

1985 - 2010

# twenty-five years



# Our twenty-five year portfolio...

1985 > 2010

## 1985 > 1989

Amann Aviation  
Ate Systems  
Biomedical Systems  
Divcem Electronics  
Hartfield  
Immunoscience  
Integrated Arts  
J Rapee & Co  
Lasorex  
Lothlorien Software  
Monoclonal Medical  
Pacific Communications  
Peptide Technology  
Photo Advertising  
Samic  
Softway  
Solatrol  
Tafemo  
Tetley Manufacturing  
Tetley Technology  
Tork

## 1990 > 1994

Continental Century  
Kingrose Developments  
Raptis Group  
Seabrake  
Statim Care & Comms  
Sunland Group

## 1995 > 1999

Australasian Technology Corporation  
Broadway Development  
Campburn  
Cellnet  
Chevron Renaissance  
Fern Bay  
Finemore Holdings  
Geneva Truehand  
Hydromet Corporation  
Kingarrow  
Kolback Group  
Macartur National  
Mineral Estates Limited  
Mosman Developments  
Precious Metals Australia  
Probiotec  
Regatta Point Developments  
Renny Investments  
Tyndall Australia  
Vita Life Sciences  
Waraluck Limited  
Wollstonecraft Developments

dedication > growth > progress > insight > strength > diversity >

## 2000 &gt; 2004

1300 Smiles  
 Agri Energy  
 Amadeus Energy  
 Australia Visual Communications  
 Austral Coal  
 Australian Photonics  
 AXA Asia Pacific Holdings  
 Battery Energy Power Solutions  
 Bel Air Real Estate  
 Biodiesel Consultancy  
 Boral  
 Cape Cabarita Developments  
 Capral Aluminium  
 CBD Energy  
 Clinical Waste  
 CVC Reef  
 CVC Sustainable Investments  
 Ectec  
 Geodynamics  
 Globe International  
 Green's Foods  
 Hampton Wind Park  
 Head to Heart  
 Howship  
 Indo Suez Investments  
 ION Limited  
 Just Jeans  
 Kaz Electronics  
 Kingsgate Consolidated  
 Legends Hotel  
 Lihir Gold  
 Mobile Innovations  
 Novera Energy  
 Objectif  
 Origin Energy  
 Pacific Brands  
 Powerlan  
 Primergy  
 Pro-Pac Packaging  
 Ratoon Holdings  
 Scitec  
 Sirtex Medical  
 Skyepharma  
 Skyline Investments  
 SMS Management & Technology  
 Stargames  
 Stericorp  
 Superior Energy Services  
 Superior Pak  
 Tafmo Australia  
 Telefix  
 Voxson  
 Webster  
 Wind Corporation Australia  
 Wollstonecraft Developments

## 2005 &gt; 2010

Adelphi Energy  
 AJ Lucas Group  
 Amcom Telecommunications  
 Arrow Energy  
 Asciano  
 Australian Agricultural Company  
 Australian Pharmaceutical Ind.  
 Avastra Sleep Centres  
 AWB  
 AWE  
 B Digital  
 Babcock & Brown Power  
 Babcock & Brown Infrastructure  
 Bank of Queensland  
 Beach Energy  
 Blue Energy  
 Carpathian Resources  
 CEC Group  
 Colonial First State Private Capital  
 Commander Comm.  
 Commquest  
 Concise Asset Mgmt  
 CPI Group  
 CSR  
 Cyclopharm  
 DataDot Technology  
 Devine  
 Dolomatrix International  
 Eastern Star Gas  
 Elders  
 Energy Developments  
 Eircom Holdings  
 Exco Resources  
 Frenchs Forest Commercial Precinct  
 GEO Property Group  
 Geelong Gate Homemaker Centre  
 Gosford Quarry Holdings  
 Gunns  
 Hastings Diversified Utilities  
 Insurance Australia Group  
 International All Sports  
 iStar Financial  
 Kairiki Energy  
 Knoxfield Developments  
 Volant Petroleum  
 Kea Petroleum  
 KFM Diversified Infrastructure and Logistics  
 Lakehouse Apartments  
 Lemarne Corporation  
 Ludowici  
 Marion Energy  
 Maryborough Sugar Factory  
 MCM Entertainment Group  
 mNet Group  
 Mesbon China Nylon  
 Metgasco  
 Molopo Australia  
 Mount Gibson Iron  
 MYOB  
 National Australia Bank  
 NSX  
 Odyssey Energy  
 Otto Energy  
 PanAust  
 PaperlinX  
 Phoslock Water Solutions  
 Pure Energy Resources  
 QBE Insurance Group  
 Resource Generation  
 Rubik Financial  
 Silver Bird  
 SMC Gold  
 Structural Monitoring Systems  
 Sydney Gas  
 Turkish Airports  
 Telstra Corporation  
 Tiberon Minerals  
 Tower  
 Trafalgar Corporate Group  
 Traffic Technologies  
 Transfield Services Infrastructure  
 Transpacific Industries Group  
 Tri Origin Minerals  
 Trinity Group  
 Triple Plate Junction  
 Walter Diversified Serv.  
 Watpac  
 Webspay  
 Wentworth Mutual  
 Westside Corporation

# Company Particulars

CVC Limited ABN 34 002 700 361 AFSL 239665

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## Registered Office

Level 42, 259 George Street, Sydney NSW 2000

## Directors

Vanda Gould > John Leaver > John Read > Alexander Beard

## Management Team

Alexander Beard > Vanda Gould > John Leaver > John Read > Elliott Kaplan  
John Hunter > William Highland > Michael Bower > Jo Hume > Mark Avery  
Mark Fay > Winnie Huang > Ivy Liao > Tony McLennan > Christine Shean  
Joanna Jiang > Louise Macklin

## Secretaries

Alexander Beard > John Hunter

## Bankers

Suncorp-Metway Limited > Westpac Banking Corporation Limited

## Auditors

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

## Share Registry

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

# Chairman's Report

for the year ended 30 June 2010

Dear Shareholders

I believe we are all faced with a series of great opportunities often brilliantly disguised as impossible situations. CVC's challenge is to correctly identify those great opportunities!

Following the depths of the global financial crisis in March 2009 financial markets have recovered significantly. On the face of it Australia appears to have navigated its way through the crisis relatively unscathed because of its ties to resource-hungry Asia. Unemployment is at pre-crisis levels of around 5% and interest rates are at historical average levels with the Reserve Bank of Australia now focused on continuing to tighten monetary policy.

Although the Australian economy appears to continue to perform well compared to other developed nations such as the United States, Europe and Japan, underlying all of this has been a dramatic structural change in financial markets. Financial institutions, including Australian banks, appear to have learnt a very valuable lesson, at least on a temporary basis, in relation to the use of leverage to supposedly supercharge returns while retaining very small levels of capital as protection against a fall in market values. On the other hand, CVC traditionally uses very little debt when undertaking transactions, which protected us from the worst of the market fallout.

The current change in attitude of Australian banks, which has resulted from a desire to reduce the risk of failure, has been a benefit for CVC. Banks are reviewing their operations, including their risk exposure and capital adequacy requirements, which has resulted in a reduction in leverage and a change in the way of doing business. The impact on international credit markets has seen an increase in the cost of funding which is being passed on to the banks' customers through tighter lending requirements and higher interest rates. The tighter lending environment has resulted in an increase in deal flow to CVC over the last 12 months compared to prior years. The quality of the investments and the underlying security has improved and we are confident that the return on investment will increase.

The positive movement in the share market over the last 18 months had a significant impact on our current year performance due to the reversal of impairment charges which CVC made during 2009 which provided us with an opportunity to realise some of our listed investments. The most significant transaction that occurred during the year was the sale of the majority of CVC's remaining shareholding in Sunland Group Limited which we have been involved with since 1995.

As financial institutions continue to tighten their security requirements to meet new capital adequacy and risk requirements, they dispose of their so-called non-performing investments and loans in areas they regard as being overweight, and yet it is still an illiquid market. They also force their customers to refinance their facilities at higher rates of interest which are maturing in the short term, which is providing opportunities for CVC to acquire quality investments at depressed values.

In 1917 Forbes published a list of the 100 largest US companies. Seventy-one years later the list was reviewed (in 1987) and "61 of the companies no longer existed for one reason or another. Of the rest, 21 still were in business but no longer in the top 100. Only 18 were, and with the exception

of General Electric and Kodak, they all had underperformed the market indexes." This highlights the continual need to steadily refine our own portfolio, but to do so in a considered and measured manner.

CVC has used the cash generated from the sale of listed investments and its significant cash reserves to take advantage of market volatility and the opportunities available to acquire investments at depressed prices. This has included the rotation of a portion of our investment portfolio into direct property and the provision of funding to development projects at very attractive rates of return because of the banks tending to withdraw from this area of business. This of course will change as banks, in their usual lemming-like manner, will return to this business and we will change our focus to the opportunities thereby created. In short, as the writer of the *Book of Ecclesiastes* puts it: "There is nothing new under the sun!" [Ecclesiastes 1:9]

Although we expect to continue to achieve higher than historical rates of return on property-related investments, we have not ignored the significant opportunities to undertake investments in smaller listed companies. The increase in share prices has predominantly been focused on large capitalised companies as investors continue to shy away from smaller companies, a segment in which we specialise. A number of good quality companies still have depressed share prices below their intrinsic value and at present represent good buying opportunities.

Barton Biggs, in his book *Wealth, War & Wisdom*, said: "A seven percent real long-term [growth] is a very impressive return number. It means that the purchasing power of money invested in stocks doubles every 10.5 years and quadruples in a little over 20 years. Spectacular!" We are pleased to report that in the 25 years of CVC's existence we have achieved a far better return than this and we are grateful for the continued support of our shareholders.

The opportunities that CVC has been able to capitalise on over the last 12 months have allowed us to increase the payment of dividends to shareholders, with the payment of a total of 5 cents during the current financial year. The strong position that we are currently in should continue to allow us to provide improved returns into the future.

The growth in new business that has resulted from the financial crisis has seen the appointment of additional team members. I welcome the appointment of Mark Avery (property) and Mark Fay (equities) to the company who will supplement the depth of experience of the existing team.

Whilst I am always conscious of the precept: "But for the Grace of God there go!!" I am grateful that God has given me an excellent team to work with. I am particularly thankful for my colleague, Mr John Leaver, and our CEO, Mr Sandy Beard. Both John and I have every confidence in Sandy and his team assuming the full mantle of leadership when that time comes!

This is a very exciting stage in the economic and business cycle where we put in place the building blocks for the inevitable ebullient market that will eventuate. As the well-known futurist George Friedman put it: "Be practical, expect the possible!"

Vanda Gould  
Chairman

# The Year in Review

1st July 2009 > 30 June 2010

## Overview

The 2010 financial year was one where a significant amount of effort was expended to stabilise the operations of core investee companies and recover some of the value lost during the global financial crisis. A significant amount of the recoveries recognised in the statement of financial performance during the current year is attributed to the uplift in the share prices of ASX listed companies in which we have a daily involvement in the management. These companies were in a strong financial position prior to the commencement of the global financial crisis and so were not required to undertake highly dilutive capital raisings which has meant that the values of the investments have recovered relatively quickly.

The improvement in sentiment and recovery of share markets over the last 12 months has seen transaction opportunities start to flow at more realistic prices compared to those prior to the global financial crisis. This has provided CVC with the opportunity to undertake investments at attractive rates of return. The most significant ASX listed investments made during the year has been the acquisition of an 8% interest in ASX listed Resource Generation Limited, a company focused on the development of a coal mine in South Africa, and ASX listed Amadeus Energy Limited, a oil and gas exploration and development company with operations in the United States of America.

A number of the impairment charges raised in 2009 related to property investments. The environment that required the recognition of the impairment charges in 2009 have persisted during 2010, with commercial and industrial property sectors being significantly impacted by higher rental vacancy rates and rising market yields. The most significant impact on values in the segment has been the outcome of the slow deleveraging by the banks. The banks have been focused on ensuring the same sharp devaluation of property prices that have been experienced in the United States did not occur in Australia. Over the course of 2010 the banks have continued to reduce their property exposure which along with the current sentiment for property related investments continues to depress property values due to a lack of funding available for investors to acquire properties using leverage. This has resulted in CVC having to write down the value of one of its investment properties further than what was written down during 2009.

The benefit is that CVC has capitalised on the opportunity to acquire a number of commercial properties of high yields with blue chip tenants on strong long term leases. As the property market returns to historical rates of return over time the value of these properties is expected to increase significantly.

A further benefit of the major banks reducing their exposure to property along with their tighter credit requirements has been that CVC is continuing to receive a greater volume of high quality investment opportunities on improved rates of return. Although there is a higher risk of continued volatility of property values in the short term, CVC has implemented tighter lending requirements including higher security hurdles while at the same time requiring higher rates of return to compensate us for the higher risk exposure.

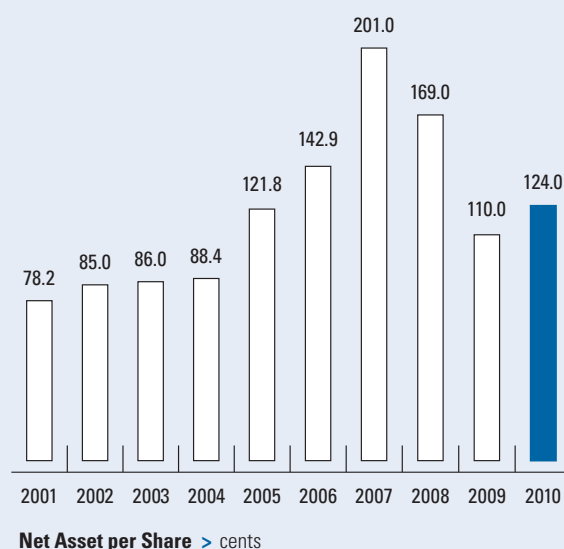
### **Highlights of the year include:**

- > Acquisition of a number of stakes in ASX listed companies including a \$5 million investment in Resource Generation Limited and a \$2 million investment in Amadeus Energy Limited and participation in numerous rights issues at favourably discounted prices;
- > The sale of a \$20 million shareholding in Sunland Group Limited;
- > Realisation of the investment in the Geelong Bulky Goods Centre and Shepparton development site;
- > The restoration of the share prices of a number of core investments, including Cellnet Limited and Pro-Pac Packaging Limited;
- > Completion of a number of deals to recover property related losses;
- > Completion of the merger and acquisition involving Mercury Mobility Limited which became Mnet Group Limited;
- > Acquisition of two properties, one industrial in Victoria and one commercial in New South Wales, for a combined acquisition price of \$54 million, secured by long term tenants on attractive yields with development upside;
- > Continued development of Concise Asset Management with an increase in Funds Under Management to approximately \$350 million;

## Group Summary

	2010	2009
Earnings per Share	<b>14.67 cents</b>	(44.5) cents
Total Assets Employed	<b>\$224.8 M</b>	\$197.3 M
Shareholders Equity	<b>\$172.2 M</b>	\$166.1 M
Return on Shareholders Equity*	<b>11.75%</b>	(35.77%)
Shares on Issue at Year End	<b>132,360,618</b>	142,848,621
Net Assets per Share Attributable to Shareholders	<b>\$1.24</b>	\$1.11
Dividends per Share	<b>5.0 cents</b>	3.0 cents

\*Includes movements in reserves and profit or loss for the year.



- > Net tangible assets per share increased during the financial year by 12% to \$1.24;
- > Further buy-back of 10.5 million CVC shares at a cost of \$6.9 million and an average price of \$0.66, being a substantial discount to Net Tangible Assets backing;
- > Fully franked dividend of 2 cents per share paid on March 19, 2010 and 3 cents per share paid on September 8, 2010; and
- > Identification of a number of new investment opportunities.

## Management team

The recovery of share markets over the last 12 months has allowed CVC to realise a substantial amount of its non-core investments and rotate into investments that have depressed values below intrinsic value. During this time CVC has been able to pick the “low hanging fruit” available in the market. Now we are focused on taking advantage of further opportunities which require more effort to generate required returns. To achieve this CVC has strengthened the management team with the appointment of two new team members. Mark Avery has been appointed as a dedicated property investment manager and Mark Fay has been appointed as an equities investment manager to supplement the resources of the existing team.

The stronger team will also allow greater investment opportunities to be reviewed and reduce investment time frames. It also provides us with more resources to allow us to work closer with our core investment portfolio. During the year Sandy Beard was appointed director of Amadeus Energy Limited, with the objective of representing CVC interest to achieve an improvement in the value of its investment.

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;

# The Year in Review

1st July 2009 > 30 June 2010

- > 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, mezzanine lending to property backed investments including direct property holdings, strategic long-term investments (both listed and unlisted) that are largely equity accounted, income producing finance activities and funds management 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.

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 or new tenants for a real estate transaction or in an ability to assist with synergistic business 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).

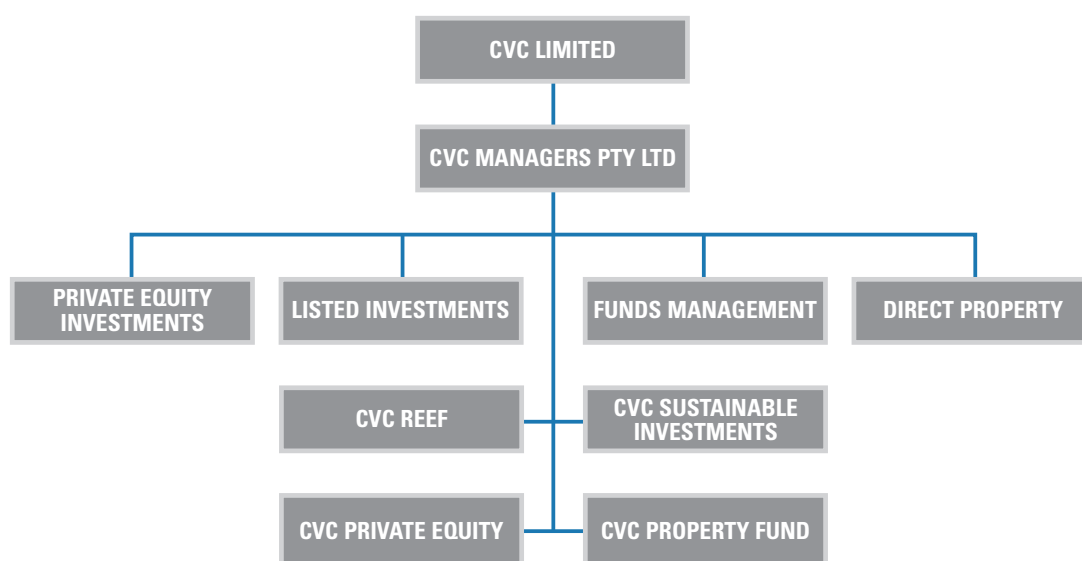
## Dividend policy

CVC has had a track record of consistently paying annual franked dividends since 1996, with interim dividends paid every year since 2004. The market turmoil caused by the global financial crisis necessitated the suspension of the payment of dividends during 2009. The recovery and realisation of investments during the 2010 financial year has allowed CVC to recommence paying dividends. As previously advised, fully franked dividends of 2 cents per share were paid on March 19, 2010 and 3 cents per share on September 8, 2010.

Our continued emphasis on developing recurring profit streams reflects our objective to pay dividends into the future. Subject to available franking credits, dividends are expected to be 100% franked.



## Company Structure



CVC's Dividend Reinvestment Plan continues to be 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 the 2010 financial year 10.5 million shares were purchased under the company buy-back with a further 0.9 million shares purchased since the end of the financial year. At the time of writing the total number of shares on issue was 131,479,661.

### Corporate Governance

CVC continues to review its corporate governance initiatives in accordance with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council on an on-going basis. Further information on CVC's corporate governance is provided in the corporate governance statement.

### Outlook and organic growth

As outlined above, CVC expects to be able to capitalise on its strong financial position to undertake opportunistic investments in what is considered to still be a volatile investment market. CVC has a significantly improved quality of investment opportunities and, with cash holdings in excess of \$40.8 million as at June 30, 2010, the Group is well placed to capitalise on these opportunities during 2011.

**The 2011 year will likely see the following developments:**

#### Property

As the credit markets start to unfreeze, following the fallout from the global financial crisis, the yields on direct property are starting to improve. However compared to historical averages, the value of property continues to remain depressed and will remain so until the uncertainties surrounding the Australian market are resolved. The continued deleveraging of the major banks means that good investment opportunities continue to be identified. CVC believes that although property will continue to form a significant portion of its investment activities during 2011, the total allocation of its investment portfolio to property should remain around current levels.

# The Year in Review

1st July 2009 > 30 June 2010

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

- > Seek to realise any property investments that have unacceptable rates of return and recycle the proceeds into higher yielding investment opportunities;
- > Provide mezzanine finance to appropriate projects and developers on improved returns and on tighter terms;
- > Invest in property related ASX listed companies that we believe have been sold down to a significant discount of their net tangible assets, and where we believe that value is likely recoverable; and
- > Continue to develop a sustainable growth strategy for the CVC Property Fund ("CJT").

## **Private equity / Venture capital**

- > Continued development of Ron Finemore Transport Pty Limited (RFT) and its transport activities;
- > Continued development of Greens Foods and its food 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 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.

## **Listed investments**

- > Continued strategic holdings in Pro-Pac Packaging Limited, Cellnet Limited, Resource Generation Limited, Amadeus Energy Limited, Vita Life Sciences 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**

- > Development of CVC Property Fund (ASX:CJT) with the key objective to return the fund to positive operating cash flow and profitability; and
- > Developing emerging Australian Mid-Cap Equities Manager, Concise Asset Management.

# financial report

for the year ended 30 June 2010

# The Directors' Report

for the year ended 30 June 2010

Your Directors present the Financial Report of CVC Limited (the "Company") and its controlled entities ("CVC"), for the year ended 30 June 2010 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 and Alexander Damien Harry Beard. 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. Member of the audit committee.

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, Vita Life Sciences Limited and CVC Property Managers Limited as Responsible Entity for CVC Property Fund.

### 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: Mnet Group Limited (formerly Mercury Mobility Limited), Blue Energy Limited, Amadeus Energy Limited and CVC Property Managers Limited as Responsible Entity for CVC Property Fund.

## Company Secretaries

### John Andrew Hunter

B.Com. (ANU), M.B.A. (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 eligible to attend
Vanda Russell Gould	4	4
John Scott Leaver	4	4
John Douglas Read	4	4
Alexander Damien Harry Beard	4	4

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 eligible to attend
John Douglas Read	2	2
Alexander Damien Harry Beard	2	2
Vanda Russell Gould	1	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
Mr V.R. Gould	21,150,314
Mr J.S. Leaver	22,525,111
Mr J.D. Read	528,956
Mr A.D.H. Beard	1,381,136

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

## 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 financial performance for the 2010 financial year is as follows:

- > Profit before tax of \$24.7 million (2009: loss \$61.6 million);
- > Net profit after tax of \$19.7 million (2009: loss \$67.4 million);
- > Earnings per share of 15 cents (2009: negative 45 cents); and
- > Impairment recoveries of \$12.9 million (2009: nil) and impairment charge of \$8.9 million (2009: \$84.4 million).

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

	2010 \$	2009 \$
Net profit/(loss) after income tax	19,693,983	(67,366,687)
Non-controlling interests	420,319	741,753
Net profit/(loss) after income tax attributable to members	20,114,302	(66,624,934)

## Dividends

A final dividend in respect of the year ended 30 June 2010 of 3 cents per share was declared on 23 August 2010 and paid on 8 September 2010 to those shareholders registered on 1 September 2010. An interim dividend of 2 cents per share amounting \$2,716,612 was paid on 19 March 2010.

## 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:

CVC has cash holdings of \$40.8 million (equivalent to 30.8 cents per share) and is well placed to pursue investment opportunities as and when they emerge.

### Listed Investments:

During the year CVC sold 24 million shares in Sunland Group Limited for \$19.9 million generating a profit of \$9.7 million and continued to realise non-core holdings. The contribution of listed investments to the operating profit was \$25.6 million which included impairment recoveries of \$10.6 million and CVC's share of net operating profits generated by Pro-Pac Packaging Limited and Cellnet Limited totalling \$1.7 million. CVC's primary focus is the active management of the core investment portfolio.

### Private Equity:

The core private equity investments held by CVC include Ron Finemore Transport Pty Limited and GPG (No. 7) Pty Limited (formerly Green's Foods Limited), as well as a number of other smaller investments.

GPG (No. 7) Pty Limited has manufacturing operations of blended foods, cereals and snack foods that are distributed through supermarkets. The company has continued to improve its operations over the past year and is now profitable.

Ron Finemore Transport Pty Limited continues to achieve strong growth in both revenue and operating profit and is well placed for continued growth in 2011.

### Property:

During the year CVC took advantage of a depressed market for commercial and industrial property and acquired two properties on 31 March 2010.

The commercial property of 357-373 Warringah Road, Frenchs Forest New South Wales was acquired at a price of \$14.2 million and the industrial property of 1464 Ferntree Gully Road, Knoxfield Victoria at a price of \$39.85 million. CVC borrowed \$28.05 million from National Australia Bank Limited to fund the acquisition of the properties.

CVC continues to hold a number of mezzanine finance facilities provided to property projects. During the year, CVC successfully obtained additional security in relation to a loan facility previously impaired, resulting in an impairment recovery of \$4 million. CVC has also advanced \$10.0 million of mezzanine funding at attractive rates to residential property developments.

### 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 fund manager focused on mid-cap Australian listed companies and CVC Sustainable Investments, CVC Property Fund and CVC Private Equity Limited.

# The Directors' Report

for the year ended 30 June 2010

## 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 financial position 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

A final dividend in respect of the year ended 30 June 2010 of 3 cents per share was declared on 23 August 2010 and paid on 8 September 2010 to those shareholders registered on 1 September 2010.

On 6 August 2010 a controlled entity of the Company, ASX listed CVC Property Fund completed a rights issue of 1.5 units for each unit held at 1.2 cents. The total acceptances received, excluding CVC, amounted to \$330,241.

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

## 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.

CVC has not currently issued any shares under the CVC Executive Long Term Incentive Plan.

**Individual remuneration disclosures:**

The only remuneration paid by the Company during the financial year is Directors' fees paid to Mr Read. 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.

**Remuneration of Directors for the year ended 30 June 2010**

		Short-term employee benefits		Post – employ't benefits	Equity Based	Other	Total	Base % (b)
		Base Salary Fees	STI Bonus (c)	Superannuation				
ADH Beard (Director)	2010	\$229,357	\$20,000	\$20,642	-	\$3,375	\$273,374	93%
	2009	\$220,183	\$50,000	\$19,816	-	\$2,506	\$292,505	83%
VR Gould (a) (Chairperson and Non-Executive Director)	2010	\$200,000	-	-	-	-	\$200,000	100%
	2009	\$200,000	-	-	-	-	\$200,000	100%
JS Leaver (a) (Non-Executive Director)	2010	\$200,000	-	-	-	-	\$200,000	100%
	2009	\$200,000	-	-	-	-	\$200,000	100%
JD Read (Non-Executive Director)	2010	-	-	\$25,000	-	-	\$25,000	100%
	2009	-	-	\$25,000	-	-	\$25,000	100%
JT Riedl (Non-Executive Director)	2010	-	-	-	-	-	-	-
	2009	\$15,291	-	\$1,376	-	-	\$16,667	100%
	2010	\$629,357	\$20,000	\$45,642	-	\$3,375	\$698,374	
	2009	\$635,474	\$50,000	\$46,192	-	\$2,506	\$734,172	

**Notes:**

(a) CVC paid management fees of \$200,000 (2009: \$200,000) each to entities associated with Messrs Gould and Leaver that covers the cost of their services.

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

(c) 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.

## Auditor Independence and Non-Audit Services

No fees were paid to HLB Mann Judd 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 is included on page 14.

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

Dated at Sydney 27 September 2010.

Vanda Gould  
Director

Alexander Beard  
Director

# Auditor's Independence Declaration

for the year ended 30 June 2010

To the Directors of CVC Limited:

As lead auditor for the audit of CVC Limited for the year ended 30 June 2010, 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 27 September 2010.

**P B MEADE**  
*Partner*

**HLB Mann Judd**  
*Chartered Accountants*

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



# Consolidated Statement of Financial Performance

for the year ended 30 June 2010

twenty-five years

	Notes	2010 \$	2009 \$
<b>INCOME</b>			
Revenue from services		435,235	1,876,822
Rental income		2,959,622	1,399,082
Outgoings recovered		417,421	256,854
Net gain on sale of equity investments		16,800,233	18,335,724
Interest revenue		4,690,075	10,711,240
Dividend revenue		874,090	3,140,016
Recovery of investment in unrelated entity		2,433,535	-
Recovery of investments in associated entities		6,289,526	-
Recovery of loans		4,206,776	-
Other income		217,638	746,687
<b>Total income</b>	4	<b>39,324,151</b>	<b>36,466,425</b>
Share of net profits/(losses) of associates accounted for using the equity method	14	3,271,146	(7,142,200)
<b>EXPENSES</b>			
Amortisation of intangibles		-	58,500
Depreciation expense		18,410	25,055
Employee expenses		1,471,179	1,762,672
Finance costs	5	4,095,899	1,806,816
Impairment of intangibles		-	9,374,677
Impairment of investments in associated entities		1,229,356	17,821,552
Impairment of listed investments		-	33,527,537
Impairment of loans to other corporations		25,226	12,322,769
Impairment of loans to related entities		2,779,583	5,487,220
Impairment of investment properties		4,646,570	1,383,875
Impairment of unlisted investments		195,711	4,444,349
Investment property-related expenses		413,852	245,753
Management and consultancy fees		967,676	1,113,062
Net realised foreign exchange loss		12,434	-
Operating lease rental		400,425	390,055
Other expenses	5	1,626,508	1,162,878
<b>Profit/(loss) before related income tax expense</b>		<b>24,712,468</b>	<b>(61,602,545)</b>
Income tax expense	6	5,018,485	5,764,142
<b>Net profit/(loss)</b>		<b>19,693,983</b>	<b>(67,366,687)</b>
Net loss attributable to non-controlling interest	23	(420,319)	(741,753)
<b>Net profit/(loss) attributable to members of the parent entity</b>		<b>20,114,302</b>	<b>(66,624,934)</b>
Basic and diluted earnings per share	7	0.1467	(0.4452)

The above statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 21 to 59.

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	2010 \$	2009 \$
Profit/(loss) for the year		19,693,983	(67,366,687)
<b>Other comprehensive income</b>			
“Available-for-sale” investments:			
> Decrease in fair values recognised in other reserves		(1,262,426)	(31,912,895)
> Amounts transferred from other reserves to income on sale		(4,697,124)	(10,872,942)
> Income tax on fair value movements taken to or from other reserves		2,895,700	12,192,629
Value of associates asset revaluation reserve recognised in other reserves		273,070	(297,569)
Value of associates foreign currency translation reserve recognised in other reserves		812	170,111
<b>Other comprehensive income for the year, net of tax</b>		<b>(2,789,968)</b>	<b>(30,720,666)</b>
<b>Total comprehensive income for the year</b>		<b>16,904,015</b>	<b>(98,087,353)</b>
<b>Attributable to:</b>			
Shareholders		16,798,389	(97,345,928)
Non-controlling interest		105,626	(741,425)
		<b>16,904,015</b>	<b>(98,087,353)</b>

*The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 21 to 59.*

# Consolidated Statement of Financial Position

as at 30 June 2010

twenty-five years

	Notes	2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	25	40,796,600	66,113,849
Loans and other receivables	9	20,567,237	22,538,594
Current tax assets	6	518,246	302,434
Other assets	11	317,872	90,679
<b>Total current assets</b>		<b>62,199,955</b>	<b>89,045,556</b>
<b>NON-CURRENT ASSETS</b>			
Loans and other receivables	9	1,821,330	1,858,357
Financial assets – “available-for-sale”	10	39,707,651	47,325,991
Investments accounted for using the equity method	12	37,666,238	29,710,700
Property, plant and equipment	15	25,714	8,547,570
Investment properties	16	83,415,653	20,780,653
<b>Total non-current assets</b>		<b>162,636,586</b>	<b>108,223,271</b>
<b>TOTAL ASSETS</b>		<b>224,836,541</b>	<b>197,268,827</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	1,901,008	884,846
Interest bearing loans and borrowings	20	6,889,902	2,210,535
Provisions	19	198,435	188,986
Current tax liabilities	6	-	20,353
<b>Total current liabilities</b>		<b>8,989,345</b>	<b>3,304,720</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	19	44,432	35,926
Interest bearing loans and borrowings	20	43,587,074	21,233,402
Deferred tax liabilities	6	-	6,573,253
<b>Total non-current liabilities</b>		<b>43,631,506</b>	<b>27,842,581</b>
<b>TOTAL LIABILITIES</b>		<b>52,620,851</b>	<b>31,147,301</b>
<b>NET ASSETS</b>		<b>172,215,690</b>	<b>166,121,526</b>
<b>EQUITY</b>			
Contributed equity	21	115,687,816	122,627,967
Retained earnings	22	45,012,191	27,614,501
Other reserves	24	4,086,810	7,675,583
<b>Total parent entity interest</b>		<b>164,786,817</b>	<b>157,918,051</b>
Non-controlling interest	23	7,428,873	8,203,475
<b>TOTAL EQUITY</b>		<b>172,215,690</b>	<b>166,121,526</b>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 21 to 59.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

	Contributed equity \$	Retained earnings \$	Asset revaluation \$
At 1 July 2009	122,627,967	27,614,501	7,753,413
Profit/(loss) for the year	-	20,114,302	-
Other comprehensive income	-	-	(3,545,110)
Total comprehensive income for the year	-	20,114,302	(3,545,110)
Other movements in equity:			
Share of associates equity based remuneration recognised in other reserves	-	-	-
Transactions with shareholders:			
Acquisition of interest in controlled entities	-	-	(574,860)
Non-controlling interest disposal of shares in controlled entities	-	-	-
Shares bought back	(6,940,151)	-	-
Dividend paid	-	(2,716,612)	-
At 30 June 2010	115,687,816	45,012,191	3,633,443
At 1 July 2008	136,823,139	99,069,611	39,529,888
Loss for the year	(66,624,934)	-	-
Other comprehensive income	-	-	(31,776,475)
Total comprehensive income for the year	-	(66,624,934)	(31,776,475)
Other movements in equity:			
Equity based remuneration recognised in other reserve	-	-	-
Share of associates equity based remuneration recognised in other reserves	-	-	-
Transactions with shareholders:			
Acquisition of interest in controlled entities	-	-	-
Shares bought back	(14,195,172)	-	-
Dividend paid	-	(4,830,176)	-
At 30 June 2009	122,627,967	27,614,501	7,753,413

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements as set out on pages 21 to 59.

Employee equity benefit \$	Foreign exchange translation \$	Owners of the parent \$	Non-controlling interest \$	Total \$
(136,770)	58,940	157,918,051	8,203,475	166,121,526
-	-	20,114,302	(420,319)	19,693,983
-	229,197	(3,315,913)	525,945	(2,789,968)
-	229,197	16,798,389	105,626	16,904,015
302,000	-	302,000	-	302,000
-	-	(574,860)	606,670	31,810
-	-	-	(1,486,898)	(1,486,898)
-	-	(6,940,151)	-	(6,940,151)
-	-	(2,716,612)	-	(2,716,612)
165,230	288,137	164,786,817	7,428,873	172,215,690
(48,997)	(996,541)	274,377,100	65,997	274,443,097
-	-	(66,624,934)	(741,753)	(67,366,687)
-	1,055,481	(30,720,994)	328	(30,720,666)
-	1,055,481	(97,345,928)	(741,425)	(98,087,353)
(73,891)	-	(73,891)	-	(73,891)
(13,882)	-	(13,882)	-	(13,882)
-	-	-	8,878,903	8,878,903
-	-	(14,195,172)	-	(14,195,172)
-	-	(4,830,176)	-	(4,830,176)
(136,770)	58,940	157,918,051	8,203,475	166,121,526

# Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Notes	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		4,163,583	5,371,490
Cash payments in the course of operations		(4,840,495)	(6,644,201)
Interest received		3,018,493	6,253,000
Dividends received		116,170	3,617,747
Interest paid		(3,099,140)	(683,816)
Income taxes paid		(9,060,189)	(5,002,206)
<b>Net cash (used in)/provided by operating activities</b>	25	<b>(9,701,578)</b>	<b>2,912,014</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		-	(34,921)
Proceeds on disposal of property, plant and equipment		3,446	-
Payments for investment properties		(58,784,796)	(321,709)
Payments for equity investments		(30,008,010)	(22,098,309)
Proceeds on disposal of equity investments		54,419,343	54,923,345
Proceeds from acquisition of controlled entities net of cash acquired		-	1,146,826
Loans provided		(16,526,723)	(14,725,455)
Loans repaid		18,206,245	13,177,069
<b>Net cash (used in)/provided by investing activities</b>		<b>(32,690,495)</b>	<b>32,066,846</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		28,050,000	-
Repayment of borrowings		-	(2,100,000)
Dividends paid to members of parent entity		(2,716,612)	(4,830,176)
Payments for share buy-back		(8,246,130)	(13,901,608)
<b>Net cash provided by/(used in) financing activities</b>		<b>17,087,258</b>	<b>(20,831,784)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(25,304,815)</b>	<b>14,147,076</b>
Foreign exchange (loss)/gain on cash		(12,434)	30,488
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>66,113,849</b>	<b>51,936,285</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	25	<b>40,796,600</b>	<b>66,113,849</b>

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 21 to 59.

# Notes to the Financial Statements

for the year ended 30 June 2010

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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 and investment properties 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 33.

### 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).

CVC has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2009:

AASB 2007-8: *Amendments to Australian Accounting Standards arising from AASB 101 effective 1 January 2009;*

AASB 2007-10: *Further Amendments to Australian Accounting Standards arising from AASB 101 effective 1 January 2009.*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods:

AASB 9 Financial Instruments and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* which have been recently issued but is effective for reporting periods commencing on or after 1 January 2013. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to CVC’s financial report.

AASB 124 *Related Party Disclosures* which has been recently issued but is effective for reporting periods commencing on or after 1 January 2011.

Application of the standard will not have a material impact on the amounts recognised in the financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2010

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

### 1.2 Statement of Compliance (cont.)

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* which has been recently issued but is effective for reporting periods commencing on or after 1 January 2010. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to CVC's financial report.

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]* which has been recently issued but is effective for reporting periods commencing on or after 1 July 2011. Application of the standard is not expected to have a significant impact on the financial statements.

AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* which has been recently issued but is effective for reporting periods commencing on or after 1 July 2010. Application of the standard will not affect any of the amounts recognised in the financial statements.

### 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 2010 ("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.

Non-controlling interests not held by CVC are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Increases in investments in existing controlled entities are recognised by CVC in equity with no impact on goodwill and the statement of financial performance. The difference between the consideration paid by CVC and the carrying amount of non-controlling interest has been included in asset revaluation reserve.

#### *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 statement of comprehensive income 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 earnings (note 22). 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 statement of comprehensive income 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.

### 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

#### *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 statement of comprehensive income 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.



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

### 1.5 Investments (cont.)

#### *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.

### 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 reporting 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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting 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. CVC 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) from controlled entities in the tax consolidated group. To the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised the Company recognises 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 statement of financial position.

Cash flows are included in the statement of cash flows 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 statement of cash flows, 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 properties*

Investment properties are initially measured at cost, including transaction costs. Investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are recognised in the statement of financial performance in the year in which they arise.

#### *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.

# Notes to the Financial Statements

for the year ended 30 June 2010

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

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

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 statement of comprehensive income. 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.

#### *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%

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. CVC 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 CVC 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 the statement of comprehensive income 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 the statement of comprehensive income.

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 reporting 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 reporting 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 the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as "available-for-sale" are not reversed through the statement of comprehensive income.

### 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.

### 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.

Borrowing costs consist of interest and other costs relating to the financing of the acquisition of investment properties, and are expensed in the period they occur.

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

### 1.14 Revenue and Revenue Recognition

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

#### *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 statement of comprehensive income. If the equity investment continues to be held as an "available-for-sale asset", changes in its fair value will be recognised directly in other comprehensive income. 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 recognised in revenue and the investment is also assessed for impairment.

#### *Rental income*

Rental revenue from operating leases is recognised on a straight line basis over the term of the lease.

#### *Outgoings recovered*

Outgoings recovered in relation to operating leases are recognised on a straight line basis over the term of the lease.

### 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*

CVC provides benefits to employees (including senior executives) of CVC 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 2010

## 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	
	2010	2009
	%	%
<b>CVC Limited</b>		
<i>Direct Controlled Entities:</i>		
Biomedical Systems Pty Limited	100	100
CVC Fairfield Pty Limited	100	100
CVC Finance Company Pty Limited	100	100
CVC Funds Management Pty Limited	100	100
CVC Knoxfield Unit Trust No. 2	100	-
CVC Investment Managers 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 Property Managers Limited	100	100
CVC Property Fund	85	53
CVC Private Equity Limited	51	42
Renewable Energy Managers Pty Limited	100	100
Stinoc Pty Limited	99	99
The Eco Fund Managers Pty Limited	100	100
The Eco Fund Pty Limited	100	100
<b>Controlled Entities owned 100% by CVC Property Fund:</b>		
Belrose Unit Trust No. 1	100	100
Belrose Unit Trust No. 2	100	100
Belrose Unit Trust No. 3	100	100
CVC Knoxfield Unit Trust No. 1	100	-
Frenchs Forest No. 1 Trust	100	100
Frenchs Forest No. 2 Trust	100	-
Lauden CVC Property Trust	100	100
<b>Controlled Entities owned 100% by CVC Narabang Pty Limited:</b>		
Narabang Constructions Pty Limited	100	100

### Note 3: Parent Company Information

The salient financial information in relation to the parent company, CVC Limited, are as follows:

	2010 \$	2009 \$
<b>3.1 Statement of Comprehensive Income</b>		
<b>Income</b>		
Revenue from services	-	50,000
Net gain on sale of equity investments	16,702,715	19,076,841
Interest revenue	5,565,271	8,673,023
Dividend revenue	757,099	3,449,282
Recovery of investment in unrelated entity	2,433,535	-
Recovery of investments in controlled entities	2,528,985	-
Recovery of loans	206,776	801,563
Other income	47,214	360,758
<b>Total income</b>	<b>28,241,595</b>	<b>32,411,467</b>
<b>EXPENSES</b>		
Finance costs	1,891,295	590,079
Impairment of investments in associated entities	446,565	27,158,267
Impairment of investments in controlled entities	8,333,633	10,587,906
Impairment of listed investments	-	16,545,047
Impairment of loans to other corporations	-	781,204
Impairment of loans to related entities	2,522,553	4,865,868
Impairment of unlisted investments	25,000	4,444,349
Management and consultancy fees	6,220,275	9,558,596
Net realised foreign exchange loss	12,434	-
Other expenses	545,537	489,676
<b>Profit/(loss) before related income tax expense</b>	<b>8,244,303</b>	<b>(42,609,525)</b>
Income tax expense	8,345,267	3,279,525
<b>Net loss</b>	<b>(100,964)</b>	<b>(45,889,050)</b>
<b>Other comprehensive income</b>		
"Available-for-sale" investments:		
- Increase/(decrease) in fair values recognised in other reserves	6,133,748	(44,497,479)
- Amounts transferred from other reserves to other comprehensive income on sale	(4,697,124)	(12,810,626)
- Income tax on fair value movements taken to or from other reserves	2,169,884	16,120,237
<b>Other comprehensive income for the year, net of tax</b>	<b>3,606,508</b>	<b>(41,187,868)</b>
<b>Total comprehensive income for the year</b>	<b>3,505,544</b>	<b>(87,076,918)</b>

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 3: Parent Company Information (cont.)

### 3.2 Statement of Financial Position

	2010 \$	2009 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	38,569,255	62,503,471
Loans and other receivables	40,986,253	28,191,289
Current tax assets	500,359	284,547
Other assets	89,892	145,479
<b>Total current assets</b>	<b>80,145,759</b>	<b>91,124,786</b>
<b>NON-CURRENT ASSETS</b>		
Loans and other receivables	11,383,644	15,124,291
Financial assets – “available-for-sale”	86,502,124	80,399,313
<b>Total non-current assets</b>	<b>97,885,768</b>	<b>95,523,604</b>
<b>TOTAL ASSETS</b>	<b>178,031,527</b>	<b>186,648,390</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	901,529	1,331,039
Interest bearing loans and borrowings	539,902	2,210,535
<b>Total current liabilities</b>	<b>1,441,431</b>	<b>3,541,574</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	40,967,388	36,785,019
Deferred tax liabilities	-	4,547,870
<b>Total non-current liabilities</b>	<b>40,967,388</b>	<b>41,332,889</b>
<b>TOTAL LIABILITIES</b>	<b>42,408,819</b>	<b>44,874,463</b>
<b>NET ASSETS</b>	<b>135,622,708</b>	<b>141,773,927</b>
<b>EQUITY</b>		
Contributed equity	115,687,816	122,627,967
Retained earnings	11,265,325	14,082,901
Other reserves	8,669,567	5,063,059
<b>TOTAL EQUITY</b>	<b>135,622,708</b>	<b>141,773,927</b>

#### Guarantees and commitments

CVC Limited has provided an undertaking to National Australia Bank that it will meet the interest payments in relation to the \$6.35 million short term secured loan facility provided to CVC Knoxfield Unit Trust No. 2 referred to in note 20.

	2010 \$	2009 \$
<b>Note 4: Income</b>		
Rental income		
Related entities	284,760	284,760
Other entities	2,674,862	1,114,322
Outgoings recovered		
Related entities	417,421	256,854
Revenue from services – related entities	435,235	1,876,822
Net gain on sales of equity investments	16,800,233	18,335,724
Interest:		
Related entities	337,174	3,075,993
Other entities	4,352,901	7,635,247
Dividends	874,090	3,140,016
Impairment recoveries		
Recovery of investments in unrelated entity	2,433,535	-
Recovery of investments in associated entities	6,289,526	-
Recovery of loans	4,206,776	-
Other revenue	217,638	746,687
<b>Total income</b>	<b>39,324,151</b>	<b>36,466,425</b>

### Note 5: Profit Before Income Tax Expense

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

<b>Borrowing costs:</b>		
Related entities	847,961	545,952
Other entities	3,247,938	1,260,864
<b>Total borrowing costs</b>	<b>4,095,899</b>	<b>1,806,816</b>
<b>Other expenses:</b>		
Audit fees	181,680	166,140
Directors fees	34,000	40,957
Insurance	206,286	187,171
Legal costs	314,803	147,507
Travel and accommodation	74,639	71,933
All other expenses	815,100	549,170
<b>Total other expenses</b>	<b>1,626,508</b>	<b>1,162,878</b>

# Notes to the Financial Statements

for the year ended 30 June 2010

	2010 \$	2009 \$
<b>Note 6: Income Tax</b>		
<b>6.1 Income Tax Expense/(Benefit):</b>		
Accounting profit/(loss) before income tax	24,712,468	(61,602,545)
Income tax expense/(benefit) at the statutory income tax rate of 30%	7,413,740	(18,480,764)
<b>Increase in income tax expense due to:</b>		
Intangible assets impaired	-	2,659,489
Trust loss not deductible	1,312,525	472,857
Tax losses not recognised	-	213,332
Deferred tax not recognised	-	21,952,278
Sundry items	33,354	32,316
<b>Decrease in income tax expense due to:</b>		
Equity based remuneration	-	(22,168)
Dividends received	(197,584)	(1,049,778)
Tax loss utilised	(2,443)	-
Deferred tax not recognised	(12,576,772)	-
Other income not assessable	-	(71,428)
	(4,017,180)	5,706,134
Adjustments in respect of current income tax of previous years	9,035,665	58,008
Income tax expense	5,018,485	5,764,142
The major components of income tax expense are:		
Current income tax charge	-	351,801
Deferred income tax	(4,017,180)	5,354,333
Adjustments in respect of current income tax of previous years (a)	9,035,665	58,008
Income tax expense reported in the statement of financial performance	5,018,485	5,764,142

(a) The adjustment in respect of current income tax includes a payment of \$9,071,549 in relation to an amendment by the Australian Taxation Office to prior year tax returns in relation to a transaction dating back to 1987. A determination was made in relation to the liability during the current financial year.



2010	2009
\$	\$

## Note 6: Income Tax (cont.)

### 6.2 Current Tax Assets:

#### Income tax receivable:

Balance at the end of the year	518,246	302,434
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### 6.3 Current Tax Liabilities:

#### Income tax payable:

Balance at the end of the year	-	20,353
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Income tax payable is payable by companies not included in the CVC tax consolidated group. Refer 6.6.

### 6.4 Deferred Tax Assets:

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

	Included in Income \$	Included in Equity \$	Total \$
<i>Year ended 30 June 2010</i>			
Provisions and accrued expenses	102,770	-	102,770
Impairment expenses	10,270,866	-	10,270,866
Share raising costs	-	239,379	239,379
Equity accounted investments	5,051,447	-	5,051,447
Other	463,036	-	463,036
Tax losses	822,473	-	822,473
Deferred tax assets not recognised	(16,710,592)	(239,379)	(16,949,971)
	-	-	-
<i>Year ended 30 June 2009</i>			
Provisions and accrued expenses	148,216	-	148,216
Impairment expenses	17,877,485	-	17,877,485
Share raising costs	-	475,253	475,253
Equity accounted investments	5,829,009	-	5,829,009
Other	41,681	-	41,681
Tax losses	613,174	-	613,174
Deferred tax assets not recognised	(24,509,565)	(475,253)	(24,984,818)
	-	-	-

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 6: Income Tax (cont.)

### 6.5 Deferred Tax Liabilities

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

	Included in Income \$	Included in Equity \$	Total \$
<i>Year ended 30 June 2010</i>			
"Available-for-sale" investments	-	1,437,601	1,437,601
Receivables	1,762,328	-	1,762,328
Equity accounted income	3,892,630	-	3,892,630
Property, plant and equipment	4,136	-	4,136
Other	1,184,804	-	1,184,804
Deferred tax liabilities not recognised	(6,843,898)	(1,437,601)	(8,281,499)
	-	-	-
<i>Year ended 30 June 2009</i>			
"Available-for-sale" investments	-	6,373,338	6,373,338
Receivables	1,253,802	-	1,253,802
Equity accounted income	1,555,615	-	1,555,615
Property, plant and equipment	4,136	-	4,136
Other	192,510	-	192,510
Deferred tax liabilities not recognised	(2,806,148)	-	(2,806,148)
	199,915	6,373,338	6,573,253

### 6.6 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) from controlled entities in the tax consolidated group. To the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised the Company recognises 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.

	2010	2009
	\$	\$

## Note 7: Earnings Per Share

Basic and Diluted earnings per share (dollars per share)	0.1467	(0.4452)
<i>Reconciliation of earnings used in the calculation of earnings per share:</i>		
Profit after income tax	19,693,983	(67,366,687)
Less: non-controlling interest	(420,319)	(741,753)
Net profit/(loss) attributable to members of the parent entity	20,114,302	(66,624,934)
	Number of Shares	
Weighted average number of ordinary shares – Basic and Diluted	137,108,749	149,659,372
Number of shares on issue at the end of the year	132,360,618	142,848,621

## Note 8: 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 statement of financial position:*

	Cents Per Share	Total \$	Date of Payment	Tax rate for Franking Credit	Percentage Franked
2010 Interim dividend on ordinary shares	2.00	2,716,612	19 March 2010	30%	100%

*Declared after the end of the financial period and not included in the statement of financial position:*

A final dividend in respect of the year ended 30 June 2010 of 3 cents per share was declared on 23 August 2010 and paid on 8 September 2010 to those shareholders registered on 1 September 2010.

# Notes to the Financial Statements

for the year ended 30 June 2010

	2010	The Company	2009
	\$		\$

## Note 8: Dividends (cont.)

Dividend franking account			
Franking credits available to shareholders for subsequent financial years	11,706,136		7,396,193

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

- (a) franking debits that will arise from the refund of overpaid tax instalments paid
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year-end
- (c) franking credits that the entity may be prevented from distributing in subsequent years.

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

## Note 9: Loans and Other Receivables

### Current

Trade and other receivables	1,058,998	2,544,189
Loans to related entities	8,216,628	17,391,288
Impairment of loans to related entities	(4,428,412)	(1,914,554)
Loans to other corporations	15,720,023	16,059,239
Impairment of loans to other corporations	-	(11,541,568)
	<b>20,567,237</b>	<b>22,538,594</b>

### Non current

Loans to other corporations	30,000	30,000
Impairment of loans to other corporations	(30,000)	(30,000)
Loans to related entities	1,821,330	3,513,447
Impairment of loans to related entities	-	(1,655,090)
	<b>1,821,330</b>	<b>1,858,357</b>

When an entity does not pay a scheduled payment of principle and interest or management consider that there has been an adverse change in the underlying value of assets securing the loan a review is conducted to determine if the loan is considered to be impaired. Impairment of loans to related entities and 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 30 and 33.

	2010 \$	2009 \$
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## Note 10: Financial Assets – “Available-For-Sale”

### Non-current

Shares in listed corporations – at market value	35,029,036	43,073,818
Other investments – at cost	5,261,336	7,985,901
Impairment of other investments – at cost	(1,500,000)	(4,500,000)
Other investments – at market value	1,350,841	766,272
Impairment of other investments – at market value	(433,562)	-
	<b>39,707,651</b>	<b>47,325,991</b>

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 cash flow analysis, earnings multiples or underlying net assets. Management assesses the results to determine the most appropriate valuation.

### 10.1 Shares in listed corporations – at market value

The carrying value of certain investments 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.

Significant share holdings are held in Resource Generation Limited, Mnet Group Limited, Vita Life Sciences Limited and Silver Bird Group Bhd. The number of shares held is greater than what would reasonably be considered to be liquid. The closing “bid-price” was determined to be an appropriate indication for the fair value of the investment. Refer note 33.5.

### 10.2 Other investments – at cost

The carrying value of certain investments 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 \$1,500,000 (2009: \$4,500,000).

### 10.3 Other investments – at market value

The carrying value of certain investments classified as “Other investments – at market value” of \$433,562 (2009: nil) 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 the value of the investment being fully impaired. Since 30 June 2009 CVC has recovered \$2,566,438. The directors consider that the remaining balance of \$433,562 is still fully impaired.

	2010 \$	2009 \$
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## Note 11: Other Assets

<b>Current</b>		
Prepayments and deposits	317,872	90,679

# Notes to the Financial Statements

for the year ended 30 June 2010

2010	2009
\$	\$

## Note 12: Investments Accounted for Using the Equity Method

### Non-current

Equity accounted interests in joint ventures (note 13)	-	-
Equity accounted shares in listed associated companies (note 14)	20,781,963	13,447,650
Equity accounted shares in other associated companies (note 14)	16,884,275	16,263,050
	<b>37,666,238</b>	<b>29,710,700</b>

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.

### 12.1 Cellnet Group Limited

The carrying value of Cellnet Group Limited ("Cellnet") has been determined by using the fair value approach. The closing "bid-price" of Cellnet on 30 June 2010 was \$0.30 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 33.4 and 33.5.

### 12.2 Pro-Pac Packaging Limited

The carrying value of Pro-Pac Packaging Limited ("Pro-Pac") has been determined by using the fair value approach. The closing "bid-price" of Pro-Pac on 30 June 2010 was \$0.325 per share which was determined to be an appropriate indication for the fair value of the investment, despite it being in excess of the net tangible asset backing per share and the lack of an active market. Refer note 33.4 and 33.5.

### 12.3 GPG (No. 7) Pty Limited

The carrying value of GPG (No. 7) Pty Limited ("GPG") has been determined by using the fair value approach and has been calculated as \$7,116,615 based on the net asset backing methodology, using the most recent reports provided by the company. Refer note 33.6.

### 12.4 Concise Asset Management Limited

The carrying value of Concise Asset Management Limited has been determined by using the fair value approach and has been calculated as nil based on the net asset backing methodology, using the most recent reports provided by the company. Refer note 33.6.

### 12.5 CVC Sustainable Investments

The carrying value of CVC Sustainable Investments ("CVCSI") has been determined by using the fair value approach and has been calculated as \$2,426,136 based on the net asset backing methodology, using the most recent reports provided by the group. Refer note 33.6.

	2010	2009
	\$	\$

## Note 13: Interests in Joint Ventures

### Joint Venture Partnerships

Interests in joint venture partnerships	-	-
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Two joint venture partnerships, Chevron Developments and Skyline Investments Australia, were deregistered during the year ended 30 June 2009. CVC did not hold any interests in joint venture partnerships during the year ended 30 June 2010.

Movements in interests in joint venture partnerships are as follows:

At the beginning of the year	-	2,051
Share of loss for the year	-	(38)
Distribution of profits	-	(2,013)
Balance at the end of the year	-	-

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

Income	-	-
Expenses	-	(38)
Operating loss	-	(38)

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 14: Investments in Associated Entities

Details of material interests in associated entities are as follows:

	Type	Ownership Interest Consolidated		Investment Carrying Amount Consolidated		Dividend Received/Receivable Consolidated	
		2010	2009	2010	2009	2010	2009
		%	%	\$	\$	\$	\$
Cellnet Group Limited	Ords	38.7	36.7	8,541,613	7,196,621	-	-
Concise Asset Management Limited	Ords	49.0	49.0	-	-	-	-
CVC Geelong Unit Trust (a)	Ord Units	n/a	50.0	-	-	-	-
CVC Reef Investment Managers Limited	Ords	50.0	50.0	180,791	95,533	-	-
CVC Shepparton Pty Limited (b)	Ords	n/a	50.0	-	-	-	-
CVC Sustainable Investments	Ords	22.2	21.5	2,426,136	2,354,311	-	72,274
CVC Wagga Wagga Unit Trust	Ord Units	50.0	50.0	-	-	-	-
GPG (No.7) Pty Limited	Ords	27.5	27.5	7,116,615	8,470,000	-	-
Mnet Group Limited (formerly Mercury Mobility Limited) (c)	Ords	n/a	31.8	-	1,676,142	-	-
Pro-Pac Packaging Limited	Ords	28.3	29.3	12,240,350	4,574,887	542,149	267,541
Ron Finemore Transport Pty Limited (d)	Ords	50.0	50.0	7,160,733	5,343,206	-	-
				<b>37,666,238</b>	<b>29,710,700</b>	<b>542,149</b>	<b>339,815</b>

(a) CVC realised its investment in CVC Geelong Unit Trust on 10 December 2009.

(b) CVC realised its investment in CVC Shepparton Pty Limited on 18 December 2009.

(c) CVC's holding in Mercury Mobility Limited fell below 20% on 30 October 2009 following the merger with Mnet Corporation Limited. CVC ceased equity accounting effective 30 October 2009.

(d) Ron Finemore Transport Pty Limited is not a controlled entity of CVC as management of the company is controlled by the holder of the remaining 50%.



## Note 14: Investments in Associated Entities (cont.)

### Information on associated entities:

Cellnet Group Limited	-	a distributor of mobile and IT technology to the reseller community in Australia.
Concise Asset Management 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 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.
CVC Wagga Wagga Unit Trust	-	a property development of a bulky goods retail centre in Wagga Wagga New South Wales.
GPG (No. 7) Pty Limited	-	GPG (No. 7) Pty Limited purchased the manufacturing operations of the blended foods, cereals and snack foods division of the previously ASX listed Greens Foods Limited.
Mnet Group 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. Although CVC holds 50% interest in the company, it does not have control of the management of the company.

The reporting date of all the associated entities is 30 June 2010 and all are Australian entities.

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 14: 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 Limited \$	CVC Sustainable Investments \$	Pro-Pac Packaging Limited \$	CVC Property Fund \$
<b>Year ended 30 June 2010</b>				
Balance at the beginning of the year	-	2,354,311	4,574,885	-
New interests acquired	-	90,011	571,645	-
Share of associates profits/(losses) before tax	-	(91,599)	2,049,700	-
Share of associates tax (expenses)/benefit	-	24,991	(607,822)	-
Share of associates reserves	-	143,293	6,115	-
Impairment recovery	-	-	5,645,827	-
Impairment	-	(94,871)	-	-
Reclassification of investments	-	-	-	-
Balance at the end of the year	-	2,426,136	12,240,350	-
<b>Year ended 30 June 2009</b>				
Balance at the beginning of the year	3,101,929	2,772,563	12,491,977	3,015,497
New interests acquired	-	289,805	1,273,261	-
Interest disposed	-	-	-	-
Share of associates profits/(losses) before tax	716,024	(765,650)	975,016	(245,526)
Share of associates tax (expenses)/benefit	29,703	259,972	(293,060)	-
Share of associates reserves	(265,796)	(146,880)	-	-
Dividends received during the year	-	(72,274)	(267,541)	-
Reclassification of investments	(3,903,493)	-	-	(2,769,971)
Discount on acquisition	321,633	16,775	-	-
Impairment	-	-	(9,604,768)	-
Balance at the end of the year	-	2,354,311	4,574,885	-

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

GPG (No. 7) Pty Limited \$	Cellnet Group Limited \$	Mnet Group Limited \$	Other Entities (a) \$	Total \$
8,470,000	7,196,621	1,676,144	5,438,739	29,710,700
-	62,828	5,041	-	729,525
(218,900)	(753,997)	(92,234)	2,718,334	3,611,304
-	1,058,254	(32)	(815,549)	(340,158)
-	426,474	-	-	575,882
-	551,433	92,266	-	6,289,526
(1,134,485)	-	-	-	(1,229,356)
-	-	(1,681,185)	-	(1,681,185)
7,116,615	8,541,613	-	7,341,524	37,666,238
13,670,281	14,193,694	4,059,106	2,658,921	55,963,968
412,500	441,261	185,023	2,163,243	4,765,093
-	-	-	(35,000)	(35,000)
(1,078,580)	(5,263,842)	(792,892)	307,560	(6,147,890)
-	(990,925)	-	-	(994,310)
-	243,017	28,319	-	(141,340)
-	-	-	-	(339,815)
-	-	-	-	(6,673,464)
-	-	-	796,602	1,135,010
(4,534,201)	(1,426,584)	(1,803,412)	(452,587)	(17,821,552)
8,470,000	7,196,621	1,676,144	5,438,739	29,710,700

# Notes to the Financial Statements

for the year ended 30 June 2010

	2010	2009
	\$	\$

## Note 15: Property, Plant and Equipment

### *Plant and equipment*

At cost	43,897	283,704
Accumulated depreciation	(18,183)	(236,134)
	25,714	47,570

### *Property*

Property held for development	-	8,500,000
Total property, plant and equipment	25,714	8,547,570

### Reconciliation

#### *Plant and equipment*

Carrying amount at the beginning of the year	47,570	34,484
Additions	11,575	34,921
Disposals	(15,021)	-
Depreciation	(18,410)	(21,835)
Carrying amount at the end of the year	25,714	47,570

#### *Property*

Carrying amount at the beginning of the year	8,500,000	-
Property, plant and equipment acquired as part of acquisition of CVC Property Fund on 30 September 2008	-	9,500,000
Fair value adjustment	-	(1,000,000)
Reclassification to investment properties following change in accounting standard	(8,500,000)	-
Carrying amount at the end of the year	-	8,500,000

## Note 16: Investment Properties

Investment properties	83,415,653	20,780,653
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### Reconciliation

Investment properties at the beginning of year	20,780,653	2,783,873
Investment property acquired as part of acquisition of CVC Property Fund on 30 September 2008	-	18,000,000
Depreciation	-	(3,220)
Reclassification from property, plant and equipment following change in accounting standard	8,500,000	-
Additions - acquisition of properties	58,266,162	-
Additions - capital expenditure	515,408	-
Fair value adjustment	(4,646,570)	-
Total investment properties	83,415,653	20,780,653

## Note 16: Investment Properties (cont.)

The Directors of the entities that own the properties have reviewed their carrying values and present the following:

Name	Notes	Ownership %	Acquisition Date	Acquisition Price (\$million)	Total Cost Including Additions (\$million)	Date of Latest External Valuation	Independent Valuer	Movement Since Acquisition (\$million)	Consolidated Book Value 30 June 2010 (\$million)	Consolidated Book Value 30 June 2009 (\$million)
<b>CVC Fairfield Pty Limited</b>										
96 Fairfield Street Fairfield NSW	a	100%	Oct 2006	\$2.7	\$2.8	n/a	n/a	-	\$2.8	\$2.8
<b>CVC Property Fund</b>										
1 Narabang Way Belrose NSW	b	100%	Apr 2007	\$13.7	\$14.9	n/a	n/a	(\$8.1)	\$6.8	\$8.5
8 Rodborough Rd Frenchs Forest NSW	c	100%	Oct 2007	\$21.0	\$22.4	12 Mar 2010	CB Richard Ellis	(\$4.6)	\$17.8	\$18.0
357-373 Warringah Rd Frenchs Forest NSW	c	100%	Mar 2010	\$14.2	\$15.2	2 Feb 2010	Colliers International	(\$0.1)	\$15.1	n/a
Unit 2, 1464 Ferntree Gully Rd Knoxfield VIC	c	100%	Mar 2010	\$28.8	\$30.5	5 Feb 2010	Jones Lang LaSalle	(\$1.5)	\$29.0	n/a
<b>CVC Knoxfield Unit Trust No. 2</b>										
Unit 1, 1464 Ferntree Gully Rd Knoxfield VIC	d	100%	Mar 2010	\$11.0	\$12.6	5 Feb 2010	Jones Lang LaSalle	(\$0.7)	\$11.9	n/a

(a) The fair value of the property at 96 Fairfield Street, Fairfield NSW has been determined by Directors based on the market rental yield expected to be achieved from the property. The Directors consider that the current carrying value of the property is appropriate.

	2010	2009
Capitalisation rate	10.2%	10.2%
Lease expiry	0.17 years	1.17 years
Occupancy	100%	100%

(b) The fair value of the 1 Narabang Way, Belrose NSW property has been determined by Directors based on the unimproved land value assessed by the Office of State Revenue effective 1 January 2010. The basis of the valuation has been determined by using a direct comparison approach.

(c) The fair value has been determined by independent valuation by using a combination of discounted cash flow, capitalisations of income and direct comparison approaches. The below table illustrates the key valuation assumptions used in the determination of the investment properties fair value.

	Weighted average	
	2010	2009
Capitalisation rate	9.4%	8.7%
Lease expiry	7.59 years	4.36 years
Occupancy	100%	100%

(d) The fair value of the Unit 1, 1464 Ferntree Gully Rd, Knoxfield VIC property has been determined by Directors based on an agreement to sell the property once certain conditions have been met. The Directors consider that the current carrying value of the property is appropriate.

# Notes to the Financial Statements

for the year ended 30 June 2010

	2010	2009
	\$	\$

## Note 17: Intangible Assets

Goodwill	-	-
Management agreements	-	1,170,000
Accumulated amortisation	-	(497,250)
Impairment	-	(672,750)
Total management agreements	-	-
Total intangible assets	-	-

### Reconciliations

#### Goodwill

Carrying amount at the beginning of the year	-	7,625,384
Arising from the acquisition of controlled entities	-	1,076,543
Impairment	-	(8,701,927)
Carrying amount at the end of the year	-	-

#### Management agreements

Carrying amount at the beginning of the year	-	731,250
Amortisation	-	(58,500)
Impairment	-	(672,750)
Carrying amount at the end of the year	-	-

### 17.1 Impairment test for goodwill and management agreements

The carrying value of Goodwill and Management Agreements are determined by using the "value-in-use" of management fees received by CVC Managers Pty Limited. The value of the Goodwill and Management Agreements were impaired to nil during the year ended 30 June 2009.

## Note 18: Trade and Other Payables

### Current

Trade and other payables	732,832	516,783
Sundry creditors and accruals	1,049,548	332,811
Goods and services tax	118,628	35,252
Total current accounts payable	1,901,008	884,846

	2010 \$	2009 \$
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## Note 19: Provisions

<b>Current</b>		
Employee entitlements	198,435	188,986
<b>Non-Current</b>		
Employee entitlements	44,432	35,926

## Note 20: Interest Bearing Loans and Borrowings

<b>Current</b>		
Unsecured loans	539,902	2,210,535
Secured bank loan	6,350,000	-
	<b>6,889,902</b>	<b>2,210,535</b>
<b>Non-Current</b>		
Secured bank loans	35,900,000	14,200,000
Unsecured loan from associated entity	7,687,074	7,033,402
	<b>43,587,074</b>	<b>21,233,402</b>

### 20.1 Secured Bank Loan - Current

The current secured bank loan is from National Australia Bank and attracts a rate of interest of BBSY plus 2.75% per annum and secured by first ranking mortgages over 1464 Ferntree Gully Road, Knoxfield Victoria. The maturity of the facility is 31 March 2011.

### 20.2 Secured Bank Loan – Non-Current

The non-current secured bank loans are from National Australia Bank and attract a rate of interest of BBSY plus 1.85% per annum and secured by first ranking mortgages over the properties at 8 Rodborough Road, Frenchs Forest New South Wales, 1 Narabang Way, Belrose New South Wales, 357-373 Warringah Road, Frenchs Forest New South Wales and 1464 Ferntree Gully Road, Knoxfield Victoria. The terms of the loan include the maintenance of loan valuation ratio of not more than 55% and an interest cover ratio of 1.3 times with the maturity of the facility on 31 October 2012.

### 20.3 Unsecured loan from associated entity

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

### 20.4 Unsecured loans

The unsecured loans are structured loan facilities linked to the loans provided by CVC to CVC Geelong Unit Trust, CVC Shepparton Pty Limited and CVC Wagga Wagga Unit Trust. The loans are repayable when CVC Geelong Unit Trust, CVC Shepparton Pty Limited and CVC Wagga Wagga Unit Trust repay their loans to CVC and attract a rate of interest of 20% per annum. During the year ended 30 June 2010 the loan facilities in relation to CVC Geelong Unit Trust and CVC Shepparton Pty Limited were settled.

# Notes to the Financial Statements

for the year ended 30 June 2010

	The Company			
	2010	2010	2009	2009
	Number	\$	Number	\$
<b>Issued and paid-up ordinary share capital</b>				
Balance at the beginning of the year	142,848,621	122,627,967	162,352,134	136,823,139
Shares bought back on market	(10,488,003)	(6,940,151)	(19,503,513)	(14,195,172)
Balance at the end of the year	132,360,618	115,687,816	142,848,621	122,627,967

## Note 21: Contributed Equity

On 23 November 2009 CVC received approval from shareholders to undertake an on-market share buy-back scheme for a duration of 12 months and limited to 30,000,000 ordinary shares. At the date of this report 4,054,423 shares had been bought back under this scheme.

	2010	2009
	\$	\$
<b>Note 22: Retained Earnings</b>		
Retained earnings at the beginning of the year	27,614,501	99,069,611
Net profit/(loss) attributable to members of the parent company	20,114,302	(66,624,934)
Dividends	(2,716,612)	(4,830,176)
Retained earnings at the end of the year	45,012,191	27,614,501

## Note 23: Non-Controlling Interest

Reconciliation of non-controlling interest in controlled entities:

Balance at the beginning of the year	8,203,475	65,997
Share of net loss	(420,319)	(741,753)
Acquisition of interests in controlled entities	606,670	8,878,903
Disposal of shares by non-controlling interest in controlled entities	(1,486,898)	-
Revaluation of investments	525,945	328
Balance at the end of the year	7,428,873	8,203,475

The non-controlling interest at the end of the year comprises interests in:

Share capital	13,534,211	21,310,675
Asset revaluation reserve	(512,492)	(317,918)
Accumulated losses	(5,592,846)	(12,789,282)
	7,428,873	8,203,475



	Asset Revaluation Reserve \$	Employee Equity Benefit Reserve \$	Foreign Exchange Translation Reserve \$	Total \$
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## Note 24: Other Reserves

### Year ended 30 June 2010

Reserves at the beginning of the year	7,753,413	(136,770)	58,940	7,675,583
Equity accounted share of reserves	273,070	302,000	812	575,882
Net unrealised loss on "available-for-sale" investments	(1,449,132)	-	186,706	(1,262,426)
Net unrealised loss on "available-for-sale" investments – non-controlling interest	(751,348)	-	-	(751,348)
Acquisition of non-controlling interest	(574,860)	-	-	(574,860)
Realised loss on "available-for-sale" investments reclassified to other comprehensive income	(4,692,559)	-	(4,565)	(4,697,124)
Tax effect of net loss on "available-for-sale" investments	2,849,456	-	46,244	2,895,700
Tax effect of net loss on "available-for-sale" investments – non-controlling interest	225,403	-	-	225,403
Reserves at the end of the year	3,633,443	165,230	288,137	4,086,810

### Year ended 30 June 2009

Reserves at the beginning of the year	39,529,888	(48,997)	(996,541)	38,484,350
Share based payments	-	(73,891)	-	(73,891)
Equity accounted share of reserves	(297,569)	(13,882)	170,111	(141,340)
Net unrealised loss on "available-for-sale" investments	(32,675,374)	-	762,479	(31,912,895)
Net unrealised loss on "available-for-sale" investments – non-controlling interest	(328)	-	-	(328)
Realised loss on "available-for-sale" investments reclassified to other comprehensive income	(11,375,278)	-	502,336	(10,872,942)
Tax effect of net loss on "available-for-sale" investments	12,572,074	-	(379,445)	12,192,629
Reserves at the end of the year	7,753,413	(136,770)	58,940	7,675,583

#### 24.1 Asset Revaluation Reserve

The asset revaluation reserve includes the movement in the fair value of "available-for-sale" financial assets to the extent that they offset one another and CVC's share of the unrealised appreciation in value of controlled entities following the acquisition of a non-controlling interest.

#### 24.2 Employee Equity Benefit Reserve

The employee equity benefits reserve is used to record the value of share based payments for CVC and associated entities provided to employees, including key management personnel, as part of their remuneration.

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 25: Notes to Statement of Cash Flows

### 25.1 Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2010 \$	2009 \$
Cash and cash equivalents	40,796,600	66,113,849

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

Net profit/(loss)	19,693,983	(67,366,687)
<i>Add/(less) non-cash items:</i>		
Share of equity accounted (profits)/losses	(3,271,146)	7,142,200
Depreciation and amortisation of property plant and equipment	18,410	25,055
Amortisation of intangibles	-	58,500
Bad debts written off	34,042	-
Impairment expenses on assets	8,876,446	84,361,979
Impairment recoveries	(12,929,837)	-
Profit on disposal of investments	(16,800,233)	(18,335,724)
Net foreign currency loss	12,434	(30,488)
Interest income not received	(1,671,582)	(3,868,162)
Interest expense not paid	996,760	545,952
Dividend income not received	(757,921)	155,686
Option income not received	(3,559)	(9,092)
Movement in current tax liabilities	(236,166)	(4,525,892)
Movement in deferred tax assets and liabilities	(3,805,537)	5,287,838
Equity remuneration	-	(73,891)
<i>Changes in operating assets and liabilities:</i>		
Trade and other receivables	137,225	1,453,622
Trade and other payables	214,341	(2,010,541)
Provisions	17,955	1,765
Other assets	(227,193)	99,894
<b>Net cash (used in)/provided by operating activities</b>	<b>(9,701,578)</b>	<b>2,912,014</b>

### 25.3 Financing Facilities

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

<b>Total facilities available:</b>		
Secured bank loan	47,250,000	14,200,000
<b>Total facilities used:</b>		
Secured bank loan	42,250,000	14,200,000

	2010	2009
	\$	\$

## Note 26: Auditors' Remuneration

The auditor of the Company is HLB Mann Judd.

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

Audit or review of the financial report	181,680	166,410
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The Auditors received no other benefits.

## Note 27: Commitments and Contingencies

### 27.1 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	426,943	406,458
- later than one year but not later than five years	593,950	1,010,787
	1,020,893	1,417,245

### 27.2 Contingencies

CVC Private Equity Limited is continuing to pursue legal action in relation to the recovery of loans provided to a subsidiary of Raptis Group Limited. It is not possible to quantify the expected costs to be incurred in relation to these claims.

## Note 28: Segment Information

### 28.1 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.

### 28.2 Secondary Segments - Geographical Segments

CVC operates predominantly in Australia.

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 28: Segment Information (cont.)

	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Funds Management \$'000's	Eliminations \$'000's	Consolidated \$'000's
<b>Year Ended 30 June 2010</b>						
<b>Revenue:</b>						
Total revenue for reportable segments	144	24,040	12,346	712	-	37,242
Inter-segment revenue	-	-	1,894	6,571	(8,465)	-
Unallocated amounts: interest income						2,082
Consolidated revenue						39,324
Equity accounted income	1,599	1,654	-	18	-	3,271
<b>Results:</b>						
Total profit for reportable segments	(1,591)	24,027	2,641	189	-	25,266
Unallocated amounts: corporate expenses						(8,843)
Share of profit of equity accounted associates						3,271
Consolidated profit after tax						19,694
<b>Assets:</b>						
Segment assets	5,021	35,048	103,074	2,367	-	145,510
Unallocated amounts:						
Cash and cash equivalents						40,797
Equity accounted investments						37,666
Other assets						864
Total assets						224,837
<b>Liabilities:</b>						
Segment liabilities	-	589	50,931	111	-	51,631
Unallocated amounts:						
Other liabilities						990
Total liabilities						52,621

## Note 28: Segment Information (cont.)

	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Funds Management \$'000's	Eliminations \$'000's	Consolidated \$'000's
<b>Year Ended 30 June 2009</b>						
<b>Revenue:</b>						
Total revenue for reportable segments	1,743	20,848	7,043	2,603	-	32,237
Inter-segment revenue	-	-	469	9,597	(10,066)	-
Unallocated amounts: interest income						4,229
Consolidated revenue						36,466
Equity accounted income	(421)	(6,365)	(246)	(110)	-	(7,142)
<b>Results:</b>						
Total profit for reportable segments	(4,269)	(26,209)	(15,864)	(7,904)	-	(54,246)
Unallocated amounts: corporate expenses						(5,979)
Share of profit of equity accounted associates						(7,142)
Consolidated profit after tax						(67,367)
<b>Assets:</b>						
Segment assets	9,430	43,062	45,088	3,005	-	100,585
Unallocated amounts:						
Cash and cash equivalents						66,114
Equity accounted investments						29,711
Other assets						859
Total assets						197,269
<b>Liabilities:</b>						
Segment liabilities	61	-	23,653	156	-	23,870
Unallocated amounts:						
Deferred tax liabilities						6,573
Other liabilities						704
Total liabilities						31,147

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 29: Related Party Information

### 29.1 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

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.

### 29.2 Loans to Key Management Personnel

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

### 29.3 Loans with Related Parties

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

	2010	2009	Interest Rate
	\$	\$	%
<i>Loans Receivable</i>			
CVC Sustainable Investments No.2 Limited	1,169,273	1,002,871	10.0%
CVC Shepparton Pty Limited	-	688,500	20.0%
CVC Geelong Unit Trust	-	11,297,766	20.0%
Impairment of loan – CVC Geelong Unit Trust	-	(1,914,554)	
CVC Wagga Wagga Unit Trust	5,449,022	5,405,022	20.0%
Impairment of loan – CVC Wagga Wagga Unit Trust	(1,949,022)	-	
CVC REEF Limited (a)	1,889,224	1,889,224	6.5%
Impairment of loan – CVC REEF Limited	(1,601,008)	(1,033,738)	
Concise Asset Management Limited	878,382	621,352	8.5%
Impairment of loan – Concise Asset Management Limited	(878,382)	(621,352)	
Battery Energy Power Solutions Pty Limited	652,057	675,705	10%
<i>Loans Payable</i>			
Winten (No. 20) Pty Limited	8,220,559	7,506,299	10%

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

## Note 29: Related Party Information (cont.)

### 29.4 Other Transactions

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

	2010		2009	
	Paid \$	Received \$	Paid \$	Received \$
<i>Management fees:</i>				
CVC Private Equity Limited (a)	-	-	-	517,767
CVC Sustainable Investments Limited	-	118,558	-	182,775
CVC Sustainable Investments No. 2 Limited	-	145,522	-	182,963
CVC Reef Investment Managers Pty Limited	-	-	-	80,000
CVC Property Fund (a)	-	-	-	45,000
Frenchs Forest No.1 Trust (a)	-	-	-	10,107
Amadeus Energy Limited	-	35,822	-	-
Cellnet Group Limited	-	54,500	-	54,500
Cyclopharm Limited	-	8,231	-	40,724
Dolomatrix International Limited	-	55,000	-	-
Mnet Group Limited	-	8,333	-	25,000
The Environmental Group Limited	-	17,500	-	71,479
GPG (No.7) Pty Limited	-	-	-	561,749
CVC Geelong Unit Trust	-	-	-	50,000
Pro-Pac Packaging Limited	-	-	-	40,500
Battery Energy Power Solutions Pty Limited	25,000	-	-	-
Wenola Services Pty Limited (c)	200,000	-	200,000	-
Southseas Nominees Pty Limited (b)	100,000	-	100,000	-
Melbourne Corporation of Australia Pty Limited (b)	100,000	-	100,000	-
<i>Other services</i>				
Melbourne Corporation of Australia Pty Limited (b)				
- Secretarial	44,100	-	44,100	-

(a) Represents amounts received prior to becoming a controlled entity of CVC.

(b) Private companies associated with Mr Gould.

(c) Private company associated with Mr Leaver.

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 30: 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 the Group.

The Group 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 the Group. 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.

### 30.1 Interest Rate Risk

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

	Note	Floating Interest Rate \$	Fixed Interest 1 Year or Less \$	1 to 5 Years \$	Over 5 Years \$	Non Interest Bearing \$	Total \$
<b>2010:</b>							
<i>Financial assets</i>							
Cash and cash equivalents	25	6,688,360	34,107,740	-	-	500	40,796,600
Trade and other receivables	9	-	19,508,239	1,821,330	-	1,058,998	22,388,567
<i>Financial liabilities</i>							
Trade and other payables	18	-	-	-	-	1,901,008	1,901,008
Interest bearing liabilities	20	42,250,000	539,902	7,687,074	-	-	50,476,976
<b>2009:</b>							
<i>Financial assets</i>							
Cash and cash equivalents	25	2,910,136	63,203,213	-	-	500	66,113,849
Trade and other receivables	9	-	19,994,405	1,858,357	-	2,544,189	24,396,951
<i>Financial liabilities</i>							
Trade and other payables	18	-	-	-	-	884,846	884,846
Interest bearing liabilities	20	14,200,000	2,210,535	-	7,033,402	-	23,443,937



## Note 30: Additional Financial Instruments Disclosure (cont.)

### 30.1 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. CVC is not charged interest on outstanding trade and other payable balances. CVC enters into loans and borrowings with fixed rates of interest when it is considered commercial and necessary to manage cash flows.

#### Sensitivity

At reporting date, if interest rates had been 50 basis points higher (2009: 50 basis points higher) and the other variables were held constant, then the impact of the Group would be:

	Increase of 50 bp \$
<b>2010</b>	
Net profit	56,831
Equity increase	56,831
<b>2009</b>	
Net profit	172,104
Equity increase	172,104

### 30.2 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 would be:

	Increase of 10% \$	Decrease of 10% \$
<b>2010</b>		
Net profit/(loss)	2,320,810	(2,320,810)
Equity increase/(decrease)	3,594,631	(3,594,631)
<b>2009</b>		
Net profit/(loss)	941,336	(941,336)
Equity increase/(decrease)	3,139,378	(3,139,378)

### 30.3 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 statement of financial position best represent CVC'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.

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.

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 30: Additional Financial Instruments Disclosure (cont.)

### 30.4 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 contractual liabilities.

	Less than 6 months \$	6 months to 1 Year \$	1 to 5 Years \$	Greater than 5 Years \$	Total \$
<b>2010</b>					
Trade and other payables	1,502,508	398,500	-	-	1,901,008
Interest bearing liabilities	-	6,889,902	43,587,074	-	50,476,976
<b>2009</b>					
Trade and other payables	884,846	-	-	-	884,846
Interest bearing liabilities	1,630,596	579,939	14,200,000	7,033,402	23,443,937

### 30.5 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.

#### Foreign currency sensitivity

CVC is exposed to the 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.

	Increase in AUD of 10% \$	Decrease in AUD of 10% \$
<b>MYR</b>		
<b>2010</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	(589,915)	740,932
<b>2009</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	(580,748)	738,449

## Note 30: Additional Financial Instruments Disclosure (cont.)

### 30.6 Fair Value of Financial Assets and Liabilities

CVC uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted market price (Level 1) \$	Valuation technique – market observable inputs (Level 2) \$	Valuation technique – non market observable inputs (Level 3) \$	Total \$
<b>Year ended 30 June 2010</b>				
<b>Financial assets</b>				
<i>“Available-for-sale” investments</i>				
Shares in listed corporations – at market value	14,197,617	20,831,419	-	35,029,036
Other investments – at cost	-	-	3,761,336	3,761,336
Other investments – at market value	-	917,279	-	917,279
<i>“Loans and receivables”</i>				
Loans to related entities	-	-	5,609,546	5,609,546
Loans to other corporations	-	-	15,720,023	15,720,023
	14,197,617	21,748,698	25,090,905	61,037,220
<b>Year ended 30 June 2009</b>				
<b>Financial assets</b>				
<i>“Available-for-sale” investments</i>				
Shares in listed corporations – at market value	29,711,450	13,362,368	-	43,073,818
Other investments – at cost	-	-	3,485,901	3,485,901
Other investments – at market value	-	766,272	-	766,272
<i>“Loans and receivables”</i>				
Loans to related entities	-	-	17,335,091	17,335,091
Loans to other corporations	-	-	4,517,671	4,517,671
	29,711,450	14,128,640	25,338,663	69,178,753

# Notes to the Financial Statements

for the year ended 30 June 2010

## Note 30: Additional Financial Instruments Disclosure (cont.)

### 30.6 Fair Value of Financial Assets and Liabilities (cont.)

Reconciliation of Level 3 fair value movements:

	2010 \$	2009 \$
Balance at the beginning of the year	25,338,663	47,912,026
Impairment	(2,946,734)	(22,119,571)
Impairment recovery	6,566,438	242,227
Interest income	1,863,102	3,700,014
Other comprehensive income	-	(89,400)
Purchase	750,000	856,051
Sales	(307,414)	(12,111)
Issues	16,583,754	10,496,491
Settlement	(22,756,904)	(15,647,564)
Balance at the end of the year	25,090,905	25,338,663

## Note 31: Employee Entitlements

Aggregate liability for employee entitlements including on-costs:

Current	198,435	188,986
Non-current	44,432	35,926
Number of employees at year-end	9	8

## Note 32: Events Subsequent to Year End

A final dividend in respect of the year ended 30 June 2010 of 3 cents per share was declared on 23 August 2010 and paid on 8 September 2010 to those shareholders registered on 1 September 2010.

On 6 August 2010 a controlled entity of the Company, ASX listed CVC Property Fund completed a rights issue of 1.5 units for each unit held at 1.2 cents. The total acceptances received, excluding CVC, amounted to \$330,241.

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

## Note 33: 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.

### 33.1 Loans to other corporations

An impairment has been raised against certain loans to other corporations of \$30,000 (2009: \$11,571,568) that have a carrying value of \$15,750,023 (2009: \$16,089,239). The recoverable amount has been assessed in note 9.

## Note 33: Critical Accounting Estimates and Judgements (cont.)

### 33.2 Loans to related entities

CVC has provided a loan of \$1,889,223 (2009: \$1,889,223) 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.

CVC has provided a subordinated loan of \$878,382 (2009: \$621,352) to Concise Asset Management Limited, a boutique fund manager focused on investments in ASX listed entities of which CVC holds a 49% interest and Mr Beard is a director.

CVC has provided loans with a total carrying value of \$5,449,022 (2009: \$5,405,022) to CVC CVC Wagga Wagga Unit Trust which focused on the development of bulky goods properties which CVC holds a 50% interest and Mr Beard is a director.

An impairment has been raised against loans to related entities of \$4,428,412 (2009: \$3,569,644) that have a carrying value of \$8,216,628 (2009: \$13,808,342). The recoverable amounts of the loans have been assessed in note 9.

### 33.3 "Available-for-sale" investments

The fair value of the investments has been assessed in note 10.

### 33.4 Investments accounted for using the equity method – listed investments

The investment in Cellnet Group Limited has a carrying value of \$8,541,613 (2009: \$7,196,621) following an impairment recovery of \$551,433 (2009: impairment charge \$1,426,584) and Pro-pac Packaging Limited has a carrying value of \$12,240,350 (2009: \$4,574,885) following an impairment recovery of \$5,645,827 (2009: impairment charge \$9,604,768).

### 33.5 Absence of active market

In calculating the fair value of Resource Generation Limited (note 10), Mnet Group Limited (note 10), Vita Life Sciences Limited (note 10), Silver Bird Group Bhd (note 10), Cellnet Limited (note 12) and Pro-Pac Packaging Limited (note 12) CVC has determined that an active market does not exist for significant holdings 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 capitalisation is small such that larger institutions do not hold significant shareholdings. However the active market in small amounts of trading does provide a guide for valuation in that it indicates whether or not the market values the intangible assets of an entity. This factor has been used in determining the valuation of each company.

### 33.6 Investments accounted for using the equity method – unlisted investments

The investment in GPG (No. 7) Pty Limited ("GPG") has a carrying value of \$7,116,615 (2009: \$8,470,000) following an impairment charge during the year of \$1,134,485 (2009: \$4,534,201). The total impairment charge made against GPG totals \$5,668,686 (2009: \$4,534,201). CVC has discounted net tangible asset backing to reflect an estimate of the recoverable value of assets of the company to reflect the current trading environment. If the discount is +/- 10% the impact on the carrying value of GPG is +/- \$711,662.

CVC Sustainable Investments has a carrying value of \$2,426,136 (2009: 2,354,311) following an impairment charge during the year of \$94,871 (2009: nil).

Concise Asset Management Limited has a carrying value of nil.

The recoverable amounts have been assessed in note 12.

### 33.7 Properties

Fair value adjustments have been made against properties held by CVC. The fair value adjustments during the year are as follows:

	2010 \$	2009 \$
1 Narabang Way, Belrose New South Wales	2,215,408	1,000,000
8 Rodborough Rd, Frenchs Forest New South Wales	200,000	-
357-373 Warringah Rd, Frenchs Forest New South Wales	121,831	-
Unit 1 1464 Ferntree Gully Rd, Knoxfield Victoria	657,558	-
Unit 2 1464 Ferntree Gully Rd, Knoxfield Victoria	1,451,773	-
	4,646,570	1,000,000

The recoverable amounts have been assessed at note 16.

# Directors' Declaration

for the year ended 30 June 2010

In the opinion of the Directors of CVC Limited:

- (a) The financial statements and notes of the consolidated entity are in accordance with *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and *Corporations Regulations 2001*.
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
- (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; and
- (d) the audited remuneration disclosures set out on pages 12 to 13 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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 2010.

Dated at Sydney 27 September 2010.

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

**VR Gould**  
*Director*

**ADH Beard**  
*Director*

# Independent Auditor's Report

for the year ended 30 June 2010

To the members of CVC Limited:

## Report on the Financial Report

We have audited the accompanying financial report of CVC Limited ("the Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, and other explanatory notes and the directors' declaration for the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 60.

## 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 the consolidated financial statements comply 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 Company'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 Company'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.

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

## 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 27 September 2010, 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 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply 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 12 to 13 of the directors' report for the year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

HLB MANN JUDD  
Chartered Accountants

P B MEADE  
Partner

Sydney  
27 September 2010

# Corporate Governance Statement

for the year ended 30 June 2010

The Board of Directors of the Company is responsible for the corporate governance of CVC. The Board is required to act with integrity, honesty, in good faith and in the best interest of the Company as a whole in the execution of its duties including setting, guiding and monitoring the business and affairs of the Company, including risk management, and compliance with regulatory, legal and ethical standards. The Board is responsible for the oversight of reporting to 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, member of the audit committee

**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

Appointment to the Company is dependant on skills, experience and other qualifications rather than solely on achieving a pre-specified diversity target. Details of skills, experience and other qualifications of Directors, including numbers and attendances of Board and audit committee meetings, are included in the Directors' Report.

The Board considers that CVC seeks to comply, where appropriate, with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. Where CVC does not comply, this is primarily due to the current size, scale and nature of the operations. The Council recognises that "a one size fits all" approach maybe inappropriate. Companies are at liberty to determine whether each recommendation is appropriate. 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. The Council has issued recommendations and require companies to adopt an 'if not why not' approach to reporting compliance, requiring companies to identify the recommendations that have not been followed and give reasons for not following them.

The Company chose to adopt selected recommendations throughout the financial year ended 30 June 2010, in particular those discussed in detail below:

**Board Composition and Directors' Experience**

The Board of the Company comprises four Directors.

The Chairman is responsible for leading the Board, ensuring the Board's activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. 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.

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.

The Managing Director is responsible for the management and operation of the Company. Those powers not specifically reserved to the Board and which are required for the management and operation of the Company, are conferred on the Managing Director.

Mr Read is chairman of the audit committee, but because he has been on the Board of the Company for more than twenty years, he is not considered independent. Further information in relation to the audit committee can be found in the Directors Report to the financial report.

The Board believes that the current structure of the Board operates effectively and efficiently, allowing 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 recommendations throughout the financial year ended 30 June 2010:

- > 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 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, and create separate Boards and sub-committees to satisfy the requirements of the Corporate Governance Principles and Recommendations would have had minimal additional benefit but substantial additional expense. The Company is also mindful to not adopt such procedures and structures solely for the sake of adoption or where they could actually inhibit the proper function or development of the Company.

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 considering the adoption and implementation of the following recommendations:

- > 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.

#### **Other Information**

During the 2011 financial year the Board will be adopting a formal policy for trading in the Company's securities that provides sufficient flexibility, considering the operations of the Company.

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 Board, in conjunction with the Audit Committee, is responsible for ensuring that there is an adequate oversight and management of material business risks facing the Company. The Board ensures that there are appropriate systems in place to identify, assess, monitor and manage market, operational and compliance risks. This is achieved via a strong control environment, accountability and review of risk profiles.

In respect of the year ended 30 June 2010, the Managing Director and the Chief Financial Officer have provided certifications to the Board in relation to the presentation of the financial reports and the operation of the risk management and internal control system.

The Company did not perform a performance evaluation of the Board and its members during the year ended 30 June 2010.

When applicable, 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.

In accordance with the ASX Continuous Disclosure requirements, the Company ensures that price sensitive information is released to the market on a timely basis. Additional information regarding the operation of CVC can be found at [www.cvc.com.au](http://www.cvc.com.au).

# Additional Information

The following information was current as at 23 September 2010.

## Distribution schedule

The distribution of shareholders and their shareholdings was as follows:

Category (size of holding)	Number of ordinary shareholders
1 - 1,000	168
1,001 - 5,000	439
5,001 - 10,000	260
10,001 - 100,000	397
100,001 - over	89
<b>Total</b>	<b>1,353</b>

Unmarketable parcels	Minimum parcel size	Number of shareholders
Minimum \$500.00 parcel at \$0.86 per share	582	90

## On market share buy-back

The Company has a current on market share buy-back which commenced on 23 November 2009.

## 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
Southsea (Aust.) Pty Limited	17,610,506
Penalton Pty Limited	15,575,978
Derrin Brothers Properties Limited	7,899,259
Fine Industrial Technology Limited	6,661,235

## 20 largest shareholders - ordinary shares

As at 23 September 2010, the top 20 shareholders and their shareholdings were as follows:

Shareholder	Shares held	% of issued capital held
Leagou Pty Limited	20,704,611	15.70
Southsea (Aust.) Pty Limited	17,610,506	13.36
Penalton Pty Limited	15,575,978	11.81
Derrin Brothers Properties Limited	7,899,259	5.99
Fine Industrial Technology Limited	6,661,235	5.05
Southgate Investment Funds Limited	5,500,000	4.17
Abasus Investments Limited	4,865,135	3.69
Chemical Trustee Limited	4,861,741	3.69
LJK Nominees Pty Limited	3,380,000	2.56
RBC Dexia Investor Services Australia Nominees Pty Limited	3,000,000	2.28
LJK Nominees Pty Limited	2,000,000	1.52
Rubi Holdings Pty Limited	2,000,000	1.52
Warman Investments Pty Limited	1,250,000	0.95
Mr Alexander Beard	1,118,136	0.85
Mr Nigel Cameron Stokes	1,017,271	0.77
Indo-Suez Investments Limited	832,144	0.63
Wenola Pty Limited	805,000	0.61
LJK Investments Pty Limited	800,000	0.61
Wenola Pty Limited	700,000	0.53
National Nominees Limited	672,995	0.51
	<b>101,254,011</b>	<b>76.80</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.

