</b>		
CVC Capital Markets Pty Limited	100	100

\* CVC Trinity Property Managers Limited is considered to be controlled by CVC Limited as 50% of the ordinary shares and the appointment of the Chairman of the company is controlled by CVC Limited.

### 2.2 Disposals of Controlled Entities – CVC Trinity Property Managers

On 1 June 2007 CVC sold 50% of CVC Trinity Property Managers Limited comprising of 4,533,436 shares in the Company for a consideration of \$200,000. A summary of the sale is as follows:

50% of the assets and liabilities of CVC Trinity Property Managers Limited at Sale:	\$
Cash assets	13,926
Tangible assets	75,670
Intangible assets	95,720
Payables	(25,039)
Deferred tax liabilities	(22,045)
	<b>138,232</b>
Profit on disposal	<b>61,768</b>
	<b>200,000</b>

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 3: INCOME</b>				
Revenue from services	<b>3,035,737</b>	1,880,163	<b>1,305,653</b>	85,000
Net gain on sales of equity investments	<b>9,881,817</b>	14,733,314	<b>5,559,979</b>	9,976,303
Interest:				
Controlled entities	-	-	-	329,656
Related parties	<b>3,163,659</b>	1,171,168	<b>3,163,659</b>	1,171,168
Other parties	<b>8,564,240</b>	5,954,975	<b>6,138,184</b>	5,240,238
Dividends:				
Controlled entities	-	-	<b>55,687,349</b>	-
Related parties	<b>88,925</b>	14,550	<b>400,463</b>	185,694
Other parties	<b>5,318,860</b>	5,631,586	<b>5,126,171</b>	5,379,652
Impairment recoveries	<b>134,987</b>	1,224,701	<b>1,265,984</b>	2,260,380
Other revenue	<b>861,932</b>	680,733	<b>513,617</b>	146,281
<b>Total income</b>	<b>31,050,157</b>	31,291,190	<b>79,161,059</b>	24,774,372

#### NOTE 4: PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense has been arrived at after charging the following items:

##### **Borrowing costs:**

Related parties	<b>359,953</b>	585,078	<b>359,953</b>	128,496
Other parties	<b>163,131</b>	158,848	<b>3,747</b>	97
<b>Total borrowing costs</b>	<b>523,084</b>	743,926	<b>363,700</b>	128,593

##### **Other expenses:**

Audit fees	<b>109,348</b>	90,000	<b>89,248</b>	77,500
Directors fees	<b>74,000</b>	74,000	<b>50,000</b>	50,000
Insurance	<b>142,954</b>	115,638	<b>47,829</b>	25,926
Legal costs	<b>404,629</b>	69,339	<b>349,126</b>	53,031
Travel and accommodation	<b>102,191</b>	144,516	<b>27,118</b>	-
All other expenses	<b>640,889</b>	622,189	<b>237,734</b>	161,821
<b>Total other expenses</b>	<b>1,474,011</b>	1,115,682	<b>801,055</b>	368,278

##### **Impairment expense on assets:**

Loans to other corporations (note 8)	<b>2,261,136</b>	-	<b>2,229,702</b>	-
Loans to director related entities (note 8)	<b>1,276,465</b>	-	<b>1,276,465</b>	-
"Available-for-sale" investments (note 9)	<b>5,627,594</b>	-	<b>5,627,594</b>	-
Associated entities (note 11 and 13)	<b>4,479,144</b>	-	<b>4,029,832</b>	1,056,527
<b>Total impairment expense on assets</b>	<b>13,644,339</b>	-	<b>13,163,593</b>	1,056,527

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 5: INCOME TAX</b>				
<b>5.1 Income Tax (Benefit)/Expense:</b>				
Accounting profit before income tax	<b>1,062,572</b>	35,810,840	<b>54,030,105</b>	18,684,499
<b>Income tax expense at the statutory income tax rate of 30%</b>	<b>318,773</b>	10,743,252	<b>16,209,032</b>	5,605,350
<b>Increase in income tax expense due to:</b>				
Prima facie income tax on profit from subsidiaries within tax consolidation group	-	-	-	1,605,720
Sundry items	<b>53,569</b>	48,313	<b>44,705</b>	48,232
Tax losses not recognised	<b>837,122</b>	-	-	-
<b>Decrease in income tax expense due to:</b>				
Prima facie income tax on profit from subsidiaries within tax consolidation group	-	-	<b>(71,105)</b>	-
Equity income not assessable	-	(3,210,111)	-	-
Dividends received	<b>(1,574,789)</b>	(1,546,219)	<b>(18,222,677)</b>	(1,546,219)
Other income not assessable	<b>(115,975)</b>	-	<b>(107,093)</b>	-
Recovery of tax losses not previously recognised	-	(947,627)	-	-
	<b>(481,300)</b>	5,087,608	<b>(2,147,138)</b>	5,713,083
Adjustments in respect of current income tax of previous years	<b>421,069</b>	(88,366)	<b>471,698</b>	(114,400)
Income tax (benefit)/expense	<b>(60,231)</b>	4,999,242	<b>(1,675,440)</b>	5,598,683
The major components of income tax (benefit)/expense are:				
Current income tax charge	<b>4,527,801</b>	4,452,645	<b>4,527,801</b>	4,452,645
Deferred income tax	<b>(5,009,101)</b>	634,963	<b>(6,674,939)</b>	1,260,438
Adjustments in respect of current income tax of previous years	<b>421,069</b>	(88,366)	<b>471,698</b>	(114,400)
Income tax (benefit)/expense reported in the income statement	<b>(60,231)</b>	4,999,242	<b>(1,675,440)</b>	5,598,683
<b>5.2 Current Tax Liabilities:</b>				
<b>Income tax payable:</b>				
Balance at the end of the year	<b>4,261,699</b>	4,429,030	<b>4,242,216</b>	4,429,030

	Included in Income	Consolidated Included in Equity	Total	Included in Income	The Company Included in Equity	Total
	\$	\$	\$	\$	\$	\$

## NOTE 5: INCOME TAX (CONT.)

### 5.3 Deferred Tax Assets:

Deferred income tax at 30 June related to the following deferred tax assets:

#### Year ended 30 June 2008

Provisions and accrued expenses	133,334	-	133,334	46,708	-	46,708
Loan impairment	4,728,245	-	4,728,245	4,151,654	-	4,151,654
Share raising costs	(743,071)	1,523,165	780,094	(743,071)	1,523,165	780,094
Equity accounted investments	2,650,336	-	2,650,336	-	-	-
Other	9,956	-	9,956	672	-	672
	<b>6,778,800</b>	<b>1,523,165</b>	<b>8,301,965</b>	<b>3,455,963</b>	<b>1,523,165</b>	<b>4,979,128</b>

#### Year ended 30 June 2007

Provisions and accrued expenses	368,134	-	368,134	342,487	-	342,487
Loan impairment	404,882	-	404,882	151,422	-	151,422
Share raising costs	(439,273)	1,523,165	1,083,892	(439,273)	1,523,165	1,083,892
Other	439,961	-	439,961	16	-	16
Tax losses	921,206	-	921,206	-	-	-
	1,694,910	1,523,165	3,218,075	54,652	1,523,165	1,577,817

### 5.4 Deferred Tax Liabilities

Deferred income tax at 30 June related to the following deferred tax liabilities:

#### Year ended 30 June 2008

"Available-for-sale" investments	-	16,456,289	16,456,289	-	19,575,955	19,575,955
Receivables	1,351,869	-	1,351,869	442,311	-	442,311
Equity accounted income	5,311,782	-	5,311,782	-	-	-
Property, plant and equipment	4,136	-	4,136	-	-	-
Intangible assets	219,375	-	219,375	-	-	-
Other	430,095	-	430,095	301,696	-	301,696
	<b>7,317,257</b>	<b>16,456,289</b>	<b>23,773,546</b>	<b>744,007</b>	<b>19,575,955</b>	<b>20,319,962</b>

#### Year ended 30 June 2007

"Available-for-sale" investments	-	37,027,517	37,027,517	-	39,653,820	39,653,820
Receivables	1,395,360	-	1,395,360	393,288	-	393,288
Equity accounted income	6,050,654	-	6,050,654	-	-	-
Property, plant and equipment	4,136	-	4,136	-	-	-
Intangible assets	254,475	-	254,475	-	-	-
Other	207,909	-	207,909	106,275	-	106,275
	7,912,534	37,027,517	44,940,051	499,563	39,653,820	40,153,383



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 5: INCOME TAX (CONT.)

### 5.5 Tax Consolidation

The controlled entities of the Company implemented the tax consolidation legislation as at 30 June 2003. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities to subsidiaries in the event the tax liability is not paid.

The entities in the consolidated group continue to account for their own current and deferred tax amounts. The members of the tax consolidated group has applied the "stand-alone taxpayer" approach in determining the appropriate amount of current taxes and deferred taxes to be allocated to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company recognises the current tax liabilities (or assets) and the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the allocation of tax within the group is calculated as if each entity was an individual entity for tax purposes. Unless agreed between the members the tax funding agreement requires payment as a result of the transfer of tax amounts.

	[ Consolidated ]	
	2008	2007
	\$	\$
<b>NOTE 6: EARNINGS PER SHARE</b>		
Basic earnings per share (dollars per share)	<b>0.0067</b>	0.2387
Diluted earnings per share (dollars per share)	<b>0.0067</b>	0.2369
<b>Reconciliation of earnings used in the calculation of earnings per share:</b>		
Profit after income tax	<b>1,122,803</b>	30,811,598
Less: minority interests	<b>(30,182)</b>	(53,653)
Earnings	<b>1,152,985</b>	30,757,945
	[ Number of Shares ]	
Weighted average number of ordinary shares* – Basic	<b>171,082,749</b>	128,873,792
Weighted average number of ordinary shares* - Diluted	<b>171,082,749</b>	129,851,358
Number of shares on issue at the end of the year	<b>162,352,134</b>	171,713,710

\* The difference between Basic and Diluted shares on issue represents the CVC Executive Long Term Incentive Plan shares on issue which are treated as an option grant.

## NOTE 7: DIVIDENDS

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

**Declared during the financial period and included within the balance sheet:**

	Cents Per Share	Total \$	Date of Payment	Tax rate for Franking Credit	Percentage Franked
2007 Final on ordinary shares	6.00	10,302,823	9 November 2007	30%	100%
2008 Interim on ordinary shares	3.00	4,982,641	29 February 2008	30%	100%

**Declared after the end of the financial period and not included in the balance sheet:**

A final dividend in respect of the year ended 30 June 2008 of 3 cents per share was declared on 17 July 2008 payable on 26 September 2008 to those shareholders registered on 28 July 2008.

	[ The Company ]	
	2008	2007
	\$	\$
<b>Dividend franking account</b>		
Franking credits available to shareholders for subsequent financial years	<b>7,585,962</b>	7,337,419

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
- franking credits that the entity may be prevented from distributing in subsequent years.

The impact on the franking account of the dividend declared by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$2,002,156 (2007: \$4,415,496). The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$

## NOTE 8: LOANS AND OTHER RECEIVABLES

### Current

Trade and other receivables	<b>2,746,715</b>	2,160,833	<b>2,148,128</b>	1,605,414
Loans to controlled entities	-	-	-	4,438,525
Loans to related entities	<b>18,530,525</b>	6,182,966	<b>18,530,525</b>	6,182,966
Loans to other corporations	<b>23,294,286</b>	16,450,412	<b>9,261,983</b>	5,820,709
Impairment of loans to other corporations	<b>(2,231,136)</b>	-	<b>(2,199,702)</b>	-
	<b>42,340,390</b>	24,794,211	<b>27,740,934</b>	18,047,614

### Non-current

Loans to other corporations	<b>30,000</b>	30,000	<b>30,000</b>	30,000
Impairment of loans to other corporations	<b>(30,000)</b>	-	<b>(30,000)</b>	-
Loans to controlled entities	-	-	<b>22,618,820</b>	12,470,367
Loans to director related entities	<b>2,446,839</b>	2,006,859	<b>2,446,839</b>	2,006,859
Impairment of loans to director related entities	<b>(1,276,465)</b>	-	<b>(1,276,465)</b>	-
Loans to related entities	-	1,132,643	-	1,132,643
Retention receivable	-	900,000	-	-
	<b>1,170,374</b>	4,069,502	<b>23,789,194</b>	15,639,869

When an entity does not pay a scheduled payment of principle and interest a review is conducted to determine if the loan is considered to be impaired. Impairment of loans to other corporations has been determined after reviewing the underlying assets supporting the loans and the history of making payments to reduce both the principle and interest outstanding.

Further details of loans are set out in notes 29 and 32.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 9: FINANCIAL ASSETS – “AVAILABLE-FOR-SALE”</b>				
<b>Non-current</b>				
Unlisted controlled entities – at cost	-	-	<b>9,323,245</b>	9,323,245
Shares in listed corporations – at market value	<b>141,933,072</b>	193,393,734	<b>137,537,120</b>	180,093,712
Other investments - at cost	<b>8,824,297</b>	10,872,005	<b>8,666,517</b>	9,820,233
Impairment of investments	<b>(5,627,594)</b>	-	<b>(5,627,594)</b>	-
	<b>145,129,775</b>	204,265,739	<b>149,899,288</b>	199,237,190

Where there has been a reduction in the share price of an investment that appears to be prolonged management have made an assessment as to whether an impairment is required. Impairment of investments has been determined with reference to either a recent share price where an active market exists, discounted cashflow analysis, earnings multiples or underlying net assets. Management assesses the results to determine the most appropriate valuation.

## 9.1 Other investments – at cost

The carrying value of a certain investment classified as “Other investments - at cost” has been determined by using the fair value approach less transaction costs based on the asset based methodology, using the most recent audited financial report. The determination of the fair value has resulted in an impairment charge of \$750,000.

## 9.2 Shares in listed corporations – at market value

The carrying value of a certain investment classified as “Shares in listed corporations – at market value” has been determined by using the fair value approach. The closing “bid-price” was determined to be an appropriate indication for the fair value of the investment. The determination of the fair value has resulted in an impairment charge of \$4,877,594.

## NOTE 10: OTHER ASSETS

### Current

Prepayments and deposits	<b>75,311</b>	57,658	<b>31,597</b>	12,633
Goods and services tax	<b>12,191</b>	11,763	<b>12,325</b>	-
	<b>87,502</b>	69,421	<b>43,922</b>	12,633

## NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Non-current

Equity accounted interests in joint ventures (note 12)	<b>2,051</b>	98,480	<b>2,051</b>	98,480
Equity accounted shares in listed associated companies (note 13)	<b>33,760,274</b>	15,610,305	<b>30,227,895</b>	11,758,640
Equity accounted shares in other associated companies (note 13)	<b>22,203,694</b>	25,803,676	<b>20,209,287</b>	22,972,786
	<b>55,966,019</b>	41,512,461	<b>50,439,233</b>	34,829,906

Where there has been a reduction in the share price of an investment that appears to be prolonged management have made an assessment as to whether an impairment is required. The amount of the impairment has been determined after consideration of the fair value of the investments, being a recent share price where an active market exists, or alternative valuation methodologies from a review of the operations and assets of the company where an active market does not exist. Management assesses the results to determine the most appropriate valuation.

## 11.1 Cellnet Group Limited

The carrying value of Cellnet Group Limited (“Cellnet”) has been determined by using the fair value approach less transaction costs and has been calculated as \$0.55 per share based on the net asset backing methodology, using the most recent audited financial report. By comparison the closing “bid-price” of Cellnet on 30 June 2008 was \$0.28 per share. Refer note 32.5.

## NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

### 11.2 Mercury Mobility Limited

The carrying value of Mercury Mobility Limited has been determined by using the fair value approach. The closing "bid-price" of Mercury Mobility Limited on 30 June 2008 was \$0.13 per share which was determined to be an appropriate indication for the fair value of the investment, despite the lack of an active market. Refer note 32.5.

### 11.3 Pro-Pac Packaging Limited

The carrying value of Pro-Pac Packaging Limited ("Pro-Pac") has been determined by using the fair value approach less transaction costs and has been calculated as \$0.47 per share using a combination of valuation methodologies, including discounted cashflows, earning multiples and net assets. By comparison the closing "bid-price" of Pro-Pac on 30 June 2008 was \$0.42 per share. Refer note 32.5

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$

## NOTE 12: INTERESTS IN JOINT VENTURES

### Joint Venture Partnerships

Interests in joint venture partnerships	<b>2,051</b>	98,480	<b>2,051</b>	98,480
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The Company and CVC hold 50% interests (2007: 50%) in two joint venture partnerships: Chevron Developments and Skyline Investments Australia. The principal activities of the joint ventures are property ownership, operation and finance.

Movements in interests in joint venture partnerships are as follows:

Balance at the beginning of the year	<b>98,480</b>	115,560	<b>98,480</b>	115,560
Share of (loss)/profit for the year	<b>15,702</b>	(17,080)	<b>15,702</b>	(17,080)
Distribution of profits	<b>(112,131)</b>	-	<b>(112,131)</b>	-
Balance at the end of the year	<b>2,051</b>	98,480	<b>2,051</b>	98,480

The interests in joint venture partnerships at the end of the financial year are split as follows:

Current assets	<b>2,051</b>	98,480	<b>2,051</b>	98,480
Current liabilities	-	-	-	-
Net assets	<b>2,051</b>	98,480	<b>2,051</b>	98,480
Retained profits	<b>2,051</b>	98,480	<b>2,051</b>	98,480

The share of the profit for the year from interests in joint venture partnerships is split as follows:

Income	<b>21,457</b>	16,330	<b>21,457</b>	16,330
Expenses	<b>(5,755)</b>	(33,410)	<b>(5,755)</b>	(33,410)
Operating profit	<b>15,702</b>	(17,080)	<b>15,702</b>	(17,080)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES

Details of material interests in associated entities are as follows:

	Type	Ownership Interest				Investment Carrying Amount			
		Consolidated		The Company		Consolidated		The Company	
		2008	2007	2008	2007	2008	2007	2008	2007
		%	%	%	%	\$	\$	\$	\$
Cellnet Group Limited	Ords	<b>33.6</b>	22.9	<b>33.6</b>	22.9	<b>14,193,694</b>	9,866,114	<b>14,193,694</b>	11,286,823
Concise Asset Management Pty Limited	Ords	<b>50.0</b>	-	-	-	<b>577,552</b>	-	-	-
CVC Geelong Unit Trust	Ord Units	<b>50.0</b>	-	<b>50.0</b>	-	-	-	<b>50</b>	-
CVC Private Equity Limited	Ords	<b>36.6</b>	33.7	<b>36.0</b>	33.7	<b>3,101,929</b>	7,026,592	<b>3,046,192</b>	6,042,279
CVC Reef Investment Managers Limited	Ords	<b>50.0</b>	50.0	-	-	<b>67,627</b>	-	-	-
CVC Shepparton Pty Limited	Ords	<b>50.0</b>	-	<b>50.0</b>	-	-	-	<b>50</b>	-
CVC Sustainable Investments	Ords	<b>19.5</b>	-	<b>10.8</b>	-	<b>2,772,563</b>	-	<b>1,617,664</b>	-
CVC Trinity Property Fund	Ord Units	<b>37.8</b>	37.4	<b>3.2</b>	37.4	<b>3,015,497</b>	5,744,191	<b>231,689</b>	471,817
CVC Wagga Wagga Unit Trust	Ord Units	<b>50.0</b>	-	<b>50.0</b>	-	-	-	<b>50</b>	-
GPG (No.7) Pty Limited	Ords	<b>27.5</b>	27.5	<b>27.5</b>	27.5	<b>13,670,281</b>	14,637,531	<b>13,670,281</b>	12,455,055
Mercury Mobility Limited	Ords	<b>29.6</b>	22.9	<b>24.2</b>	22.9	<b>4,059,106</b>	3,345,152	<b>3,310,535</b>	3,656,979
Pro-Pac Packaging Limited	Ords	<b>22.3</b>	-	<b>22.3</b>	-	<b>12,491,977</b>	-	<b>12,491,977</b>	-
Ron Finemore Transport Pty Limited	Ords	<b>25.0</b>	25.0	<b>25.0</b>	25.0	<b>2,013,742</b>	794,401	<b>1,875,000</b>	818,473
Winten (No.20) Pty Limited	Ords	<b>50.0</b>	50.0	-	-	-	-	-	-
						<b>55,963,968</b>	41,413,981	<b>50,437,182</b>	34,731,426

	Dividends Received/Receivable			
	Consolidated		The Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cellnet Group Limited	-	-	-	-
Concise Asset Management Pty Limited	-	-	-	-
CVC Geelong Unit Trust	-	-	-	-
CVC Private Equity Limited	<b>158,264</b>	171,144	<b>158,264</b>	171,144
CVC Reef Investment Managers Limited	-	-	-	-
CVC Shepparton Pty Limited	-	-	-	-
CVC Sustainable Investments	<b>66,288</b>	-	<b>36,489</b>	-
CVC Trinity Property Fund	-	-	-	-
CVC Wagga Wagga Unit Trust	-	-	-	-
GPG (No.7) Pty Limited	-	-	-	-
Mercury Mobility Limited	-	-	-	-
Pro-Pac Packaging Limited	<b>230,616</b>	-	<b>230,616</b>	-
Ron Finemore Transport Pty Limited	-	-	-	-
Winten (No.20) Pty Limited	-	-	-	-
	<b>455,168</b>	171,144	<b>425,369</b>	171,144

## NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES (CONT.)

### **Information on associated entities:**

Cellnet Group Limited	- a distributor of mobile and IT technology to the reseller community in both Australia and New Zealand.
Concise Asset Management Pty Limited	- a boutique fund manager focused on investments in ASX listed entities.
CVC Geelong Unit Trust	- a property development of a bulky goods retail centre in Geelong Victoria.
CVC Private Equity Limited	- a private equity investment company.
CVC Reef Investment Managers Pty Limited	- is the investment manager for the CVC REEF Limited renewable energy investment company.
CVC Shepparton Pty Limited	- a property development of a bulky goods retail centre in Shepparton Victoria.
CVC Sustainable Investments	- a group of stapled companies focused on private equity investment in companies that are focused on improved environmental outcomes. Although CVC holds 19.5% stapled shares, CVC Managers Pty Limited holds 2,887,926 options over shares which if exercised CVC would increase the ownership in the group increasing to 22.6% of stapled shares on issue.
CVC Trinity Property Fund	- an ASX listed fund that holds property investments in Australia. CVC Trinity Property Managers Limited (formerly CVC Property Managers Limited) which is 50% owned by CVC Limited is the Responsible Entity and investment manager of the fund.
CVC Wagga Wagga Unit Trust	- a property development of a bulky goods retail centre in Wagga Wagga NSW.
GPG (No. 7) Pty Limited	- GPG (No. 7) Pty Limited purchased the manufacturing operations of the blended foods, cereals and snacks foods division of the previously ASX listed Greens Foods Limited.
Mercury Mobility Limited	- a mobile phone personalisation, entertainment and technology company, providing content to end users through relationships with leading telecommunications carriers and content providers.
Pro-Pac Packaging Limited	- a manufacturer and distributor of biodegradable flowable void fill packaging and the distribution of general industrial packaging products.
Ron Finemore Transport Pty Limited	- Ron Finemore Transport Pty Limited is a regional road transport and logistics group.
Winten (No.20) Pty Limited	- Winten (No.20) Pty Limited was developing a residential site at Fern Bay, NSW until a development agreement was signed with ASX listed Aspen Group to develop the site.

The balance date of all the associated entities is 30 June 2008 and all are Australian entities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES (CONT.)

### Reconciliations:

Movements in the carrying amount of the investments in associated entities under the equity accounting method are as follows:

	CVC Private Equity	CVC Sustainable Investments	Lauden CVC Property Trust	Pro-Pac Packaging Limited
	\$	\$	\$	\$
<b>Year ended 30 June 2008</b>				
Balance at the start of the year	7,026,592	-	-	-
New interests acquired	306,613	118,013	-	1,607,617
Share of associates profits/(losses) before tax	(2,872,868)	(639,099)	-	(44,552)
Share of associates tax (expense)/benefit	(207,661)	100,672	-	(314)
Share of associates reserves	(992,483)	562,688	-	(202)
Dividends received during the year	(158,264)	(66,288)	-	(230,616)
Reclassification of investments	-	2,696,577	-	11,160,044
Impairment	-	-	-	-
Balance at the end of the year	3,101,929	2,772,563	-	12,491,977
<b>Year ended 30 June 2007</b>				
Balance at the start of the year	4,729,024	-	3,604,087	-
New interests acquired	1,144,414	-	-	-
Elimination of disposal profit from associated company	-	-	-	-
Share of associates profits/(losses) before tax	155,074	-	22,636	-
Share of associates tax (expense)/benefit	173,273	-	-	-
Share of associates reserves	995,951	-	-	-
Dividends received during the year	(171,144)	-	-	-
Interests disposed during the year	-	-	(3,626,723)	-
Reclassification of investments	-	-	-	-
Balance at the end of the year	7,026,592	-	-	-

(a) Other entities include Ron Finemore Transport Pty Limited, Concise Asset Management Pty Limited and CVC Reef Investment Managers Limited.

CVC Trinity Property Fund	GPG (No. 7) Pty Limited	Cellnet Group Limited	Mercury Mobility Limited	Winten (No. 20) Pty Limited	Other Entities(a)	Total
\$	\$	\$	\$	\$		\$
5,744,191	14,637,531	9,927,512	3,283,754	-	794,401	41,413,981
32,548	1,430,000	8,459,450	2,905,180	-	851,665	15,711,086
(2,761,242)	(1,733,910)	(193,356)	(558,509)	(122,700)	270,419	(8,655,817)
-	(663,340)	(551,137)	-	-	742,436	(579,344)
-	-	(559,397)	18,447	-	-	(970,947)
-	-	-	-	-	-	(455,168)
-	-	-	-	122,700	-	13,979,321
-	-	(2,889,378)	(1,589,766)	-	-	(4,479,144)
<b>3,015,497</b>	<b>13,670,281</b>	<b>14,193,694</b>	<b>4,059,106</b>	<b>-</b>	<b>2,658,921</b>	<b>55,963,968</b>
516,386	-	-	-	1,652,798	540,109	11,042,404
5,805,431	12,455,055	1,961,495	3,595,581	-	300,000	25,261,976
(587,325)	-	-	-	-	-	(587,325)
9,699	2,051,260	(267,719)	(311,827)	9,047,571	(45,708)	10,660,986
-	131,216	17,385	-	-	-	321,874
-	-	-	-	-	-	995,951
-	-	-	-	-	-	(171,144)
-	-	(3,595,581)	-	-	-	(7,222,304)
-	-	11,811,932	-	(10,700,369)	-	1,111,563
5,744,191	14,637,531	9,927,512	3,283,754	-	794,401	41,413,981



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 14: PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Plant and equipment</b>				
At cost	248,783	238,248	-	-
Accumulated depreciation	(214,299)	(192,627)	-	-
Total property, plant and equipment	34,484	45,621	-	-
<b>Reconciliation</b>				
Carrying amount at the beginning of the year	45,621	19,424	-	-
Additions	10,535	44,123	-	-
Depreciation	(21,672)	(17,926)	-	-
Carrying amount at the end of the year	34,484	45,621	-	-
<b>NOTE 15: INVESTMENT PROPERTIES</b>				
<b>Investment properties</b>				
At cost	2,833,994	2,833,994	-	-
Accumulated depreciation	(50,121)	(34,797)	-	-
Total investment properties	2,783,873	2,799,197	-	-
<b>Reconciliation</b>				
Carrying amount at the beginning of the year	2,799,197	2,818,637	-	-
Depreciation	(15,324)	(19,440)	-	-
Carrying amount at the end of the year	2,783,873	2,799,197	-	-
<b>NOTE 16: INTANGIBLE ASSETS</b>				
Goodwill	7,625,384	7,625,384	-	-
Management agreements	1,170,000	1,170,000	-	-
Accumulated amortisation	(438,750)	(321,750)	-	-
Total management agreements	731,250	848,250	-	-
Total intangible assets	8,356,634	8,473,634	-	-

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 16: INTANGIBLE ASSETS (CONT.)</b>				
<b>Reconciliations</b>				
<b>Goodwill</b>				
Carrying amount at the beginning of the year	<b>7,625,384</b>	7,721,104	-	-
Disposal on sale of interest in controlled entity	-	(95,720)	-	-
Carrying amount at the end of the year	<b>7,625,384</b>	7,625,384	-	-
<b>Management agreements</b>				
Carrying amount at the beginning of the year	<b>848,250</b>	965,250	-	-
Amortisation	<b>(117,000)</b>	(117,000)	-	-
Carrying amount at the end of the year	<b>731,250</b>	848,250	-	-

### 16.1 Impairment test for goodwill and management agreements

The recoverable amount of Goodwill is determined with references to the "value-in-use" of intercompany management fees received in accordance with the management agreements by CVC Managers Pty Limited from CVC Limited and Laserex Pty Limited in future years. The recoverable amount of Management Agreements in CVC is determined with reference to the "value-in-use" of related company management fees received in accordance with the management agreements by CVC Managers Pty Limited from CVC Sustainable Investments Limited, CVC Sustainable Investments No. 2 Limited and CVC Private Equity Limited in future years.

### 16.2 Key assumptions

In accordance with the management agreements the management fees are fixed for a 12 month period commencing 1 July each financial year and is based on a fixed percentage of the higher of the net assets or contributed capital of each individual investment company. The basis for calculating future management fees has been based on the financial position of each investment company as at 30 June 2008.

Valuation multiples of greater than 1 times earnings after related expenses, discounted cashflow analysis using a range of rates between 15% and 30% and comparison to industry multiples were used to value each management agreement.

### 16.3 Impact of possible changes in key assumptions

The recoverable amount of the combined goodwill and management agreements has been estimated to be in excess of \$16.8 million. This exceeds the carrying amount at 30 June 2008 by approximately \$8.4 million (2007: \$8.3 million). If the earnings multiple changed to 1 times earnings after related expenses then the combined goodwill and management agreements would be approximately \$9.0 million and the management agreement between CVC Managers Pty Limited and CVC Private Equity Limited would need to be impaired by approximately \$200,000.

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 17: TRADE AND OTHER PAYABLES</b>				
<b>Current</b>				
Trade and other payables	<b>1,800,455</b>	246,552	<b>1,654,063</b>	84,317
Loans from joint venture entities	-	90,000	-	90,000
Sundry creditors and accruals	<b>477,292</b>	839,428	<b>154,051</b>	110,796
Goods and services tax	<b>2,373</b>	33,253	-	7,324
Total current accounts payable	<b>2,280,120</b>	1,209,233	<b>1,808,114</b>	292,437
<b>Non-Current</b>				
Loan from controlled entities	-	-	<b>30,795,854</b>	76,035,366

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 18: PROVISIONS</b>				
<b>Current</b>				
Employee entitlements	199,199	187,623	-	-
<b>Non-Current</b>				
Employee entitlements	23,948	-	-	-
<b>NOTE 19: INTEREST BEARING LOANS AND BORROWINGS</b>				
<b>Current</b>				
Unsecured loans from associated companies	2,693,695	-	2,693,695	-
<b>Non-Current</b>				
Secured bank loan	2,113,032	2,113,032	-	-
Unsecured loans from associated companies	6,318,965	6,212,892	-	1,164,400
	8,431,997	8,325,924	-	1,164,400

## Secured Bank Loan

This loan is secured by a first registered mortgage over industrial premises at 96 Fairfield Street, Fairfield. The term of the facility is 10 years, maturing on 31 October 2015.

## Unsecured Loans from Associated Companies

This loan is an unsecured loan from Winten (No. 20) Pty Limited at an interest rate of 10% per annum repayable by 5 April 2012.

	[ The Company ]			
	2008		2007	
	Number	\$	Number	\$
<b>NOTE 20: CONTRIBUTED EQUITY</b>				
<b>Issued and paid-up ordinary share capital</b>				
Balance at the beginning of the year	171,713,710	145,370,769	117,185,681	38,633,426
Shares issued during the year:				
- executive and non-executive long term incentive plan	-	3,105,000	2,079	3,000
- reclassification from employee equity benefit reserve	-	273,759	-	-
- dividend reinvestment plan	417,041	732,046	381,567	703,705
- share placement	-	-	55,097,500	110,195,000
- transaction cost of share placement	-	(3,481)	-	(3,955,214)
- tax benefit of transaction costs	-	1,044	-	1,186,564
Shares bought back on market	(9,778,617)	(12,655,998)	(953,117)	(1,395,712)
Balance at the end of the year	162,352,134	136,823,139	171,713,710	145,370,769

On 11 March 2008 CVC received approval from shareholders to undertake an on-market share buy-back scheme for a duration of 12 months and limited to 35,000,000 ordinary shares. At the date of this report 16,407,521 shares had been bought back under this scheme.

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 21: RETAINED PROFITS</b>				
Retained profits at the beginning of the year	<b>113,202,090</b>	98,077,668	<b>24,382,046</b>	26,929,753
Net profit attributable to members of the parent company	<b>1,152,985</b>	30,757,945	<b>55,705,545</b>	13,085,816
Dividends	<b>(15,285,464)</b>	(15,633,523)	<b>(15,285,464)</b>	(15,633,523)
Retained profits at the end of the year	<b>99,069,611</b>	113,202,090	<b>64,802,127</b>	24,382,046

## NOTE 22: MINORITY INTEREST

Reconciliation of minority interest in controlled entities:

Balance at the beginning of the year	<b>97,227</b>	174
Share of net profit	<b>(30,182)</b>	53,653
Created on partial sale of controlled entities	-	42,512
Revaluation of investments	<b>(1,048)</b>	888
Balance at the end of the year	<b>65,997</b>	97,227

The minority interest at the end of the year comprises interests in:

Share capital	<b>658,717</b>	658,717
Asset Revaluation Reserve	<b>(160)</b>	888
Accumulated losses	<b>(592,560)</b>	(562,378)
	<b>65,997</b>	97,227

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	Asset Revaluation Reserve	Employee Equity Benefit Reserve	Foreign Exchange Translation Reserve	Total
	\$	\$	\$	\$
<b>NOTE 23: OTHER RESERVES</b>				
<b>Consolidated</b>				
<b>Year ending 30 June 2008</b>				
<b>Reserves at the beginning of the year</b>	<b>86,164,237</b>	<b>330,622</b>	-	<b>86,494,859</b>
Share based payments	-	<b>48,954</b>	-	<b>48,954</b>
Reclassification to contributed equity	-	<b>(273,759)</b>	-	<b>(273,759)</b>
Equity accounted share of reserves	<b>550,766</b>	<b>(154,814)</b>	<b>(219,073)</b>	<b>176,879</b>
Net unrealised loss on "available-for-sale" investments	<b>(48,956,228)</b>	-	<b>(1,030,522)</b>	<b>(49,986,750)</b>
Net unrealised loss on "available-for-sale" investments – minority interest	<b>1,370</b>	-	-	<b>1,370</b>
Realised loss on "available-for-sale" investments reclassified to the income statement	<b>(19,510,908)</b>	-	<b>(80,146)</b>	<b>(19,591,054)</b>
Net realised loss on "available-for-sale" investments – minority interest	<b>59</b>	-	-	<b>59</b>
Tax effect of net loss on "available-for-sale" investments	<b>21,280,973</b>	-	<b>333,200</b>	<b>21,614,173</b>
Tax effect of net loss on "available-for-sale" investments – minority interest	<b>(381)</b>	-	-	<b>(381)</b>
<b>Reserves at the end of the year</b>	<b>39,529,888</b>	<b>(48,997)</b>	<b>(996,541)</b>	<b>38,484,350</b>
<b>Year ending 30 June 2007</b>				
<b>Reserves at beginning of the year</b>	<b>30,478,801</b>	<b>216,055</b>	-	<b>30,694,856</b>
Share based payments	-	<b>117,912</b>	-	<b>117,912</b>
Options expired	-	<b>(3,345)</b>	-	<b>(3,345)</b>
Net unrealised gain on "available-for-sale" investments	<b>82,812,566</b>	-	-	<b>82,812,566</b>
Net unrealised gain on "available-for-sale" investments – minority interest	<b>(888)</b>	-	-	<b>(888)</b>
Realised gain on "available-for-sale" investments reclassified to the income statement	<b>(3,260,679)</b>	-	-	<b>(3,260,679)</b>
Tax effect of net gain on "available-for-sale" investments	<b>(23,865,563)</b>	-	-	<b>(23,865,563)</b>
<b>Reserves at the end of the year</b>	<b>86,164,237</b>	<b>330,622</b>	-	<b>86,494,859</b>

	Asset Revaluation Reserve	Employee Equity Benefit Reserve	Foreign Exchange Translation Reserve	Total
	\$	\$	\$	\$
<b>NOTE 23: OTHER RESERVES (CONT.)</b>				
<b>The Company</b>				
<b>Year ending 30 June 2008</b>				
<b>Reserves at the beginning of the year</b>	<b>91,641,273</b>	<b>298,696</b>	-	<b>91,939,969</b>
Share based payments	-	<b>48,954</b>	-	<b>48,954</b>
Reclassification to contributed equity	-	<b>(273,759)</b>	-	<b>(273,759)</b>
Net unrealised loss on "available-for-sale" investments	<b>(53,072,901)</b>	-	<b>(1,030,522)</b>	<b>(54,103,423)</b>
Realised loss on "available-for-sale" investments reclassified to the income statement	<b>(12,191,484)</b>	-	<b>(80,146)</b>	<b>(12,271,630)</b>
Tax effect of net loss on "available-for-sale" investments	<b>20,651,507</b>	-	<b>333,200</b>	<b>20,984,707</b>
<b>Reserves at the end of the year</b>	<b>47,028,395</b>	<b>73,891</b>	<b>(777,468)</b>	<b>46,324,818</b>
<b>Year ending 30 June 2007</b>				
<b>Reserves at the beginning of the year</b>	40,532,918	180,784	-	40,713,702
Share based payments	-	117,912	-	117,912
Options expired	-	-	-	-
Net unrealised gain on "available-for-sale" investments	76,272,614	-	-	76,272,614
Realised gain on "available-for-sale" investments reclassified to the income statement	(3,260,679)	-	-	(3,260,679)
Tax effect of net gain on "available-for-sale" investments	(21,903,580)	-	-	(21,903,580)
<b>Reserves at the end of the year</b>	91,641,273	298,696	-	91,939,969

#### **Asset Revaluation Reserve**

The asset 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.

#### **Employee Equity Benefit Reserve**

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. The benefit provided is under the Long Term Employee Incentive Scheme and the share issues have been valued as though they were options based on the following assumptions:

- 3 year life
- Risk free interest rate of 7.25%
- Volatility factor of 10%
- A dividend yield of 3.5%

This gives a value per share granted of 11.5 cents. The figures above assume this cost is spread over thirty six months.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 24: NOTES TO THE CASH FLOW STATEMENTS

### 24.1 Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short-term deposits at call. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash and cash equivalents	<b>51,936,285</b>	115,008,945	<b>50,918,226</b>	114,422,371

### 24.2 Reconciliation of Profit after Income Tax to Cash from Operating Activities

<b>Net Profit</b>	<b>1,122,803</b>	30,811,598	<b>55,705,545</b>	13,085,816
<b>Add/(less) non-cash items:</b>				
Share of equity accounted (profits)/losses	<b>9,219,508</b>	(10,965,632)	<b>(15,702)</b>	17,080
Depreciation and amortisation of property plant and equipment	<b>36,996</b>	37,366	-	-
Amortisation of intangibles	<b>117,000</b>	117,000	-	-
Impairment expenses on assets	<b>14,757,085</b>	432,706	<b>13,176,406</b>	1,489,233
Impairment recoveries	<b>(22,333)</b>	(1,330,036)	<b>(1,265,984)</b>	(2,260,380)
Profit on disposal of investments	<b>(9,881,817)</b>	(14,741,365)	<b>(5,559,979)</b>	(9,984,354)
Net foreign current loss	<b>230,854</b>	-	<b>230,854</b>	-
Interest income not received	<b>(3,195,956)</b>	(3,740,665)	<b>(819,563)</b>	(3,078,558)
Interest expense not paid	<b>359,953</b>	585,078	<b>359,953</b>	128,496
Dividend income not received	-	-	<b>(55,882,052)</b>	-
Option income not received	<b>(1,094,888)</b>	-	<b>(1,005,652)</b>	-
Movement in current tax liabilities	<b>(167,331)</b>	92,616	<b>(186,814)</b>	52,472
Movement in deferred tax assets and liabilities	<b>(4,474,938)</b>	592,219	<b>(6,068,409)</b>	1,233,152
Equity remuneration	<b>48,954</b>	120,911	<b>48,954</b>	117,912
<b>Changes in operating assets and liabilities:</b>				
Trade and other receivables	<b>60,266</b>	(460,192)	<b>255,948</b>	36,600
Trade and other payables	<b>1,160,845</b>	(949,701)	<b>1,605,677</b>	(1,406,278)
Provisions	<b>35,524</b>	27,588	-	-
Other assets	<b>(18,081)</b>	20,111	<b>(31,289)</b>	35,405
<b>Net cash provided by/(used in) operating activities</b>	<b>8,294,444</b>	649,602	<b>547,893</b>	(533,404)

### 24.3 Financing Facilities

At 30 June 2008, CVC had access to the following specific lines of credit.

#### Total facilities available:

Secured bank loan	<b>2,113,032</b>	2,113,032	-	-
Bank facility	-	5,000,000	-	5,000,000
	<b>2,113,032</b>	7,113,032	-	5,000,000

#### Total facilities used:

Secured bank loan	<b>2,113,032</b>	2,113,032	-	-
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## NOTE 25: AUDITORS' REMUNERATION

The auditor of the Company is HLB Mann Judd (NSW Partnership).

Amounts received or due and receivable to Auditors of the Company:

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Audit or review of the financial report	109,348	90,000	89,248	77,500

The Auditors received no other benefits.

## NOTE 26: COMMITMENTS AND CONTINGENCIES

### 26.1 Operating Lease Commitments

#### Non-cancellable operating lease expense Commitments

Future operating lease commitments not provided for in the financial statements and payable:

- within one year	373,811	111,449	-	-
- later than one year but not later than five years	1,355,547	13,264	-	-
	1,729,358	124,713	-	-

### 26.2 Other Commitments

CVC Limited has made a commitment to provide subordinated loans of up to \$5 million to CVC Trinity Property Managers Limited to ensure that the company satisfies its Australian Financial Services Licence obligations at all times during the financial year ended 30 June 2008.

A letter of support has been provided to CVC Trinity Property Fund whereby CVC will provide continuing financial support until 20 June 2010 to the Fund to enable it to conduct its affairs in such a way that it will be able to meet its financial obligations and to operate as a going concern. This includes providing support in relation to a commitment to pay BNZA \$4,050,000 by 30 September 2008.

### 26.3 Contingencies

The Australian Taxation Office has notified CVC that it is planning to conduct an audit of the tax returns for the years ended 30 June 2004 and 2005 as part of its Compliance Assurance Program to review the tax affairs of small to medium taxpaying enterprises.

## NOTE 27: OPERATIONS BY SEGMENTS

### 27.1 Primary Segments - Business Segments

Information for each business segment is shown in the following tables, in round thousands, as permitted under class order 98/100.

Composition of each business segment is as follows:

- Private Equity and Venture Capital involves equity and debt investments in non-listed entities not classified as property or funds management. It includes shares, debt, convertible notes and other investments.
- Listed Investments comprises investments listed on recognised stock exchanges.
- Property comprises property finance and equity accounted property interests.
- Funds Management comprises the business and assets of the investment funds management operations.

### 27.2 Secondary Segments - Geographical Segments

CVC operates predominantly in Australia.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 27: OPERATIONS BY SEGMENTS (CONT.)

	Private Equity and Venture Capital	Listed Investments	Property	Funds Management	Corporate Finance	Unallocated, Corporate and Tax	Eliminations	Consolidated
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<b>Year Ended 30 June 2008</b>								
<b>Income:</b>								
Revenues from external customers	927	15,005	6,781	1,812	1,601	4,924	-	31,050
Inter-segment revenue	-	-	-	12,588	-	-	(12,588)	-
Operating revenues	927	15,005	6,781	14,400	1,601	4,924	(12,588)	31,050
Equity accounted income	(4,498)	(1,348)	(2,868)	(506)	-	-	-	(9,220)
Total income	(3,571)	13,657	3,913	13,894	1,601	4,924	(12,588)	21,830
<b>Results:</b>								
Result before non-cash items	(3,593)	13,347	3,435	1,218	907	(396)	-	14,918
Impairment recoveries	22	-	-	-	-	-	-	22
Option income	-	311	-	89	694	-	-	1,094
Depreciation	-	-	(15)	(22)	-	-	-	(37)
Amortisation of intangibles	-	-	-	(117)	-	-	-	(117)
Impairment expenses	(2,138)	(9,357)	(3,250)	-	-	(12)	-	(14,757)
Segment result	(5,709)	4,301	170	1,168	1,601	(408)	-	1,123
<b>Assets:</b>								
Segment assets excluding equity accounted investments	11,055	137,000	39,540	11,669	-	60,877	-	260,141
Equity accounted investments	21,561	30,745	3,015	645	-	-	-	55,966
Segment assets	32,616	167,745	42,555	12,314	-	60,877	-	316,107
<b>Liabilities:</b>								
Segment liabilities	2,045	-	11,126	458	-	28,035	-	41,664

**NOTE 27: OPERATIONS BY SEGMENTS (CONT.)**

	Private Equity and Venture Capital	Listed Investments	Property	Funds Management	Unallocated, Corporate and Tax	Eliminations	Consolidated
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
<b>Year Ended 30 June 2007</b>							
<b>Income:</b>							
Revenues from external customers	4,734	14,525	7,070	1,919	3,043	-	31,291
Inter-segment revenue	330	-	-	6,074	-	(6,404)	-
Operating revenues	5,064	14,525	7,070	7,993	3,043	(6,404)	31,291
Equity accounted income	2,185	(250)	9,063	(32)	-	-	10,966
Total income	7,249	14,275	16,133	7,961	3,043	(6,404)	42,257
<b>Results:</b>							
Result before non-cash items	5,695	14,275	15,389	1,886	(7,177)	-	30,068
Impairment recoveries	1,330	-	-	-	-	-	1,330
Depreciation	-	-	(19)	(18)	-	-	(37)
Amortisation of intangibles	-	-	-	(117)	-	-	(117)
Impairment expenses	(170)	-	(263)	-	-	-	(433)
Segment result	6,855	14,275	15,107	1,751	(7,177)	-	30,811
<b>Assets:</b>							
Segment assets excluding equity accounted investments	13,367	193,394	27,756	8,822	119,406	-	362,745
Equity accounted investments	22,461	13,211	5,840	-	-	-	41,512
Segment assets	35,828	206,605	33,596	8,822	119,406	-	404,257
<b>Liabilities:</b>							
Segment liabilities	431	-	8,416	876	49,369	-	59,092

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 28: RELATED PARTY INFORMATION

### 28.1 Key Management Personnel

The only key management personnel of the Company are the Directors.

The names of each person holding the position of Director of CVC during the financial year are:

Vanda Russell Gould  
John Scott Leaver  
John Douglas Read  
Alexander Damien Harry Beard  
John Thomas Riedl

Details of Directors' remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this financial report, no Director has entered into a contract with the Company or CVC since the end of the previous financial year and there were no contracts involving Directors' interests existing at year-end.

### 28.2 Loans to Key Management Personnel

The details of the loans to Directors and key management personnel have been included in the Remuneration Report.

### 28.3 Loans with Related Parties

The following represent loans to and from related parties with CVC and its controlled entities during the financial year.

	2008	2007	Interest Rate
	\$	\$	%
<b>Loans Receivable</b>			
CVC Sustainable Investments No. 2 Limited	<b>2,048,516</b>	-	<b>15.0</b>
Frenchs Forest No. 1 Trust	<b>2,562,722</b>	-	<b>10.0</b>
CVC Shepparton Pty Limited	<b>1,286,920</b>	977,514	<b>20.0</b>
CVC Geelong Unit Trust	<b>9,065,456</b>	4,983,741	<b>20.0</b>
CVC Wagga Wagga Unit Trust	<b>6,129,633</b>	221,711	<b>20.0</b>
CVC REEF Limited (a)	<b>2,446,839</b>	2,006,859	<b>6.5</b>
Impairment of loan - CVC REEF Limited	<b>(1,276,465)</b>	-	
<b>Loans Payable</b>			
Winten (No. 20) Pty Limited	<b>6,556,467</b>	-	<b>10</b>

(a) The loan to CVC REEF Limited is unsecured.

## NOTE 28: RELATED PARTY INFORMATION (CONT.)

### 28.4 Other Transactions

The following represent management fees paid and received from related parties to CVC and its controlled entities during the financial year.

	2008		2007	
	Paid	Received	Paid	Received
	\$	\$	\$	\$
CVC Private Equity Limited	-	518,428	-	506,928
CVC Sustainable Investments Limited	-	147,517	-	207,530
CVC Sustainable Investments No. 2 Limited	-	142,644	-	40,042
CVC Reef Investment Managers Pty Limited	-	159,000	-	198,000
Cellnet Group Limited	-	451,683	-	-
Silver Bird Group	-	311,304	-	-
Mercury Mobility Limited	-	120,000	-	-
Vita Life Sciences Limited	-	27,186	-	-
(The) Environmental Group Limited	-	22,546	-	-
Leagou Pty Limited**	-	90,909	-	-
Wenola Services Pty Limited *	200,000	-	200,000	-
Southseas Nominees Pty Limited **	100,000	-	100,000	-
Melbourne Corporation of Australia Pty Limited **	100,000	-	100,000	-
<i>Other services</i>				
Melbourne Corporation of Australia Pty Limited **				
- Taxation	53,282	-	127,612	-
- Secretarial	44,100	-	44,100	-

\* Private company associated with Mr Leaver.

\*\* Private company associated with Mr Gould.

## NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

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

CVC 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, foreign exchange and price risk.

The responsibility for operational risk management resides with the Board of Directors who seek to manage the exposure of CVC. During the year CVC acquired investments outside of Australia for the first time, which now exposes it to currency risk, otherwise there have been no significant changes in the types of financial risks; or CVC's risk management program (including methods used to measure the risks) since the prior year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

### 29.1 Interest Rate Risk

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

[ Consolidated ]

	Note	Floating Interest Rate	1 Year or Less	Fixed Interest 1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
		\$	\$	\$	\$	\$	\$
<b>2008</b>							
<b>Financial assets</b>							
Cash and cash equivalents	24	3,317,450	48,618,273	-	-	562	51,936,285
Trade and other receivables	8	-	38,104,391	1,170,374	-	4,235,999	43,510,764
<b>Financial liabilities</b>							
Trade and other payables	17	-	-	-	-	2,280,120	2,280,120
Interest bearing liabilities	19	-	4,806,727	-	6,318,965	-	11,125,692
<b>2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents	24	4,367,559	109,540,886	-	-	1,100,500	115,008,945
Trade and other receivables	8	-	10,793,499	3,139,502	10,071,586	4,859,126	28,863,713
<b>Financial liabilities</b>							
Trade and other payables	17	-	-	-	-	1,209,233	1,209,233
Interest bearing liabilities	19	-	-	1,164,400	7,161,524	-	8,325,924

[ The Company ]

	Note	Floating Interest Rate	1 Year or Less	Fixed Interest 1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
		\$	\$	\$	\$	\$	\$
<b>2008</b>							
<b>Financial assets</b>							
Cash and cash equivalents	24	2,320,677	48,597,491	-	-	58	50,918,226
Trade and other receivables	8	-	24,103,521	1,170,374	-	26,256,233	51,530,128
<b>Financial liabilities</b>							
Trade and other payables	17	-	-	-	-	32,603,968	32,603,968
Interest bearing liabilities	19	-	2,693,695	-	-	-	2,693,695
<b>2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents	24	3,801,485	109,520,886	-	-	1,100,000	114,422,371
Trade and other receivables	8	-	10,340,717	3,139,502	-	20,207,264	33,687,483
<b>Financial liabilities</b>							
Trade and other payables	17	-	-	-	-	76,327,803	76,327,803
Interest bearing liabilities	19	-	1,164,400	-	-	-	1,164,400

## NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

### 29.1 Interest Rate Risk (Cont.)

CVC holds a significant amount of cash balances which is exposed to movements in interest rates. To reduce the risk CVC 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 and interest bearing loans have fixed interest rates. CVC is not charged interest on outstanding trade and other payable balances and interest bearing loans and borrowings are at fixed rates of interest.

#### Sensitivity

At reporting date, if interest rates had been 25 basis points higher/(lower) (2007: 100 basis points higher) and the other variables were held constant, then the impact of the Group would be:

	[ Consolidated ]			[ The Company ]		
	Increase of 25 bp	Decrease of 25 bp	Increase of 100 bp	Increase of 25 bp	Decrease of 25 bp	Increase of 100 bp
	\$	\$	\$	\$	\$	\$
<b>2008</b>						
Net profit/(loss)	118,032	(118,032)	-	116,189	(116,189)	-
Equity increase/(decrease)	118,032	(118,032)	-	116,189	(116,189)	-
<b>2007</b>						
Net profit	-	-	287,758	-	-	288,182
Equity increase	-	-	287,758	-	-	288,182

### 29.2 Price Risk

CVC has investments in listed securities which could be adversely affected if general equity market values were to decline. CVC 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. CVC does not hedge its exposure to the risk of a general decline in equity market values, believing that such strategies are not cost-effective.

#### Sensitivity

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

	[ Consolidated ]		[ The Company ]	
	Increase of 10%	Decrease of 10%	Increase of 10%	Decrease of 10%
	\$	\$	\$	\$
<b>2008</b>				
Net profit/(loss)	284,137	(284,137)	-	-
Equity increase/(decrease)	10,137,149	(10,137,149)	11,693,211	(11,693,211)
<b>2007</b>				
Net profit/(loss)	-	-	-	-
Equity increase/(decrease)	13,670,200	(13,670,200)	14,165,642	(14,165,642)

### 29.3 Credit Risk Exposure

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

CVC's significant concentration of credit risk relates to deposits held with financial institutions, which is mitigated by the requirement that deposits are only held with institutions with an "investment grade" credit rating, and loans made to various entities, which are mitigated by collateral held with a value in excess of the counterparty's obligations to CVC, providing a "margin of safety" against loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

### 29.3 Credit Risk Exposure (Cont.)

CVC 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.

At 30 June 2008 CVC is exposed to an unrelated company that has an outstanding loan facility of \$2,199,702 which is not considered collectible as CVC has been unable to determine the value of the collateral securing the loan. The security over the loan facility includes a fixed charge over specific property assets and a fixed and floating charge over the assets of the company.

### 29.4 Liquidity Risk

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

The following table details CVC's and the Company's contractual liabilities.

[ Consolidated ]

	Less than 6 months	6 months to 1 Year	1 to 5 Years	Greater than 5 Years	Total
	\$	\$	\$	\$	\$
<b>2008</b>					
Trade and other payables	<b>2,280,120</b>	-	-	-	<b>2,280,120</b>
Interest bearing liabilities	<b>2,693,695</b>	-	-	<b>8,431,997</b>	<b>11,125,692</b>
<b>2007</b>					
Trade and other payables	1,209,233	-	-	-	1,209,233
Interest bearing liabilities	-	1,164,400	-	7,161,524	8,325,924

[ The Company ]

	Less than 6 months	6 months to 1 Year	1 to 5 Years	Greater than 5 Years	Total
	\$	\$	\$	\$	\$
<b>2008</b>					
Trade and other payables	<b>1,808,114</b>	-	<b>30,795,854</b>	-	<b>32,603,968</b>
Interest bearing liabilities	-	<b>2,693,695</b>	-	-	<b>2,693,695</b>
<b>2007</b>					
Trade and other payables	292,437	-	76,035,366	-	76,327,803
Interest bearing liabilities	-	1,164,400	-	-	1,164,400

### 29.5 Currency Risk

Currency risk is measured using sensitivity analysis. A portion of CVC investments are in companies listed on foreign exchanges and so is exposed to a decline in the values of those currencies relative to the Australia dollar. Considering the quantum of the investments in absolute terms as well as relative terms compared to CVC's total investment portfolio it is not cost-effective to hedge against foreign exchange fluctuations.

## NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

### 29.5 Currency Risk (Cont.)

#### Foreign currency sensitivity

CVC is exposed to US dollars (USD) and Malaysian ringgit (MYR). The following table details CVC's sensitivity to a 10% change in the Australian dollar against the respective currencies with all other variables held constant as at reporting date for unhedged foreign exchange exposure. A positive number indicates an increase in net profit/equity.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historic basis and market expectations for future movement.

	[ Consolidated ]		[ The Company ]	
	Increase in AUD of 10%	Decrease in AUD of 10%	Increase in AUD of 10%	Decrease in AUD of 10%
	\$	\$	\$	\$
<b>USD</b>				
<b>2008</b>				
Net profit/(loss)	(383,966)	469,292	(383,966)	469,292
Equity increase/(decrease)	(383,966)	469,292	(383,966)	469,292
<b>2007</b>				
Net profit/(loss)	-	-	-	-
Equity increase/(decrease)	-	-	-	-
<b>MYR</b>				
<b>2008</b>				
Net profit/(loss)	(538,554)	672,909	(538,554)	672,909
Equity increase/(decrease)	(538,554)	672,909	(538,554)	672,909
<b>2007</b>				
Net profit/(loss)	-	-	-	-
Equity increase/(decrease)	-	-	-	-

### 29.6 Fair Value of Financial Assets and Liabilities

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

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

## NOTE 30: EMPLOYEE ENTITLEMENTS

Aggregate liability for employee entitlements including on-costs:

	[ Consolidated ]		[ The Company ]	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current	199,199	187,623	-	-
Non-current	23,948	-	-	-
Number of employees at year-end	11	12	-	-



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## NOTE 31: EVENTS SUBSEQUENT TO YEAR END

On 6 August 2008 CVC sold its entire shareholding of 87.28 million shares in Blue Energy Limited for \$0.40 per share less transaction costs of approximately \$0.01 per share. The original purchase price of the shares was \$0.25 amounting to a total profit after selling expenses of \$12.1 million.

CVC has agreed to acquire the 15.625 million units and the \$2.5 million loan facility held by Trinity Group in CVC Trinity Property Fund prior to 30 September 2008. This will increase CVC's shareholding and voting power in CVC Trinity Property Fund to 52.6% resulting in CVC having control over the Fund.

As at 19 September 2008 the Australian Stock Exchange has experienced a decline since the end of the financial year with the ASX Small Ordinaries Index 69.7% lower than as at 30 June 2008. By way of comparison CVC's Net Assets has decreased by approximately 8.5% over the same period. Considering the strategy of CVC is the long term investment in companies, this event is not expected to significantly affect the operations of CVC, the results of those operations, or the state of affairs of CVC, in future financial periods.

## NOTE 32: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 32.1 Loans to other corporations

An impairment has been raised against certain loans to other corporations of \$2,261,136 that have a carrying value of \$2,261,136. The recoverable amount has been assessed in note 8.

### 32.2 Loans to related entities

CVC has provided a loan of \$2,446,839 to CVC REEF Limited, a public investment company of which Mr Gould is a director. CVC REEF Limited is a venture capital fund established to increase investment in renewable energy and enabling technologies through the provision of equity finance under the Australian Government's REEF program. The recoverable amount has been assessed in note 8.

### 32.3 "Available-for-sale" investment

An impairment has been raised against certain "available-for-sale" investments that have a carrying value of \$4,313,237. The recoverable amount has been assessed in note 9.

### 32.4 Investments accounted for using the equity method

The investment in Cellnet Group Limited has a carrying value of \$14,193,694 following an impairment charge of \$2,889,378 and Mercury Mobility Limited has a carrying value of \$4,059,106 following an impairment charge of \$1,589,766. The recoverable amount has been assessed in note 11.

### 32.5 Absence of active market

In calculating the fair value of Cellnet Limited, Pro-Pac Packaging Limited and Mercury Mobility Limited CVC has determined that an active market does not exist because each company does not trade on a daily basis; each trade that is executed, excluding those by CVC, is small in size; and the market capitalization is small such that larger institutions do not hold significant shareholdings. Therefore, excluding CVC, willing buyers and sellers of the shares are not readily available. Accordingly alternative valuation methodologies, other than recent share price were used and have been disclosed in note 11.

### 32.6 Intangible assets

CVC tests annually whether intangible assets, including goodwill and management agreements have suffered an impairment in accordance with the accounting policy stated in note 1.4. Refer to note 16 for details of these assumptions and the potential impact of changes in the assumptions.

# DIRECTORS' DECLARATION

For the year ended **30 June 2008**

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In the opinion of the Directors of CVC Limited:

- (a) The financial statements and notes of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with s.295A of the *Corporations Act 2001* for the financial period ending 30 June 2008.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) the audited remuneration disclosures set out on pages 14 to 16 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

Dated at Sydney 22 September 2008.

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

**ADH Beard**  
Director

**JS Leaver**  
Director

# INDEPENDENT AUDITORS' REPORT

## To the members of CVC Limited

We have audited the accompanying financial report of CVC Limited "the company", which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the CVC Limited Group ("the consolidated entity") as set out on pages 19 to 57. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## Auditor's Responsibility

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

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

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

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

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of CVC Limited on 22 September 2008, would be in the same terms if provided to the directors as at the time of this auditor's report.

## Auditor's Opinion

In our opinion:

- (a) the financial report of CVC Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 16 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of CVC Limited for the year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

**HLB MANN JUDD**  
**(NSW Partnership)**  
Chartered Accountants

**Mark D Muller**  
Partner

Sydney  
22 September 2008

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2008

The Board of Directors of the Company is responsible for the corporate governance of CVC. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. At the date of this report the Directors in office are as follows:

**Vanda Russell Gould** (Chairman)

Appointed 31 October 1996. Also a Director from 1984 to 1994

**Alexander Damien Beard** (Managing Director)

Appointed 17 August 2000, member of the audit committee

**John Scott Leaver**

Appointed 29 May 1984

**John Douglas Read**

Appointed 20 March 1989, member of the audit committee

**John Thomas Riedl** (Independent Director)

Appointed 27 November 2002, member of the audit committee

Details of skills, experience and other qualifications of Directors and of numbers and attendances of Board and audit committee meetings are included in the Directors' report.

In March 2003, the ASX Corporate Governance Council issued *"Principles of Good Corporate Governance and Best Practice Recommendations"*. In this report, the Council suggested "best practices" for running companies. However, it acknowledged that "a one size fits all" approach is inappropriate and that it is unwise to require all companies to apply the same rules because different companies face different circumstances hence some recommendations are unnecessary or may even be counter-productive. In particular it acknowledged that it may be inappropriate or uneconomic for smaller companies, such as CVC, to follow the same rules as Australia's largest listed companies. Instead the Council chose to issue a full suite of recommendations and require companies to adopt an "if not why not" approach to reporting compliance with the recommendations. Companies are at liberty to determine whether each recommendation is appropriate to them. They are required to disclose in the Corporate Governance Statement of their annual reports those recommendations which they have not adopted during each reporting period and provide explanations for their decisions.

The Company chose to adopt selected recommendations throughout the financial year ended 30 June 2008, in particular those discussed in detail below:

## Board Composition and Directors' Experience

Mr Gould is Chairman of the Company. Given his stewardship over almost the whole of the life and the growth of the Company, the Board believes Mr Gould remains an appropriate Chairman for the Company.

The Board of the Company comprises five Directors. Messrs Gould and Leaver are the founding Directors of the Company, have significant ownership interests in the Company and bring invaluable experience and expertise to the Company. Mr Beard is the Chief Executive Officer. Mr Read is chairman of the audit committee, but because he has been on the Board of the Company for more than fifteen years, he is not considered independent. Accordingly, only Mr Riedl is considered to be an independent Director.

The Board believes that a Board of five Directors operates effectively, generally allows the Board to collectively exercise its authority without the need for many sub-committees and is appropriate for the size of the Company. Further, the Board has considered the competencies and experience of each of the Directors and believes that it is not in

the interests of shareholders to seek to replace any of the current Board members.

For these reasons, the Company did not adopt the following best practice recommendations throughout the financial year ended 30 June 2008:

- having a majority of independent Directors;
- having an independent Chairman;
- having an audit committee with an independent chairman, a majority of independent Directors or non-executive Directors;
- having a nomination committee of the Board; and
- having a remuneration committee of the Board.

## Costs and Benefits of Compliance

A number of the best practice recommendations require the formal documentation of policies and procedures that the Company already substantially performs. The Company considered that to create such documentation independently and specifically for the Company would have had minimal additional benefit but substantial additional expense. The Company is also mindful to not adopt such procedures solely for the sake of adoption or where they could actually inhibit the proper function or opportunities of the Company. However, as the Company holds an AFS licence, it recognises that it has to put in place a compliance program which includes the documentation of its compliance policies and procedures and a Risk Management Statement which considers the major risks to the Company's operations, the rating and ranking of these risks to set priorities in the treatment of the risks.

The Board has determined that the adoption of such formal policies and procedures must be tailored to the Company at minimal expense and must be appropriate for the Company, taking into account the size and complexity of its operations. The Company is currently in the process of preparing such documentation for consideration by the Board before dissemination through the CVC group of companies. The Company is currently considering the adoption of the following best practice recommendations, some of which have already been documented for a company related to the Company:

- a formal policy for trading in the Company's securities;
- a formal charter for the audit committee of the Company;
- written policies and procedures to ensure compliance with ASX listing rules disclosure requirements;
- a process for performance evaluation of the Board, its committees and individual Directors; and
- a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

## Other Information

The Company has a policy of allowing Directors to take reasonable independent legal advice in the furtherance of their duties at the expense of the Company.

The Company did not perform a performance evaluation of the Board and its members during the year ended 30 June 2008.

Remuneration of non-executive Directors is in accordance with resolutions of shareholders in the general meeting. The Company does not have any schemes for retirement benefits, other than statutory superannuation for non-executive Directors.

Additional information regarding the operation of CVC can be found at [www.cvc.com.au](http://www.cvc.com.au)

Dated at Sydney 22 September 2008.

# ADDITIONAL INFORMATION

The following information was current as at 19 September 2008.

## Distribution schedule

The distribution of shareholders and their shareholdings was as follows:-

Category (size of holding)	Number of ordinary shareholders
1 - 1,000	151
1,001 - 5,000	596
5,001 - 10,000	381
10,001 - 100,000	513
100,001 - over	108
<b>Total</b>	<b>1,749</b>

Unmarketable parcels	Minimum parcel size	Number of shareholders
Minimum \$500.00 parcel at \$0.97 per share	516	55

## Substantial holders

The names of the Company's substantial holders and the number of ordinary shares in which each has a relevant interest as disclosed in substantial holder notices given to the Company are as follows:

Shareholder	Number of ordinary shares in which interest held
Leagou Pty Limited	20,704,611
Penalton Pty Limited	15,575,978
Southsea (Aust.) Pty Limited	13,346,138
Perpetual Limited	9,655,808

## 20 largest shareholders - ordinary shares

As at 19 September 2008, the top 20 shareholders and their shareholdings were as follows:

Shareholder	Shares held	% of issued capital held
Leagou Pty Limited	20,704,611	13.30
Penalton Pty Limited	15,575,978	10.00
Southsea (Aust.) Pty Limited	13,346,138	8.57
RBC Dexia Investor Services Australia Nominees Pty Limited	8,330,513	5.35
Derrin Brothers Properties Limited	7,899,259	5.07
Southgate Investment Funds Limited	5,500,000	3.53
Huang Xiao Sheung Limited	4,264,368	2.74
Abasus Investments Limited	4,186,408	2.69
LJK Nominees Pty Limited	4,132,114	2.65
Chemical Trustee Limited	3,566,556	2.29
ANZ Nominees Limited	3,557,464	2.28
Thorney Holdings Pty Limited	3,380,000	2.17
Cogent Nominees Pty Limited	3,163,187	2.03
Mr Alexander Damien Beard	2,293,136	1.47
Fadmoor Pty Limited	2,000,000	1.28
Dr Joseph David Ross	2,000,000	1.28
JP Morgan Nominees Australia Limited	1,727,786	1.11
Queensland Investment Corporation	1,511,038	0.97
Pacific Securities Inc	1,295,185	0.83
Warman Investments Pty Limited	1,250,000	0.80
	<b>109,683,741</b>	<b>70.41</b>

## Voting Rights

The Company's constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

## Registered Office

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.

