



# Half-yearly Financial Report

**CVC Limited and  
its Controlled Entities**

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*for the half-year ended 31 December 2006*

# chairman's report

for the half-year ended 31 December 2006

## Commentary on Results, Dividend Announcement and Profit Outlook

### Overview

The Directors of CVC Limited ("CVC") are pleased to:

- report a profit before tax of \$10.0 million and after tax of \$7.9 million for the 6 months to 31 December 2006;
- report an increase of \$44.1 million after tax in the value of listed investments during the 6 months to 31 December 2006;
- announce an increase of 100% in the interim dividend to a record 6 cents fully franked per share;
- forecast a profit after tax of approximately \$30 million for the full year ended 30 June 2007; and
- forecast a final dividend of 6 cents per share fully franked to give a full year dividend of 12 cents.

### Half-year Result

The profit after tax of \$7.9 million for the 6 months to 31 December 2006 represents an increase of 159% over the comparative half-year and combined with the \$44.1 million after tax increase in the value of listed investments during the period, reflected directly in reserves, represents an after tax return on shareholders funds of over 31% for the half-year to December 2006.

The result reflects strong performances by CVC across all business segments of the group and vindicates the continuing objective of developing substantial recurrent earnings streams for CVC that will be further pursued over the next 6 to 18 months.

### Highlights

Investment highlights of the six months include:

- the Initial Public Offering of Probiotec;  
CVC sold down approximately \$6.5 million of its holding into the IPO crystallising a \$2.2 million profit and has retained an approximate 4.0% holding in Probiotec.
- development of the CVC Trinity Property Fund;  
CVC signed a joint venture agreement with Trinity Group to manage the CVC Trinity Property Fund; completed a \$7.5 million recapitalisation of the Fund and obtained approval for the acquisition of the Belrose property into the Fund.
- the announcement of a scheme of arrangement for the acquisition of Greens Foods;  
CVC's long term holding in Green's will be sold to Nestle Australia Ltd, subject to Green's shareholder approval, in March 2007 and crystallise a profit for CVC of \$6.6 million. Concurrent with the sale, a joint venture between CVC and GPG PLC will purchase the non-petfood businesses of Greens.
- preparation of Cyclopharm for an Initial Public Offering;  
After significant effort by the management team - our long term investment in Vita Life Sciences Limited has begun to show restoration in value with the ASX listing of Cyclopharm Limited in January 2007 and an initial market at a 30% premium to its issue price.
- expansion of the property portfolio.  
CVC has expanded its property portfolio with a number of new property investments including a joint venture to develop two commercial properties in Shepparton and Geelong, Victoria and providing mezzanine finance to the Sakkara Group for its Synergy North project, a 49 unit residential project on Sydney's North Shore.

## Commentary on Future Expectations and Profit Outlook

CVC is focusing on building its recurring income streams and capitalising upon opportunities across its core business segments of private equity, listed equity investments, direct property and funds management including undertaking the following:

- Acquire the non-petfood businesses of Green's Foods Limited.
- Pursue private equity opportunities.
- Pursue direct property opportunities.
- Development of the Ron Finemore Transport operations.
- Acquire/merge with existing equities manager to manage and grow the listed share portfolio.

The first step in achieving this was the placement of 55 million shares at \$2.00 per share subsequent to the end of the half-year. Additionally, a development agreement has been signed with the Aspen Group for the Fern Bay Seaside Village project which will return approximately \$21 million.

Based on the initiatives currently underway it is anticipated that CVC's profit after tax for the year ending 30 June 2007 will approach \$30 million and that there is good reason to believe that CVC is capable of at least a similar level of profitability for the year ending 30 June 2008.

### Dividends

On the 22 February 2007 a fully franked interim dividend of 6 cents per share was paid, representing a 100% increase on the 2006 interim dividend. It is also expected that the final dividend will also be increased to 6 cents per share fully franked, totalling 12 cents for the 2007 financial year.

ADH Beard

Director

# income statement

for the half-year ended 31 December 2006

	Consolidated	
	31 Dec 2006	31 Dec 2005
	\$	\$
<b>INCOME</b>		
Dividends received	2,757,418	2,619,012
Interest income	2,570,021	2,470,883
Net gain on sale of equity investments	4,719,106	135,427
Recoveries of loans	-	682,438
Recoveries on equity investments	67,000	-
Sale of services	1,014,544	493,537
Other income	315,943	420,661
<b>Total income</b>	<b>11,444,032</b>	<b>6,821,958</b>
<b>Equity accounted profits/(losses)</b>		
Share of net profits/(losses) of associates	1,136,329	(540,329)
Share of net profits of joint ventures	3,385	36,019
<b>Net equity accounted profits/(losses)</b>	<b>1,139,714</b>	<b>(504,310)</b>
<b>EXPENSES</b>		
Audit fees	30,000	16,000
Amortisation of intangible assets	58,500	58,500
Finance costs	95,971	70,766
Depreciation expense	17,694	23,358
Directors fees	37,000	25,000
Employee costs	787,862	612,959
Impairment expenses on loans	-	1,051,613
Legal and associated costs	1,691	20,894
Management and consultancy fees	820,300	592,849
Operating lease expense	185,382	175,146
Other expenses	538,337	424,073
<b>Total expenses</b>	<b>2,572,737</b>	<b>3,071,158</b>
<b>Profit before related income tax expense</b>	<b>10,011,009</b>	<b>3,246,490</b>
Income tax expense	2,144,786	208,586
<b>Profit</b>	<b>7,866,223</b>	<b>3,037,904</b>
Net profit attributable to minority interests	16	2
<b>Profit attributable to members of the parent entity</b>	<b>7,866,207</b>	<b>3,037,902</b>
<b>Basic &amp; diluted earnings per share (cents)</b>	<b>6.75</b>	<b>2.39</b>
<b>Dividends paid during period per share (cents)</b>	<b>3.00</b>	<b>3.00</b>

# balance sheet

as at 31 December 2006

	Consolidated	
	31 Dec 2006	30 Jun 2006
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8,172,796	24,194,797
Trade and other receivables	23,964,929	15,799,635
Current tax assets	-	304,864
Assets held for resale	17,560,409	-
Other assets	104,332	89,531
<b>Total current assets</b>	<b>49,802,466</b>	<b>40,388,827</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	6,067,098	5,422,656
"Available-for-sale" financial assets	182,792,001	126,588,621
Investments accounted for using the equity method	8,749,263	11,157,964
Investment properties	2,808,837	2,818,637
Property, plant and equipment	37,037	19,424
Intangible assets	8,627,854	8,686,354
Deferred tax assets	936,051	1,039,109
<b>Total non-current assets</b>	<b>210,018,141</b>	<b>155,732,765</b>
<b>TOTAL ASSETS</b>	<b>259,820,607</b>	<b>196,121,592</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,058,361	2,145,874
Provisions	165,169	323,985
Current tax liabilities	1,752,151	4,641,279
<b>Total current liabilities</b>	<b>2,975,681</b>	<b>7,111,138</b>
<b>NON-CURRENT LIABILITIES</b>		
Other financial liabilities	3,177,269	2,113,032
Deferred tax liabilities	38,720,825	19,491,298
<b>Total non-current liabilities</b>	<b>41,898,094</b>	<b>21,604,330</b>
<b>TOTAL LIABILITIES</b>	<b>44,873,775</b>	<b>28,715,468</b>
<b>NET ASSETS</b>	<b>214,946,832</b>	<b>167,406,124</b>
<b>EQUITY</b>		
Contributed equity	37,652,039	38,633,426
Retained profits	102,452,055	98,077,668
Other reserves	74,842,547	30,694,856
Total parent entity interest	214,946,641	167,405,950
Minority interest	191	174
<b>TOTAL EQUITY</b>	<b>214,946,832</b>	<b>167,406,124</b>

## statement of changes in equity

for the half-year ended 31 December 2006

	Consolidated	
	31 Dec 2006	31 Dec 2005
	\$	\$
<b>Income and expenses recognised directly in equity</b>		
“Available-for-sale” investments:		
- Increase in fair values recognised in other reserves	66,556,945	11,474,262
- Amounts transferred from other reserves to the income statement on sale	(3,568,955)	187,323
- Income tax on fair value movements taken to or from other reserves	(18,896,395)	(3,498,476)
- Value of equity based remuneration recognised in other reserves	59,441	55,223
- Value of associates equity based remuneration recognised in other reserves	(3,345)	-
<b>Net income reflected directly in equity</b>	<b>44,147,691</b>	<b>8,218,332</b>
Profit for the half-year	7,866,223	3,037,904
<b>Total recognised income and expense for the half-year</b>	<b>52,013,914</b>	<b>11,256,236</b>
<b>Attributable to:</b>		
Shareholders	52,013,898	11,256,234
Minority interests	16	2
	<b>52,013,914</b>	<b>11,256,236</b>
<b>Transactions with shareholders in their capacity as shareholders</b>		
Shares issued during the half-year:		
- through the dividend reinvestment plan	139,942	782,417
- under the executive and non-executive long term incentive plan	2,999	1,000
Payments for share buy-backs	(1,124,328)	(5,925,024)
Dividends paid to shareholders	(3,491,819)	(3,823,435)
<b>Total transactions with shareholders in their capacity as shareholders</b>	<b>(4,473,206)</b>	<b>(8,965,042)</b>
<b>Net increase in equity for the half-year</b>	<b>47,540,708</b>	<b>2,291,194</b>
<b>Equity at the beginning of the half-year</b>	<b>167,406,124</b>	<b>155,218,516</b>
<b>EQUITY AT THE END OF THE HALF-YEAR</b>	<b>214,946,832</b>	<b>157,509,710</b>

## cash flow statement

for the half-year ended 31 December 2006

	Consolidated	
	31 Dec 2006	31 Dec 2005
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	1,056,933	412,825
Cash payments in the course of operations	(3,435,311)	(1,493,296)
Interest received	1,376,048	1,318,979
Dividends received	2,757,418	2,477,235
Interest paid	(52,926)	(57,300)
Income taxes paid	(4,291,428)	(710,513)
<b>Net cash flows (used in)/provided by operating activities</b>	<b>(2,589,266)</b>	<b>1,947,930</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(25,507)	(1,007)
Payments for investment property	-	(2,833,994)
Payments for equity investments	(16,335,587)	(19,436,045)
Payments for controlled entities net of cash acquired	-	(190,000)
Proceeds on disposal of equity investments	14,097,748	2,947,546
Loans provided	(10,492,338)	(2,985,058)
Loans repaid	3,712,159	6,057,191
<b>Net cash flows used in investing activities</b>	<b>(9,043,525)</b>	<b>(16,441,367)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	2,100,000
Dividends paid to members of the parent entity	(3,404,824)	(2,957,018)
Payments for share buy-backs	(1,124,328)	(5,925,024)
Issue of shares	139,942	-
<b>Net cash flows used in financing activities</b>	<b>(4,389,210)</b>	<b>(6,782,042)</b>
Net decrease in cash held	(16,022,001)	(21,275,479)
Cash at the beginning of the half-year	24,194,797	41,277,130
<b>CASH AT THE END OF THE HALF-YEAR</b>	<b>8,172,796</b>	<b>20,001,651</b>
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